John Lewis Partnership plc

Annual Report & Accounts 2023

JOHN LEWIS PARTNERSHIP

JOHN LEWIS | WAITROSE

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Find out more

For more information on the progress we are making against our Ethics and Sustainability strategy and to read our latest Modern Slavery Statement, visit www.johnlewispartnership.co.uk/csr.

More detailed non-financial performance information can also be found at www.johnlewispartnership.co.uk.

STRATEGIC REPORT

MESSAGE FROM THE CHAIRMAN

Dear Partner

You've been exceptional in what has been another very tough year. Two years of pandemic and now a cost of living crisis.

I know you're feeling the impact of higher inflation, and I hope the £500 (pro rata) cost of living payment and free food over the winter helped.

Inflation has had a big impact on the Partnership[1] and sent our costs soaring - up almost £180m on last year. We haven't sat on our hands. We've been working hard to drive out costs. Negotiating better deals with suppliers and simplifying ranges in both brands.

Shoppers felt the pain of inflation. Sales[2] were £12.25bn, a 2% dip on the year: a combination of strong sales at John Lewis and a decline of 3% at Waitrose, reflecting that we had more customers - 20 million of them, 800,000 more than last year - but they bought less. Revenue was £10.53bn, down 3%. The big online growth of the pandemic years was partly reversed. Shoppers shifted some of their grocery spending to the discounters.

It is also the case that we had some set-backs. Product supply challenges and a major fire in our Brinklow warehouse hit availability in Waitrose last summer. This was recovered through autumn and availability is now strong.

All in all, this has made for a tough set of results. We made a loss before tax and exceptional items[3] of £77.6m. When you add in exceptional costs - the biggest one being a write down in the value of Waitrose stores - the loss before tax was £234.1m. Our balance sheet remains strong - £1.0bn of cash and access to a £420m credit facility, like an overdraft, if we need it.

I am sorry that the loss before tax and exceptional items[2] meant we were not able to share a bonus this year or do as much as we would like on pay. We'll continue to help with the cost of living in other ways - the financial assistance fund will stay at £800,000 (a doubling) and there is support for travel, childcare and living costs.

Far from diverting us from the Partnership Plan, the economic backdrop has galvanised us to go faster. The Plan is about two things - increasing the appeal of our brands and building on them to diversify into new services. Last year, we invested more than £500m in our transformation.

Waitrose is expanding in the all important convenience market through tie-ups with Dobbies (garden centres) and Shell, and getting exclusive brands (Gail's, Plants by Deliciously Ella). John Lewis has set out a clear pricing approach (good, better, best), brought stronger styling and design to own-brand Fashion and Home and introduced over 200 new brands. Both brands relaunched - John Lewis (*for all life's moments*), Waitrose (*food to feel good about*).

Great customer service is at the core of who we are, and always will be. John Lewis was voted top UK retailer for customer service. Waitrose won more Grocer 33 Store of the Week awards than any other supermarket.

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[1] In this report, references to the Partnership mean the John Lewis Partnership plc together with its subsidiaries.
[2] All references to sales are Total trading sales which includes VAT, sale or return and other accounting adjustments. See page 188 of the Glossary for a reconciliation between Total trading sales and Revenue.
[3] Loss/profit before Partnership Bonus, tax and exceptional items (PBTBE). See page 188 of the Glossary for a reconciliation between Loss before tax and PBTBE.

A new venture with abrdn secured investment in our 'build to rent' property business but there are no transactions this year. And financial services - a business we've been in for nearly 20 years - is growing well, with popular products like our relaunched pet insurance. 600,000 customers joined our new Partnership (credit) Card. Not a smooth process for everyone, but customers are - on average - now spending more than before.

Those of you who have been in the Partnership for a while will know that the business expanded rapidly between 2000 and 2015, going from 151 to 379 stores. We now have catch-up investment to make and have the potential to modernise the business at greater pace.

Given the economic backdrop, it would have been easy to step back from our principles where these carry a price tag. That is not the Partnership way. Instead we chose to invest in British farmers so they did not have to compromise on their high animal welfare standards. We launched a programme to provide jobs for young people who have grown up in the care system, and the 'Building Happier Futures' fund has raised over £1m.

Looking ahead, the external environment is no less uncertain. Even as headline inflation is starting to fall, the Partnership is still seeing costs rise.

Faced with a more challenging environment, we have adapted the Partnership Plan to improve the profitability of the business, tripling our target for efficiency savings from £300m to ~£900m (by January 2026). The mantra for the year is ***cost out, margins up and customer focus***.

We're showing renewed confidence. A £100m price investment in Waitrose - demonstrating that value with values (quality and sustainability) go hand in hand. John Lewis Horsham has undergone a multimillion pound revamp and is testing new concepts like play spaces for children that will be tested in other stores. Going big this spring on nursery, childrenswear and advice for families.

Simplifying the way we run Waitrose shops - less time on process, more time with customers. Investing in data and loyalty so we can give customers more of what they want. More simplification of our ranges. Sale of Partnership assets will give us more money to invest in our transformation.

As we need to become more efficient and productive, that will have an impact on our number of Partners. That's a massive regret to me personally. It would be difficult enough in any business. It's particularly tough in the Partnership, when everything we do is with one goal in mind: *'happier people, happier business and happier world'*.

We're not just employees; together we own the Partnership. That's a huge responsibility as well as privilege - in the good times and when it's tough. I feel it acutely. By seizing the opportunities to transform, we will secure the Partnership's future for another 100 years.

Pages 3 to 55 comprise the Group Strategic Report, which was approved by the Partnership Board on 27 April 2023.

Sharon White
Partner and Chairman

Notes
The financial year is the 52 weeks ended 28 January 2023 (prior year: 52 weeks ended 29 January 2022). See Glossary section on pages 183 to 188 for explanation of financial terms.

OUR PURPOSE

Working in partnership for a happier world

The John Lewis Partnership, the UK's largest employee-owned business with over 74,000 Partners, was established by John Spedan Lewis as a better way of doing business and to drive positive change in society. In good times and tough, that ethos remains the same.

Our Constitution preserves the values that underpin our business within a single document that can only be changed with the consent of both the Partnership Council and the Chairman. Within our Constitution, we have set out Principles and Rules which define the Partnership's role in society, as well as our responsibilities to Partners, customers, suppliers and the communities in which we operate. Crucially, it also states that we are required to make 'sufficient' not 'maximum' profit, the reason why we have always been focused on reinvesting our profits back into our Partners and the pursuit of our Purpose.

Our Purpose - working in partnership for a happier world - was updated in 2022 to more clearly define our ultimate aim as a business, and why we exist.

Happier people	Happier business	Happier world
Our happier business starts with happier Partners, enjoying worthwhile and satisfying work in a supportive environment we all help to create. We treat people with fairness, courtesy and respect, and we work with others who do the same.	We build happier businesses that are honest, fair and free to think and act for the long term. We aim to make sufficient profit to retain our financial independence, invest in our Partners and pursue our Purpose.	We champion the role our Partnership can play in advancing the happiness of the communities we work with and the wellbeing of society. We build trusted business relationships, acting with integrity and doing what's right. We take responsibility for our impact on the planet. We work tirelessly to protect and restore nature, creating a more sustainable future for generations to come.

THE PARTNERSHIP BUSINESS MODEL

The John Lewis Partnership functions unlike any other business. Our employees are Partners and custodians of our experiment in industrial democracy. The three governing authorities of the Partnership are the Partnership Council, the Partnership Board and the Chairman, who jointly aim to safeguard the Partnership's future, to enhance its prosperity and to ensure its integrity.

Our Council represents the views of all our Partners, for whom the business is owned in Trust. The Partnership's democratic network of an elected Council, 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. We have 65 Forums, made up of around 900 elected representatives, that influence, inform and support senior leaders in different parts of our business and gather Partner opinion for Council. As a business run on democratic principles, local leaders work with Partners to agree the best way to hear and respond to Partners' voices within their branch or department – we call this Local Voice.

We have over sixty Partners who have been formally elected by their peers to be our Partnership Council. In addition, on behalf of all Partners, Partnership Council has elected three Partners to the Partnership Board as Elected Directors, and three Partners as Trustees of the Constitution. Partners can read more on the Democracy pages of the Partner Intranet and in the Partnership Council Report to be published separately in June 2023.

THE PARTNERSHIP PLAN

We completed year two of the Partnership Plan and its objectives continue to provide enhanced focus on where we will allocate our resources.

Through our iconic trusted brands, we are enabling customers to shop the way they want with expert advice, brilliantly edited choices and truly memorable experiences. We are responding to rapidly changing consumer habits, getting closer to customers online and in-store and expanding in new areas where we believe our values can be a force for good.

We are simplifying how we work and empowering Partners to do what's best for customers. We are creating a lean, simple and fast Partnership as part of the Partnership Plan to help improve operational efficiency and processes for the benefit of our Partners, customers and suppliers.

This year, in light of the economic environment, we have adapted our Plan to step up our transformation and specifically to save another ~£600m of costs by January 2026.

To support the delivery of our Plan, we have our Partnership Plan Objectives (PPOs) to provide focus on what we need to do, how we get there and clear measurements of success. We review the PPOs and progress each half-year, to make sure they are still relevant and stretching, but achievable.

THE PARTNERSHIP PLAN **Working in Partnership for a Happier World**	
RETAIL CUSTOMERS LOVE Customers shopping the way they want, with expert advice, brilliantly edited choice and truly memorable experiences	**INSPIRATIONAL NEW SERVICES** Trusted new propositions that allow us to play a bigger role in customers' lives
PARTNERSHIPS FOR GROWTH Accelerated growth by combining our unique strengths with the capabilities of others	**LEAN, SIMPLE, FAST** A lower cost, far simpler business that creates more pace and freedom for Partners and more cash for growth
A THRIVING PARTNERSHIP LOVED BY PARTNERS AND CUSTOMERS	

OUR PERFORMANCE

Stepping up our transformation

We're on track across many areas of our Partnership Plan, which gives us great confidence, and we're responding at pace to the economic environment as well as the changing needs of our customers. This coming year, we are prioritising where we invest our time and money to deliver three critical priorities: ***cost out, margins up and customer focus***. We look ahead from a position of strength and the fundamentals of our business - customer base, liquidity and balance sheet - are robust.

- In the last financial year, we attracted more customers to the Partnership with numbers up 4% to 20.3 million; Waitrose customers up 7% to 13.7 million, John Lewis customers up 0.5% to 11.7 million.
- Customers benefited from Waitrose expansion into the convenience market while John Lewis brought stronger styling and design to own-brand Fashion and Home.
- Total trading sales for the Partnership were £12.25bn, down 2%: Waitrose sales were £7.31bn, down 3%; and John Lewis sales were £4.94bn, up 0.2%. Revenue was £10.53bn, down 3%: Waitrose revenue was £6.75bn, down 3%; and John Lewis revenue was £3.78bn, down 2%.
- Loss before exceptional items[4] and tax £77.6m, down from profit[4] of £180.5m last year, principally due to economic backdrop and inflationary pressures.
- Loss before tax was £234.1m, down from a loss of £26.7m last year, largely due to property write downs.
- The impact of inflation was felt across the business, adding £179m to our costs in the year.
- The Partnership is stepping up its transformation. We delivered over £300m of cost savings in the last two years; new target to save another ~£600m by January 2026.
- Strong balance sheet with £1.0bn of cash; total liquidity £1.5bn; borrowings of £655m; total net debts (including £1.9bn of leases) of £1.7bn.
- Spent £32m to support our Partners with a cost of living payment and free food over winter.
- Expect market and consumer conditions to remain uncertain.

Progress with our Partnership Plan

Despite immense market volatility, we grew customer numbers by 4% this year, meaning that 20 million people shopped with us, spending over £12bn. This underlines the importance of our brands at the heart of British retail. We are creating a modern, relevant business that's loved by our customers and delivers greater rewards to Partners, owners of the Partnership.

Our values

Our values as a co-owned business make us different. We have stood by these values despite the challenges this year. Faced with increasing costs, we have not compromised on ethics and sustainability - from animal welfare to our commitment to buy British - while also helping customers manage tighter budgets.

In addition to recently announcing a £100m investment in lowering Waitrose prices, we gave over £100m in rewards through the MyWaitrose loyalty scheme. We provided an even greater choice of high quality Meal Deals during the year, and Essentials maintained its position as the largest value range of any grocer.

In John Lewis, we made a £500m price investment (versus £386m last year), expanded our value and quality focused ANYDAY range, and launched Black Friday and Christmas Shops earlier to help customers spread the cost. We lowered the limit on interest free credit purchases from £1,000 (single item) to £500 (per basket) across multiple categories, allowing customers greater access to instalment credit.

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[4] Loss/profit before Partnership Bonus, tax and exceptional items (PBTBE). See page 188 of the Glossary for a reconciliation between Loss before tax and PBTBE.

Underlining our commitment to our farmers, we pledged and substantially paid an extra £56m to invest in our long-standing UK suppliers to maintain high standards as they struggled with significantly rising costs. We won more Compassion in World Farming awards than any other UK retailer.

Our Building Happier Futures programme, a long term commitment to young people who are care experienced or in care, resonated with our customers and raised £1.1m. In addition, our customers and Partners donated £4.6m, to which we added a further £5.0m, to local charities including FareShare and Home-Start, to support those in need within our communities and beyond.

Our Partners

Our Partners have been exceptional in embracing the opportunities and challenges this year has brought. During the year, we distributed £26.7m from cash reserves to support our Partners with the cost of living crisis (a £500 payment pro rata), provided free meals across the business over winter at a cost of £5m and doubled the financial assistance fund for Partners facing hardship, to £800,000.

Our customers - Waitrose

2022 saw many Covid shopping behaviours unwinding at the same time as consumer confidence dropped to record lows. After more than trebling in size from 2019/20 to 2021/22, our online business started to normalise, significantly down on Covid peak but decidedly up on pre-Covid levels, and the balance of trade returned to shops. Frequency of visits was up and we served nearly a million more customers year-on-year (up by 7%). As inflationary pressures grew, customers shopped carefully on a budget so basket size declined by 15% in branch against last year, versus a market decline of around 13%. Having grown 23% in 2021 and been 17% of trade, online demand normalised through 2022 settling at around 14% of trade. All of Waitrose sales decline this year came from online; branch sales were flat.

Product innovation continued at pace with the launch of 779 new products including the exclusive listing of Plants by Deliciously Ella. The biggest launches of the year included our Cooks Ingredients range, which relaunched with 40 new products and our Summer Food Festival range of 71 products from around the world.

Customers benefited from over £100m in personalised money-off rewards through our loyalty programme, MyWaitrose, which now has nine million members (up by 3%). We relaunched free coffee for members to strong positive feedback (240,000 drinks per week, 12% higher than the comparable period in 2019/20). The rollout of the John Lewis 'shop within a Waitrose shop' continues - we added 50 shops taking the total to 88, with more planned this year.

We have expanded Waitrose's presence with third parties, growing our convenience offer: we expect to have rolled out Dobbies Food Halls to 44 branches by May 2023. Our partnership with Deliveroo has expanded; now in 222 shops and customers can choose up to 2,500 products. We've seen strong growth of this proposition, with orders up 33% year-on-year, many of which are to a new, younger customer base. We began supplying 13 convenience stores in Scotland and Jersey and opened 11 new Waitrose shops at Shell forecourts taking the total to 80, with plans for more this financial year.

Our industry leading proposition saw Waitrose win more Grocer 33 Store of the Week awards than any other grocer.

Our customers - John Lewis

In stores, online and through our App, we saw resilience in total John Lewis customer numbers, up 0.5% compared to last year. From an already strong base, we grew market share in Fashion, which combined signature own-labels, and new brand launches. We re-launched our new mid-tier own label range in September, and expanded our entry range ANYDAY, with 600,000 customers trying it for the first time. Of our 2.7 million ANYDAY customers, over 70% also bought from our mid-tier John Lewis & Partners range and more than 75% bought items from our branded ranges, during the year.

The strength of our offer and expertise is also evident in the record number of personal styling appointments, with over 60,000 in the year, and nursery advice appointments, at over 21,000. We are committed to reducing waste and launched our new fashion rental service with over 3,000 customers registered on the site. We also partnered with thelittleloop to offer 1,500 John Lewis own-brand childrenswear products to rent.

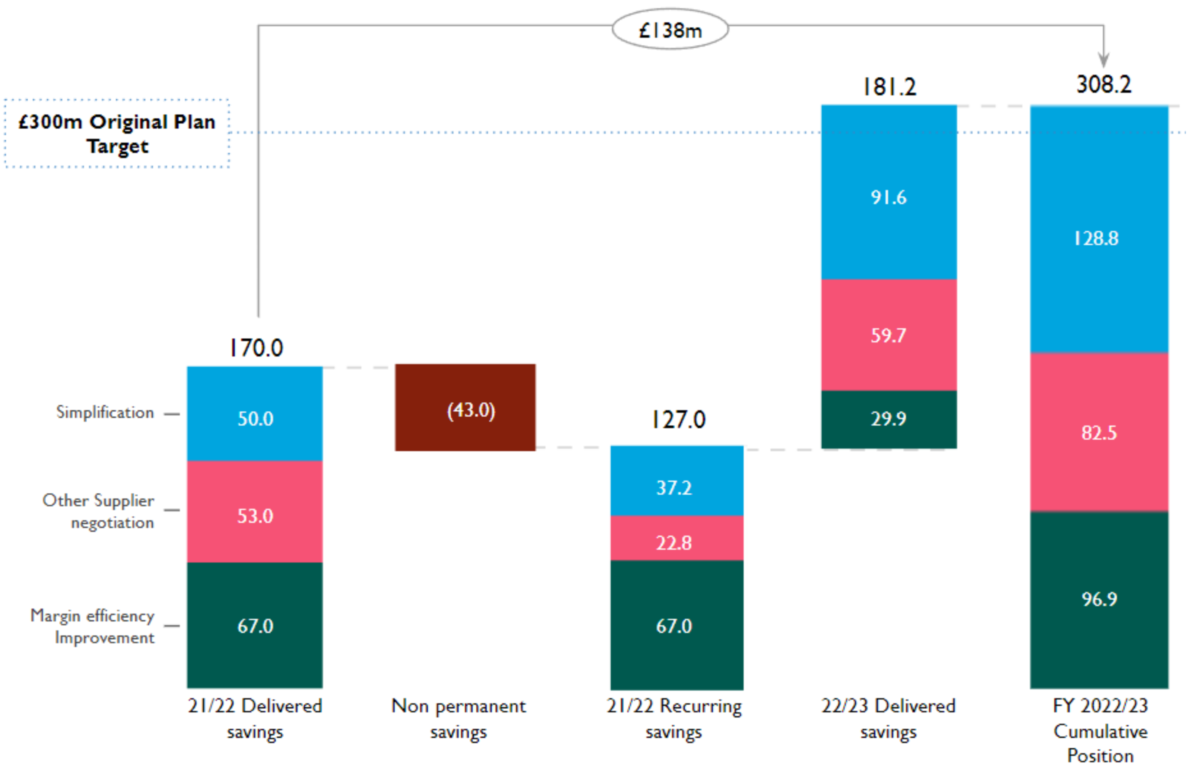
Retiring our pledge, Never Knowingly Undersold, enabled us to provide even better value for all customers through a £500m investment in price. Examples include the launch of Black Friday earlier than ever and more personalised offers with our loyalty card, My John Lewis. The card's five million members shopped more frequently, 2.5 times more than non members, and spent more with us.

We invested significantly this year to improve our digital capabilities to inspire customers and be more convenient: including in stores, online, through our App and our contact centres. Enhancing the in-store experience, we invested £5.4m in 27 shops with store designs using fresh new colours, as well as making it easier for customers to shop and find seasonal newness in store. We also partnered with our suppliers to deliver over 180 enhancements across our shop estate. Ten thousand Partners completed courses at the School of Service, our retail training academy, and we were named top retailer for customer service by The Institute of Customer Service.

We made it easier than ever for our customers to shop with us over the peak Christmas period; our supply chain teams were able quickly and confidently to extend our pre-Christmas guaranteed delivery and Click & Collect cut off dates beyond many of our competitors, showing the strength of our two brands working together for customers when they need us most.

Our business - Lean Simple Fast

Our Lean Simple Fast transformation programme - a key pillar of our Partnership Plan - has helped our performance this year. We've made £308m of cumulative cost savings over the past two years, with £181m delivered in the year.



Note: £19m of the savings delivered in 2022/23 are one off in nature resulting in net ongoing cumulative savings of £289m

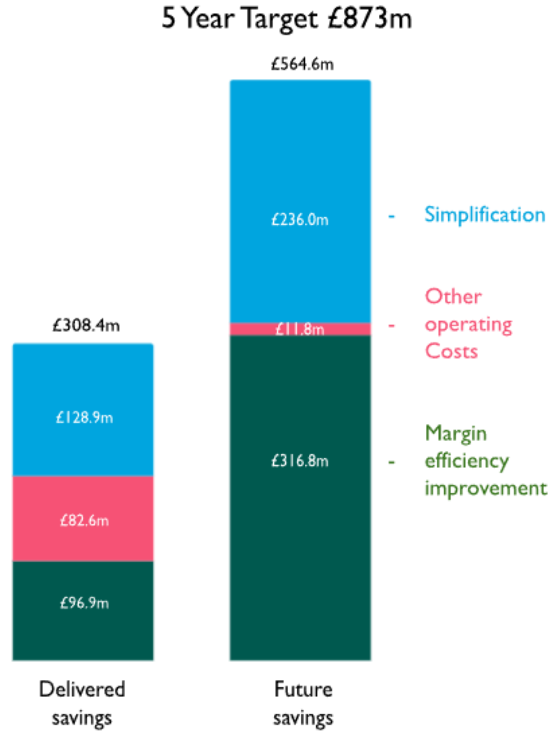
Savings have been made in a number of areas of the business. We categorise savings into three buckets for reporting: simplification; margin efficiency improvement and other operating costs.

Simplification - meaning driving productivity in everything we do. This includes activities such as restructures, streamlining processes and leveraging technology. Savings to date required difficult changes for our Partners but have been critical to supporting our business, minimising price increases to customers and funding our transformation. We delivered our Shop Leadership Transformation, simplifying management structures across our shops, alongside Head Office Transformation, affecting Partner jobs across our London and Bracknell offices. We have begun making a series of process improvements across our shops, delivering returns already including self check outs and changes to night shift processes to improve pick rate productivity for Waitrose.com orders, helping customers receive fewer substitutions.

Margin efficiency improvements - increasing margins across the range of products and services we sell. This includes working with suppliers to become more efficient across sourcing, manufacture, packaging and distribution of products. Margin gains have already been secured across many categories in both John Lewis and Waitrose. Examples in Waitrose include product changes in one frozen line range to improve taste quality, changing packaging sizes - but not the product size - to save over 12,000kg of cardboard each year and reduce distribution mileage by a third. In John Lewis, we've seen margin growth from range optimisation, supplier tendering and product quality reviews.

Other operating costs - cost efficiencies across operating costs not for onward sale to customers, such as property, technology and supply chain costs. We've delivered significant savings across our property estate through rates and lease reviews and in other areas through supplier tendering and rationalisation.

Despite significant progress on our Lean Simple Fast programme, we have seen the effects of high inflation - which cost the business £179m this year - eating into the savings we have achieved so far. Our efficiency ambitions have had to adapt, and we have now set out a clear pathway to triple the scale of our plans to ~£900m of savings by January 2026.



We have identified new measures and many are already in train. In respect of margin efficiency improvements, we will build on the examples of savings already achieved across all ranges of products we sell. In simplification, we will be trialling new ways of working in our shops and unlocking changes to how we operate to improve our availability for customers across both brands. This remains a high priority for the Partnership and is our route to greater profit to invest in customers and Partners.

Our diversification

In December, we agreed a joint venture with global investment company abrdn to deliver around 1,000 new homes across three local communities but there are no transactions this year. The deal marks a milestone in the Partnership's plans to use its significant property assets to build much-needed rental homes and to diversify our business. We are currently progressing public consultations in Bromley and West Ealing. We are continuing to assess further potential sites that would be suitable for development.

Income in John Lewis Financial Services was up 22% on last year. During the year, we acquired 409,000 new customers (gross), with Partnership Card, Point of Sale credit and Travel Money performing particularly well. Since the completion of the Partnership Card transfer, which wasn't easy for all customers given the scale of the change, we have seen average weekly spend of these customers increase by over 20% towards the end of last year. Our pet insurance product relaunched in Q2 and offers an annual video health check for pets, winning a Which? Best Buy. We will shortly launch the trial of a new proposition that helps parents invest for the long term future of their children with a John Lewis Junior ISA.

With over 20 million customers, loyalty card members (comprising nine million at Waitrose and five million at John Lewis), 360 stores, over 500 million website visits per year and 2.8 million readers of Waitrose Food Magazine per month, our physical and digital estate is uniquely placed to offer opportunities for third party brands to engage with our customers through our channels. We have significant plans to develop this business further.

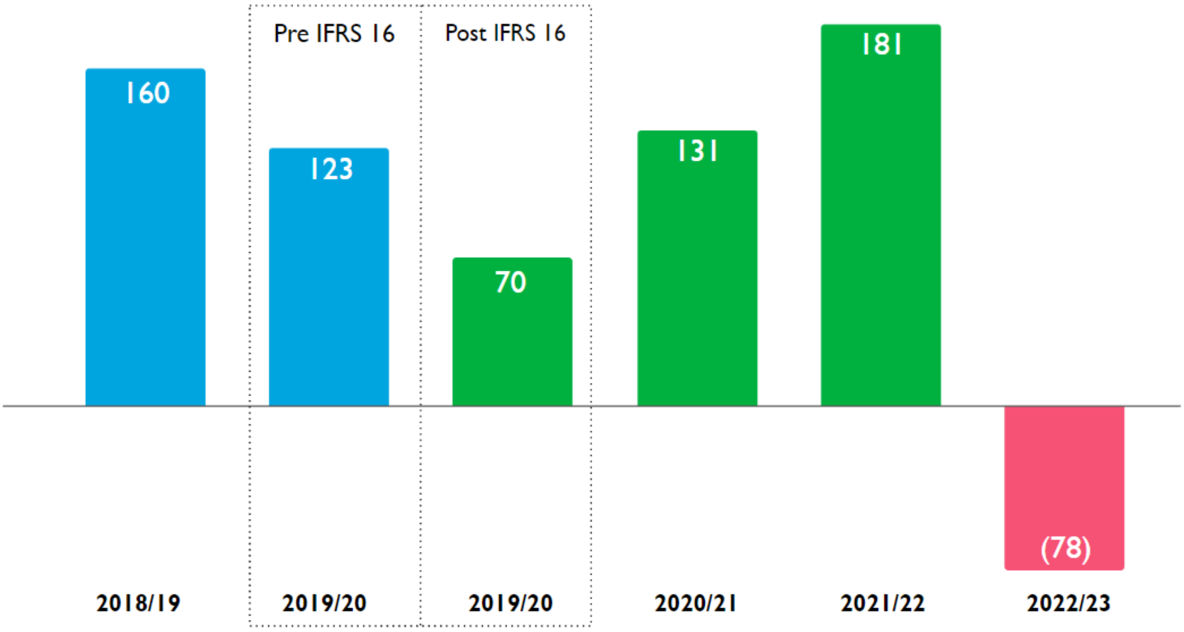
UNDERSTANDING OUR PERFORMANCE

The Partnership's principal internal measure of trading performance is Profit/loss before Partnership Bonus, tax and exceptionals (PBTBE). This comprises Trading operating profit for our brands, combined with other operating costs managed centrally (such as costs of our London and Bracknell offices, IT, net finance costs, property costs, depreciation and investment expenses).

Our PBTBE has been reconciled to the Partnership's statutory measure of Loss before tax on page 188, and the principal differences are exceptional items and Partnership Bonus.

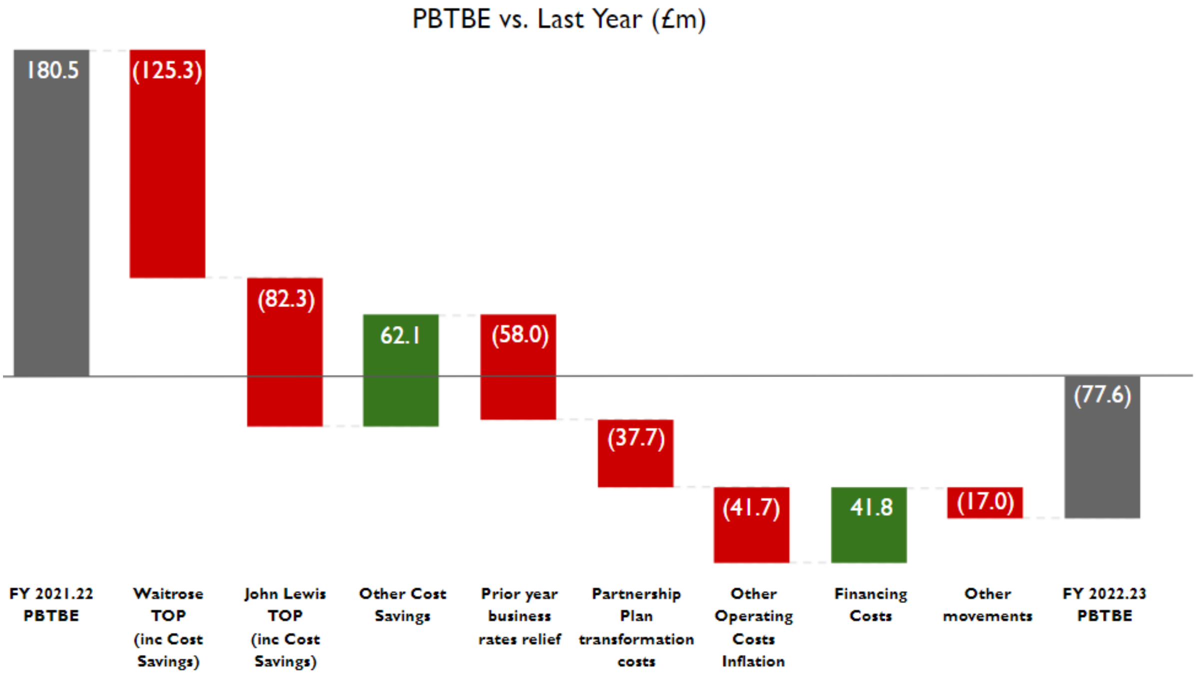
The loss before tax and exceptional items was £77.6m in the year, down from a £180.5m profit in 2021/22. Our loss before tax but after exceptional items was £234.1m, versus a loss before tax of £26.7m in 2021/22.

Profit/(loss) before Partnership Bonus, tax and exceptional items (£m)



Note: The chart shows our Profit/(loss) before Partnership Bonus, tax and exceptionals since 2018/19, with 2019/20 shown twice as that is the year we adopted IFRS 16 (lease accounting standard) which reduced our profits that year by £53m. The period from 2018/19 to 2019/20 is shown before the adoption of IFRS 16, and the periods 2019/20 to 2021/22 are shown after the adoption of IFRS 16.

Year-on-year movement in Partnership PBTBE



Our loss before tax and exceptional items is £258.1m lower than last year, primarily due to:

- ***Waitrose Trading operating profit*** declining by £125.8m. Figures include £29m of Lean Simple Fast savings delivered in the year. Key factors are outlined later in this section;
- ***John Lewis Trading operating profit*** declining by £82.3m. Figures include £47m of Lean Simple Fast savings delivered in the year. Key factors are outlined later in this section;
- ***Other cost savings*** relate to the Lean Simple Fast savings below Trading operating profit amounting to £62.1m in year. Added to the cost savings shown in Waitrose and John Lewis Trading operating profit, the combined net saving is £138m in year (£181m of gross savings offset by non recurring savings from last year of £43m);
- ***Prior year business rates relief*** **-** Our business rates costs are £58.0m higher this year following the end of the business rates relief scheme utilised to offset Covid costs. This tax relief was used last year to offset higher operating costs across the business specific to Covid;
- ***Transformation costs*** **-** Higher investment in the Partnership Plan transformation, leading to an additional £37.7m of non recurring revenue expenditure;
- ***Other operating cost inflation*** **-** Exceptionally high rates of inflation in our other operating costs (below Trading operating profit), such as utility costs increases, added £41.7m of cost. Total inflation on operating costs (including elements presented in Trading operating profit of our brands) amounted to £179m, including £87m in pay;
- ***Financing costs*** **-** A combination of higher rates of interest earned on short term deposits along with lower pension and long leave costs reduced financing charges by £41.8m;
- ***Other movements*** of £17.0m principally relate to new property costs this year for expansion of our supply chain network to support future growth, partially offset by actuarial gains on the long leave provision.

Our operating loss was £159.6m compared to an operating profit last year of £118.3m.

Trading operating profit by brand

	Waitrose					John Lewis				
	2022/23	2021/22	2019/20	% vs 21/22	% vs 19/20 **	2022/23	2021/22	2019/20	% vs 21/22	% vs 19/20 **
Total trading Sales (£m)	**7,311.9**	**7,535.9**	**6,917.3**	**(3)%**	**+6%**	**4,938.3**	**4,925.6**	**4,829.9**	**+0.3%**	**+2%**
Total trading Sales LFL*	7,311.8	7,530.8	6,765.0	(3)%	+8%	4,938.4	4,922.0	4,427.3	+0.3%	+12%
Revenue (£m)	6,750.1	6,983.6	6,373.3	(3)%	+6%	3,783.9	3,853.9	3,778.0	(2)%	+0%
Trading operating profit (£m)	**894.3**	**1,019.6**	**1,063.2**	**(12)%**	**(16)%**	**675.6**	**757.7**	**733.6**	**(11)%**	**(8)%**
Trading operating profit (%)	**12%**	**14%**	**15%**			**14%**	**15%**	**15%**		

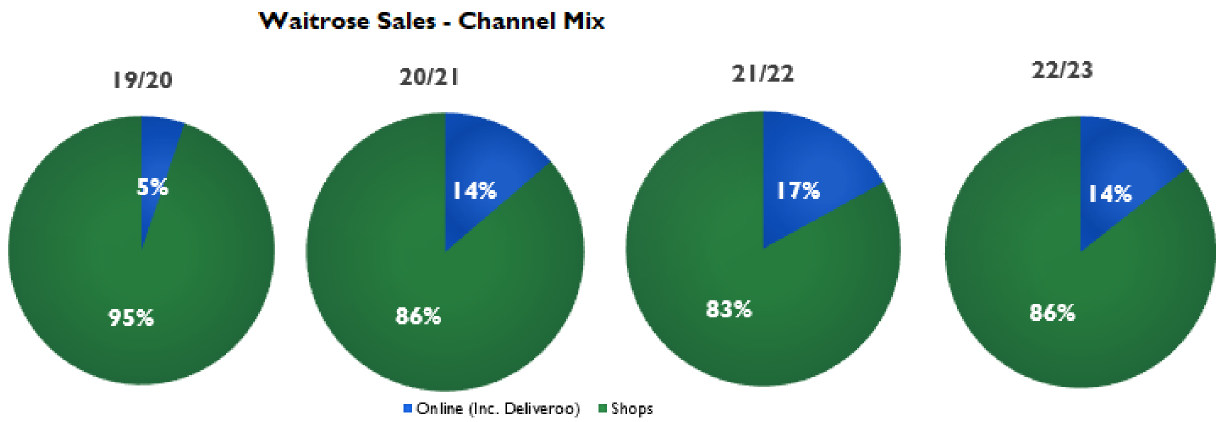
* We report sales using two measures: in total and like-for-like. 'In total' is the comparison between the balances for two periods of time (e.g. this year to last year). 'Like-for-like' sales are the 'in total' sales after adjustments to remove the impact of shop openings and closures. Waitrose like-for-like sales excludes fuel. Like-for-like sales gives a better comparison of our underlying performance.
** As a consequence of the distortions to trade and our cost base over the last two years, we continue to compare our result to the most recent pre-Covid year in 2019/20.

Waitrose performance

Waitrose sales[5] for the year were £7.3bn, down 3% like-for-like and in total compared to last year. Revenue was £6.8bn, down 3% on last year. This equates to a reduction in market share[6] from 5.0% to 4.7%. Trading operating profit fell by £125.3m to £894.3m, due to five key drivers: challenging trading dynamics, inflation pressure and one-off cost inefficiencies, partially offset by cost savings and profit growth from new propositions. These are described further below.

1. Trading dynamics - Despite customer numbers increasing by 7% in the year, sales volumes were down 10% in the year. There are a number of factors driving this including record online volume gains from last year in part reversing and a consumer shift to convenience, where we're looking to grow our presence in future. We also saw customers putting fewer items in their basket (basket size down 15% in shops) and switching to lower priced products.

High online volumes last year have now normalised to lower levels, albeit well above pre pandemic levels. Online sales this year represented just over 14% of Waitrose sales at average orders per week of 168,000. This compares to 17% last year at average weekly orders of 213,000. This 27% drop in online volumes was expected and contributed significantly to the movement in market share during the year.



[5] All references to sales are Total trading sales which includes VAT, sale or return and other accounting adjustments. See page 188 of the Glossary for a reconciliation between Total trading sales and Revenue.
[6] Source: Kantar data 52 weeks to 22 January 2023 and 52 weeks to 23 January 2022.

As the UK increasingly returns to pre-Covid working patterns, with growing hybrid or office-based working, we have seen, consistent with the wider market, healthy growth in convenience channels. For example, market growth of 32% in 'Food to Go' categories. We are looking to increase our presence in the convenience market through partnerships with third parties such as Deliveroo, Dobbies, Shell and local convenience shops to bolster and enhance our convenience reach for our customers.

As a consequence of low consumer confidence and pressure on household incomes amid the cost of living crisis, we have seen customers trading down to cheaper ranges; seeking to make their money go further and shifting their purchase behaviour with smaller baskets but more frequent shopping. Secondly, we saw an increase in customer marketing through vouchers and other customer promotions as customers began to spread their spend across supermarkets, convenience channels and eating out.

2. Inflation - Across our Waitrose operations, and excluding the effect of input cost inflation on goods we sell, inflation increased our cost base in Waitrose by £67m this year.

3. One-off cost inefficiencies - We embedded a new merchandising system across our buying to supply chain processes, dealt with a fire at one of our largest distribution sites in Milton Keynes and faced a combination of raw material shortages across the network. These challenges led to a short period of reduced availability and created one-off supply chain, shop labour and increased wastage costs as we improved our position throughout the second half of the year. As we exit the year, many of these challenges are behind us, we have significantly improved availability and delivered a pleasing performance with strong availability over the festive period.

While items 1-3 above led to a decrease in Waitrose Trading operating profit in the year, these were partially offset by:

4. Lean Simple Fast cost savings - During the year, Waitrose delivered a further £29m of permanent net savings in addition to savings made in previous periods as part of our Lean Simple Fast programme. These savings were predominantly through supplier negotiations on the cost of goods we sell and savings from the shop leadership transformation (which streamlined management structures) announced in the previous year.

5. New propositions - such as Dobbies, Deliveroo and Shell launched and/or expanded in the last 12 months contributing to Trading operating profit growth.

John Lewis performance

John Lewis sales[7] for the year were £4.9bn, up £16.4m (0.3%) on a like-for-like basis with last year and up £12.7m (0.3%) in total. Revenue was £3.8bn, down 2% on last year. We maintained our market share with volumes up 1% for the year, supported by a strong performance from our branches, which were up 20%. John Lewis Trading operating profit fell by £82.1m to £675.6m, due to trading dynamics and inflation, partially offset by cost savings.

1. Trade dynamics and inflation - Our omnichannel strength and multi category offer allowed us to maintain market share and customer numbers.

After two challenging years for our shops, with Covid enforced closures followed by Covid restrictions for our Partners and customers, we saw a pleasing return of footfall (up 34% like-for-like on last year) and sales to our shops this year. In online, we continue to see strong growth in our App, with traffic to the App up 13% in the year. Over a quarter of online sales are now through the App.

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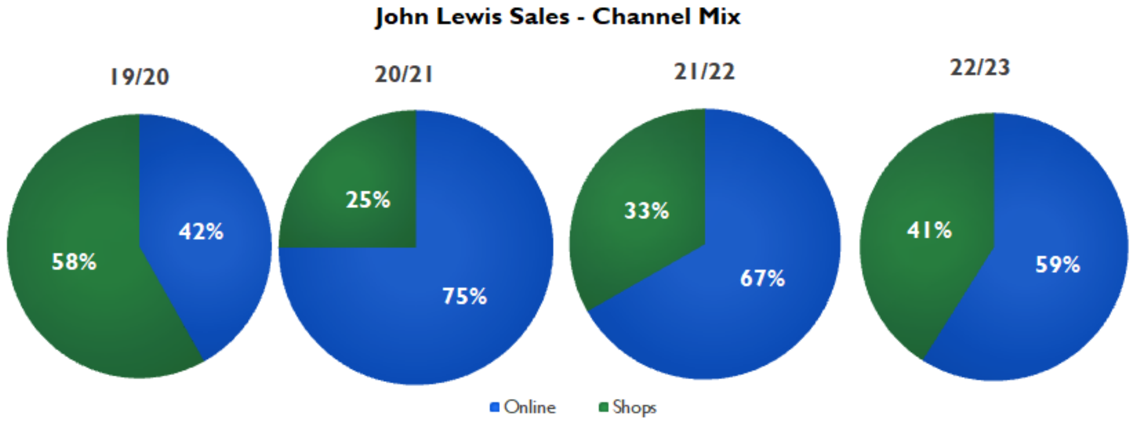
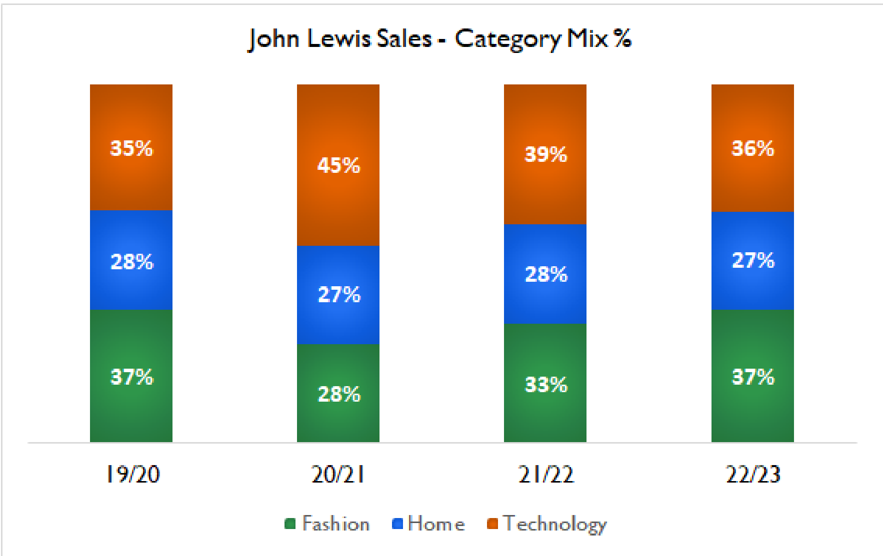
[7] All references to sales are Total trading sales which includes VAT, sale or return and other accounting adjustments. See page 188 of the Glossary for a reconciliation between Total trading sales and Revenue.

Footfall to our shops grew 34% (reaching 100 million for the first time since before Covid), while online traffic was down 5% on last year (albeit more than half a billion visits to our online channels), highlighting the value of both channels working in combination for our customers. The number of omnichannel customers (i.e. customers using both channels in the year) was up 4% and is now 21% of our customer base. In combination, this led to a channel mix rebalancing from pandemic levels of approximately 70:30 online/shops back to almost 60:40.



Our split of sales across categories reshaped to close to the last full year pre-pandemic with Fashion and Technology our largest sales (by value) categories at 37% and 36% of our sales mix respectively. Home has been relatively consistent for the last four years at 27%. The strength of our highly curated mixed category offer helped us offset trading headwinds in certain categories like Technology - where the Covid boom in home technology sales has subsided - and larger Home purchases where we saw a pull back from customers due to the cost of living climate. Instead, we saw strength in sales across Fashion and Beauty this year as customers enjoyed more holidays and social occasions. As part of our commitment to value, we invested in price in certain key categories across Fashion and Home, meaning we did not pass on all product cost inflation on to our customers.



Across our John Lewis operations, and excluding the effect of input cost inflation on goods we sell, inflation increased our cost base in John Lewis by £70m this year. Freight costs alone were £26m higher in the year than previously, as pressure on global supply chains created spikes in cost.

The effects of trading dynamics and inflation were partially offset by:

2. Lean Simple Fast cost savings - During the year John Lewis delivered a further £47m of permanent net savings in addition to savings made in previous periods as part of our Lean Simple Fast programme. These savings were predominantly through supplier negotiations, savings from the shop leadership transformation announced last year, and improved productivity in our shops.

Financial Services

Our financial services results are reported within the Trading operating profit of John Lewis. Income was up 22%, supported by Partnership Card and rebound of Travel Money after two subdued years of customer travel.

Exceptional items

During the year, we took the decision to close two Waitrose branches and also reduce the space at both our Bracknell and London offices. We paid our Partners a one-time cost of living payment of £500 per Partner (pro rata), amounting to £26.7m. Additionally, we have recorded a net impairment charge for the year of £113.3m against the value of our store estate. This is a non-cash accounting adjustment reflecting the performance in Waitrose. Together, these have totalled a net charge of £156.5m (2022: £160.8m charge).

Cash and liquidity

Our total liquidity at the year end remains strong at £1.5bn, including £1.04bn cash and short-term investments, and undrawn bank facilities of £420m. This allows us to invest with confidence in our Partnership Plan and meet our obligations. We carry £1.7bn of Total net debts including £1.9bn of leases and a pension deficit of £102m on an accounting basis, with £350m of financial borrowings due to be repaid in the next two years (£50m term loan maturing in December 2023 and £300m bond maturing in January 2025).

Liquidity has dropped by £473m from last year end. Our plans for 2022/23 anticipated much of the reduction as we sought to invest strongly in our Plan and repay £150m of term loans in the year. We had been operating with elevated cash positions from raising additional debt during the pandemic, all of which have now been repaid. In 2022/23, we paid a £46.2m bonus and £26.7m cost of living support payment to our Partners.

Despite weaker trading this year, we have positive cash generated from operations before Partnership Bonus of £348.2m (2021/22: £678.6m).

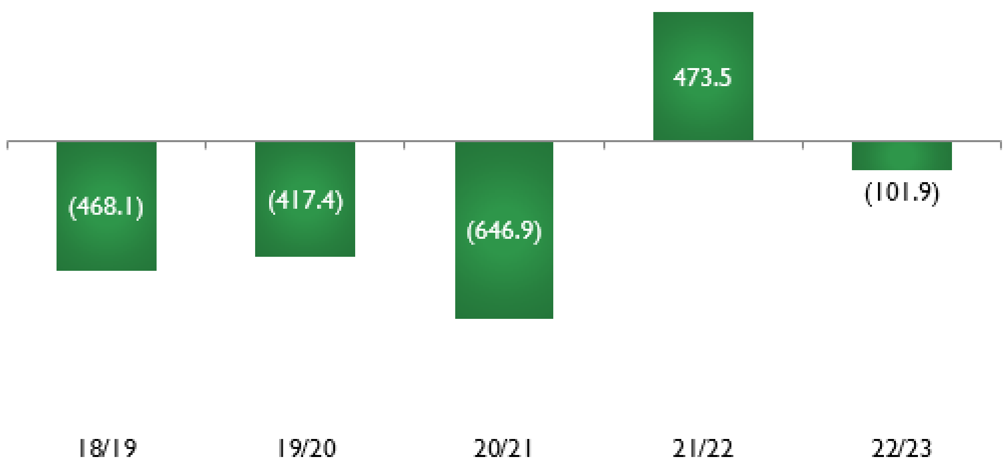
Our debt ratio at the end of the year was 4.4x, increasing from the previous year's unusually low position at 2.3x. We expect our debt ratio to improve in 2023/24.

	2022/23	**2021/22**	**2020/21**	**2019/20**	**2018/19***
Total liquidity (£m)	1,458	1,931	2,019	1,415	1,482
Total net debts (£m)**	(1,736)	(1,413)	(2,097)	(2,436)	(2,682)
Debt ratio	4.4x	2.3x	3.4x	3.9x	4.3x

* The 2018/19 figure has not been restated for IFRS 16 and instead includes the comparative figures for finance lease liabilities and the present value of future rentals payable under operating leases calculated using a 5% discount rate.
** The movement in total net debts is explained in the Glossary on pages 183 to 184.

Pensions
At the year end, we had an IAS 19 accounting pension deficit of £101.9m (£100.2m after deferred tax), compared to a surplus of £473.5m in January 2022 (£331.4m post deferred tax). The accounting position reflects the gap between the market value of pension assets held by our defined benefit scheme and the IAS 19 value of our pension liabilities. At the year end, IAS 19 pension liabilities were £4,489.7m, down from £6,752.0m at January 2022, with the reduction largely attributable to an increase in the discount rate as a result of increasing interest rates, partly offset by this year's inflation figure being higher than expected. The market value of pension assets was £4,387.8m, down from £7,225.5m at January 2022. The reduction was largely due to a fall in the value of liability driven investments designed to hedge interest rate and inflation risks related to the pension scheme's liabilities (as measured on an actuarial basis).

IAS 19 Pension (deficit)/surplus before deferred tax - £m



Following positive progress over most of 2022, the pension scheme was affected by extreme market volatility in September and October following the UK government's 'mini budget', which created significant instability in the economy and financial markets. In order to preserve suitable liquidity within the Trust's assets, the hedge (designed to protect against movements in interest rates and inflation) was reduced from 100% to 75% of assets. The Trustee completed the process of increasing this back to the 100% target in March 2023. The Trustee continues to manage scheme risks carefully and appropriately and the pension scheme remains liquid and well funded despite the earlier market volatility.

We are in the closing stages of finalising the March 2022 triennial actuarial valuation. It is the actuarial valuation, not the accounting position of the scheme, that is used to judge the cash contributions from the Partnership to the scheme. We expect the results of the 2022 valuation to show that the funding position of the scheme and the estimated time period to low dependency have improved since the 2019 valuation, and this may mean that no deficit contributions will be required ahead of the next triennial valuation in 2025. The Partnership and the Trustee are working together on a long term funding and investment strategy that will seek to improve the funding strength of the scheme even further.

BECOMING A MORE INCLUSIVE BUSINESS

We are actively working to attract Partners from a diverse range of backgrounds and experiences, and we remain devoted to nurturing a feeling of belonging in a Partnership where we all feel comfortable being our true selves without fear or judgement, no matter our background, identity or circumstance.

Further information on our commitments to diversity and inclusion can also be found in our Inclusion Report 2021/22:

- PRIDE 2022 – As part of London Pride's 50th anniversary celebrations, more than 50 Partners from the LGBTQIA+ community and allies marched alongside the Partnership's float in the parade in July;
- BLACK HISTORY MONTH 2022 – This year's BHM celebrations were Partnership-wide with individual areas connecting with their Partners during the month. The Black Partner Advisory Group also put on a an exhibition in our flagship branch, John Lewis Oxford Street;
- MOVEMBER 2022 – Throughout November, the GEN Committee focused on International Men's Day and Movember to bring more awareness to the stigma that is attached to men talking about their mental health. Virtual sessions were held with both Health & Wellbeing and Nutrition teams;
- CREATE NOT HATE – The goal was to support under-represented young people to break into the creative industries by creating campaigns that represent the modern, diverse UK. Over 80 participants attended the workshops, and 75 Partners were also given the opportunity to be involved;
- JOHN LEWIS CHRISTMAS ADVERT – In a challenging year, we chose to use our John Lewis Christmas advert to spotlight care-experienced young people by sharing the story of Ellie as she met her foster carers for the first time. The advert sparked a huge positive reaction and highlighted our long-term commitment to care-experienced individuals through our Building Happier Futures programme which helped raise over £1.1m for our charity Partners;
- INTER FAITH WEEK – In 2022, the Faith and Belief network invited Partners to wear a branded badge during Inter Faith Week, to demonstrate to colleagues and customers that they were open to talking about their faith. This proved to be highly successful, with Partners enjoying being able to 'Be Yourself. Always' and feel really supported in their work environment, engaging with others to bring their faith alive;
- A HOST OF CULTURAL EVENTS AND CELEBRATIONS were held in selected stores and Partner dining rooms in 2022. We celebrated Jewish, Muslim and Hindu events like Ramadan, Eid, Hanukkah, Diwali, Passover, Lunar New Year, Holi and more;
- DIVERSITY OF PRODUCT RANGES – Our Eid celebrations and dedicated hub saw 60,000 customer visits to our online page, of which 75% were from potential new customers. One example of Eid's continued success has seen Eid gift food grow by 77% over the short period it has been available. Across the Partnership we saw more examples of diverse lines. We received great product reviews of Kemi Telford's womenswear, which pays tribute to founder Yvonne Modupe Telford's Nigerian heritage. We created our own premature babywear range, with 10% being donated to the charity Borne, and we have seen success with our multi-faith cards offer over the past few years.

How we are performing

While diversity and inclusion is about more than just numbers, data collection allows us to measure progress and identify areas for improvement. Following a change in our HR systems, this year we have rebased our data, only using our current system to report on ethnicity. As a result of this our ethnicity disclosure rate has dropped from 97% to 70.1%. Although the data is not comparable with previous years' ethnicity pay gap reporting, in April 2022, we reported a median gap of 0.2% and a mean gap of 4%. Our data continues to increase, which will enable us to compare data in next year's Inclusion Report.

Level	Female	Male	Ethnic minorities	White
Executive/Director/Level 4	48.8%	51.2%	8.8%	80.4%
5	47.8%	52.2%	5.3%	76.0%
6	56.9%	43.1%	8.9%	71.1%
7	52.4%	47.6%	10.1%	70.0%
8	49.9%	50.1%	8.3%	60.7%
9	37.9%	62.1%	10.2%	57.6%
10	57.9%	42.1%	13.2%	56.4%
Total	55.5%	44.5%	12.3%	57.8%

We continue to see a higher proportion of female Partners in entry roles (Level 10), the percentage of female Partners in these roles has risen slightly from 57.3% to 57.9% this year. Our Level 9 population was impacted by Shop Leadership (SLT) review. We have seen a small decrease in female Partners in middle management roles: Level 6 has decreased from 57.2% to 56.9%. We have seen an increase in female Partners in our Executive, Director and Level 4 roles from 48.0% to 48.8%.

We continue to see a trend that our gender pay gap is closing both for the mean and median. Our gap is still driven by the higher proportion of female Partners in entry-level roles, differences in gender representation in different job functions and premium pay for anti-social hours. The total proportion of female Partners has dropped slightly compared to last year.

We are reducing the difference between the pay of men and women; our median gender pay gap has closed by 0.6% and our mean pay gap by 1.1%, according to our most recent Gender Pay Gap report, in accordance with the requirements of the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. Our 2021/22 Inclusion Report (available at www.johnlewispartnership.co.uk) explains how we are closing our gender pay gap.

ETHICS AND SUSTAINABILITY STRATEGY

Our Ethics and Sustainability (E&S) strategy is in service of our Purpose, and is broken down into six focus areas which we believe are all important in order for us to be a more ethical and sustainable business. By delivering this strategy we will play our part in protecting the planet and respecting and supporting the interests of all those touched by our business. Building strong trusted relationships inside and outside of the Partnership is key to delivering our vision for ethics and sustainability and long-term business success.

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

This year, as we considered both our heritage and our Purpose, we took stock of the impact of our business on the world around us and reaffirmed our long-term relationship with nature. Our founder, John Spedan Lewis, was passionate about the environment and the wildlife within it. So it makes sense that we have developed Our Plan for Nature.

You can find out more on our Ethics and Sustainability strategy, ambition and performance in our Ethics and Sustainability Report 2022/23 or at www.johnlewispartnership.co.uk/csr.

STREAMLINED ENERGY AND CARBON REPORTING

Summary

This section discloses our operational energy consumption, carbon footprint, and energy efficiency initiatives from January 2022 to December 2022 (i.e. calendar year 2022) in line with the UK Government's Streamlined Energy and Carbon Reporting ('SECR') legislation.

We are committed to reducing the Partnership's greenhouse gas (GHG) emissions and continue to make progress towards reaching our goal of net zero emissions in our operations by 2035. In 2022, the Partnership's scope 1 and 2 market-based emissions were 124,784tCO_2e (tonnes of carbon dioxide equivalent), down from 136,476 tCO_2e in 2021. This represents a reduction of 50,597tCO_2e against our 2018 baseline, or 28.85%.

We also continued our commitment to reduce the Partnership's overall energy consumption across our physical estate, through the development and implementation of smarter energy saving technologies. This year we reached a 20.1% absolute energy reduction within the Partnership's physical estate (electricity and gas consumption) against our 2018 baseline, on track to meeting our target of 25% by 2028.

Under GHG Protocol standards for scope 2 market-based reporting, 100% of electricity consumption across our physical estate is backed by Renewable Energy Guarantees of Origin (REGO) certified renewable energy sources.

Methodology

The Partnership reports on all of the GHG emission sources required under the SECR legislation.

The methodology used to calculate our GHG emissions and energy use is the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), using the operational control approach on reporting boundaries.

The data has been calculated using BEIS 2022 emission factors for all carbon streams, with the exception of certain refrigerants, market-based renewable electricity, and emission sources associated with our Leckford Farm, which are taken from industrial and academic sources. All emissions and energy usage is UK based apart from a small percentage of GHG scope 3 business travel. The intensity metric that the Partnership uses to normalise emissions for annual comparison is tCO_2e per £m Total trading sales (tCO_2e per £m sales).

Assurance

KPMG LLP has issued a limited assurance opinion over the selected data highlighted in this table with an asterisk (*) using the assurance standards ISAE (UK) 3000 and ISAE 3410. KPMG's limited assurance statement and the reporting criteria that we used as the basis of preparing the selected data, are both available at www.johnlewispartnership.co.uk/csr.

The Partnership's carbon emissions, energy consumption and targets

Global GHG emissions data[1]	Performance rating against baseline[7]	2022	2021	2018 baseline
Net zero carbon emissions across our own operations by 2035 (Scope 1 & 2)*[2]	●	-28.85%*	-22.18%*	-
Scope 1 (tCO_2e)[3] Combustion of gas and fuel for transport purposes and refrigeration		123,390*	135,704*	168,029
Scope 2 (tCO_2e)[4] Electricity purchased, and heat and steam generated for own use – Location-based – Market-based		105,905* 1,394*	117,694* 772*	182,978 7,352
Scope 3 (tCO_2e)[5] Offsite water treatment, business travel, waste, and transmission and distribution losses from purchased electricity	-	15,211*	24,436*	44,373
Intensity metric (tCO_2e per £m sales) – Location-based – Market-based	- -	20.0 11.4	22.0 12.6	N/A[6] N/A
Energy usage		**2022**	**2021**	**2018 baseline**
Partnership energy consumption (kWh) Total energy consumed (electricity, gas and transport) – Electricity – Gas – Transport	- - - -	1,097,180,849 540,471,090 225,441,176 331,268,584	1,204,691,653 550,662,975 269,842,169 384,186,509	1,280,410,028 639,096,177 284,809,768 356,504,083
Partnership electricity renewable % Total electricity which is REGO backed	●	100%	100.0%	97.7%

[1] Figures presented are for approximate calendar year, exact dates are aligned to our trading periods.

[2] Performance figures in the table show the absolute market-based reduction in global greenhouse gas emissions (Scopes 1 & 2), compared to a 2018 baseline of 175,381 tCO2e. Performance for the financial year ending January 2023 is 121,814tCO2e, which compared to the baseline is 30.54%*.

[3] Scope 1: Emissions associated with our direct activities, such as heating our shops and offices and running our fleet of trucks, our agricultural emissions and company cars. The biogenic origin of biomethane used in some of our vehicles results in out of scope emissions of 36,605tCO_2e. These are emissions from biomethane production.
[4] Scope 2: Emissions from the electricity we purchase. 'Location-based' represents the GHG intensity of the grids where we have sites and 'Market-based' reflects the emissions for the electricity we have purchased.
[5] Scope 3: Emissions from our indirect activities under our operational control or operations influences e.g business travel not in company owned cars. The categories presented in the table are a subset of, rather than our entire, scope 3 footprint.
[6] In February 2020, the Partnership created a new sales measure known as Total trading sales. The Partnership restated this measure from 2019 onwards and so it's not available to calculate the intensity metrics for 2018. Therefore, the table does not include 2018 location-based and market-based intensity metrics.
[7] Performance rating against baseline assesses the Partnership's confidence in meeting its target. Green is 'on track to meet target'. Amber is 'not currently on track to meet target, some improvement needed'. Red is 'not currently on track to meet target, significant improvement needed'.

Energy efficiency

This year we have continued efforts to reduce energy consumption across our physical estate. Progress in 2022 included:

- Upgrading 32 Waitrose stores, and one non-trading building, with the latest generation LED lighting;
- Further investment in electronically commutated (EC) fan technology in our Heating, Ventilation and Air Conditioning (HVAC) systems;
- Following the trial of heat pump technology in our Waitrose Chesham store in 2021, we rolled out heat pumps to nine stores, removing the need for gas and providing a more efficient form of electric heating. The schemes are delivering carbon savings upwards of 70tCO_2e per annum per store;
- We continue to deploy the pioneering AirDoor™ technology which lessens hot and cold air infiltration into a building, thereby reducing the energy consumption required to regulate temperatures. We have installed a further four AirDoor™, bringing our total to 20;
- Working with the Energy Institute, we created energy awareness training which is now available to all Partners. Through this training, Partners are able to better understand how changes in their behaviour can help reduce energy use, costs and carbon emissions;
- An additional 15 Waitrose stores received a refrigeration upgrade. This involved a full replacement of conventional hydrofluorocarbon (HFC) based refrigeration systems to a low global warming potential (GWP) water cooled alternative;
- Implementing a full review of set points, and time clocks to ensure we are using energy responsibly and to identify any opportunities for further reductions. For example, reviewing the temperatures in our buildings, and the timing and configuration of lighting, all to make sure we are minimising energy consumption wherever possible;
- Trialling destratification fans at some sites, to circulate warm air to ground level, ultimately reducing gas consumption.

For more information on the Partnership's Ethics and Sustainability strategy including climate action, see our Ethics and Sustainability Report 2022/23 or www.johnlewispartnership.co.uk/csr.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Introduction

Climate change continues to present one of the biggest threats to our planet. Urgent action is needed to limit global warming to 1.5°C to avoid the worst impacts, so we are taking measures to reduce the Partnership's environmental footprint. The Partnership fully supports the Task Force on Climate-related Financial Disclosures ('TCFD') and its recommendations, and is committed to assessing the impacts of climate-related risks and opportunities across our operations, physical estate and supply chains. Using the TCFD framework, this report provides the Partnership's progress update across each of the TCFD pillars: governance, risk management, strategy, and metrics and targets.

Following our initial TCFD disclosure in April 2021, and our first scenario analysis in 2022, we have for a second year conducted scenario analysis to estimate the potential financial impact of climate risks and opportunities for the Partnership. This year we have increased the scope of our analysis and have found some areas of potentially significant financial risk that without mitigation could impact the Partnership in the medium and long term (six to ten years and 11+ years respectively). These risks strengthen and justify our commitments to transition our business and supply chain to net zero, and to help our customers live more sustainably. They also demonstrate that to protect our business we need to continue to adapt to the impacts of a changing climate.

Governance

The Ethics and Sustainability Committee

In 2021, the Partnership Board established the Ethics and Sustainability Committee (ESC) as a Board-level committee. As defined by its terms of reference, the purpose of the ESC is to assist the Board in fulfilling its responsibilities for setting the Ethics and Sustainability (E&S) strategy in accordance with the Partnership's Purpose and Values, as well as ensuring that the E&S strategy is embedded into the Partnership's operations. ESC member Bérangère Michel, Executive Director, Finance, sponsors the Partnership's TCFD programme. The ESC is ultimately responsible for overseeing delivery of the Partnership's climate targets and is supported in this duty by Marija Rompani, Director, Ethics & Sustainability who provides regular updates to the Committee regarding the Partnership's performance in reducing our emissions, as well as our risk from climate change. For more detail on the full role of the ESC, see pages 76 to 77. Full terms of reference can be found at www.johnlewispartnership.co.uk.

Delivery of the Partnership Plan

As part of the five year Partnership Plan set in 2020, we have identified a number of strategic outcomes across the business, including for E&S. Members of the E&S outcome team are responsible for identifying and prioritising project work required to support progress against E&S targets, setting timelines and milestones, and tracking progress. In order to deliver the Partnership Plan, the Executive Team has agreed four annual Partnership Plan Objectives, which include key results relating to our climate targets. For more information on E&S initiatives see page 21.

TCFD working group

The TCFD working group is made up of Partners drawn from across the business, including specialists in climate change, data, finance and risk management. The working group leads the implementation of the programme, drawing on the expertise of additional subject matter experts across the Partnership as required.

For further information on Governance in the Partnership see the Governance report on pages 56 to 94.

Risk management

Climate change risks are managed within the Partnership's established Risk Management Framework, as detailed on pages 40 to 50.

The ESC, a Committee of the Board, directly oversees, monitors and challenges all E&S risks on behalf of the Board, including all climate related risks. The Partnership Board has overall responsibility for risk management, and the Audit and Risk Committee (ARC) is responsible on its behalf for reviewing and monitoring the effectiveness of the Partnership's risk management systems.

Climate change impact, including risks and opportunities, is considered under the Partnership's principal risk 'Ethics and sustainability'. Significant actions identified as part of this year's scenario analysis will be captured here, and in other risk registers where relevant. Required actions will be monitored in line with the Partnership's risk management processes.

For more detail on the full role of the Board, ARC, and ESC, see pages 56 to 77. Full terms of reference can be found at www.johnlewispartnership.co.uk.

Strategy

Time horizons

The Partnership recognises the importance of looking at short- (1-5 years), medium- (6-10 years), and long-term (11+ years) time horizons specifically for the purpose of assessing climate risks.

Material risk & opportunity areas

We conducted a qualitative risk assessment to identify climate-related risks and opportunities that could have a material financial impact on the Partnership. We reviewed all key climate-related risk categories with experts from our E&S, Finance, Insurance, Property, Operations, and Business Resilience teams. The highest-risk areas identified were:

Type of risk	Description	Potential impact to the Partnership	Relevant time horizons
Physical: acute & chronic climate change	Supply chain disruption	Increased severity of extreme weather events and variability of weather patterns will impact agricultural production, processing facilities and transportation in our supply chain.	Short, medium and long-term, increasing in severity over time
Transition risk: policy & legal	Increased pricing of greenhouse gas (GHG) emissions	Implementation of a carbon price or tax on all emissions has the potential to increase the cost of products.	Short to medium-term
Transition risk: market	Changing customer behaviour	Consumers making different product choices due to concerns about climate change represents both a risk to sales of some products, as well as an opportunity to meet consumer needs with new product types.	Medium to long-term
Transition risk: market	Increased cost of raw materials	Increased prices of inputs such as energy and water would increase raw material prices and have a knock-on effect on the prices we pay for our products.	Short, medium and long-term

Following this qualitative assessment, we identified those products and parts of our operations that would be particularly impacted by these risks, and identified three material issues for in-depth scenario analysis based on financial materiality and strategic importance:

1. Animal protein (physical risks to production, policy & legal risk, market risk & opportunity);
2. Distribution (physical risk, policy & legal risk);
3. Property (physical risk, policy & legal risk).

For the selected issues, we undertook scenario analysis to determine the potential financial impact of these risks on our business, if no mitigating actions were taken. This builds on our first year of scenario analysis, where fresh produce, cotton and a smaller property scope were investigated.

Climate scenarios analysed
We have used two climate scenarios for our analysis of climate-related financial impacts to the Partnership. The scenarios we have used represent to some extent the outer limits of possible outcomes; climate scientists expect the most likely outcome is somewhere between the two. By looking at these two extremes, we are able to stress test our strategy against the range of possible outcomes.

Climate scenario	**Assumed level of warming**	**Context**	**Climate risks**
High emissions scenario	4°C of warming by 2100	Failure to limit emissions, limited policy changes, increases in emissions in some sectors, feedback loops may intensify warming. Consistent with the GHG concentration trajectory RCP 8.5.	Primarily physical risks: Chronic climate change (changes in temperature and precipitation) and extreme weather events (floods, droughts, heatwaves and cold waves).
Low carbon transition scenario	1.5°C of warming by 2100	A rapid transformation of the global economy to drastically cut emissions. Consistent with the GHG concentration trajectory RCP 1.9.	Primarily transition risks: High taxes on carbon emissions. Rapid changes in technology, policy and people's behaviour.

This year we have used long-term time horizons to assess physical risks: 2050 for all risk areas, and for property we have additionally used 2080. These dates reflect the planning horizons of these departments, for example when building a new property we consider a 60-year lifespan. Our previous scenario analysis reported in 2022 showed limited impacts of physical climate change to the business and our supply chains by 2030. We continued to use a 2030 time horizon for analysing transition risks, as we project the potential for significant impacts over this period if the goals of the Paris Agreement were to be met.

Results
The scenario analysis results indicated that the most material risk to the Partnership, before mitigating actions, relates to transition risks associated with animal protein. The most significant medium-term financial impact would be a carbon tax on the supply chain emissions of animal protein. A 1.5°C-aligned carbon tax on animal products by 2030 could result in a potential £100-150m reduction in operating profit to the Partnership annually, if all else remained equal. To mitigate this risk we are setting a science-based target to reduce our supply chain (scope 3) emissions. We are working with farmers and suppliers to reduce the climate footprint of our animal protein supply chain, while continuing to maintain and build our market-leading animal welfare standards and supporting consumers to access more plant-based protein. More information on our animal welfare standards can be found at www.johnlewispartnership.co.uk/csr/animal-welfare.html.

The most material results of our scenario analysis (those with financial impacts >£10m) are shown below. The modelling of physical risks and the impacts they will have on our costs has greater uncertainty, and so these risks are shown with wider ranges of possible financial impacts than the transition risks.

Transition risks

Business area	Risk	Relevance	Estimated potential annual financial impact (without mitigation)	Mitigation
Animal protein	Climate tax in 2030	A tax on the supply chain emissions of the animal protein that we sell would add significant cost to our business.	£100-150m reduction in operating profit (before mitigation)	• Working with farmers and suppliers to reduce the climate footprint of our animal protein supply chain, in line with our Waitrose commitment that greenhouse gas emissions from our UK farms supply base will be net zero by 2035. • Supporting consumers to consume more plant-based protein.
Animal protein	Dietary changes in 2030	If customers shift their consumption of animal protein to the levels recommended to limit global warming, our animal protein sales could decline.	Decline in animal protein sales: £50-75m reduction in operating profit (before mitigation) Increase in plant-based protein sales: Potential profit opportunity	• Meeting customer needs for plant-based protein. • Supporting our animal protein sales by being the best in the market for sustainable and ethical animal products.
Distribu-tion	Climate tax in 2030	A tax on the scope 3 (supply chain) emissions from distribution would add to our procurement costs.	£20-30m reduction in operating profit (before mitigation)	• Working with suppliers to reduce their emissions, in line with our forthcoming science-based target.
Property	Climate tax in 2030	A tax covering our scope 1 & 2 (operational) emissions would add direct cost to our business.	£10-15m reduction in operating profit (before mitigation)	• Reducing our operational emissions significantly by 2030 in line with our forthcoming science-based target, en route to meeting our commitment to net zero operations by 2035.

Physical risks

Business area	Risk	Relevance	Estimated potential annual financial impact (without mitigation)	Mitigation
Property	Physical risks in 2050 & 2080	Of the possible physical climate impacts, increased flooding across all our sites was found to pose the greatest potential financial risk to our physical estate. Increased cooling requirements represent a smaller portion of the potential risk, and are largely offset by reduced heating requirements.	2080: £100-200m reduction in operating profit (before mitigation) 2050: £75-125m reduction in operating profit (before mitigation)	● Developing and implementing a flood resilience roadmap for high-risk properties. ● Thorough flood risk assessments are carried out for all new sites, including the 10,000 units of rental accommodation we plan to build by 2030.
Distribu-tion	Physical risks in 2050	Of the possible physical climate impacts, sea level rise was found to pose the greatest risk to our distribution. A number of the ports that our products travel through are at risk of inundation under sea level rise scenarios.	£10-50m reduction in operating profit (before mitigation)	● Most importing is managed by our suppliers, so mitigation involves working with our suppliers on climate resilience.
Animal protein	Physical risks in 2050	Long-term climatic changes and more extreme weather events could directly reduce livestock and feed yields.	£10-50m reduction in operating profit (before mitigation)	● Working with farmers and suppliers on increasing resilience, for example through breeding or flood protection.

Modelling assumptions

- The financial impacts calculated are based on the assumption that the Partnership's business activities (operating model, emissions etc.) remain static and that the Partnership does not mitigate the impacts.
- All increases in costs are assumed to be fully absorbed by the Partnership and not passed onto consumers.
- The two scenarios constructed are mutually exclusive and no assessment has been conducted where both transition risks and physical risks take place at the same time.
- Land-use related emissions and non-land use related emissions were assigned different carbon prices, due to the different costs expected for land-based and technological carbon removals.
- Animal protein emissions were calculated based on sales volumes of all fresh meat (including poultry), fish, seafood, dairy and eggs.

- Flood risk damages were modelled based on past flooding events. These have been used as a proxy for future damage across all properties. A representative sample of sites were analysed for future flood risk and the financial impact of these extrapolated across all our sites.

Adaptation and mitigation actions

The actions we are taking to reduce the risk of these financial impacts materialising have been detailed above. More information on our current adaptation and mitigation actions can be found in our Ethics and Sustainability Report 2022/23 or at www.johnlewispartnership.co.uk/csr.

Metrics and targets

The Partnership has a number of targets in place, and in 2020 we brought forward our net zero carbon target across our direct operations (scope 1 and 2 emissions) from 2050 to 2035. We are setting science-based targets for our operations and supply chain (scopes 1, 2 & 3) in line with limiting global temperature rise to 1.5°C. We expect our science-based targets to be validated in mid 2023/24.

Current climate-related metrics:

- Scope 1, 2 & 3 emissions;
- Renewable energy;
- Operational waste;
- Food waste.

Current key climate-related targets:

Targets and Performance[1]	**Performance rating against baseline**[6]	**2022**[7]	**2021**
Net zero carbon emissions across our own operations by 2035 (Scope 1 & 2)*[2]		-28.85%*	-22.18%*
Scope 1 (tCO_2e) Combustion of gas and fuel for transport purposes and refrigeration		123,390*	135,704*
Scope 2 (tCO_2e) Electricity purchased, and heat and steam generated for own use – Location-based – Market-based		105,905* 1,394*	117,694* 772*
All electricity procured by our Partnership to be 100% renewable certified by 2028		100%[3]	100%
An absolute energy reduction within our Partnership's physical estate of 25% by 2028 from a 2018 baseline		-20.09%	-11.20%
All Waitrose core store refrigeration to be hydrofluorocarbon (HFC) free by 2028		69%	62%

Waitrose to stay under a 7% refrigerant gas leakage rate	●	3.92%	4.02%
All heavy trucks to be converted to biomethane fuel by 2028	●	61%	43%
We will end the use of fossil fuels across the Partnership's transport fleet[4] by 2030[5]	●	32.8%	28.04%*

[1] Performance figures in the table are based on the calendar year 2022. The exception to this is 'All heavy trucks to be converted to biomethane fuel by 2028', which is based on the financial year 2022/23.

[2] Performance figures in the table show the absolute market-based reduction in global greenhouse gas emissions (Scopes 1 & 2), compared to a 2018 baseline of 175,381 tCO2e. Performance for the financial year ending January 2023 is 121,814tCO2e, which compared to the baseline is 30.54%*.

[3] 100% of electricity consumption across our physical estate is backed by Renewable Energy Guarantees of Origin (REGO) certified renewable energy sources.

[4] The Partnership's transport fleet comprises vans, trucks and refrigerated trailers.

[5] Performance figures in the table show progress in 2021 towards ending the use of fossil fuels across the Partnership's transport fleet, measured as the percentage of diesel displaced by alternative fuels. The move to alternative fuels measured as a reduction in litres of fossil fuels for the calendar year is 32.82% (23,415,157* litres vs the 2018 baseline of 34,855,311 litres).

[6] Performance rating against baseline assesses the Partnership's confidence in meeting its target. Green is 'on track to meet target'. Amber is 'not currently on track to meet target, some improvement needed'. Red is 'not currently on track to meet target, significant improvement needed'.

[7] Assurance: KPMG LLP has issued a limited assurance opinion over the selected data highlighted in this table with an asterisk (*) using the assurance standards ISAE (UK) 3000 and ISAE 3410. KPMG's limited assurance statement and the reporting criteria that we used as the basis of preparing the selected data, are both available at www.johnlewispartnership.co.uk/csr.

We also have the following targets which work in service to our more direct climate targets:

- Greenhouse gas emissions from our UK farms supply base to be net zero by 2035;
- Invest £1m from the Waitrose Foundation by 2025 to support our supply chain communities to adapt to climate change;
- All key raw materials in our own-brand products will be from more sustainable or recycled sources by 2025;
- We will halve food waste in our operations and supply chains by 2030, against a 2018 baseline, and help customers to do the same;
- All John Lewis product categories will have a buy back or take back solution by 2025;
- 85% of all operational waste will be recyclable by 2028;
- We have a £420 million, five year credit facility with interest payments linked to our targets on scope 1 & 2 carbon emissions and food waste;
- Waitrose has signed up to the WWF's Retailers' Commitment For Nature (WWF Basket), aiming to halve the environmental impact of UK supermarket shops by 2030. The Partnership is a signatory of Textiles 2030.

More on E&S performance, targets and assurance can be found in our Ethics and Sustainability Report 2022/23 or at www.johnlewispartnership.co.uk/csr.

PROMOTING THE SUCCESS OF THE PARTNERSHIP - SECTION 172(1) STATEMENT

This section, along with all other pages referred to here, forms the Partnership's section 172(1) statement. The law requires Directors to act in the way they consider would be most likely to promote the success of John Lewis Partnership plc ('the Company') for the benefit of its members as a whole and in doing so have regard (amongst other matters) to:

a) the likely long-term consequences of decisions;
b) the interests of the Company's employees;
c) the need to foster the Company's business relationships with suppliers, customers and others;
d) the impact of the Company's operations on the community and the environment;
e) the desirability of the Company maintaining a reputation for high standards of business conduct;
f) the need to act fairly as between the Company's members (the Partnership is owned in Trust for the benefit of its members, otherwise known as Partners).

A description of how these duties have been discharged is the central purpose of this Strategic Report and is also contained within the Governance Report. The section on our risks and uncertainties on pages 42 to 50 includes, amongst other things, an assessment of the impact to the Partnership of volatility in the external environment and geopolitical risks, including how these affect our Partners, our customers, our supply chain and our operations.

Our Purpose was refreshed at the start of 2022 and is set out in our Constitution. The opening section states: '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'. We summarise this as: 'Working in Partnership for a happier world'.

The Partnership's Purpose is in many ways aligned to the matters to which the Directors must have regard under section 172(1) of the Companies Act. For example, the requirements to take account of the likely consequences of any decision in the long term, to have regard to the interests of the Company's employees, to foster business relationships with suppliers, customers and others, and to have regard to the impact of the Company's operations on the community and the environment, are consistent with the Purpose objective to create a more sustainable future for Partners, customers, suppliers and communities. The desirability of maintaining a reputation for high standards of business conduct and the need to act fairly between members of the Company aligns with the Purpose of finding more trusted ways of doing business for the benefit of us all, and of working together to create a fairer future.

Decision-making at the Partnership Board

The Directors take a large range of factors into account before making a final decision which they believe is in the best interests of the Partnership, and both the Directors and those submitting papers for consideration are reminded through the Purpose of the section 172(1) obligations. All papers submitted to the Board or Executive Team are required to state how the matter for decision or notification advances and aligns with the Purpose, including how it will impact Partners, the environmental effect and any ethical or fairness implications. The Purpose is set out on the front cover of the document pack for every Executive Team and Partnership Board meeting. The Board's minutes reflect how the Board has taken into account the Partnership's Purpose, in particular the ambition to create a successful business and a fairer, more sustainable future for Partners, customers, suppliers and communities, in relation to the matters considered and the decisions made at the meeting.

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 prosperity and ensure its integrity.

The Partnership's key stakeholders and community and environmental impact
When it is carrying forward that aim, the Partnership Board keeps in mind the impact the Partnership has on different stakeholder groups. It is not possible to have a financially healthy business, and thus a return for Partners as the beneficiaries of the Trust that holds the Partnership, on a sustainable basis if this is at the expense of other stakeholders. These stakeholders include: our customers, whose needs we respond to and with whom we aim to build long-term relationships; our producers and suppliers from whom we purchase goods and services; the communities and the environments in which we operate; and our financial stakeholders, including the Partnership Pensions Trust, relationship banks and holders of John Lewis plc financial bonds. Alongside these, engagement with campaign groups and non-governmental organisations, particularly those working on ethics and sustainability, is key. Partners are the thread that draws these other stakeholders together, acting as owners of the business and more than employees.

On the following pages, we have described our key stakeholders, an overview of their interests, ways in which the Partnership Board engages and acts with regard to these groups when taking its key strategic decisions, and some key highlights of stakeholder engagement in the Partnership from the year under review.

Stakeholder	**How do we engage?**	**Key highlights from 2022/23**
Partners Our Purpose is clear that, as owners of the business, Partners are more than employees and share knowledge, power and profit. The Constitution empowers all Partners to shape the future of the Partnership. Hearing Partner opinion and ensuring this is taken into account in decision-making is intrinsic to our employee ownership model. See also: ● Becoming a more inclusive business, pages 19 to 20. ● Partnership Council Report, due to be published to Partners in June 2023.	Board Directors, including Non-Executive Directors, and the Partnership Secretary, are members of and regularly attend Partnership Council meetings. Three Partners are Elected Directors on the Partnership Board. Forum is the first formal layer of democracy operating on a geographical or subject matter basis. Most Council meetings include a session entitled 'What's On Partners' Minds' which, amongst other things, ensures that Partners' opinions are passed up from the Forums. Partners receive updates about the Partnership from regular dialogue with management, email updates, podcasts, vlogs, the Partnership's Intranet and	In light of the rapid increases in the cost of living, the Board kept pay under regular review during the year and approved action to support Partners. In response to Partners' opinion and the direct influence of Partnership Council, this included making a one-off cost of living payment to Partners equal to £500 per full-time Partner (pro rata for part-time Partners), providing free food at work for 14 weeks through the winter, increasing entry level pay for Partners, and increasing the financial assistance fund for Partners facing hardship. The Board recognises that, while our plans to become leaner, simpler and faster are critical to ensuring the long-term health of the Partnership, it is requiring difficult changes for our Partners. Following the approval of the

	through the weekly independent Gazette publication. During the year, we conducted our first all Partner survey since April 2019. The *Happiness Survey* included questions aligned to our Purpose as well as questions about people management. 61% of Partners participated and the results were discussed by the Partnership Board.	Partnership's new Purpose, a series of 'Finding Your Happier' events were held to embed it within the business. These were attended by some 1,400 Partners. In response to the outbreak of war in Ukraine, the Partnership took a number of actions (see more under Communities below). The responses from Partners, both positive and negative, were fed into considerations by the ESC and the Partnership Board regarding the Partnership's stance and policy on such matters. In place of the three previous Elected Directors, two Partners were elected (and one re-elected) to the Partnership Board in January 2022, taking up the roles in March. The Terms of Reference of the ESC include a duty to monitor and review Partner expectations for E&S. The Partnership Board approved the inclusion of an Elected Director as a member of this Committee to ensure Partner representation in the consideration of E&S activity and decisions.
Customers We take pride in making our customers happy. We put everything we have into everything we do, earning the loyalty and trust that we need to be successful. Our Partners support this by providing specialist expertise, curation and advice to our customers. The Partnership aims to offer its customers the best value in the marketplace for goods and	Our customer research teams are the voice of the customer, seeking to understand how customers and potential customers think and feel. We gather their experiences and expectations through surveys, face-to-face research, customer feedback to Partners, contact centres and external data sources. We also manage a dedicated Customer Perspectives Panel	Waitrose retained the Grocer 33 Award for Best Service in 2022, whilst John Lewis was the highest placed retailer in the July 2022 UK Customer Satisfaction Index. We relaunched both our John Lewis (*for all life's moments*) and Waitrose (*food to feel good about*) brand promises, encapsulating our commitment to be there for our customers. We also refreshed the My John Lewis and myWaitrose loyalty

services of comparable quality and availability. Our own brand ranges offer quality products for every budget, and we offer enhanced payment and credit services. We continually strive to optimise our customer experience by monitoring key customer metrics including Brand Advocacy (Net Promoter Score (NPS)) and Customer Satisfaction (CSAT), reviewing performance against our historic measures and also our competitive market set. See also: ● Our customers - Waitrose, page 8. ● Our customers - John Lewis, page 9.	allowing deep dives, concept testing and more collaborative research on new services and products, to ensure we understand the customer engagement and reaction ahead of launches. Regular customer reports are produced for management and Directors for Partnership Board meetings, tracking and reviewing emerging trends, as well as measuring the business response and feeding in data to support both strategic and tactical initiatives and decision-making. During the year, the Directors considered customer interests, behaviour and expectations as well as likely future trends.	programmes during the year. We have progressed plans to launch a loyalty programme which will reward customer shopping across the Partnership, to be introduced in 2024. In response to consumer concerns over household finances in the face of rapid increases in the cost of living, we lowered the limit on interest free credit purchases from £1,000 (single item) to £500 (per basket), allowing customers greater access to instalment credit. In the first half of the year, we announced the launch of our partnership with Dobbies garden centres, taking us to new customers as we grow our convenience business.
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. It is the strong working relationships we form that allow us to source high quality, more sustainable and ethical products for our customers. See also: ● Our E&S strategy on page 21 ● Waitrose compliance with the Groceries Supply Code of Practice on pages 73 to 75 ● Anti-bribery and corruption	The Partnership Board monitors relationships with the Partnership's suppliers in a number of ways including: ● Review by its Audit and Risk Committee of compliance with the Groceries Supply Code of Practice; ● The steps the Partnership is taking to meet its E&S goals, to protect the human rights of those who grow, pick, pack or make our products and to prevent modern slavery and human trafficking in our business and supply chains through the ESC; ● Reviewing reports on the Partnership's payment practices. More information about the ESC can be found on pages 76 and 77.	The war in Ukraine affected our suppliers, with costs such as animal feed, fertiliser and energy escalating rapidly. Despite this, thanks to the longstanding relationships we have with them, we were able to maintain our offering. Alternatives to Russian-sourced fish created particular issues with worldwide sourcing shifted to Icelandic and Norwegian catches, threatening price and availability. However, we are proud to have retained our sustainability credentials for these supply chains. Waitrose continues to support pig farmers supplying Waitrose pork products with additional payments, supporting the increased costs of production and ensuring they receive a fair price for their products. This year, we also supported our egg supplying

on page 55 ● The John Lewis plc, John Lewis Properties plc and Waitrose Limited published payment practice reports ● Our Better Jobs programme at https://www.johnlewispartnership.co.uk/csr/better-jobs-programme.html ● Our full Ethics and Sustainability Report and Modern Slavery Statement at www.johnlewispartnership.co.uk/csr	Our Responsible Sourcing Code of Practice (RSCOP) sets out our expectations of all suppliers on issues such as pay, working hours, child labour, worker rights and representation. In addition, we have a number of supplier facing policies which cover a broad range of areas from animal welfare to timber sourcing standards. The Partnership engages with suppliers in a number of ways, including: through our dedicated online supplier portals, supplier conferences and forums such as The Waitrose Farming Partnership (which encompasses the Livestock Steering Group, 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. The Partnership is a signatory to the Prompt Payment Code. For more details on a number of our supplier engagement programmes visit: www.johnlewispartnership.co.uk/csr	farmers as input prices increased. In November 2022, we instituted a new climate change policy for Waitrose suppliers, calling on the most material greenhouse gas emitters to set science-based targets and report their emissions to us. The ESC considered the initiatives being implemented throughout the Partnership, including: ● The positive impact of the Waitrose & Partners Foundation within our supply base; ● The Better Jobs survey, which was extended to John Lewis suppliers in South Africa and India during the year.
Communities in which we operate In line with our Purpose, we are working in Partnership for a Happier World. 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. See also: ● Our E&S strategy on page 21	The Board and Directors monitor relationships with communities in which we operate via the ESC, including the Partnership's response to the increasing social challenges faced by today's society. The Partnership engages on matters impacting communities via a number of channels including our national charity partnerships. We select national charity partners that support	This year, together with our customers and Partners we have donated a total of £10.8m to good causes, benefitting over 3,500 charities, including FareShare and Home-Start and The John Lewis & Partners Foundation, an independent charity established to benefit communities in the UK and overseas in which John Lewis operates by supporting projects that improve the wellbeing of

● Our Ethics and Sustainability Report and further information at www.johnlewispartnership.co.uk/csr	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.	such communities. In response to the outbreak of war in Ukraine, we took the following actions: ● As a member of the Disaster Relief Alliance, we proudly supported, and continue to support, the British Red Cross in their efforts to help communities impacted by this humanitarian crisis and to do so as well; ● We have provided mechanisms for customers to contribute - and the Chairman and Executive Team donated their bonus payments - to the British Red Cross. We announced in December 2022 that we have entered into a joint venture with global investment company abrdn to deliver around 1,000 new homes across three local communities. This is a milestone in our plans to use our significant property assets to build much-needed residential homes and diversify our business. The homes will form part of the UK's growing 'built-to-rent' property market as we seek to raise standards in rental property, both through our role as developer and a commitment to manage the buildings ourselves. We have consulted local residents and community groups on our plans for two of the first three sites. In November 2022, we launched our Building Happier Futures programme which seeks to support children and young people who have experienced care. We aim to keep the voice of the community at the heart of what we do. To that end, we are

		supported by an Advisory Group made up of field experts and care-experienced individuals and we have partnered with two national charities, Action for Children and Who Cares? Scotland. Through a mixture of customer and Partnership contributions, we raised £1.1m for this programme.
Financial stakeholders This includes the John Lewis Partnership Pensions Trust, relationship banks, credit insurers and holders of John Lewis plc bonds. See also: ● Cash & Liquidity on page 17	Through our website, we share details on our performance, and our Treasury team provides further detail as needed. We invite our financial stakeholders 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. We maintain an open and collaborative relationship with our pension trustee, providing financial information, and proactive engagement ahead of material transactions.	Our pension trustee, relationship banks, credit insurers and bondholders were invited to a virtual results call and presentation at half year and year end, hosted by the Executive Team. Our Executive Director, Finance, Director of Corporate Finance and Control and Head of Treasury also engaged with our relationship banking group and pension trustee at various points throughout the year. Annually, the Chair of the Pension Trustee attends a Board meeting and provides a full overview of the Scheme's activities and operations.

Environmental impact

We are committed to sourcing the raw materials used in our own-brand products more sustainably, collaborating with others to drive positive change and being transparent about our progress. We recognise the potential negative impacts that raw materials used in our products can have on people, animals and the natural environment.

How do we monitor our environmental impact?	**Key highlights from 2022/23**
The Board and Directors monitor environmental impact via the ESC, including responding to the environmental challenges faced by today's society and those which may impact our business operations. Waitrose and John Lewis leadership teams attend internal workshops used to establish programmes to reduce the environmental impact on those matters	In October 2022, we launched Our Plan for Nature, detailing the commitments we are making to protect and restore nature through our operations. Alongside this, we announced our partnership with WWF, through which we will fund ecosystem regeneration projects in Norfolk and India. Our first Journey To A Happier World sustainability

most material to the Partnership. 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 threats 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. Examples of collaborative or pre-competitive activity include our memberships of the British Retail Consortium and Aldersgate Group, and Waitrose's membership of the WWF Retailers' Commitment for Nature.	conference in October 2022 was attended by 280 people in person and an audience of over 500 by live-stream. The day was opened by the Chairman, Sharon White, and themes for discussion throughout the day included circularity in the fashion sector, a 'just transition' and sustainability in the food sector. Following endorsement by the ESC, in January 2023 we formally submitted our science based targets to the Science Based Targets initiative for approval. August 2022 saw the launch of the Responsible Commodities Facility in the Brazilian Cerrado region, one of the world's most biodiverse and at-risk savannah ecosystems. We, along with Tesco and Sainsbury's, are funding and supporting this first-of-its-kind initiative to promote the production and trade of deforestation- and conversion-free soy.

For more on how the Partnership monitors and engages on matters concerning environmental impact, visit https://www.johnlewispartnership.co.uk/csr.html where you can also read Our Plan for Nature and the 2022/23 Ethics and Sustainability Report. For further information see also:

- Our E&S strategy on page 21;
- TCFD, pages 24 to 31;
- Streamlined Energy and Carbon Reporting on pages 22 to 24.

Maintaining a reputation for high standards of 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 to do this for all Partners. It includes specific Rules for Partners relating to maintaining honesty, fairness, courtesy and promptness in their business conduct. The Partnership Board's ARC oversees how the business manages compliance and this has continued to be an area of focus. Further information is provided in the risk and uncertainties section on pages 42 to 50 and the Audit and Risk Committee report on pages 66 to 75.

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.

The section on Becoming a more inclusive business on pages 19 to 20 of this Strategic Report and the Partnership's Inclusion Report, which can be viewed at www.johnlewispartnership.co.uk, set out how equality is fostered within the business.

MANAGING OUR RISKS

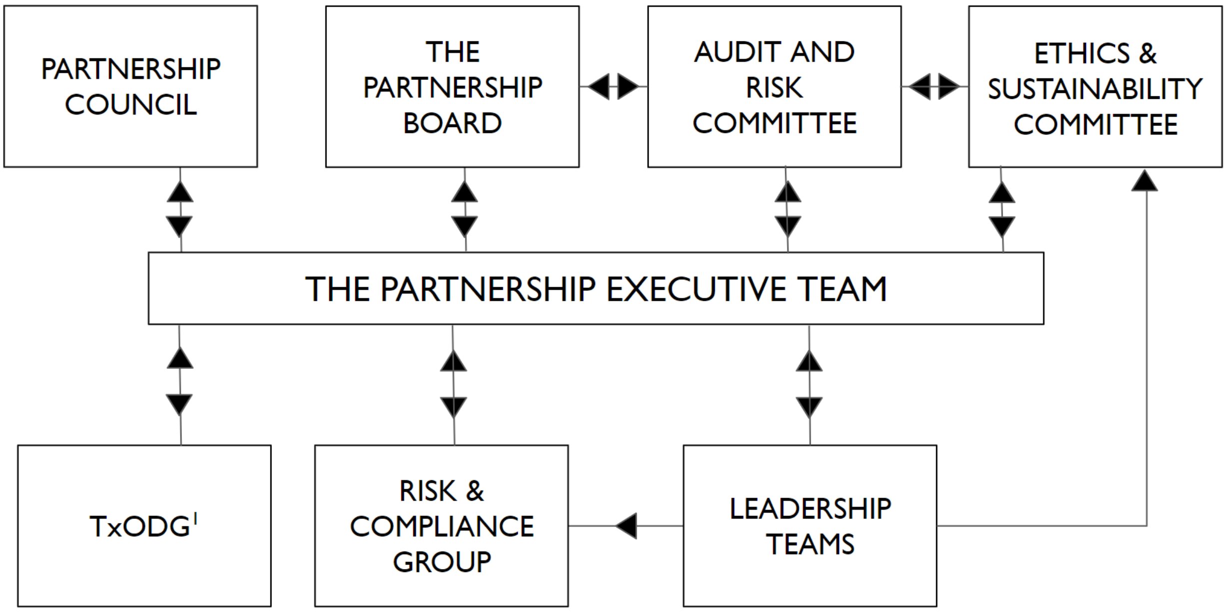
Our approach

Risk is inherent in both our current operations and the strategic decisions we make in pursuit of the Partnership's future goals. The Partnership Board sets our risk appetite, derived from our Constitution, which provides the guardrails for how much strategic, operational, financial and regulatory risk we are willing to take in the pursuit of these goals. For example, we will take more risk in pursuit of our strategic objectives to drive our business forward and less risk in the delivery of our day-to-day operations.

We implement a structured approach to risk management, designed to identify emerging and changing risks, to manage and monitor them; and to communicate those that matter most through our governance structure. Our leaders are empowered to make risk-informed decisions for the Partnership. All Partners should be aware of risks in their areas of responsibility and manage them in their day-to-day activities.

Our principal risks are each owned and managed by a member of the Executive Team. Individually they are materially significant enough to require Board oversight. Our governance processes ensure a blend of 'bottom up' visibility of risk, with quarterly 'top down' oversight by the Executive Team, and challenge by the ARC, the ESC and the Partnership Board. Regular monitoring of principal risks also supports the Directors' assessment of the long-term viability of the Partnership as detailed on pages 51 to 53. Throughout the year the Partnership Board, with the support of the Executive Team, the ARC and the ESC, has managed and monitored the principal risks to achieving the Partnership Plan. See pages 42 to 50.

Governance



[1] The Transformation and Operations Delivery Group (TxODG) governs the allocation of resources and assets to support the delivery of the Partnership Plan.

The risk management governance structure in place for the year under review is set out above including the reporting and feedback flows. Members of the Executive Team own and oversee the implementation of the risk framework and own individual principal risks. The Senior Leadership Team supports the Executive to identify, monitor and mitigate risks. The Risk and Compliance Group, as a sub-committee of the Executive, provides challenge and connectivity amongst partners in support of Partnership wide mitigations delivery, with an escalation route to the Executive as required.

Risks most related to the completeness and accuracy of our financial statements and our overall financial health, such as financial, information security and compliance-related risks and mitigations are challenged by the ARC on behalf of the Board, except for ethics and sustainability related compliance. Ethics and sustainability risk and compliance matters are reviewed by the ESC on behalf of the Board. All other principal risks, generally more strategic in nature and predominantly related to Partners, customers, change and our response to the evolving external environment are challenged directly by the Partnership Board.

This activity is supported by a small team of risk specialists led by the Director of Internal Audit and Risk, who are embedded in Executive Leadership teams providing risk-related insight and challenge to decision-making and coaching to continually develop the maturity of our risk management framework. For further details about key roles and responsibilities, please see the Audit and Risk Committee report on pages 66 to 75 and Ethics and Sustainability Committee report on pages 76 to 77. The Director of Internal Audit and Risk continues to report independently across all governance bodies on a quarterly basis in relation to principal and emerging risks, risk management maturity and on the outcome of the ongoing assessment of key areas of regulatory compliance.

Emerging risks

Identifying emerging risks is integral to our risk management process and Partners throughout each stage of the governance structure undertake horizon scanning as part of their quarterly risk discussions.

Escalation of the conflict in Ukraine and risks resulting from volatility in the external environment, driving inflation and energy price rises, continue to impact our ability to significantly reduce risk as much as we would like despite being actively managed throughout the year. Partners, executive management and governing bodies have regularly monitored the potential impact and likelihood of emerging risks arising and risk owners have adapted mitigations for the most vulnerable areas, largely associated with our people, the cost of living, supply chain and operations. The main emerging risks last year - the residual effects of the pandemic and Brexit - are now sufficiently integrated into our business as usual risk conversations such that they do not require specific focus.

We will continue to monitor the likelihood and impact on the business, on Partners, and on customers and their changing needs of geopolitical risks emerging from the war in Ukraine (particularly in relation to supply disruption and energy price instability), inflation and Government regulation and policy making.

PRINCIPAL RISKS AND UNCERTAINTIES

Our principal risks are those that have been assessed as high or very high risk in the pursuit of delivering the Partnership Plan when considering the potential impact and likelihood of occurrence. Oversight and monitoring takes place formally on a quarterly basis through the governance mechanisms set out on the previous page.

Our principal risks are:

1. Insufficient profit to achieve our Purpose;
2. Change delivery;
3. Information security;
4. Regulatory non-compliance;
5. Proposition;
6. Partner differentiation;
7. Customer experience;
8. Partner wellbeing;
9. Ethics and sustainability;
10. Strategic resilience.

What has changed since last year?

Managing our principal risks within appetite this year has been challenging. Significant levels of internal change coupled with volatility in the external environment has exacerbated the likelihood of some principal risks and has given rise to a re-prioritisation of investment in mitigating activity. As a result, mitigations delivered have served to maintain a generally similar overall risk position to last year. The challenging backdrop has sharpened our focus and increased the time we have spent reviewing and navigating our most important potential risk exposures and mitigations in service of achieving our Partnership Plan. Consequently, risk management has matured. Additional mitigations have been identified and delivered in respect of our transformation, driving sufficient profit and differentiation on our distinctive Partnership character and proposition for our customers and Partners. In addition, over 300 senior leaders and change professionals have attended behavioural training in risk management, so as to more quickly and better navigate risk in decision making. This work, alongside other support to develop capability, has noticeably improved the maturity of risk management across the Partnership this year.

Changes to our risk profile over the past twelve months are noted below:

- The historical **External environment** principal risk which tracked how changes outside Partnership control impacted delivery of business as usual operations and strategic objectives was replaced with a new **Strategic resilience** principal risk, placing greater focus on the concepts within the Partnership's control, namely whether our Plan is right for the environment in which we operate. Further detail is provided in the principal risk table below;
- The likelihood of **Insufficient profit to achieve our Purpose** risk was increased in recognition that current market conditions are making a return to sufficient profitability significantly more challenging;
- The likelihood of **Proposition** risk increased in the period as inflation adversely impacted consumer spending;
- The likelihood of **Partner wellbeing** risk increased as challenging internal and external conditions created increasing uncertainty for our Partners;
- **Customer experience** risk likelihood increased in Waitrose reflecting changing consumer habits and internal investment prioritisation; whereas the risk impact decreased in John Lewis as a result of the execution of risk mitigation plans driving improvements in performance metrics to an improved and more stable position.

Principal risks are described on the following pages, together with an explanation of how they are managed or mitigated.

Managing our principal risks

The external risk environment in which we operate remains challenging with a range of existing, evolving and new emerging risks driving reduced margins in traditional retail. The Partnership Plan is our strategic response to this environment and its effective operationalisation is our single most important mitigation.

1. Insufficient profit to achieve our Purpose (increased likelihood)		
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 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** ● Monthly performance review reporting to the Transformation Office, Executive Team and Partnership Board, with corrective action taken as required ● Delivering growth and margin improvement initiatives as part of strategy delivery across retail and new services e.g. John Lewis Brand Promise launched (for all life's moments), Waitrose propositions launched including dine in for two meal deals, myWaitrose and My John Lewis loyalty schemes relaunched, growing our Financial Services business including Partnership card switchover, new and expanded partnerships including Deliveroo and Dobbies, investing in our Build to Rent proposition and School of Service principles and standards developed with over 11,000 Partners trained Partnership wide ● Cost savings 'roadmap' for achieving the required cost savings in the Partnership Plan developed, approved and used to identify priority portfolio funding areas ● 2022 Partnership Plan refresh embedded in annual cycle ● Methodology for defining and measuring sufficient profit, financial targets and key sensitivities articulated ● Refreshed financial strategy to determine key sensitivities and downturn playbook produced ● Ongoing monthly Financial Performance updates to all Partners through Gazette and Partner	**Further actions planned** ● Enhance financial reporting and tools to provide greater visibility of profitability ● Monitor delivery of the cost savings achieved against the roadmap

	Intranet to encourage a cost-conscious mindset ● Budget targets for leaders have been communicated and reflected in the Partnership Plan Objectives with quarterly progress updates	
2. Change Delivery (no movement)		
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, poor customer and Partner experience and missing our transformation ambitions.	**Current controls and improvements in the year** ● Annual Transformation and Operating Plan implemented and enabling the Transformation and Operations Delivery Group to make informed decisions on optimal resource allocation ● Financial spend authority process reviewed and changes implemented ● New change profession hub launched ● Chief Transformation and Technology Officer and Transformation Director appointed ● Roles and responsibilities defined and visibility of change and portfolio ownership communicated to the Executive Team and Partnership Board ● Prioritised investment portfolio communicated	**Further actions planned** ● Development of a multi-year Transformation roadmap translating strategic outcomes into programmes of change ● Finalise Transformation organisational design ● Review capability gaps to be built into roadmap to enable and support Partnership Plan delivery ● Improved portfolio management of prioritised activity to deliver the Plan ● Set out Transformation capability roadmap plan with immediate priority areas to include a reset of reporting, set up portfolio management capability and improve partner communication and engagement ● Further refinement of Change and Portfolio governance
3. 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	**Current controls and improvements in the year** ● Information Security Steering Group established with representation from Data and Insights, Data Protection Officer and Technology and Transformation teams ● Control improvement strategy and plan underway ● Governance exists for all Technology and Transformation sponsored investment and Chief Information Security Office engagement in place	**Further actions planned** ● Continue to deliver further IT Security related projects ● External benchmarking exercise, to support strategy and priorities ● Mature control framework reporting and ongoing delivery of improvements per new information security strategy ● Ongoing monitoring, training and controls improvement

service and trading, fines, unforeseen costs and regulatory consequences.	• Mandatory Partner training (handling information) • Controls Assurance framework introduced and continues to be extended across key systems • Security embedded within Technology and Change risk management processes • Information Security and Data Protection policies and standards maintained • Security impact assessments undertaken for projects and programmes to ensure compliance with security standards • Positive confirmation of new third party adherence to policy • Robust security monitoring and alerting	
4. Regulatory non-compliance (no movement)		
Risk Failure to comply with key regulatory requirements. **Key causes and consequences** Lack of awareness, understanding or control of key and/or changing 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 maintained for identified areas of Regulatory compliance such as Anti-Bribery and Corruption and Gifts and Hospitality • Mandatory Partner training with improved completion rates (and ongoing monitoring) • Clear Executive accountability for all key regulatory areas • Horizon scanning of new/changing regulations and the potential Partnership impact and response • Financial Crime risk assessment completed by the Money Laundering Reporting Officer • Implementing measures in response to High in Fat, Salt and Sugar legislation • Programme of independent high risk regulatory assurance reviews • Mature oversight and monitoring • Annual gender pay reporting • People focused Internal Controls framework, including a database of	**Further actions planned** • Continued implementation of improvement activity arising from regulatory assurance reviews • Continued focus on mandatory training to maintain completion rates • Annual review and sign-off of the Partnership's accounting policy manual to identify new or amended compliance requirements in accounting standards • Deliver new Financial Services Quality Assurance Framework and Financial Crime Remediation Plan for improved controls

	risks, controls and assurance mechanisms	
5. Proposition (likelihood increased)		
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 ● Continued development of high quality, innovative propositions, tested with customers for relevance and consideration ● Focus on shop standards ● Focus on experience enhancements across the customer journey ● myWaitrose and My John Lewis loyalty schemes relaunched ● Waitrose propositions launched, including dine in for two meal deals and scan pay go rolled out ● John Lewis Brand Promise launched in September 2022 - for all life's moments ● John Lewis re-launched its own-brand mid-tier proposition, and delivered additional beauty brands and beauty hall enhancements with increased Christmas 2022 scope ● John Lewis Financial Services Partnership card switchover completed ● Launch of circularity propositions such as John Lewis clothing rental, Fashion Cycle and Beauty Cycle	**Further actions planned** ● Continued differentiation on own brand products for example in home, fashion, Waitrose No.1 and Waitrose 'dine in for two' meal deals, as well as further development of John Lewis Financial Services product range ● Significant focus on reinforcing value across a number of price points, including Waitrose investment in value throughout the year and John Lewis' 'quality at every price' campaign ● Family Life launch to bring family advice, products and services to John Lewis customers from Baby to Tween (John Lewis) ● Stock management changes to improve perfect order ● Online enhancements to improve website and app experience for customers ● Systems advancements to improve stock availability and ranging ● Ongoing range and category reviews, including bringing in branded products that complement overall range architecture ● Development of more personalised offers and experiences for loyalty members
6. Partner differentiation (no movement)		
Risk The responsibilities and benefits of membership are not sufficiently felt and experienced by Partners and/or do not	**Current controls and improvements in the year** ● Our Partnership Values bring to life what we 'give and get' as Partners and how we support, challenge and	**Further actions planned** ● Continued focus on reimagined approach to performance, specifically recognition and regular conversations on wellbeing, contribution and development

drive a distinctive and better business in service of our Purpose. **Key causes and consequences** Lack of clarity on, and tangible impact of, the responsibilities and rewards of being a Partner could lead to Partners not feeling or delivering a differentiated experience, leading to Partner and customer dissatisfaction.	find meaning as a community everyday ● Our Purpose has been updated to provide a clear and unambiguous message about why we exist, who we are and the three guiding principles that drive us: Happier People, Happier Business and Happier World ● Earning membership - a 90 day process to ensure that all new Partners are right for our business and our business is right for them by checking they understand and demonstrate the Partnership Values, have the skills and capabilities we need and have demonstrated the behaviours we aspire to as a Partnership ● Our Partner handbook clearly outlines the benefits of membership in the Partnership as well as the rules and frameworks that keep us safe ● The Constitution embodies the ideas, rules and values of the Partnership's experiment in industrial democracy and explains the role of Partners within that, as well as some of the key aspects of our Distinctive Character that makes the Partnership different. ● Democracy structure and channels, including Council and Forum, with support from Democratic Vitality function ensuring the voice of Partners is heard as part of our democratic principles and decision making within the Partnership ● Diversity of Council supplemented with additional Partners under 25 years of age ● Democratic Vitality definition updated and aligned to purpose. ● One-off £500 pro rata cost of living support payment for all Partners announced and delivered ● Doubled financial assistance fund for partners and introduced more	● Modernised and simplified pay strategy ● Purpose activation plan to embed purpose in everything we do and ensure purpose actively influences our decisions ● Increase effectiveness and efficiency of the co-ownership model through the Future of Democracy project and new accountability framework ● Leaders improve role modelling of the benefits of co-ownership and the differentiation this brings to Partners and customers ● Refreshed Capability policy launching April 2023

	support to help partners manage their finances ● Free food in the Partner Dining Room over winter ● Sharing financial and wider business performance more transparently and frequently with Partners ● Leadership behaviours are now embedded in our leadership learning programmes and appear across the Partner lifecycle	
7. Customer experience (likelihood increased; impact decreased)		
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** ● John Lewis Customer Experience strategy defined to identify and address friction and opportunity across customer journeys ● School of Service principles and standards developed, with over 11,000 Partners trained Partnership wide and the John Lewis Service at Peak campaign and 'At Your Service' 2023 service plan launched ● Branch Operational Procedures in place ● Partner training delivered ● Delivery of Regular 'Customer Voice' meetings ● Customer insight data and key performance indicators, including Have Your Say, Customer Satisfaction, Customer Voice (including complaints and queries) and Net Promoter Scores ● Weekly performance report reviewed, including metrics for product availability	**Further actions planned** ● Implementation of a new telephony system for customer service support ● Continue School of Service training to develop Partners skills, knowledge and confidence to sell with high quality service ● New John Lewis Service Signatures pilot to drive a consistent Partner-led experience in stores and contact centres
8. Partner wellbeing (increased likelihood)		
Risk Partners' sense of wellbeing is threatened by societal and organisational uncertainty and change.	**Current controls and improvements in the year** ● New Health and Wellbeing strategy introduced, defining what Wellbeing means in the Partnership and	**Further actions planned** ● Deliver Wellbeing strategy including quarterly Wellbeing themes for 2023 ● Maintain routine measurement of Partner Wellbeing with rolling

Key causes and consequences Pressure on Partners relating to the longer term impact of the pandemic (in respect of both physical and mental health and social impacts), cost of living challenges 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.	clearly connecting Wellbeing and Purpose ● Wellbeing support services such as Wellbeing Support, Occupational Health and Personnel Policy and Advice are in place to provide Partners with mental and physical health, emotional, financial and bereavement support ● Cost of Living information cascaded along with refreshed advice on emotional support: posters, Gazette coverage, podcasts and Partner Choice campaigns ● One-off £500 pro rata cost of living support payment for all Partners announced and delivered ● Mechanism for simpler payment of hardship grants implemented ● Monitoring of the Partner Choice membership (non financial rewards and benefits)	Partner surveys and benchmarking against the UK population ● Delivery of pilot mental health awareness course and Wellbeing workshops ● Wellbeing course in development for late 2023 rollout ● Wellbeing Retreat tested in March 2023 ● Community Cafes being evolved in 2023 to combat isolation and loneliness in local communities ● Mechanism for faster payment of hardship grants due early 2023 ● 'Pay It Forward' scheme to be implemented following successful proof of concept delivery in January 2023
9. 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, economic pressures, increasing competitor activity, 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** ● Partnership Human Rights policy ● Stringent animal welfare requirements (progression supporting 'Best Retailer' and 'Best Retailer Innovation' in Compassion in World Farming awards) ● Improved visibility, monitoring and ethical compliance of the supply chain, including the factory audits programme ● Developed and submitted science based targets (climate) ● Improved governance and ways of working ● Product certification standards and targets ● Traceability systems maintained and improved ● External targets and reporting e.g. E&S report and Human Rights Report	**Further actions planned** ● Improving the sustainability credentials of own-label products and services, including data quality, analysis and reporting, and a single use packaging reduction target and roadmap ● Continuing to strengthen animal welfare credentials ● Deliver climate and carbon commitments including 2035 net zero operations pathway, science based targets for scopes 1, 2 and 3, and further TCFD climate scenario analysis ● Continue commitment to Building Happier Futures ● Continue to improve visibility, monitoring and ethical compliance of the supply chain, particularly with goods not for resale analysis ● Improve communication and engagement with ethics and sustainability activity

	● TCFD climate scenario analysis (see pages 24 to 31) ● Dedicated agricultural supply chains in key product categories ● Launched Building Happier Futures programme to support Care Experienced community and partners	
10. Strategic Resilience (new)		
Risk Our strategy may not respond to the changes in the external environment sufficiently or fast enough to secure the future success of the Partnership. **Key causes and consequences** Reduced margins due to changing customer behaviour and confidence - exacerbated by the cost of living crisis - and competitor activity, may result in an inability to sustain financial performance and meet customer needs.	**Current controls and improvements in the year** ● Partnership Plan created and refreshed annually as part of business planning ● Material progress in scoring, planning and delivery of key Lean Simple Fast (LSF) programmes, giving increased confidence in benefits ● Increased savings target with regular progress reporting against it ● Priorities and investment plan for 2023 agreed and signed off by the Board ● Monthly portfolio and transformation delivery reporting ● John Lewis brand promise launched and customer experience strategy completed ● Embedded in key trade and business organisations	**Further actions planned** ● Continue to track progress against the Partnership Plan and ensure Plan continues to reflect changes in the external environment and internal performance ● Ongoing strategy development ● Continue to engage and lobby through trade groups

Looking ahead

Our principal risk portfolio will continue to be monitored through our governance into year three of the Partnership Plan. Further maturing of our risk management framework to support decision making in pursuit of the Partnership Plan is important. Strong progress on developing maturity has been made in the last 12 months to clarify governance, information flows and our risk management toolkit, all of which form a solid foundation for risk navigation in decision making for 2023 and beyond. We will review our tolerances in relation to risk appetite with the Board in 2023 and work will continue to broaden and embed the behavioural change started in 2022, to continue to develop the effectiveness of our risk culture by cascading behavioural learnings down to more Partners across the Partnership.

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 Partnership 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 Partnership'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 Partnership. This takes into account the Partnership's current position (pages 95 to 163); current strategy (page 6); and risks and uncertainties (pages 42 to 50).

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 Partnership'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 Partnership:

	1	2	3	4	5	6	8	10+
Strategy	Years 3-5 of the five year Partnership Plan			Extended 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 Partnership's viability over a three year period to January 2026. 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. As a business that takes a longer term view of its strategy and financial plans, the details of our plans run to 2026 and we also extend a further two years to derive a five year plan out to 2027/28.

Current climate

Given the pace of change in the retail sector, the economic uncertainty and the continued 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 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 Partnership, the Directors considered the Partnership'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. Based on the Partnership's principal risks, which are the most relevant risks when assessing the Partnership's viability, the Directors created three downside risks scenarios which are severe but plausible. The financial impact of the risks occurring was modelled by overlaying them on the budget and remaining two years of the Partnership Plan to quantify the potential impact over the assessment period. In addition a combined severe downside scenario combining selected impacts and assumptions from the scenarios was modelled consistent with management's going concern assessment but extended for the full viability period.

The severe downside scenarios and the principal risks (pages 42 to 50) underpinning them have been assumed to occur over the three year period of assessment, in order to test the Partnership's ability to withstand multiple simultaneous challenges. These scenarios also assume that all Partnership 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 scenarios.

The downside scenarios do not represent the Partnership's view of probable outcome. Details of the scenario assumptions and how they link to the Partnership's principal risks are summarised below:

Downside scenarios	**Link to Partnership principal risks**
Scenario 1 - Customer and external environment The tough trading environment seen in the last year continues with increased competitive pressure and persistent high inflation. Against this background the Partnership proposition will be stretched, requiring further price investment and lower margins. Assumptions: Sales: Customer demand and sales volumes decline until mid 2024. Margin / Costs: High levels of inflation persist into 2025 impacting costs with a further impact of consumer confidence and increased competitive pressure. Fall in the value of Pension scheme assets due to the market environment.	1. Insufficient profit to achieve our Purpose 5. Proposition 7. Customer experience 9. Ethics and sustainability 10. Strategic resilience
Scenario 2 - Under delivery of Lean Simple Fast The Partnership fails to deliver on the Lean Simple Fast programme and does not transform into a more efficient business. This would consequently lead to a loss of Partner sentiment and support. Assumptions: Margin: Removal of the margin improvements from Lean Simple Fast efficiency savings included in the Partnership plan. Costs: Missed project delivery and under delivery of cost savings included in the Partnership plan.	1. Insufficient profit to achieve our Purpose 2. Change delivery 6. Partner differentiation 8. Partner wellbeing
Scenario 3 - Information security or regulatory breach A serious but one-off breach resulting in a fine and loss of reputational damage Assumptions: Sales: Fall in sales volumes due to reputation damage. Costs: £50m Penalty paid in 2024.	3. Information security 4. Regulatory non-compliance

Mitigating actions

In response to any of the scenarios occurring, the Directors have identified £2.4bn of mitigations (£1.5bn available within the first two years up to January 2025, and a further £0.9bn available in the third year 2025/26), all within management's control, to reduce costs and optimise the Partnership's cash flow, liquidity and covenant headroom, the majority of which would only be triggered in the event of a severe downside scenario materialising. These actions were identified as part of the Partnership'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 Partnership and exclude those mitigations which place some reliance on the external market (such as asset sales). Continuous monitoring of the Partnership's liquidity position enables management to proactively apply these mitigations as required.

Internal mitigations alone would be sufficient to absorb the effects of each of the severe downside scenarios in isolation.

Reverse stress testing
The combined severe downside scenario model indicates that without mitigating actions a number of the Partnership's covenants relating to the bonds and undrawn committed credit facilities would breach at the next balance sheet date due to the reduction in profits and net assets modelled. Further modelling was performed using the combined severe downside scenario to determine the sales decline which would be required before the Partnership breached its covenants or utilised all available funding after applying all available mitigations. This model indicates that the Partnership's covenants relating to the undrawn syndicated credit facility of £420m are the most sensitive and would breach at the next balance sheet date due to the reduction in profits and net assets modelled. Management consider that the resulting sales declines in each brand to be highly unlikely and whilst this extremely severe scenario indicates breaches in the next year, the cash low point under such a scenario would be £630m after mitigations, the bond covenants would not breach, and the bonds would not be required to be repaid early. The Partnership would prefer to retain the option to utilise its facilities, therefore, covenant compliance will continue to be monitored closely and, if deemed necessary, the Partnership 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 Directors consider that such a severe decline in combination with the two other severe scenarios occurring is highly unlikely; however should a combined event occur, additional liquidity could be sourced from the external market assuming sufficient appetite existed, e.g. asset disposal or sale and leaseback of property.

Viability assessment
This assessment is based on the Directors' best view of severe but plausible scenarios that the Partnership 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.

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

- 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 Partnership 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 pages 69 to 70).

OTHER REPORTING INFORMATION

Non-financial reporting statement

This section of the Strategic Report constitutes the Partnership's Group Non-Financial Information Statement, produced in accordance with sections 414CA and 414CB of the Companies Act 2006. The information listed is incorporated by cross-reference and the table below, and the information it refers to, is intended to help our Partners and other stakeholders understand the Partnership's position on key 'non-financial matters', meaning quantitative and qualitative information on the strategies, policies or activities we pursue towards our business, environmental and social goals. In reporting this, we focus on the aspects that are most material to our business, our Partners and other stakeholders. This builds on our existing reporting, such as on ethics and sustainability. Read more at www.johnlewispartnership.co.uk/csr.

Reporting requirement	**How we manage these issues: policies, standards, risks and additional information**
Environmental matters	● Ethics and Sustainability strategy on page 21 ● Streamlined Energy and Carbon Reporting on pages 22 to 24 ● TCFD on pages 24 to 31 ● S172(l) Statement (Environmental Impact) on pages 38 to 39 ● Ethics and Sustainability Report 2022/23 and other E&S reports, statements, policies and further information available at www.johnlewispartnership.co.uk/csr
Employees	● Becoming a more inclusive business on pages 19 to 20 ● S172(1) Statement (Partners) on pages 33 to 34 ● Partnership Board Diversity Statement on page 82
Human rights	● S172(1) Statement (Producers and Suppliers) on pages 35 to 36 ● Our latest Human Rights Report and Modern Slavery Statement, Ethics and Sustainability Report 2022/23 and other reports, statements and policies available at www.johnlewispartnership.co.uk/csr
Social matters	● Ethics and Sustainability strategy on page 21 ● Ethics and Sustainability Report 2021/22 and other reports, statements, policies and further information available at www.johnlewispartnership.co.uk/csr
Anti-corruption and anti-bribery	● Anti-bribery and Corruption section on the following page
Policy embedding, due diligence and outcomes	● Throughout this report and Ethics and Sustainability Report 2021/22 and other reports, statements, policies and further information available at www.johnlewispartnership.co.uk/csr ● TCFD on pages 24 to 31 ● Managing our risks on pages 40 to 41 ● Audit and Risk Committee report on pages 66 to 75
Description of principal risks and impact of business activity	● Our principal risks and uncertainties are set out in Managing our risks section on pages 42 to 50
Description of our business model	● Our Purpose, the Partnership business model and the Partnership Plan on pages 5 to 6 ● The Partnership's Constitution is available on our website at www.johnlewispartnership.co.uk

Non-financial key performance indicators (KPIs)	● The Partnership has a target of net zero emissions across our operations by 2035, and progress against that target is set out in this report (pages 22 to 24) and the Ethics and Sustainability Report 2022/23 ● Becoming a more inclusive business on pages 19 and 20 sets out some of the diversity and inclusion initiatives over the past year and related KPIs

Anti-bribery and corruption

The Partnership does not condone bribery or tax evasion in any form and manages risks in respect of bribery, corruption and offences under the Bribery Act 2010 and Criminal Finances Act 2017 through policies, standards, guidance and mandatory training. We have a policy (available at www.johnlewispartnership.co.uk/csr) on Anti-Bribery and Corruption and Gifts and Hospitality; these are reviewed and refreshed annually, the latest review having taken place in August 2022.

The policy is clear that the Partnership is committed to preventing bribery in all forms and prohibits Partners and other personnel from making, offering or accepting bribes. Facilitation payments are also prohibited, and gifts and hospitality are permitted only where the requirements of the policy are followed. Charitable donations are permitted only where requirements of the Charitable Giving Standard are met. The policy also states that the Partnership does not make political donations.

The Partnership is also committed to ensuring our third party suppliers adhere to our policies and relevant legislation, through stringent supplier assurance processes. The Gifts and Hospitality register has been updated across the Partnership to ensure consistency and to make compliance obligations clear for all Partners.

Contribution to the UK tax system

This year, the Partnership paid taxes of £351m and collected £727m. A breakdown is provided below.

Taxes paid by the Partnership	Taxes collected by the Partnership
£124m Employer National Insurance contributions	£258m net VAT
£169m business rates	£226m Excise Duty
£13m Fuel Duty	£156m Partners' Pay As You Earn (PAYE)
£14m Customs Duty	£86m Partners' National Insurance contributions
£8m Apprenticeship Levy[1]	£1m other
£5m Climate Change Levy (CCL)	
£18m other	
£351m total	**£727m total**

[1] Before the drawdown of funds of £4m

Our approach to tax can be found at www.johnlewispartnership.co.uk.

GOVERNANCE REPORT

GOVERNANCE IN THE PARTNERSHIP

The two Trust Settlements made by John Spedan Lewis in 1929 and 1950 established the John Lewis Partnership, to be owned in Trust for the benefit of its members - its employees - who are known as Partners. The Trustee of the two Settlements is John Lewis Partnership Trust Limited (referred to in this report as the Trust Company). The Partnership is governed by a written Constitution, which must not conflict with the Settlements. The Constitution can only be changed by the agreement of two-thirds of the voting membership of Partnership Council, and the Chairman. It is available on the Partner Intranet and is published on our website at www.johnlewispartnership.co.uk.

Power to direct the Partnership's affairs is shared between the three governing authorities: Partnership Council, the Partnership Board and the Chairman (Rule 2 of the Constitution). Rule 4 of the Constitution states that: 'The shared aim of the three governing authorities is to safeguard the Partnership's future, to enhance its prosperity and to ensure its integrity. They should encourage creativity and entrepreneurial spirit but must not risk any loss of financial independence'.

The Partnership's governance checks and balances are clear and robust in accordance with its democratic principles of sharing of power for the benefit of Partners. Partnership Council is at the heart of the Partnership's governance controls. The Council reflects Partners' opinion. It stays in touch with the views of Partners in various ways including through elected Councillors, each representing the constituency in which they work, and Forums, which are the Partnership's first formal layer of democracy where representatives reflect the opinions of Partners locally.

The Chairman must attend, twice each year, a meeting of the Council, to account for the progress of the Partnership. In the year under review these meetings were held in May and September, with a focus on the full year and interim results respectively.

During each of its terms, usually of three years, the Council elects three Partners to be Trustees of the Constitution. They are the Directors, together with the Chairman and Deputy Chairman, of the Trust Company, which owns in trust for Partners all the shares in John Lewis Partnership plc. Johnny Aisher, Baz Naik and Matthew Street were elected Trustees of the Constitution in January 2022, taking up their appointments in March 2022.

Each term, the Council also elects three Partners to be Partnership Board members, known as Elected Directors. So our Board is different from most, with a mix of Executive, Non-Executive and employee (Partner) Elected Directors. The most recent elections, in January 2022, resulted in the re-election of Becky Wollam and the election of Jules Rushworth and David Wood who took up their roles in March 2022.

The Partnership Board has established Committees to assist it in carrying out its oversight and assurance responsibilities: the Audit and Risk Committee (see pages 66 to 75), the Ethics and Sustainability Committee (see pages 76 to 77), the Nomination Committee (see pages 78 to 82), and the Remuneration Committee (see pages 83 to 89). From time to time, the Partnership Board also delegates authority to ad hoc sub-committees to help finalise matters within agreed parameters set by the Board. The responsibilities and membership of these Board Committees are set out in each Committee's report and their respective Terms of Reference are available at www.johnlewispartnership.co.uk. Each Committee Chair is available to report to the Partnership Council meeting at which it discusses the Partnership's performance in the previous trading year.

Beyond the structure for sharing power amongst Partnership Council, the Partnership Board and the Chairman established by the Constitution, 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, which seeks to gather and promote the communication of Partner opinion; and through the Independent Directors. The structure is knitted together by the Partnership Secretary's role in ensuring information flow, trusted support and coordination across the three governing authorities.

For more information on the Partnership Board see pages 59 to 65. The use of the terms 'Chairman' and 'Deputy Chairman' in this report reflect the terminology contained within the Partnership's constitutional documents and are intended to be construed as gender neutral.

The Chairman

The Chairman must ensure that the Partnership develops its distinctive character and its democratic vitality. As such, they have three distinct roles:

- The Chairman is the senior executive in the Partnership, ultimately responsible for its commercial performance. They are supported in this by a Chief Executive - in March 2023, the Chairman delegated day-to-day management of the performance of the business to a Chief Executive, enabling the Chairman to focus on making sure the Partnership's transformation is done in a way that is aligned to our Purpose, values and distinctive character - and the Executive Team;
- They are Chair of the Trust Company, responsible with the other Trustees for carrying into effect with or without modification the Deeds of Settlement, upholding the Constitution, and promoting in every possible way the wellbeing of the Partnership;
- They are, by virtue of their appointment as Chair of the Trust Company, Chair of the Partnership Board.

As set out in the Trust Company's constitutional documents, the choice of successor is with an outgoing Chairman. This is overseen by the Nomination Committee, before the Partnership Board is asked to approve the Chairman's nominee. Sharon White became the Partnership's sixth Chairman on 4 February 2020. In accordance with the Partnership's constitutional arrangements, she signed a written undertaking to support the Constitution.

Deputy Chairman

The role of Deputy Chairman includes:

- Having responsibility for leading the Chairman's performance appraisal and remuneration review;
- Chairing the Ethics and Sustainability, Nomination and Remuneration Committees;
- Acting as an alternative point of contact to the Chairman for other Directors and, as and when necessary and in periods of organisational stress, acting as an intermediary between the stakeholders to resolve major issues.

The intent is that the Deputy Chairman should remain a Non-Executive role, but that if the role of Deputy Chairman were to be filled by someone who was not 'independent' (i.e. a Partner or a former Partner), some or all of these responsibilities would need to be reallocated to a Non-Executive Director. In the past it has also been recognised that there were occasional agenda items at the Partnership Board for which the Chairman was acting in a 'Chief Executive' capacity, and to avoid any potential conflict the Deputy Chairman stepped in and chaired the Board meeting for such discussions. Since the appointment of a Chief Executive, it is expected this will be required in more limited circumstances.

The Executive team

The Partnership's Executive Team defines a strategy to enable the Partnership's Purpose, to create a successful business and a fairer, more sustainable future for Partners, customers, suppliers and the communities in which the Partnership operates to succeed, recommending it for the approval of the Partnership Board and then delivering it through its management and running of the business.

In addition to the Chairman, the Executive Team is made up of the following members at the date of this report:

Nish Kankiwala	Chief Executive
James Bailey	Executive Director, Waitrose
Nina Bhatia	Executive Director, Strategy and Commercial Development
Lisa Cherry	Executive Director, People
Zak Mian	Chief Transformation and Technology Officer
Bérangère Michel	Executive Director, Finance
Naomi Simcock	Interim Executive Director, John Lewis

Nish Kankiwala took up the role of Chief Executive on 27 March 2023. He was previously a Non-Executive Director of the Partnership. The Chief Executive is responsible for the day-to-day management of the performance of the business and works closely with the Chairman.

More information about the members of the Executive Team can be found at www.johnlewispartnership.co.uk.

Independent Directors

Whilst the Partnership's structure promotes Partner opinion, the two Independent Directors bring a further perspective to support and challenge business leaders. They are Partners who are independent from executive accountabilities and are appointed by, and report to, the Chairman. Their role is to:

- Be a provocative and engaging force that focuses on what the Partnership stands for, inspire people to think differently, and challenge and support leaders;
- Provide an independent perspective on the progress of the business towards its Purpose and Principles (and advise the Chairman in this respect), and in doing so be completely open with the Chairman and tell them anything which they ought to know for the good of the Partnership;
- Maintain focus on the distinctive character of the Partnership, including specifically humanity (amongst Partners and with the communities within which the Partnership operates).

They have a constitutional 'right to roam' and investigate any area of the business and are supported by a group of Independent Advisors. They are not Directors of the Partnership. They attend meetings, but are not members of, the Executive Team, the Partnership Board and its Committees, and Partnership Council.

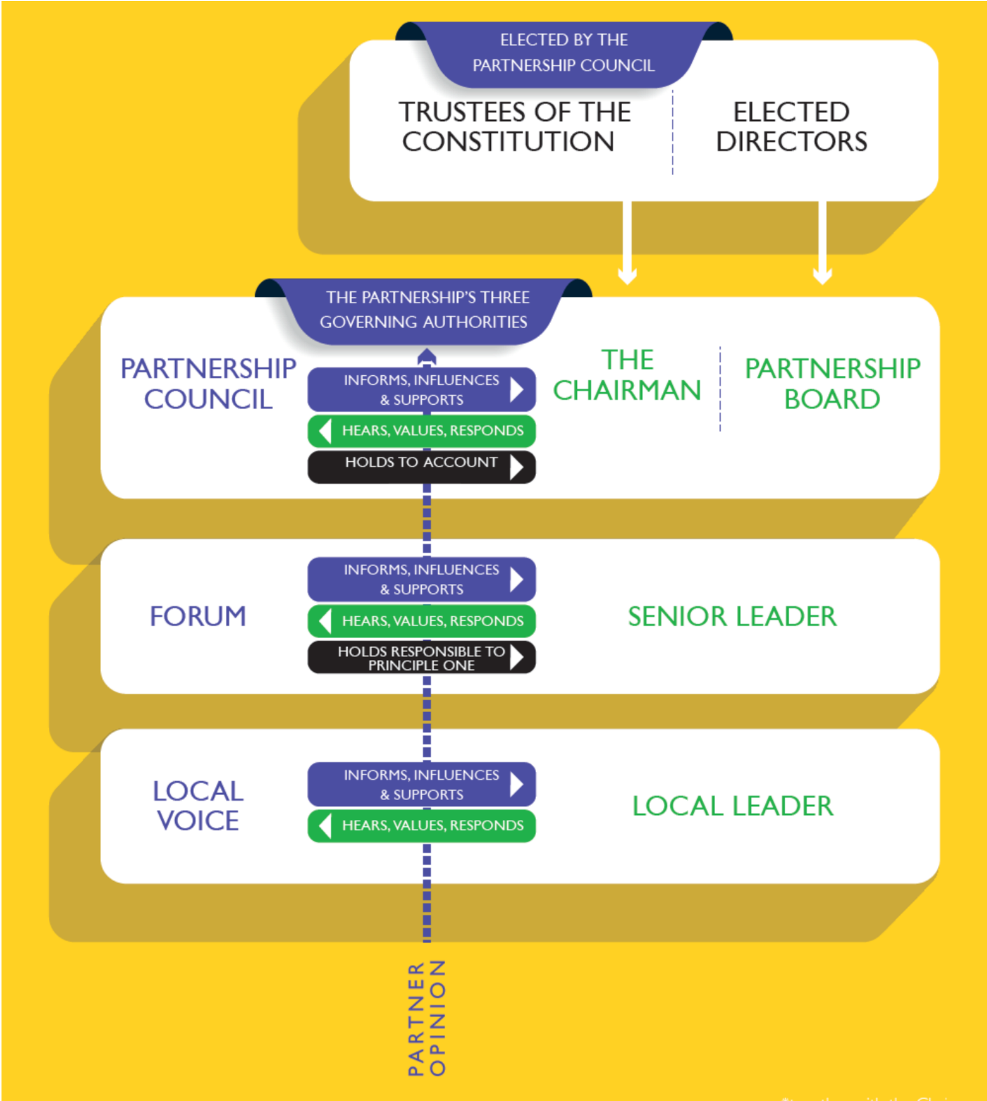
Clare Tickell took up the role of Independent Director on 14 October 2019, and James Allport was appointed on 25 April 2022.

The Partnership Democratic Vitality team

The Partnership Democratic Vitality team was created in May 2021 following the restructuring of the Partnership Democratic Engagement team. It is divided into three areas: Democratic Governance - designed to support and develop our formal democratic bodies; Capability - focused on measuring, diagnosing and activating democratic vitality; and Proposition and Insight - set up to help integrate democratic principles in strategic business decisions and projects.

Our Democracy

This diagram illustrates how power is shared and the ways in which the opinions of Partners are heard and influence decisions within the Partnership.



The Partnership Board

The Partnership Board has ultimate responsibility for issues of major policy and for allocating the financial and other resources of the business. It decides the policy for the prudent and adequate financing and development of the business and monitors its efficient implementation.

The Partnership Board's role is:

- To provide the Executive Team with constructive challenge and make its advice, experience and specialist knowledge available to both the Executive Team and Partnership Council;
- To ensure that in delivering the Partnership's Purpose the Partnership's financial condition remains sound;
- To ensure proper governance of the Partnership.

The role and responsibilities of the Board are contained in the Board's reserved matters which are available at www.johnlewispartnership.co.uk. In performing its role, the Partnership Board:

- Approves the Partnership's strategy and business plan and sets risk appetite;

- Oversees and monitors the delivery of the business plan, financial performance and management of risk;
- Oversees behaviours within the Partnership;
- Ensures that there is appropriate engagement with Partners (so that their views are listened to and taken into account in a way that encourages their active engagement) and other stakeholders;
- Ensures that as Directors they fulfil their legal duties to promote the Partnership's success.

Directors have regard to the Partnership's Purpose and to the matters they must consider under section 172(1) of the Companies Act 2006; see pages 32 to 39 for the Partnership's statement on section 172(1). The Strategic Report on pages 3 to 55 contains more information on activities overseen by the Board and led by the Executive Team during the year.

Membership

During the year, in addition to the Chairman, the Partnership Board comprised three Non-Executive Directors (including the Deputy Chairman), three Elected Directors and one Executive Director (the Executive Director, Finance). From March 2023, the Partnership Board's membership changed to reflect Nish Kankiwala's appointment as an Executive Director, increasing by one the number of Executive Directors with an equivalent reduction in the number of Non-Executive Directors. From 27 April 2023, it comprised the Chairman, three Non-Executive Directors (including the Deputy Chairman), three Elected Directors and two Executive Directors (the Chief Executive and the Executive Director, Finance). The Partnership Board has determined that this composition provides a balanced leadership, appropriate for an employee-owned business. Elected Directors and Non-Executive Directors together form a majority of the Partnership Board.

At the date of this report, the Partnership Board comprises:

Executive Directors: Sharon White, Nish Kankiwala and Bérangère Michel;
Elected Directors: Jules Rushworth, Becky Wollam and David Wood;
Non-Executive Directors: Rita Clifton (Deputy Chairman), Nicky Dulieu and Andrew Martin.

Biographies for the members of the Partnership Board can be found on pages 62 to 65.

Ollie Killinger and Nicky Spurgeon ceased to be Elected Directors on 3 March 2022 and were replaced by Jules Rushworth and David Wood following their election by Partnership Council.

During the year, Andrew Martin indicated his desire to step down as a Non-Executive Director after nearly five years on the Board. The Nomination Committee therefore commenced a process to appoint a new Non-Executive Director, which is discussed further in its report on page 79. He will step down on 30 April 2023, and Nicky Dulieu joined the Board on 27 April 2023.

During the year, Nish Kankiwala was a Non-Executive Director. On 27 March 2023, he took up the position of Chief Executive and so became an Executive Director of the Board. The Nomination Committee built on the process already commenced to find a replacement for Andrew Martin to identify a second new Non-Executive Director. As at the date of this report, the process is ongoing.

Elected Directors

Elected Directors are neither Executive Directors nor Non-Executive Directors. Although, as employees, they are not considered to be independent, they approach Partnership Board decisions from their individual perspectives as Partners, contributing to decision-making through their knowledge and experience from working within the Partnership.

Non-Executive Directors

The Non-Executive Directors bring an independent view to the Partnership Board's discussions and the development of strategy. Their range of skills and experience ensures that the performance of management in achieving the Partnership's plans is appropriately challenged.

The Partnership Board reviews the independence of all Non-Executive Directors annually and has determined that they bring strong independent oversight and continue to be independent from management of the Partnership. The Board is also confident that none of the Non-Executive Directors have any cross-directorships or significant links to other organisations that would adversely interfere with their independent judgement.

Partnership Board effectiveness review

An externally facilitated review of the Partnership Board's effectiveness was carried out by Jan Hall of No 4 at the start of the 2022/23 year. The review included individual interviews with all members of the Board, the Elected Directors who stepped down in March 2022, the Partnership Secretary, the then members of the Executive Team, the Independent Directors, the President of Partnership Council, an elected Trustee of the Trust Company and the Deputy Company Secretary. Representatives of the Partnership's remuneration consultant, Willis Towers Watson, were also consulted for their feedback. Jan Hall also observed a Partnership Board meeting and meetings of the Board Committees.

The review covered the areas of the Partnership Board's oversight of strategy, risk appetite and risk management, performance, relationships, ethics and sustainability, Partnership Purpose, stakeholder management, and governance; Partnership Board culture, composition and development; the Partnership Board's Committees; and Partnership Board meetings.

It was generally considered that the Partnership Board and its Committees were working well, with changes made to the Partnership Board's operation since the Chairman's appointment being well received. The commitment of its members to, and support for, the Partnership Purpose was recognised as a key strength and contributor to its culture. Improvements made following previous effectiveness reviews were recognised, although it was noted that some remained ongoing.

The key outcome from the review was the recognition of the critical role the Partnership Board plays in challenging and supporting the Executive Team as it tackles the challenges facing the Partnership, which have been exacerbated by the Covid-19 pandemic and economic and geopolitical circumstances. This will require still greater clarity of accountability, focus on delivery and sense of urgency. A number of other actions were also agreed to improve effectiveness and these are in the course of being progressed.

Board information and arrangements

The Board receives and reviews a broad range of information and reports including: monthly reporting packs which include customer, Partner and financial performance data; quarterly risk reports; and minutes and updates from Executive Team and Board Committee meetings. Senior executives attend Board and Committee meetings as appropriate to support business proposals and investments and report on material business matters.

It is the practice for Directors either not to attend a Board or Committee meeting, or to absent themselves from relevant agenda items, where they have a conflict or potential conflict of interest in what is being discussed.

There were nine Board meetings during the year. All Directors attended each meeting they were eligible to attend with the exception of Nish Kankiwala and Andrew Martin who were each unable to attend one meeting. In addition to the full Board meetings, the Board also meets on a quorate basis on occasions for specific approvals or items of business.

In addition to attending Board meetings, the Non-Executive Directors and the Elected Directors met together without the Executive Directors on four occasions during the year, and received briefings on matters that were scheduled to come to the Board for decision. The Deputy Chairman and Partnership Secretary also facilitated informal meetings between Board members, the Trustees of the Constitution, the President of Partnership Council and the Independent Directors.

Partnership Board members' biographies

Key for Committee membership:	
A - Audit and Risk Committee	E&S - Ethics and Sustainability Committee
N - Nomination Committee	R - Remuneration Committee
	* - Committee Chair

SHARON WHITE (E&S, N)
Partner and Chairman, appointed: February 2020

Sharon became the Chairman of the John Lewis Partnership and Chairman of John Lewis Partnership Trust Limited on 4 February 2020. Prior to this Sharon was Chief Executive of Ofcom from 2015.

Before joining Ofcom, Sharon had a long career in the civil service. She was Second Permanent Secretary at the Treasury, responsible for overseeing public finances. Before that she held Board level positions at the Ministry of Justice and the Department for International Development. She has worked as a civil service advisor at the Prime Minister's Policy Unit and in Washington DC as a senior economist at the World Bank. She was, until November 2022, Deputy Chairman of Sadlers Wells Trust Limited.

Sharon is a Non-Executive Director of Barratt Developments PLC. She also sits on an Advisory Board for Altermind, a strategy consultancy.

Sharon is a trained economist and studied at Cambridge University and University College London.

RITA CLIFTON (A, E&S*, N*, R*)
Non-Executive Director and Deputy Chairman, appointed: February 2021

Rita became Deputy Chairman of the John Lewis Partnership and Deputy Chairman of John Lewis Partnership Trust Limited on 1 February 2021.

Her career has included being a Vice Chair and Strategy Director at Saatchi & Saatchi, London CEO and Chair at the global brand consultancy Interbrand and co-founder of BrandCap. Rita was previously a Board member of ASOS for six years, and has held non-executive roles with Nationwide Building Society, Dixons Retail, Emap, Bupa and the research firm Populus Group. Non-profit Board experience has included WWF (World Wide Fund for Nature) and the UK Sustainable Development Commission.

Rita is Senior Independent Director at Ascential plc, a member of the Advisory Board of Brand Experience Group, a Trustee of the environmental think tank Green Alliance and Chair of the Board of Trustees at the sustainability organisation Forum for the Future.

NICKY DULIEU (A, N, R)
Non-Executive Director, appointed: April 2023

Nicky joined the Partnership Board as a Non-Executive Director on 27 April 2023.

Nicky has strong experience as a Non-Executive Director and extensive knowledge of retailing and customer service, with over 40 years' experience working in retail businesses.

Nicky is currently the Senior Independent Director and Chair of the Remuneration Committee at both Unite Group plc and Redrow plc. She is also a Non-Executive Director and Chair of the Audit Committee at WH Smith plc. She is also a Trustee of the Royal Norfolk Agricultural Association.

She is a chartered accountant, having trained with Marks & Spencer Group plc with whom she held various strategic and financial roles over a 23 year period, including Finance Director of the Food Division. Following this, she was appointed to the Board of Hobbs Limited and was Chief Executive from 2008 until 2014. She was also Chairman of Notcutts Limited from 2015 until 2020.

NISH KANKIWALA
Chief Executive, appointed: March 2023

Nish joined the Partnership Board as a Non-Executive Director on 12 April 2021. He was appointed as Chief Executive, remaining on the Partnership Board, on 27 March 2023.

Nish brings 40 years' experience in retail and consumer brands. Nish started his career at Unilever in a number of commercial and operational roles, before moving to PepsiCo where he became President of the soft drinks business in Europe and Africa. He then leveraged this experience within private equity, including as President of Burger King International and in roles with brands such as Jeyes, Tommee Tippee and Plum Baby Foods. He joined Hovis, a business with over 130 years of heritage, in 2014, initially as Chairman and then as Chief Executive, leaving at the end of September 2022. He is currently the non-executive chair at Vibrant Foods.

Nish is a Fellow at the Institute of Chemical Engineers and Fellow at University College London, where he graduated in Chemical Engineering.

ANDREW MARTIN (A*, N, R)
Non-Executive Director, appointed: July 2018

Andrew joined the Partnership Board as a Non-Executive Director on 1 July 2018.

Andrew brings to the Board extensive experience in managing the associated risks and complexities of driving change in difficult climates. He was, until 2015, Group Chief Operating Officer, Europe and Japan, for Compass Group plc, having previously been its Group Finance Director from 2004 to 2012. Before joining Compass Group, Andrew was Group Finance Director at First Choice Holidays (now TUI Group) and prior to that held a number of senior finance roles at Granada Group plc. Before this he was a Partner at Arthur Andersen. Until August 2020, he was also a Non-Executive Director of easyJet plc.

Andrew is Non-Executive Chairman at Intertek Group plc, Non-Executive Chairman at Hays plc, and also chairs the Nomination Committees of both companies. He is also a Director and Trustee of The Compass Group Foundation.

Andrew is a chartered accountant. He will step down from the Partnership Board on 30 April 2023.

BÉRANGÈRE MICHEL (E&S)
Partner and Executive Director, Finance, appointed: January 2021

Bérangère joined the Partnership in April 2008 as Group Head of Financial Strategy, before being appointed Director, Supply Chain Development and subsequently Finance and Strategy Director and Operations Director for John Lewis & Partners. She became Executive Director, Customer Service in February 2020 and was then appointed Executive Director, Finance in January 2021. Before joining the Partnership, Bérangère spent 11 years at the Royal Mail in a number of finance, change and strategy roles, including as Finance Director of the property division.

Bérangère is a Board Trustee at World Animal Protection, a global animal welfare charity, where she also chairs the Audit & Finance Committee.

Bérangère is an Associate Chartered Management Accountant, holder of a Master in Business Administration from the University of Bradford (UK), and has a degree in Business Studies from the Institut Commercial de Nancy (France).

JULES RUSHWORTH (E&S, N, R)
Elected Director, Partner and Branch Manager, appointed: March 2022

Jules joined the partnership in 2009 as a Department Manager in Waitrose Southampton, progressing through various Branch Manager roles until taking up her current position as Branch Manager of Waitrose Dorking in 2022. In addition to her retail role, Jules has been involved in the Partnership's democratic bodies, being an elected Partnership Councillor, Chair of the Partner Focus Group and Member of the Council Steering Committee between 2015 and 2021 before being elected by Partnership Council to join the Partnership Board in 2022. Before joining the Partnership, she was a Royal Navy Officer.

Jules holds a Certificate of Higher Education (Naval Studies) from the University of Plymouth, a City and Guilds Graduateship in Leadership and Management and a Postgraduate Certificate in Executive and Financial Management.

BECKY WOLLAM (N, R)
Elected Director, Partner and Business Lead, Purpose and Re-engagement, appointed: May 2018

Becky joined the Partnership in 2009 as a graduate trainee, following the completion of a degree in Economics. She worked in a range of shops before securing her first Branch Manager position at Waitrose Leighton Buzzard, before leading shops in York, Leek and Glasgow. After six years in Retail Operations, Becky moved into Head Office, spending a year in Finance representing Retail on a large change programme, before spending a year leading change within Retail. She moved back into Retail Operations where she has had appointments as a Regional Manager, accountable for Waitrose shops in Central London, and as Head of Shop Trade. In March 2022, Becky commenced the role of Business Lead, Purpose and Re-engagement, in which she leads the embedding of the Partnership's new Purpose. Becky was elected to Partnership Council in 2015 and is in her second term as an elected member of the Partnership Board, having been re-elected in 2022.

DAVID WOOD (A)

Elected Director, Partner and Real Estate Senior Development Manager, appointed: March 2022

David joined the Partnership in 2018 as part of the Real Estate Team charged with getting best value for the Partnership from its property assets and currently holds the position of Senior Development Manager. In addition to this role he was, until 2022, a Partnership Councillor, representing Partners from the Property and Construction constituency. He was elected by Partnership Council to become an Elected Director and joined the Partnership Board in March 2022.

David has almost 20 years of experience in large retail organisations. Prior to joining the Partnership, he was Head of Estates at Arcadia Group Ltd.

David has a degree in Business Management, is currently studying for an MBA at Henley Business School and is a Member of the Royal Institution of Chartered Surveyors.

AUDIT AND RISK COMMITTEE REPORT

The Partnership Board's Audit and Risk Committee provides independent scrutiny and challenge to seek to ensure that the Partnership presents a true and fair view of its performance, focusing on the accuracy, integrity and communication of financial reporting. It also provides assurance that risks are being managed appropriately through examination of the Partnership's control environment and risk management strategies and maintains direct oversight of the principal risks most related to the completion and accuracy of the Partnership's financial statements and overall financial health. The Committee assists the Partnership Board in fulfilling its responsibility by reviewing and monitoring:

1. 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;
2. The effectiveness of the Partnership's system of internal controls and risk management;
3. The effectiveness of the Partnership's auditor and the internal and external audit process;
4. The effectiveness of the Partnership's processes for compliance with laws and regulations, including systems and controls for the detection of fraud.

The Committee operates in accordance with its Terms of Reference, which are reviewed annually and are available at www.johnlewispartnership.co.uk.

Membership and composition

The Committee normally comprises two Non-Executive Directors, one Elected Director and two Independent External Members. This composition allows the Committee to maintain appropriate levels of objectivity and independence when providing assurance over the Partnership's systems, operations and financial probity. Decisions can only be made by the Committee when three members are present, including the Chair (or their appointed deputy) and at least one member who is independent. The members of the Committee at the date of this report are:

Andrew Martin	Non-Executive Director (Chair of the Committee)
Rita Clifton	Non-Executive Director
Nicky Dulieu	Non-Executive Director
Sharon Fennessy	Independent External Member
Alan Martin	Independent External Member
David Wood	Elected Director

Vijay Thakrar served on the Committee as an Independent External Member during the year under review, stepping down on 31 January 2023. He was succeeded by Alan Martin who joined the Committee with effect from 3 January 2023 for an initial three year term, enabling a period of handover with Vijay. Alan brings a wealth of retail and commercial financial experience to the Committee.

Andrew Martin indicated his desire to to step down as a Non-Executive Director during the year and will step down on 30 April 2023 after five years. Nicky Dulieu, who took up her appointment as a Non-Executive Director on 27 April 2023 and joined the Committee on this date, will replace him as Chair of the Committee.

The Independent External Members assist, in the same way as the other Committee members, in fulfilling the responsibilities of the Committee. They are experienced accountants with no connection to the Partnership and they are not Partnership Board Directors. They provide a further level of assurance that the obligations of the Committee to provide independent scrutiny and challenge are discharged.

There were eight Committee meetings held during the year under review, which were attended by all members who were eligible to attend, except Rita Clifton who was unable to attend one meeting. During at least one meeting in each quarter of the year, the Committee meets separately with each of the external auditor and the Director of Internal Audit and Risk or her designate, without management being present.

Relevant qualifications of Committee members and competence to the sector
Andrew Martin, Nicky Dulieu, Sharon Fennessy and Alan Martin have significant, recent and relevant financial experience. Each is a qualified accountant and has held or currently hold senior finance roles. See page 63 and below for biographical information. Viewed as a whole, the Committee possesses competence relevant to the retail sector in which the Partnership operates.

Independent external members

Sharon Fennessy, appointed: March 2016
Sharon is a Non-Executive Director of The Gowan Group. Previously, Sharon was Group Controller of Diageo plc from October 2018 until September 2021 having joined in 2010 from Nortel Networks Corporation where she held a number of senior finance leadership positions. Prior to being Group Controller of Diageo plc Sharon held a number of senior finance roles including Finance Director Europe, Group Treasurer and Head of Investor Relations. Sharon is a chartered accountant.

Alan Martin, appointed: January 2023
Alan is currently Chief Financial Officer at Charles Tyrwhitt - a global menswear business - and an experienced chartered accountant. Prior to Charles Tyrwhitt Alan held various Finance Director roles at Mothercare, Amazon and Argos.

Committee effectiveness
During March and April 2023 Committee members contributed to a year-end assessment of the Committee's effectiveness covering ways of working, external audit, financial reporting, risk management, control and assurance, Internal Audit, compliance and Committee support. The output from the evaluation was considered by the Committee at its April meeting and will be followed up both through the agreed actions and also as context for the 2023 Board evaluation process.

External financial reporting
The Partnership prepares consolidated financial statements, which form part of the Annual Report and Accounts, in accordance with UK-adopted international accounting standards ('UK-adopted IFRS'). An interim review is prepared at the end of the first six months of the year.

The Partnership operates under an internal control and risk management framework, which supports the preparation of consolidated financial statements. This includes policies and procedures designed to ensure that adequate accounting records are maintained and transactions are accurately recorded.

Annual report and accounts
Since the year-end, the Committee has reviewed the draft Annual Report and Accounts 2023 and recommended their approval to the Partnership Board. As part of its review, the Committee assessed whether the Annual Report and Accounts provided a fair, balanced and understandable assessment of the Partnership's position, performance, business model and strategy.

The Committee considered and challenged management's assessment of the following:
- Does the Annual Report and Accounts provide a balanced view of the Partnership's performance and prospects, with alternative performance measures only used where necessary, and with appropriate weighting given to risks, setbacks and challenges?
- Is the report reflective of internal reporting and discussions, or have any items been omitted which should have been included?
- Are key issues and judgements discussed in the narrative reporting consistent with the ARC report and estimates and judgements referred to in the financial statements?

- Are the KPIs presented and explained appropriately, with clear linkage from strategy to performance?
- Are financial measures not defined under UK-adopted IFRS clearly explained and used consistently with appropriate reconciliations to measures defined by UK-adopted IFRS?
- Are important messages, policies, transactions and significant changes from prior periods highlighted, explained, and not obscured by unnecessary and distracting detail?
- Does the report include simple and appropriate explanations of the business model, strategy and accounting policies?
- Does the governance section clearly explain how decisions are made?
- Is the language used in the report clear and precise, avoiding generic wording that is not specific to the Partnership?
- Is the layout of the Annual Report and Accounts clear, with good linkage throughout the report?

The Committee was satisfied that, taken as a whole, and having regard to the amendments made by the Committee, John Lewis Partnership plc's Annual Report and Accounts 2023 is fair, balanced and understandable.

Our significant financial reporting issues and our response
As part of the preparation of the Annual Report and Accounts, the Committee considered the following significant financial reporting issues.

1. Impairment *(Notes to the financial statements: 3.1, 3.2)*

Issue: The Partnership has significant non-current assets, both tangible and intangible. Judgement is exercised in reviewing their carrying value in respect of possible impairment. Initial trigger tests include performance, temporary store closure or significant external changes with an adverse effect on cash flows. These identified some assets with indicators of potential impairment. For each tangible asset identified, management prepared a value in use model or obtained valuations to assess the asset's recoverable amount and calculated an impairment charge where appropriate. The model includes a number of assumptions in relation to trading expectations, long-term growth rates, cost inflation, online sales and costs allocation and discount rate. For each intangible asset identified, consideration was given to changes in use, deterioration and evidence of obsolescence, with an impairment charge or reversal calculated where appropriate.

Response: The Committee reviewed and challenged the methodology and results of the impairment review, including the appropriateness of key assumptions and data points used. This included review and challenge over the growth rates, cost inflation, online sales and costs allocation and the discount rate used for tangible impairment. At meetings in December 2022 and January 2023, particular focus and challenge was given to the tangible impairment approach, including the allocation of online sales and costs and review of fully impaired stores. The Committee also considered the sensitivity of the proposed impairment charges and releases to movements in key assumptions such as the trading expectations, long-term growth rates, online sales and costs allocation and the wider economic environment. Where releases of previous impairments were proposed, the Committee assured itself that the improved performances were ongoing and sustainable.

The Committee considered programmes where significant intangible assets have been capitalised or are in the course of construction, to ensure it is comfortable that future economic benefits will be generated. The Committee satisfied itself that the assumptions used within the tangible and intangible impairment models, together with the resulting impairment charges, were reasonable. The Committee also reviewed the associated disclosure for inclusion within the financial statements.

2. Pensions *(Notes to the financial statements: 6.1)*

Issue: The Partnership operates a defined benefit pension scheme which closed to future accrual on 1 April 2020. The pension scheme liability is calculated using an actuarial model with a number of key assumptions, notably the discount rate and inflation rate. The pension scheme asset includes a variety of assets including those where a market quotable price is not available (level 3). The assets are valued by third party fund managers using a variation of valuation models. Additional detail is provided in note 6 to the consolidated financial statements. For this year, the net of the pension assets and pension liabilities is a deficit of £101.9m, compared to a £473.5m surplus last year.

Response: The Committee considered the papers prepared by management, including the advice obtained by management from independent actuarial specialists on the appropriateness of the assumptions used. As part of this, the Committee considered these assumptions as compared with previous years and those used by peer companies. The Committee satisfied itself as to the acceptability of the key assumptions, particularly the discount rate and inflation rate assumptions. The Committee concluded that the overall pension scheme net liability is appropriate.

3. Exceptional items *(Notes to the financial statements: 2.5)*

Issue: The Partnership has recorded exceptional costs of £156.5m, principally relating to exceptional impairment charges and releases in relation to our shops, and our physical estate programme. Management exercise judgement in the application of Partnership's accounting policy for exceptional items.

Response: The Committee considered the items presented as exceptional, in respect of the Partnership's policy to present separately items that are significant by virtue of their size and nature. The Committee challenged management on the inclusion within exceptional items of the shop impairment charges, with particular focus on the proportion driven by trading performance compared to that driven by changing assumptions. Having considered the significance of both the size of the impairment charge and the reassessment of assumptions, the Committee concluded that it was appropriate to disclose as exceptional and requested full and transparent disclosure be given in the financial statements.

Restructuring and redundancy costs continue to be incurred as a result of strategic reviews, with £16.5m recognised in respect of our store closures announced during the year, adjustments to the use of our offices in Bracknell and Victoria as well as truing up historic provisions such as shop leadership transformation. The Committee considered and challenged management on the continued inclusion of these costs within exceptional items, and to demonstrate that the costs were part of transformational strategic programmes of activity that would take a number of years to deliver. The Committee requested continued enhanced disclosure to be included within the financial statements. The Committee, having reviewed and discussed both the analysis presented and draft disclosures provided by management, satisfied itself as to the appropriateness of the items reported as exceptional and the transparency included within the disclosures.

Viability and going concern

The Directors must satisfy themselves as to the Partnership's ability to continue as a going concern for a minimum of 12 months from the approval of the financial statements. Additionally, the Directors report on the longer term viability of the Partnership, over a period of three years. The Committee supported the Board in its assessment of both going concern and viability by considering whether the Partnership has adequate liquid resources to meet its obligations as they fall due for at least the next 12 months and to remain commercially viable over the three-year period to January 2026.

The Committee reviewed papers presented by management on its assessment of the Partnership's going concern and longer term financial viability based on the budget, Partnership Plan and cash flow forecasts. It also reviewed the stress testing performed in the form of the risk focused and combined severe downside scenarios, ensuring this was based on the potential financial impact of the Partnership's principal risks. The combined severe downside scenario, as set out in the Viability Statement (pages 51 to 53), represents a severe but plausible scenario and, whilst being considered by the Directors to be extremely cautious, has a significant adverse impact on sales, margin, costs and cash flow. In response, the Directors have identified a number of actions, all within management's control, to reduce costs and optimise the Partnership's cash flow and liquidity. The Committee reviewed and challenged the appropriateness of the scenario modelled and scrutinised the underlying Partnership

Plan to ensure the assumptions within the base case, such as committed levels of investment, did not undermine the validity of proposed mitigations. The Committee also assessed the feasibility of management to deliver the quantum of the mitigations within the time frame required and how quickly and willingly management were able to take action as required. The Committee also reviewed and tested management's assessment that no material uncertainty exists for the Partnership. The Committee also reviewed the level of disclosure proposed.

As a result of the procedures performed, and the responses received from management on the challenges raised and the level of disclosure proposed, the Committee satisfied itself that the going concern basis of preparation is appropriate and that the Partnership is commercially viable over the duration of its assessment period. The Committee reviewed the basis of preparation disclosures (pages 100 to 102) to ensure this sufficiently detailed the considerations made in making this conclusion. The Board's going concern statement is included within the Directors' Report on page 93 and the Viability Statement within the Strategic Report on pages 51 to 53.

External audit activities

KPMG LLP were the Partnership's external auditor for 2022/23. 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.

External auditor effectiveness

In March and April 2023, the Committee conducted an evaluation of the external auditor's performance. Members of the Committee and key members of management were provided with an opportunity to comment on the effectiveness of the external auditor and the audit process. In assessing the effectiveness of the external auditor, areas considered included:

- The terms and the scope of the work of the external auditor, as set out in the engagement letter;
- The experience and expertise of the audit team;
- The audit work plan for the financial year 2022/23;
- The limited scope of work on the interim results and the detailed findings of the year-end audit, including how the auditor assessed key accounting and audit judgements and discussion of any issues that arose;
- The appropriateness of the external auditors enhanced approach in response to revisions to International Standards on Auditing;
- The constructive challenge and professional scepticism applied by the audit team in dealing with management.

The outcome of the evaluation was considered by the Committee. The Committee discussed the effectiveness of the external auditor and recommended to the Partnership Board the re-appointment of KPMG LLP.

Audit firm tendering

It is the Committee's policy to ensure that there is audit partner rotation every five years to safeguard the external auditor's objectivity and independence. In 2012/13, the Committee adopted a policy to tender the external audit contract at least every 10 years.

Following the audit tender process in 2015/16, the year ended 28 January 2023 was the seventh year of audit by KPMG LLP and the second year of the audit engagement partner, Nick Frost, who has a history of undertaking and leading audits of consumer goods and retail group businesses.

Auditor's independence and objectivity and non-audit services

The Committee continually reviews the nature and extent of non-audit services provided to the Partnership by the external auditor and receives confirmation from the external auditor at least annually that, in their professional judgement, they are independent with respect to the audit.

The Committee recognises that the independence of the external auditor is a fundamental safeguard for the interests of Partners. The Partnership has a non-audit services policy that allows the external auditor to be appointed to provide non-audit services in exceptional circumstances. The Partnership's non-audit services policy is summarised below.

Summary of non-audit services policy
In line with our policy, the Partnership's auditor is prohibited from supplying most categories of non-audit services.

Prohibited services include: bookkeeping or other services related to the accounting records or financial statements; internal audit services; taxation services; and any other work that could compromise the independence of the external auditor or is prohibited by the UK regulator's ethical guidance.

There is a specific approval process for any non-audit work to be undertaken by the external auditor. Any proposal to engage the external auditor to perform non-audit services must be referred to the Executive Director, Finance for approval. Where fees exceed £100,000, the proposal must be approved by the Chair of the Committee, and where fees exceed £250,000, the proposal must be approved by the whole Committee.

Details of the amounts paid to the external auditor are given in note 2.6 to the consolidated financial statements. The ratio of non-audit services fees to audit and audit-related services fees was 4% (2022: 6%).

Having undertaken a review of the non-audit services provided during the year, at both the half year and year-end, the Committee is satisfied that these services did not prejudice the external auditor's independence.

Our systems of risk management and internal control

Risk management
Assessing and managing risk is fundamental to safeguarding Partners' interests, protecting our reputation, complying with regulatory standards and achieving our business objectives.

To enable this, the Partnership implements a risk management framework, including a process for how we identify, evaluate, manage and monitor the principal risks faced by the Partnership, supported by tools, Partners, and a governance structure with defined accountability. Further details on this can be found on pages 40 to 50 along with details of our principal risks and how we mitigate them.

Internal controls
The systems of internal control we have established are designed to manage, rather than eliminate, the risk that is inherent in pursuit of the Partnership Plan and objectives. As a consequence our internal controls can only provide reasonable, and not absolute, assurance against material misstatement or loss.

During the year under review, reporting was through presentations from Finance management as well as the work of Internal Audit, which provides independent and objective assurance on the effectiveness of controls through the delivery of a risk-based work plan. The Director of Internal Audit and Risk reports operationally to the Chair of the Committee and structurally to the Executive Director, Finance and reports quarterly on risk profile status to the Executive Team, the Committee and the Partnership Board on various aspects of risk management in line with their respective governance roles. The Partnership Board also 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.

At the end of the year, the Committee assessed the effectiveness of the risk management framework, supported by a self-certification exercise by the Executive Team.

During the year the Committee:

- Has ensured the appropriate assessment and disclosure of viability;

- Has continued to challenge management to understand and appropriately mitigate against the risks arising from the external environment and internal change across the Partnership: from the ongoing Russian invasion of Ukraine with its repercussions on energy, food and product prices, the consequential cost of living crisis in the UK, and changing customer behaviour and regulations; to the Partnership's ability to invest in and land change in order to deliver its strategy;
- Has maintained its focus on security and data privacy requirements and the actions needed to continuously improve cyber security resilience;
- Has supported the continuing maturity of risk management across the Partnership by supporting the delivery of behavioural risk training to over 300 senior leaders and change professionals, reviewing deep dives on principal risks and Financial Services over the course of the year, and challenging quarterly updates on the progress made;
- Has continued to review the outcome of Internal Audit work and receive updates on regulatory assurance;
- Has reviewed reports from management in relation to controls activity undertaken in the year in relation to key financial risks, including the testing of key controls;
- Continued to have oversight of open and overdue Internal Audit findings, with an ongoing focus on action-owner accountability. For the majority of the year there have been no overdue audit findings.

In the coming year the Committee will continue to oversee the Partnership's systems of risk management and internal control. This will be achieved through a continued focus on maturing risk management across the Partnership and challenging where there are gaps or blockers to delivering the Partnership Plan at the pace required. It will continue to maintain direct oversight of the Partnership's principal financial, information security and compliance related risks on behalf of the Partnership Board.

The Partnership's Approach to Internal Audit

Partnership Internal Audit (IA) is an independent and objective assurance and advisory function, operating to add value to the business through challenging, improving and assuring systems of risk management and control.

The purpose of IA, as laid out in its charter, is to support the Committee in fulfilling the parts of its remit laid down by the Partnership Board that require it to oversee:

- 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;
- The effectiveness of the Partnership's system of internal controls and risk management.

IA's work plan reflects the key risks and external pressures faced by the Partnership and is aligned with the core pillars of the Partnership's strategic plan. It covers both advisory and assurance related reviews of operational, financial and IT processes as well as key change projects and programmes and regulatory and operating compliance. Reflecting the volatility of the current retail environment, the Committee endorses a six month work plan, with progress updates presented each quarter.

KPIs measuring the efficiency and effectiveness of the IA function are used to benchmark performance against prior years and to assess value add, with performance updates provided at each quarterly Committee meeting. Status updates on management's implementation of agreed actions from audits undertaken are also provided, along with continuous improvement activities such as the use of analytics and impactful reporting.

The Director of Internal Audit and Risk is in regular discussions with leadership and the Committee over the capability and capacity of the IA function to support the Partnership's strategic plan and growth ambitions e.g. for Financial Services and Build to Rent. The function was last externally assessed in 2021 in line with section 1312 of the Institute of Internal Auditors (IIA) standards, which requires an independent EQA once every five years.

Fraud
The Committee reviewed the Partnership's level of compliance with the Partnership Fraud Standard and received a pan-Partnership assessment of the approach to this risk. This included an assessment of control effectiveness and explanation as to how this is used to focus work on control improvement.

Groceries (Supply Chain Practices) Market Investigation Order 2009 and the Groceries Supply Code of Practice (GSCOP)
Waitrose is subject to the Groceries (Supply Chain Practices) Market Investigation Order 2009 ('the Order') and the Groceries Supply Code of Practice ('GSCOP' also referred to as the 'Code').

Both the Order and, in particular, the Code, regulate Waitrose's everyday trading relationships with our Grocery suppliers, ensuring that, as a Designated Retailer, we treat our suppliers fairly. The Order also includes provisions on training requirements for our Buyers, mandates a need for agreements to be in place with all our Groceries suppliers and that any such agreements incorporate the Code. The desire to treat our suppliers fairly, is also enshrined within the John Lewis Partnership's Constitution and therefore is in keeping with the Partnership's general ethos. The Committee has responsibility for satisfying itself that the GSCOP governance framework and systems are appropriate and effective.

The Partnership continues to take compliance with the Code very seriously and Waitrose has worked hard over the past year to make further improvements to our overall GSCOP compliance. In particular we have:

- Launched updated GSCOP e-learning modules including a dedicated De-listing (as defined by the Code) module;
- Continued to raise the profile of the Code Compliance Officer (CCO) through bi-monthly newsletters to suppliers covering Code-related topics and introduced dedicated drop-in sessions for suppliers to book time with the CCO;
- Ensured that the Groceries Code Adjudicator's (GCA's) 7 Golden Rules for Cost Price Increases (CPIs) have been embedded into our standard Buying processes, through issuing bespoke guidance materials to our Buying teams (as defined by the Code), running training sessions on CPIs throughout the year and performing spot checks and audits on Buyer correspondence with Suppliers regarding CPIs;
- Worked closely with change programmes to ensure GSCOP is being considered when planning for changes which could significantly impact some of our suppliers, for example High in Fat, Salt or Sugar (HFSS) implementation.

Over the past year we have continued to work with the GCA, and our collaborative approach supports us in identifying underlying issues and trends based on supplier concerns that the GCA may bring to our attention. The CCO and GCA met on three occasions during the year and we continued to share information with the GCA which could be relevant to our supplier interactions on a timely basis. In June we hosted the GCA's team on a visit to the Waitrose Farm at Leckford.

Training
Mandatory training takes the form of a suite of e-learning modules on the Code which this year have been updated and now contain a separate De-listing module. Each year the Buying Team must complete their e-learning on the Code as well as attend an interactive briefing, prepared by our Compliance and Commercial Management Team with support from our Legal Department. This year's content focused on: Cost Price Increases (and the GCA's 7 Golden Rules), De-listing, forecasting accuracy and Buyer handovers. In addition, all new joiners attended an induction session with the Commercial Compliance Lead which covers GSCOP.

Of the 112 Partners who formed part of the Buying Team (as defined by the Order) during the Reporting Period and to whom the legal requirement for training relates, 110 completed their e-learning and attended the interactive briefing session. There were two instances where Buyers were not prompted to refresh their e-learning during the Reporting Period as a result of the incorrect training role assigned within our system.

Additional regular checks have been introduced to ensure all the Buying Team have the correct training roles assigned to ensure this does not reoccur.

As in previous years, we have continued to train more Partners on the requirements of the Code than is strictly required by the Order, extending our mandatory training to all Partners who have a potentially supplier-facing role in business areas where GSCOP could have an impact. In total over 500 Partners have completed both the GSCOP e-learning and attended the interactive briefing session on the Code.

Breaches or Alleged Breaches

Where a Code-related issue or complaint is identified, Waitrose will always seek to understand the root cause of the problem and in the case of a supplier complaint, the reasons behind their concerns with the ultimate aim of resolving the issues quickly and ensuring that our suppliers have been treated fairly and in line with the Code.

All Code-related issues or complaints are reported to our GSCOP Working Group so any themes can be monitored and action taken where needed.

During the reporting period Waitrose had 26 cases (up from 15 last year) where a supplier either alleged that there had been a breach of the Code or referenced the Code in a query raised with the business. Specifically, there were:

- 17 complaints raised and resolved at 'level 1' (raised and resolved within the business);
- One complaint raised at 'level 1' resolved at 'level 2' (raised within the business resolved with the CCO);
- One complaint raised at 'level 1' (raised within the business) and resolved at 'level 1' after the end of the reporting period;
- Six complaints raised and resolved at 'level 2' (raised directly with the CCO);
- One complaint raised at 'level 2' (raised directly with the CCO) and resolved after the end of the reporting period.

The majority of matters raised by suppliers related to De-listing decisions, usually requesting the decision to be reviewed by a Senior Buyer, in keeping with their rights under the Code. To monitor Buyer compliance with our internal processes and guidance, we perform quarterly audits on Buyer communications which specifically focus on De-listing. These audits show that our processes during the Reporting Period, including our Senior Buyer reviews, continue to work well, with the overwhelming majority of De-listing complaints being resolved by Senior Buyers, without need for further escalation. Given the prevalence of De-listing as a key theme for Supplier complaints for most Designated Retailers over the years, we have added a specific De-listing module to our e-learning this year and included it again as a key topic within our annual Compliance briefing to the Buying Team.

Outside of De-listing, the most prevalent theme for supplier complaints linked to delays in payments. In almost all cases, any delays in payments were often linked to suppliers failing to follow Waitrose's financial processes or submitting invoices which contained errors. Once these were brought to the attention of the CCO, however, they were all promptly resolved with additional support being provided to suppliers where appropriate.

Forecasting issues is the final theme of supplier complaints, albeit on a much smaller scale compared to De-listing and delays in payments. Where these matters have been raised with the CCO, root cause analysis has been undertaken to consider the extent to which processes can be improved to provide better adherence to the Code. Although still ongoing into the next Reporting Period, the analysis has primarily highlighted issues with communication, rather than specific breaches of the Code linked to inaccurate forecasting.

Finally, earlier in the Reporting Period, the GSCOP Working Group identified a Code-related issue linked to the handful of suppliers who support our promotions with case cost discounts meaning that promotional stock would sometimes be picked and paid for at a non-promotional rate if sold via Deliveroo. As a result, in line with the GCA's request, we have migrated the overwhelming majority of impacted suppliers (with their consent) over to a more traditional trigger funding model to support promotions (which negates this issue), with those suppliers who chose to remain on a case cost discount model being regularly compensated retrospectively for any promotional stock that is sold at non-promotional prices on Deliveroo.

At the end of the year all bar one 'level 1' complaint and one 'level 2' complaint had been resolved (including one 'level 2' complaint carried over from 2020/21). The two outstanding complaints have since been closed to the supplier's satisfaction.

For the reporting period of 30 January 2022 to 28 January 2023 no formal disputes were raised.

Whistleblowing
The Partnership's whistleblowing policy outlines the Partnership's approach to dealing with allegations which relate to suspected wrongdoing or potential risks at work which have a wider impact. The Committee receives biannual reports on the level and nature of issues raised. Any significant matters raised would be escalated to the ARC Chair on a more timely basis.

The respective responsibilities of the Committee and the Board in respect of whistleblowing are set out in the Terms of Reference. Accordingly, the Committee reviews, on behalf of the Board, the adequacy and security of the Partnership's arrangements for its Partners, agency workers and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee seeks to ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action. The Board retains responsibility for reviewing reports arising from use of these arrangements.

On behalf of the Audit and Risk Committee.

Andrew Martin

ANDREW MARTIN
Chair of the Audit and Risk Committee and Non-Executive Director

ETHICS AND SUSTAINABILITY COMMITTEE REPORT

The Ethics and Sustainability Committee was formed in July 2021. The Committee's role is to:

- Monitor that Ethics and Sustainability (E&S) remains core to the Partnership and assist the Board in setting an E&S strategy in accordance with the Partnership's Purpose and Values;
- Oversee and review the delivery of the Partnership's E&S commitments, management of E&S risk and opportunities, and adherence to E&S compliance obligations;
- Ensure that the E&S strategy is embedded into the Partnership's operations and that E&S issues are considered when reviewing and guiding the Partnership's strategy, major plans of action, risks, annual budgets, and business plans;
- Review and monitor the expectations of Partners and other stakeholders in relation to the Partnership's E&S performance;
- Work within the Partnership's risk management framework, to monitor and review risks relating to E&S, and provide input and assurance to the ARC on issues relating to risk management, internal control and E&S reporting, including reporting in accordance with the Task Force on Climate Related Financial Disclosures ('TCFD').

The Committee's Terms of Reference are reviewed annually and are available at www.johnlewispartnership.co.uk.

Membership and composition

The Committee comprises four Partnership Board members (the Chairman, Deputy Chairman, Executive Director, Finance and one Elected Director), two external independent members, and three further members of the Executive Team. The members of the Committee at the date of this report are:

Rita Clifton	Non-Executive Director (Chair of the Committee)
James Bailey	Executive Director, Waitrose
Nina Bhatia	Executive Director, Strategy and Commercial Development
Bérangère Michel	Executive Director, Finance
John Morrison	External Independent Member
Sarah Mukherjee	External Independent Member
Jules Rushworth	Elected Director
Naomi Simcock	Interim Executive Director, John Lewis
Sharon White	Chairman (Chair of the Committee until 8 December 2022)

Following a review of the Committee's membership, Jules Rushworth joined the Committee with effect from 8 December 2022. In addition, after a recruitment process, John Morrison and Sarah Mukherjee joined the Committee as Independent External Members, both for an initial three year term commencing on 8 December 2022. These two new external independent members assist the Committee to ensure that an external perspective is maintained, and that the Partnership's approach remains relevant and stretching. A bespoke induction programme was arranged for each new member of the Committee.

The Committee met four times during the year under review. These meetings were attended by all Partnership Board members who were eligible to attend, except Bérangère Michel who was unable to attend two meetings. Members of the Committee who are unable to attend may send a delegate from senior leadership to represent them. The Committee is supported by the Director, Ethics & Sustainability.

Independent external members

John Morrison, appointed: December 2022
John is Chief Executive at the Institute for Human Rights and Business, and brings a wealth of experience in ethics to the Partnership.

Sarah Mukherjee, appointed: December 2022
Sarah is Chief Executive Officer at IEMA (Institute of Environmental Management and Assessment) and has years of experience in sustainability, including a previous role as Environment Correspondent for the BBC.

Committee Effectiveness
During March and April 2023 Committee members and regular attendees contributed to a year-end assessment of the Committee's effectiveness covering ways of working and risks and opportunities. The output from the evaluation was considered by the Committee at its April meeting and will be followed up both through the agreed actions and also as context for the 2023 Board evaluation process.

Activity
During the year under review, the Committee established structured ways of working and focused attention on reviewing, monitoring and challenging management on key areas of E&S strategy, performance and risk including:

- Plans for food and packaging waste reduction, human rights compliance and improvements, standards for animal welfare and sourcing raw materials and fish/aquaculture, helping our customers to improve their health, and the Partnership's social impact programme;
- Reviewing the plans for the Journey to a Happier World Conference which took place in October 2022 and brought together Partners, policy makers, charity organisations, leaders in industry and young people to discuss and learn more about the challenges of, and solutions to, key issues in ethics and sustainability today;
- Reviewing the Partnership's response to crisis incidents such as conflict, focussing specifically on issues of humanitarian aid and responsible sourcing;
- Financial planning to support delivery of the Partnership's E&S commitments;
- Endorsing:
    - The Partnership's Ethics & Sustainability Report 2021/22, E&S content for the Annual Report 2022, and Modern Slavery statement and Human Rights Report 2022, as well as reviewing the scope for TCFD reporting in 2023;
    - A new nature-focused partnership with WWF;
    - Our proposed Science Based Targets (climate) prior to submission to the Science Based Targets initiative.

The Committee seeks to receive training and briefings from external speakers periodically in order to continually develop the breadth of understanding and knowledge of Committee members. During the year under review the Committee received: a training session on TCFD and an introduction to the Taskforce on Nature Related Financial Disclosures delivered by EY; and an assessment of the social impact of the work of the Waitrose Foundation in Ghana, the aim of which is to create better livelihoods for workers and their families, stronger communities and sustainable supply chains for Waitrose and supply partners, undertaken by the University of Northampton.

More information about the work of the Committee, and the Partnership's E&S strategy and performance relating to E&S during the year, is in the Strategic Report on pages 21 to 31, with further detail published in our Ethics and Sustainability Report 2022/23 available at www.johnlewispartnership.co.uk/csr.

On behalf of the Ethics and Sustainability Committee

RITA CLIFTON
Chair of the Ethics and Sustainability Committee and Deputy Chairman

NOMINATION COMMITTEE REPORT

The Nomination Committee's main role is to ensure there is a strong succession and robust appointment process to the Partnership Board, the Executive Team and other Senior Management positions (which is defined as Partners at executive director level, and at director level reporting directly to the Chairman, but not the Independent Directors nor the President of Partnership Council). The Committee supports the Partnership Board in ensuring that:

- There is a formal, rigorous and transparent procedure for Board and Senior Management appointments;
- Plans are in place for orderly succession to the Partnership Board and Senior Management positions and that there is a diverse talent pipeline for succession;
- There is an appropriate induction and training programme for the Board and its Committees;
- The composition of the Board is regularly reviewed and refreshed, so that it is effective and able to operate in the best interests of the Partnership.

The Committee's Terms of Reference were last reviewed on 28 February 2023 and are available at www.johnlewispartnership.co.uk.

Membership and composition

The members of the Committee at the date of this report are:

Rita Clifton	Non-Executive Director (Chair of the Committee)
Nicky Dulieu	Non-Executive Director
Andrew Martin	Non-Executive Director
Jules Rushworth	Elected Director
Sharon White	Chairman
Becky Wollam	Elected Director

Nicky Spurgeon left the Committee on ceasing to be an Elected Director on 3 March 2022, and Jules Rushworth joined the Committee as an Elected Director on this date. Andrew Martin stepped back as a member of the Committee between 8 December 2022 and 27 March 2023, although he continued to attend meetings to allow the Committee to continue to benefit from his insights and experience; he will remain on the Committee until his membership of the Board ends on 30 April 2023. Nish Kankiwala joined the Committee on 8 December 2022 and stepped down on becoming Chief Executive on 27 March 2023. Nicky Dulieu took up her appointment as a Non-Executive Director on 27 April 2023 and joined the Committee on this date.

There were nine Committee meetings during the year. All members attended each meeting they were eligible to attend with the exception of Nish Kankiwala and Sharon White, each of whom were unable to attend one meeting. The Committee is supported by the Executive Director, People and assisted by independent consultants, who attend Committee meetings as required. Committee meetings are also regularly attended by the Partnership Secretary and the Independent Directors.

No member of the Committee participates in discussions regarding their own appointment. When any matter relating to their appointment is being discussed or agreed, they recuse themselves from that part of the meeting.

Board effectiveness review

During the year, an externally facilitated review of the Partnership Board's effectiveness was conducted. The Committee considered potential external facilitators and made a recommendation to the Board that Jan Hall of No 4 be appointed to facilitate this review. An overview of the review process and a summary of the agreed actions is provided in the section on Governance in the Partnership on page 61.

Appointments

The Nomination Committee oversees the process for selecting and recommending candidates for Partnership

Board, Executive Team and Senior Management appointments (with the exception of Elected Directors, whose selection is overseen by Partnership Council and not the Committee).

Working with the Chairman and the Executive Director, People, the Committee evaluates the balance of skills, experience, independence, knowledge and diversity within the Partnership Board, Executive Team and Senior Management as well as those needed to meet future challenges affecting the Partnership. From this evaluation it prepares a role profile and capabilities specification for a particular appointment. The Committee decides on the appropriate search and selection process, including whether to use open advertising or the services of external search consultants to facilitate the search. The process ensures that candidates are considered on merit, against objective criteria and with due regard to promoting the benefits of diversity including gender, social and ethnic backgrounds, as well as cognitive and personal strengths. During the year, the Committee was supported by the Partnership's internal Talent Acquisition Lead - supplemented where necessary by external search consultancy firms - as required for the appointments made within its remit. None of the external firms have any other connection with the Partnership aside from the provision of recruitment services.

Non-Executive Directors

During the year, Andrew Martin indicated his desire to step down as a Non-Executive Director. The Committee therefore commenced a process to appoint a new Non-Executive Director. On 27 March 2023, Nish Kankiwala took up the position of Chief Executive. The Committee decided to build on the process already commenced to find a replacement for Andrew Martin to identify a second new Non-Executive Director.

The Committee considered the experience, skills and capabilities required on the Partnership Board to support the Partnership's strategy and the term of appointment. From this, and taking into account the Partnership Board's Diversity Statement (see page 82), candidate specifications were drawn up.

On the Committee's recommendation, the Board approved the appointment of Nicky Dulieu as a Non-Executive Director to replace Andrew Martin. Andrew will step down on 30 April 2023 and Nicky took up her role on 27 April 2023. The process to appoint a second new Non-Executive Director to replace Nish Kankiwala is still underway.

Partnership Board committee membership

The Committee regularly reviews and makes recommendations to the Partnership Board on the composition of the Partnership Board and its Committees in consultation with the Chairs of those Committees. During 2022, the Committee recommended to the Partnership Board that changes be made to the composition of the Partnership Board committees following the appointment of new Elected Directors to the Partnership Board. It also recommended to the Partnership Board the transition of chairmanship of the Ethics and Sustainability Committee from the Chairman to the Deputy Chairman as well as the appointment of an Elected Director, Jules Rushworth, to this committee.

As a result of Andrew Martin's decision to step down as a Non-Executive Director, the Committee recommended to the Partnership Board that he be replaced by Nish Kankiwala as a member of the Nomination and Remuneration Committees. Following Nish Kankiwala's appointment as Chief Executive, Andrew Martin was reappointed to the Nomination and Remuneration Committees. On her appointment to the Board, the Committee recommended that Nicky Dullieu be appointed to the ARC, as Chair, and to the Nomination and Remuneration Committees.

The membership of each of the Partnership Board's committees is set out in each committee's report.

External independent members of Partnership Board committees

The Committee oversees the process for selecting and appointing any external independent members of Committees of the Partnership Board, and makes recommendations to the Board on any such appointments.

The Committee has determined that the ARC benefits from having two Independent External Members. Sharon Fennessy joined this committee in March 2016 and her term of office was due to expire on 30 April 2023. Sharon Fennessy confirmed that she was willing to extend her term for a further year to support the continuity of this committee, which was approved by the Partnership Board on the Committee's recommendation in December 2022. Vijay Thakrar joined this committee in August 2021 and, while he was appointed for an initial three year term of office, he gave notice that due to other commitments he would end his term early, and stepped down on 31 January 2023. A search process was undertaken to find a successor and Alan Martin was appointed an Independent External Member of the ARC for an initial three year term from 3 January 2023, enabling a short period of handover with Vijay.

During the year, the Committee undertook a recruitment process to add two Independent External Members to the Ethics and Sustainability Committee. John Morrison and Sarah Mukherjee joined this committee, both for an initial three year term commencing on 8 December 2022.

Elected Directors

Under the ownership model for the John Lewis Partnership, Partnership Councillors choose three Partners to be Directors on the Partnership Board. The most recent election took place in January 2022, with appointments effective from March 2022. During the year, the Committee contributed to the induction and support of new Elected Directors (see page 81) and to a review of the election process to identify potential areas where it could improve and enhance its support of the process in future.

Senior management

The Committee oversees and approves any substantial change in duties or responsibilities and any suspension or termination of employment of members of the Executive Team and Senior Management.

Following previous consideration by the Committee of changes to the responsibilities of some Executive Team members, Andrew Murphy was appointed as Chief Operating Officer from February 2022. Following changes to the Partnership Plan, the conditions that made this role necessary and valuable for the Partnership no longer existed. Consequently, the role lapsed at the end of the trading year with the responsibilities previously assigned to the role being split between the rest of the Executive Team. Andrew Murphy stepped down from the Executive Team at the end of January 2023 and will leave the Partnership later in 2023. He continues to advise the Chairman and the rest of the Executive Team.

An external search was conducted for the position of Executive Director, People, to find a successor to Nikki Humphrey who left the Partnership in July 2022. Lisa Cherry joined the Partnership as Executive Director, People in September 2022.

Digital and technology capabilities have been identified as critical to support the Partnership Plan strategy to transform the business. To support this, during 2022 the Committee oversaw a search process to identify a Chief Transformation and Technology Officer. An external search was conducted for the position and a thorough process, including meetings with all members of the Committee, was followed. The chosen candidate, Zak Mian, brings a wealth of both digital/technology and transformation experience to the role and joined the Executive Team as Chief Transformation and Technology Officer in November 2022.

Following a period of considerable transformation of the John Lewis brand, it was announced after the year end in February 2023 that Pippa Wicks, Executive Director, John Lewis, would leave the Partnership. A search for her successor was commenced and the Committee supported the appointment of Naomi Simcock, Retail Director, John Lewis, to replace her on an interim basis.

During the year, the Committee considered the delegation of certain of the Chairman's responsibilities to a Chief Executive and the related appointment process. This ultimately led, in March 2023, to the appointment of Nish

Kanikwala as Chief Executive of the Partnership, with responsibility for the day-to-day management of the performance of the business.

Succession planning and talent management
The Terms of Reference of the Committee sets out its role in ensuring that there is a sufficient breadth of talent for Partnership Board and Senior Management succession.

The Committee reviews succession plans for the Board and Executive Team. It also reviews annually the potential of Director level (Partnership Level 3) leadership talent and the existence of any capability gaps to achieving the Partnership Plan.

The Board and Executive Team each hosted events to meet leadership talent during the year. These provided opportunities for the Board, including Committee members, and Executive Team to meet leadership talent in an informal setting. It is intended to repeat these at suitable intervals. The Committee also receives updates on progress of the Partnership's leadership development programmes such as The Living Leader and Risk Leadership Development. In addition, after year-end the Committee receives reports, at aggregate level, on the outcomes of the leadership community's (Partnership Level 4 and above) performance reviews, including how these compare to the broad population of Partners.

Induction, training and development
The Committee ensures that all new members of the Partnership Board and Senior Management are provided with an appropriate induction programme, and oversees the provision of appropriate training and development for all members of the Partnership Board and Senior Management to maintain and enhance their effectiveness.

During the year the Committee oversaw:

- A full induction programme for new Elected Directors (informed by work by the previous cohort of Elected Directors), with both core elements and tailored training relevant to their background, and structured development support, including (internal) mentoring and (external) coaching;
- Bespoke induction programmes for each new Independent External Member of a committee.

Diversity and inclusion
Under its Terms of Reference, the Committee's role includes setting the ambition for diversity and inclusion in relation to Partnership Board and Senior Management positions, overseeing the setting of diversity objectives for the Partnership as a whole, and monitoring the outcome of diversity initiatives and in particular the development of a diverse pipeline for succession into senior roles. The Committee reviews diversity in the leadership community and progress against diversity and inclusion objectives annually, with a six monthly review of progress against leadership diversity objectives. In January 2023 the Committee reviewed the draft Inclusion Report, which was published on 24 February 2023.

Further information on diversity and inclusion in the Partnership can be found in the section on Becoming a more inclusive business on pages 19 to 20.

Through the Committee, the structure, size and makeup of the Partnership Board (including skills, knowledge, experience and backgrounds) are monitored, to make sure that when considering Partnership Board candidates, we consider diversity, including gender, ethnicity and other characteristics protected by the provisions of the Equality Act 2010, and other underrepresented groups in the Partnership. Three members of the Partnership Board are elected by Partnership Council and their appointments are not subject to oversight by the Committee or the Partnership Board; all other Partnership Board appointments are overseen by the Committee. It is not the Partnership Board's policy to set specific targets by legally protected characteristics such as gender or ethnicity. At year-end, the gender diversity of the Partnership Board was 62.5% female, 37.5% male.

The Partnership Board has adopted a Diversity Statement, set out below, about the makeup of the Partnership Board. The Partnership Board recognises and embraces the benefits of having diverse members and the need to work inclusively.

Diversity statement
We are an inclusive business. Our Purpose includes a commitment to happier Partners, enjoying worthwhile and satisfying work in a supportive environment we all help to create. We treat people with fairness, courtesy and respect, and we work with others who do the same. We create an inclusive environment and celebrate diversity with our Partners, customers and the communities we serve.

Inclusion is vital in every element of our business. It shows up in everything we do and in all that makes us different. It ensures we live our Purpose, connect with our Partners, bring our Values to life and listen to the voice of our Partners. We have a clear action plan, and our Partnership Board Diversity Statement reflects our plans.

The makeup of the Partnership Board should reflect the diverse population of the Partnership and the customers and communities we serve:

- All Board appointments are based on merit and objective criteria to enhance the Board's overall effectiveness and, within this context, consider diversity of gender, social and ethnic backgrounds, cognitive and personal strengths;
- Candidates for appointment as Non-Executive Directors will be drawn from diverse sources and 'long lists' and will always include a broad range of characteristics;
- We will only use search firms that have signed up to the standard voluntary code of conduct on gender and ethnic diversity;
- Successful Non-Executive Director candidates will be committed to the Partnership's values, Principles and ethos;
- Potential internal candidates for Board appointments will have opportunities to gain experience and an understanding of working inclusively, and not just within our own business;
- Measurement against these objectives and assurance on broader Partnership diversity is reported annually to the Board.

The Nomination Committee monitors the structure, size and composition of the Board to ensure due regard is given to diversity.

On behalf of the Nomination Committee.

RITA CLIFTON
Chair of the Nomination Committee and Deputy Chairman

REMUNERATION COMMITTEE REPORT

The Remuneration Committee's role is to ensure that the Partnership's remuneration policy supports its strategy, is aligned to its Purpose and drives the right behaviours.

The Committee oversees how remuneration policy (comprising base pay, pension arrangements and other benefits) is applied to the Chairman, Executive Directors and other senior managers who report to the Chairman. The Committee ensures remuneration arrangements for these Partners remain competitive and appropriate, taking into account business performance, external market conditions and the broader approach to reward across the Partnership.

The Committee is responsible for:

- Ensuring that there is a formal and transparent process for developing and applying remuneration policy to enable the Partnership to attract, retain and motivate senior leaders without paying more than is necessary with reference to the market;
- Making recommendations to the Partnership Board regarding the Chairman's pay;
- Considering the pay of individual Executive Directors and other senior managers.

The Elected Director members are responsible for setting the fees for the Partnership Board's Non-Executive Directors and external independent members of committees of the Partnership Board.

The Committee's Terms of Reference are reviewed annually and can be found at www.johnlewispartnership.co.uk.

Membership and composition

The Remuneration Committee normally comprises two Non-Executive Directors and two Elected Directors. This provides a combination of members who are independent of executive management and mindful of Partners' interests.

Remuneration Committee decisions can only be made when at least the Chair of the Committee or their appointed deputy, one Non-Executive Director and one Elected Director are present. Two Elected Directors must be present when considering Non-Executive Directors' remuneration. No Committee member can take part in any discussion or decision relating to their own remuneration. When any matter relating to their remuneration is being discussed or agreed, they recuse themselves from that part of the meeting.

The members of the Committee at the date of this report are:

Rita Clifton	Non-Executive Director (Chair of the Committee)
Nicky Dulieu	Non-Executive Director
Andrew Martin	Non-Executive Director
Jules Rushworth	Elected Director
Becky Wollam	Elected Director

Nicky Spurgeon left the Committee on ceasing to be an Elected Director on 3 March 2022. Jules Rushworth joined the Committee as an Elected Director on this date. Nish Kankiwala joined the Committee on 8 December 2022, replacing Andrew Martin who ceased to be a member of the Committee on this date, and stepped down on becoming Chief Executive on 27 March 2023. Andrew rejoined the Committee on 27 March 2023 and remained on it until his membership of the Board ended; he was also invited by the Committee to continue his attendance at meetings during the period when he was not a member so the Committee could continue to benefit from his insights and experience. Nicky Dulieu joined the Committee on 27 April 2023.

The Committee met on eight occasions during the year. All members attended each meeting they were eligible to attend.

Advisors
Willis Towers Watson acts as independent remuneration consultant to the Committee. Willis Towers Watson provides the Committee with executive remuneration advice and external market assessments. The Partnership also uses its job evaluation methodology, software and compensation data services and receives talent and reward consulting services.

The Committee is also supported by the Executive Director, People and the Director of Reward and Policy. Committee meetings are also regularly attended by the Chairman, the General Counsel and Partnership Secretary and the Independent Directors. These attendees are not present for any discussions relating to their own remuneration.

Pay policy
Under Rule 44 of the Constitution, the Chairman is ultimately responsible for ensuring that the system for deciding the pay and benefits of individual Partners is fair.

The Partnership's pay policy is set out in Rules 61, 62 and 63 of the Constitution:

Rule 61[1]	The Partnership sets pay ranges which are informed by the market and which are sufficient to attract and retain high calibre people. Each Partner is paid a competitive rate for good performance and as much above that as can be justified by better performance. Partnership Bonus is not taken into account when fixing pay rates.
Rule 62	Pay rates must be decided with such care that if they were made public each would pass the closest scrutiny. Managers are responsible for ensuring that Partners are paid fairly in comparison with others who make a similar contribution.
Rule 63	The pay of the highest paid Partner will be no more than 75 times the average basic pay of non-management Partners, calculated on an hourly basis.

[1] Partnership Council voted to suspend Rule 61 in November 2022 until April 2024 with the exception of the final sentence relating to Partnership Bonus.

The pay policy sets out how pay rates and ranges are set as well as details of other pay elements (for example: bonuses, premium payments and allowances), pay review and holiday pay.

Partner pay is reviewed annually in line with the agreed pay review approach. Each role in the Partnership, including Executive Team roles, has a pay range set with reference to similar roles or groups of roles in comparable organisations. As an employee-owned business, the Partnership does not operate annual or long-term incentive plans as would typically be the case in comparable organisations.

Key activities

Chairman's pay
The Remuneration Committee is responsible for making recommendations to the Partnership Board regarding the Chairman's pay. The Committee takes into account:

- A review of the Chairman's performance against objectives undertaken by the Deputy Chairman and Chair of the Remuneration Committee with input from the Partnership Board and Executive Team;
- The Partnership's overall performance in the year;
- An external market assessment provided by Willis Towers Watson;
- Rule 63 of the Partnership's Constitution;
- The pay review approach and level of pay increases awarded to other Partners.

As noted in last year's report, the Chairman requested that no pay review increase be awarded in respect of the 2022/23 year. The Chairman also requested that no increase be awarded in April 2023.

Pay ratios

Rule 63 of the Partnership's Constitution limits the pay of the highest paid Partner to no more than 75 times the average basic pay of non-management Partners. The Rule only applies to basic pay but the Committee also considers a total reward comparison that includes pension and other benefits (but not any Partnership Bonus). This compares the total reward of the highest paid Partner to the average total reward of non-management Partners with three or more years' service.

In addition to the Partnership's Rule 63 disclosure, the Committee again agreed to voluntarily report a pay ratio figure in line with legislation for quoted companies. The ratio must be calculated with reference to the total remuneration of the director undertaking the role of chief executive officer and is known as the 'CEO pay ratio'. During the reporting year, this role was fulfilled by the Chairman.

The legislation requires companies to choose one of three calculation methodologies (A, B or C), to calculate their CEO pay ratio. Option A requires calculating the full time equivalent remuneration of all UK employees for the financial year in order to identify comparators at the 25th, 50th and 75th percentile. Option B enables companies to use their most recent gender pay gap data to identify the comparators and Option C allows use of other pay data with supportive narrative. The Committee previously chose to use Option B as it enables use of a readily available, robust and consistent dataset.

Executive Team pay

The Remuneration Committee also approves the pay of other Executive Directors. The Committee considers the Chairman's recommendations and also takes into account market data provided by Willis Towers Watson as well as the pay review approach and level of pay increases awarded to other Partners. During the year, the Committee approved pay arrangements for three new Executive Team members, and after the year-end the Committee approved pay arrangements for the new Chief Executive. All eligible members of the Executive Team chose not to receive any pay review in April 2023.

Non-Executive Directors

The Elected Director members of the Committee approve fee arrangements for Non-Executive Directors. During the year, they approved changes to the fee arrangements for one Non-Executive Director to reflect changes to their responsibilities. Non-Executive Director fees were reviewed after the year-end and no further changes were proposed.

External independent members of Partnership Board committees

The Elected Director members of the Committee also approve fee arrangements for independent members of Partnership Board committees. During the year, they approved fee arrangements for two new independent members of the Ethics and Sustainability Committee and one new independent member of the ARC.

Partnership pay

During the year, the Remuneration Committee was provided with information and context on pay across the Partnership. This included the 2022 pay review approach and outcomes, the mid-year pay intervention in October 2022 and cost of living support in December 2022.

The Committee noted Partnership Council's vote in favour of extending the suspension of Rule 61 linking pay and performance. It also supported the Partnership Board's decisions regarding the 2023 pay review budget and approach of a consistent percentage increase for eligible Partners.

Pension arrangements

As previously reported, in 2020 the Committee agreed to lower the enhanced pension cash replacement amounts received by a small number of senior Partners to 12% by December 2022. The Committee received an update confirming all pension arrangements had been aligned to 12% by this date.

Gender pay gap reporting

The Committee reviewed the Partnership's 2022 Inclusion Report. This included the Partnership's statutory gender pay gap reporting and voluntary ethnicity pay gap disclosure as part of a broader diversity report. The Committee welcomed the further decrease in the gender pay gap and acknowledged the actions taken since last year.

Outlook

Looking forward, the Committee will continue to ensure that the Chairman, Executive Directors and senior management who report to the Chairman are rewarded appropriately for the work they do whilst also being mindful of broader Partnership pay, financial performance and external developments. The Committee will oversee any remuneration policy changes that are required and their application.

The Committee will consider corporate governance reforms, legislative changes and best practice developments relating to remuneration and consider how these should apply within the Partnership. We are not obliged to adopt all these changes but consider the extent to which they are relevant to the Partnership to ensure our approach to pay remains fair and transparent.

Remuneration Report

All references to the Chairman below relate to arrangements for Sharon White. All references to the Executive Director refer to Bérangère Michel who served as Executive Director, Finance on the Partnership Board throughout the year. For the avoidance of doubt, such references do not include Executive Team members who did not serve on the Partnership Board.

Spend on pay

In 2022/23, the Partnership spent £1,819.7m on employment and related costs (2021/22: £1,843.2m). This represented 17.3% (2021/22: 17.0%) of the Partnership's revenue.

£1,550.9m was spent on wages and salaries (2021/22: £1,540.2m). No Partnership Bonus was awarded in respect of 2022/23 (2021/22: 3%).

Chairman's pay

The Chairman's total reward was £1,122,600; base pay was £990,000. The total reward package for the reporting period is made up of the following elements:

	2023 £	**2022 £**
Pay	**990,000**	990,000
Partnership Bonus	**-**	29,700[1]
Pension	**118,800**	118,800
Cash value of other benefits	**13,800**	12,100
Total reward	**1,122,600**	1,150,600

[1] The Chairman donated her Partnership Bonus for the year ended 29 January 2022 to the British Red Cross.

The Chairman received a pension cash replacement of 12% of pay. Other benefits comprised car allowance and medical cover.

The Chairman's total reward in the year decreased by 2% (£28,000) principally due to the non-payment of Partnership Bonus in respect of 2022/23.

The Chairman voluntarily chose not to accept a pay review in 2022 or 2023; the Chairman's pay therefore remains at £990,000.

Pay ratios
The highest paid Partner for the 2022/23 reporting period was the Chairman.

At the end of the reporting period, the Chairman's pay was 49 times the average basic pay of non-management Partners calculated on an hourly basis. This is down from last year, primarily due to the increase in Partnership Level 10 pay during the financial year. At the end of the reporting period, the Chairman's total reward was 45 times the average total reward, based on the criteria set out above. This is down slightly from last year, again primarily due to the increase in Partnership Level 10 pay in the period.

	2023	2022	2021	2020	2019
Rule 63: Basic pay only	**49**	52	52	63	66
Rule 63: Total reward excluding any Partnership Bonus	**45**	46	42	54	55

The 'CEO pay ratio' (defined on page 85) compares the Chairman's total reward to the total pay of individual Partners at the 25th, 50th and 75th percentiles, as identified using 2022 gender pay gap reporting data. Total pay for the purposes of the calculation includes ranking pay, any Partnership Bonus and pension benefit. The movement in ratios this year reflects the fact that ranking pay for the three comparator Partners was lower than for the equivalent comparators last year.

Year	**Methodology**	**25th percentile ratio**	**50th percentile ratio**	**75th percentile ratio**
2023	Option B	**55**	**50**	**45**
2022	Option B	51	44	41
2021	Option B	54	49	36

Elected Directors' pay
Elected Directors' pay is set with reference to their respective roles and responsibilities in the Partnership. They do not receive any additional pay or benefits for serving on the Partnership Board. Their pay is therefore not considered by the Remuneration Committee or Partnership Board.

Non-Executive Directors fees
Non-Executive Directors receive fixed annual fees, which are set by the Elected Directors on behalf of the Committee. The fees reflect the Directors' responsibilities and external market data. Non-Executive Directors are not eligible to receive Partnership Bonus or any other pay elements or benefits and are not members of the Partnership's pension schemes.

Total remuneration
The table below shows the total remuneration for the year including pension benefit, for all Directors who served on the Partnership Board during any part of the year, excluding the Elected Directors. The total remuneration paid to or receivable by Directors in respect of qualifying services for the year under review was £2,137,000 (2021/22: £2,092,000). The Chairman, Executive Director and Elected Directors are also entitled to the same benefits as all other Partners, including Partnership discount and long leave.

Chairman's, Executive Director's and Non-Executive Directors' Total Remuneration

Banding		Number of Directors	
Min	Max	2022/23	2021/22
1	50,000		1
50,001	100,000	2	2
100,001	150,000	1	1
650,001	700,000		1
700,001	750,000	1	
1,100,001	1,150,000	1	
1,150,001	1,200,000		1
Total		**5**	**6**

Pension arrangements
The Chairman and Executive Director are not building up additional benefits in the Partnership's pension scheme; instead both receive a monthly cash replacement. The Chairman's pension cash replacement was 12% of pay, which is the same as the maximum Partnership contribution into the Defined Contribution section of the pension scheme. The Executive Director's cash replacement was equivalent to 12% of pay at year-end. For 2022/23, the total pension replacement value paid to the Chairman and Executive Director was £205,000 (2021/22: £209,000).

Defined benefit pension value
The defined benefit pension entitlement built up at the end of the year for the Executive Director was £68,000 per year (2022: £64,000). The Executive Director's pension increases in line with price inflation, according to the Scheme rules. Where there are any defined benefit pensions remaining on an unfunded basis, the Partnership has made provision for the associated liability. The Executive Director had no entitlement to temporary pension.

Payments to former Directors
No payments to former Executive Directors who served on the Partnership Board were accrued for or paid in the year.

Contractual notice periods for Executive and Elected Directors
No contract of employment contains a notice period of greater than one year. No contract contains a provision regarding compensation for early termination.

External appointments
The Partnership recognises that Executive Directors may be invited to become Non-Executive Directors of other companies and that these appointments can broaden their knowledge and experience to the benefit of the Partnership. Details of external appointments for Executive Directors are included within the biographies from pages 62 to 65.

During the year under review, Sharon White voluntarily decided to pay an amount equivalent to the fees she received as a Non-Executive Director of Barratt Developments PLC to The John Lewis Partnership Golden Jubilee Trust, a UK registered charity. (She is not a trustee of the charity).

Reporting requirements
This report forms part of the Directors' Report and has been prepared in accordance with the disclosure requirements applying to the Partnership, as set out in Schedule 5 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ('the Regulations').

As the Partnership is not quoted, and has no share-based incentive schemes or other long-term incentive plans, the Partnership Board has decided not to adopt the full disclosure provisions that apply to quoted companies.

However, in the interests of transparency, certain disclosures within this report go beyond the requirements of Schedule 5 of the Regulations.

The Directors' earnings section on pages 86 to 89 is cross-referenced with note 2.8.4 of the financial statements.

On behalf of the Remuneration Committee

RITA CLIFTON
Chair of the Remuneration Committee and Deputy Chairman

DIRECTORS' REPORT

The Directors' Report for John Lewis Partnership plc ('the Company') for the year ended 28 January 2023 comprises the Governance Report on pages 56 to 94 of this Annual Report and Accounts, together with the sections of the Report and Accounts incorporated by reference. The Board has chosen, as it considers them to be strategically important, in accordance with section 414C(11) of the Companies Act 2006, to include certain matters in the Strategic Report that would otherwise be required to be disclosed in the Directors' Report. These are:

- Future business developments - pages 4 and 6;
- Risk management - pages 40 to 50;
- Employee engagement - pages 8 and 33 to 34;
- Engagement with suppliers, customers and others - pages 34 to 39;
- Becoming a more inclusive business - pages 19 to 20;
- Streamlined Energy and Carbon Reporting - pages 22 to 24.

The Company's statement on engagement with, and having due regard to, the interests of key stakeholders is contained within the section 172(1) statement in the Strategic Report on pages 32 to 39.

For more details on the progress the Partnership (within this Directors' Report meaning the group of companies headed by the Company) is making with its ethics and sustainability aims, the latest Modern Slavery Statement and more detailed non-financial performance information, please visit www.johnlewispartnership.co.uk/csr.

The Partnership's corporate governance statement

Good standards of corporate governance have always been and remain integral to the Partnership's business model. It is governed by a written Constitution. The Company's statements on corporate governance can be found in the Governance section on pages 56 to 94, including details and biographies of the Company's Directors, the ARC report, the Nomination Committee report, the Ethics and Sustainability Committee report, and the Remuneration Committee report.

Following the revision of the UK Corporate Governance Code ('the Code') and the publication of the Wates Principles (Governance Principles for Large Private Companies), and in the light of full reviews of its own governance arrangements, the Board agreed in 2018/19 that the Company would cease voluntarily reporting against the Code or any other formal corporate governance code, because it is governed by its own Constitution. However, we continue to use the Code as a benchmark against which to measure the Constitution. The Constitution and our governance structures are broadly consistent with the Wates Principles.

Whilst unique, the Company's governance arrangements cover the major elements of the Code and the Wates Principles, namely company leadership; purpose; the composition of the bodies sharing power; accountabilities and responsibilities including challenge; opportunity and risk; remuneration; Partner engagement; and responsibilities to the environment, customers, suppliers and others. The Constitution is available on our website www.johnlewispartnership.co.uk.

Further information on the Partnership's Purpose is on page 5. During the year, the business considered how best to give the Purpose life and encompass it within the Partnership's way of doing business. This included our Purpose being shared with all 74,000 Partners through an award-winning engagement campaign. We held five 'Finding Your Happier' events across the UK, sharing content on our financial performance, exploring our Purpose, leading with Purpose and our journey to happier. By the end of August, 80% of leaders confirmed that they had spoken to their Partners about Purpose and, by September, 53% of Partners agreed that 'my People Manager has communicated a vision of Purpose which motivates me'.

We have also integrated our Purpose into the Partner journey, refreshing the recruitment process, inductions and contribution conversations. Our Purpose has been shared externally in recruitment campaigns, resulting in more views, 3x industry average click through rate, and more applications for roles. Also, every Board paper now requires the author to answer the question, 'How does this decision advance our Purpose?'

Principal activity

The Partnership's principal activity 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 329 supermarkets and convenience shops in the UK and Channel Islands, online (waitrose.com and specialist sites for wine, pet supplies, plants and flowers), cookery schools and the Leckford Estate (the Waitrose Farm). Shops also operate under licence in the Middle East. There are also hotels, manufacturing activities, customer contact centres, and business to business contracts in the UK and abroad. The two brands are working more closely together, enhancing customer choice. The Partnership has also commenced work on its entry into the 'built-to-rent' property market, with three sites announced for development. The Company's subsidiaries and related undertakings are listed in note 16.

Directors' interests

Under the Constitution, the Executive Directors and Elected Directors of the Company, 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 other subsidiaries.

Capital structure

At 28 January 2023 the Company had in issue 612,000 deferred ordinary shares of £1 each which are held in trust by John Lewis Partnership Trust Limited for the benefit of employees of John Lewis plc and certain other subsidiaries and 104,169,594 Share Incentive Plan (SIP) shares of £1 each. The total issued share capital of the Company was £104,781,594 at the year-end (2022: £104,781,594).

Dividends and Partnership Bonus

No dividends were paid on the deferred ordinary shares (2022: £nil). Each year, the Board resolves not to recommend or declare a dividend upon the deferred ordinary shares, but instead to consider recommending the payment of Partnership Bonus to eligible employees.

The Board decided, in March 2023, not to award a Partnership Bonus for the year 2022/23 (2021/22: 3% of ranking pay, representing a pre-tax cost of approximately £46.4m).

Partners benefit from employee ownership tax relief, which allows them to receive the first £3,600 of their Partnership Bonus free of Income Tax. National Insurance Contributions (NICs) however are still due.

Until 2020, the Company also operated BonusSave, a Share Incentive Plan. BonusSave allowed eligible Partners to enter into a savings contract to save up to a maximum of £5,400 in any one year from Partnership Bonus, held in SIP shares in the Company. Participating Partners save Income Tax and NICs when the funds are invested for five years, and receive a cash dividend for every full year the investment remains in BonsuSave. Partners now benefit from the £3,600 income tax-free element of Partnership Bonus (which was not the case when BonusSave was set up) and usage has declined to fewer than 2% of Partners, leading to the decision to pause offering it for new investments.

Dividends on SIP shares (issued in connection with previous years' BonusSave) during the year under review were £33,346 (2022: £43,663). The SIP shares do not carry voting rights, cannot be sold or transferred except within the BonusSave trust or two Trust Settlements and are, at all times, held in trust for the benefit of the respective Partners in the name of the relevant trustee. Details of SIP shares can be found in note 5.5 to the consolidated financial statements.

Conflicts of interest

Directors are required to disclose their interests to the Board, highlighting any actual or potential conflicts of interest with their duties and responsibilities as a Director of the Company. The Board will consider these disclosures and, if appropriate, approve them. A register of interests is maintained by the Company Secretary and reconfirmed every six months.

The Board has looked closely at the other appointments held by Directors, details of which are contained in their biographies on pages 62 to 65, and considers that the Chairman and each of the Directors are able to devote sufficient time to fulfil the duties required of them under the terms of their contracts or letters of appointment.

During the year no Director declared a material interest in any contract of significance with the Partnership 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 Partnership has purchased and maintained throughout the year Directors' and Officers' liability insurance for the benefit of Directors and others as set out below. The Directors' and Officers' liability insurance provides cover for claims made, subject to certain limitations and exclusions, against Directors, Partnership Board Committee members, and key managers of the Company, its associated companies, and other companies and trusts (including charities) related to the Partnership.

The Company also provides, and provided throughout the year, an indemnity for the benefit of Trustees of the Partnership's Pension Fund, in respect of liabilities that may attach to them in their capacity as a Trustee.

Equal opportunities, diversity and inclusion

The Partnership 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 Partnership has a Diversity and Inclusion Plan, and the Inclusion Report (at www.johnlewispartnership.co.uk) sets out the steps the Partnership is taking to achieve its aim to become the UK's most inclusive business. It is underpinned by the following Rules contained in the Constitution:

Rule 54	The Partnership takes no account of age, sex, marital status, sexual orientation, ethnic origin, social position or religious or political views.
Rule 55	The Partnership employs disabled people in suitable vacancies and offers them appropriate training and careers.

The Partnership 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.

Please see pages 19 to 20 in the Strategic Report and on pages 81 to 82 in the Nomination Committee report for more information on our Diversity and Inclusion Plan and the Board Diversity Statement.

Groceries (Supply Chain Practices) Market Investigation Order 2009 ('the Order') and the Groceries Supply Code of Practice (GSCOP)

Waitrose is subject to the Order and the GSCOP. Please see pages 73 to 75 of the ARC report for more information on compliance with GSCOP and the Order.

Political donations

It is the Partnership's policy not to make donations to political groups or those acting with the express purpose of seeking changes to the law or political policy. No political donations were made in the year (2022: £nil).

Use of financial instruments

The notes to the financial statements, including note 7 on pages 157 to 162, include further information on our use of financial instruments.

Retirement by rotation

The Company does not operate a system of retirement by rotation or annual election or re-election at intervals by shareholders, but there are other controls on terms of appointment:

- If at any time Partnership Council judges that the Chairman has failed to fulfil, or is no longer a suitable person to fulfil, the responsibilities of their office, it may pass a 'Resolution upon the Constitution' to dismiss the Chairman;
- No contract of employment, including those of the Executive Team, contains a notice period of greater than one year;
- Non-Executive Directors are appointed for specified initial three year terms, which may be extended subject to the approval of the Partnership Board;
- The Elected Directors are appointed or re-appointed in accordance with the outcome of a vote every term (usually three years) of Partnership Council.

Going concern

The Directors, after reviewing the Partnership's operating budgets, investment plans and financing arrangements, consider that the Company and Partnership 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 Annual Report and Accounts. Please refer to pages 101 to 102 for further detail.

A full description of the Partnership'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 55.

Viability statement

The Directors have assessed the prospects of the Company over a three year period to January 2026. This has taken into account the business model, strategic aims, risk appetite, and principal risks and uncertainties, along with the Company's current financial position. Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period under review. The full Viability Statement is set out on pages 51 to 53.

Events after the balance sheet date

Since 28 January 2023, there have been no 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 Partnership'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 Partnership's auditor is unaware.

Annual General Meeting (AGM)
The Company's 2023 AGM will be held and conducted in accordance with the Companies Act 2006 and the Company's Articles of Association on Wednesday 14 June 2023 at 10am at Waitrose & Partners Salisbury, Churchill Way West, Salisbury, Wiltshire SP2 7TS. Representatives of the Trust Company and the Directors are entitled to attend the AGM. Voting is conducted by way of a show of hands, unless a poll is demanded.

The Directors' Report was approved by the Partnership Board on 27 April 2023 and signed on its behalf by

JANE CHEONG TUNG SING
Partner and Company Secretary
John Lewis Partnership plc
28 April 2023

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT for the 52 week period ended 28 January 2023

Our revenue minus our incurred expenses showing the Partnership's overall profit for the 52 week period

Notes		**2023 £m**	2022 £m
2.1, 2.2	**Revenue**	**10,534.0**	10,837.5
	Cost of sales	**(7,280.8)**	(7,359.4)
	Gross profit	**3,253.2**	3,478.1
2.3	Other operating income	**126.8**	108.1
2.4	Operating and administrative expenses	**(3,540.8)**	(3,468.9)
	of which:		
2.5	Exceptional items (net)	**(156.5)**	(160.8)
	Partnership Bonus	**-**	(46.4)
3.3	Share of profit of joint venture (net of tax)	**1.2**	1.0
2.1	**Operating (loss)/profit**	**(159.6)**	118.3
5.1	Finance costs	**(139.7)**	(155.3)
5.1	Finance income	**65.2**	10.3
2.6	**Loss before tax**	**(234.1)**	(26.7)
2.9	Taxation	**36.5**	(41.1)
	Loss for the year	**(197.6)**	(67.8)
2.1	**(Loss)/profit before Partnership Bonus, tax and exceptional items**	**(77.6)**	180.5

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the 52 week period ended 28 January 2023

Profit as shown in the income statement plus other income and expenses not yet realised, giving total comprehensive income for the 52 week period

Notes		**2023** **£m**	2022 £m
	Loss for the year	**(197.6)**	(67.8)
	Other comprehensive (expense)/income:		
	Items that will not be reclassified to profit or loss:		
6.1	Remeasurement of defined benefit pension scheme	**(599.5)**	1,116.9
2.9	Movement in deferred tax on pension scheme	**147.2**	(241.2)
2.9	Movement in current tax on pension scheme	**2.0**	1.9
	Items that may be reclassified subsequently to profit or loss:		
	Fair value gain/(loss) on cash flow hedges	**36.7**	(2.1)
	Cash flow hedge gain reclassified and reported in the consolidated income statement	**(10.2)**	(1.0)
2.9	Movement in deferred tax on cash flow hedges	**(1.9)**	(3.5)
	Other comprehensive (expense)/income for the year	**(425.7)**	871.0
	Total comprehensive (expense)/income for the year	**(623.3)**	803.2

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

CONSOLIDATED BALANCE SHEET as at 28 January 2023

A financial snapshot of the Partnership, showing our assets and how they are financed

Notes		2023 £m	2022 £m
	Non-current assets		
3.1	Intangible assets	**441.8**	446.0
3.2	Property, plant and equipment	**2,883.3**	2,927.4
3.2	Right-of-use assets	**1,319.5**	1,473.3
4.2	Trade and other receivables	**16.9**	15.8
7.2	Derivative financial instruments	**1.6**	1.7
3.3	Investment in and loans to joint venture	**5.6**	4.4
2.9	Deferred tax asset	**5.7**	0.5
6.1	Retirement benefit surplus	**-**	492.8
		4,674.4	5,361.9
	Current assets		
4.1	Inventories	**701.7**	655.7
4.2	Trade and other receivables	**257.9**	251.0
	Current tax receivable	**16.3**	-
7.2	Derivative financial instruments	**11.3**	6.0
5.3	Short-term investments	**0.3**	95.3
5.4	Cash and cash equivalents	**1,038.1**	1,415.4
		2,025.6	2,423.4
	Total assets	**6,700.0**	7,785.3
	Current liabilities		
5.5	Borrowings and overdrafts	**(67.3)**	(173.2)
4.3	Trade and other payables	**(1,664.8)**	(1,695.0)
	Current tax payable	**-**	(0.5)
5.2, 5.6	Lease liabilities	**(148.5)**	(156.6)
4.4	Provisions	**(102.3)**	(140.8)
7.2	Derivative financial instruments	**(4.0)**	(8.4)
		(1,986.9)	(2,174.5)
	Non-current liabilities		
5.5	Borrowings	**(587.8)**	(641.8)
4.3	Trade and other payables	**(28.3)**	(30.0)
5.2, 5.6	Lease liabilities	**(1,754.7)**	(1,831.7)
4.4	Provisions	**(122.9)**	(161.2)
7.2	Derivative financial instruments	**(8.8)**	(0.8)
6.1	Retirement benefit obligations	**(101.9)**	(19.3)
2.9	Deferred tax liability	**(5.1)**	(177.5)
		(2,609.5)	(2,862.3)
	Total liabilities	**(4,596.4)**	(5,036.8)
	Net assets	**2,103.6**	2,748.5
	Equity		
8.1	Share capital	**0.6**	0.6
	Other reserves	**8.8**	6.3
	Retained earnings	**2,094.2**	2,741.6
	Total equity	**2,103.6**	2,748.5

CONSOLIDATED BALANCE SHEET as at 28 January 2023 (continued)

The financial statements on pages 95 to 163 were approved by the Board of Directors on 27 April 2023 and signed on its behalf by Sharon White and Bérangère Michel, Directors, John Lewis Partnership plc.

Sharon White and Bérangère Michel
Directors, John Lewis Partnership plc
28 April 2023

Registered number 00238937

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the 52 week period ended 28 January 2023

A reconciliation between the beginning and the end of the 52 week period which discloses profit or loss, items of comprehensive income/(expense) and any changes in ownership interests

Notes		Share capital £m	Capital redemption reserve £m	Capital reserve £m	Hedging reserve £m	Foreign currency translation reserve £m	Retained earnings £m	Total equity £m
	Balance at 30 January 2021	**0.6**	**5.0**	**1.4**	**(14.5)**	**0.4**	**1,931.8**	**1,924.7**
	Loss for the year	-	-	-	-	-	(67.8)	(67.8)
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)	-	809.8	803.2
	Hedging losses transferred to cost of inventory	-	-	-	20.6	-	-	20.6
	Balance at 29 January 2022	**0.6**	**5.0**	**1.4**	**(0.5)**	**0.4**	**2,741.6**	**2,748.5**
	Loss for the year	-	-	-	-	-	(197.6)	(197.6)
6.1	Remeasurement of defined benefit pension scheme	-	-	-	-	-	(599.5)	(599.5)
	Fair value gain on cash flow hedges	-	-	-	36.7	-	-	36.7
	Cash flow hedge gain reclassified and reported in the consolidated income statement	-	-	-	(10.2)	-	-	(10.2)
2.9	Tax on above items recognised in equity	-	-	-	(1.9)	-	149.2	147.3
	Total comprehensive expense for the year	-	-	-	24.6	-	(647.9)	(623.3)
	Reclassification	-	-	-	-	(0.5)	0.5	-
	Hedging losses transferred to cost of inventory	-	-	-	(21.6)	-	-	(21.6)
	Balance at 28 January 2023	**0.6**	**5.0**	**1.4**	**2.5**	**(0.1)**	**2,094.2**	**2,103.6**

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

CONSOLIDATED STATEMENT OF CASH FLOWS for the 52 week period ended 28 January 2023

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

Notes		2023 £m	2022 £m
2.7	**Cash generated from operations before Partnership Bonus**	**348.3**	678.6
	Net taxation (paid)/received	**(9.7)**	2.1
	Pension deficit reduction payments	**(10.0)**	(10.0)
	Finance costs paid	**(96.3)**	(105.5)
	Net cash generated from operating activities before Partnership Bonus	**232.3**	565.2
	Partnership Bonus paid	**(46.2)**	-
5.5	Net cash flow in relation to Share Incentive Plan shares	**(6.1)**	(9.7)
	Net cash generated from operating activities after Partnership Bonus	**180.0**	555.5
	Cash flows from investing activities		
	Purchase of property, plant and equipment	**(222.8)**	(205.7)
	Purchase of intangible assets	**(128.6)**	(109.1)
	Proceeds from sale of property, plant and equipment and intangible assets	**2.0**	11.0
	Finance income received	**11.6**	0.9
5.2	Cash inflow/(outflow) from short-term investments	**95.0**	(95.0)
	Net cash used in investing activities	**(242.8)**	(397.9)
	Cash flows from financing activities		
	Finance costs paid in respect of bonds	**(31.1)**	(31.1)
	Finance costs (paid)/received in respect of financial instruments	**(0.5)**	1.0
	Payment of capital element of leases	**(132.9)**	(155.1)
5.5	Payments to Share Incentive Plan shareholders	**-**	(0.2)
	Cash outflow from borrowings	**(150.0)**	(75.0)
	Net cash used in financing activities	**(314.5)**	(260.4)
	Decrease in net cash and cash equivalents	**(377.3)**	(102.8)
5.2	Net cash and cash equivalents at beginning of the year	**1,415.4**	1,518.2
	Net cash and cash equivalents at end of the year	**1,038.1**	1,415.4
5.4	**Net cash and cash equivalents comprise:**		
	Cash at bank and in hand	**162.9**	162.5
	Short-term deposits	**875.2**	1,252.9
		1,038.1	1,415.4

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

Notes to the consolidated financial statements

1 ACCOUNTING INFORMATION

1.1 ACCOUNTING PRINCIPLES AND POLICIES

PURPOSE

We prepare our financial statements 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 Partnership's accounting policies are set in line with the requirements of UK-adopted IFRS. Changes to significant accounting policies are described in note 1.1.4.

COMPANY INFORMATION

The Company is a public company limited by shares, incorporated in the United Kingdom and registered in England and Wales. The address of the registered office is 171 Victoria Street, London SW1E 5NN.

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 28 January 2023 (prior year: 52 weeks ended 29 January 2022). See Glossary section on pages 183 to 188 for explanation of financial terms.

Notes to the consolidated financial statements (continued)
1.1 ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)
1.1.1 BASIS OF PREPARATION (CONTINUED)

Going concern

In determining the appropriate basis of preparation of the financial statements for the period ended 28 January 2023, the Directors are required to consider whether the Partnership 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 Partnership, for the reasons set out below.

2022/23 has been a tough year for financial performance due to a range of macro economic pressures such as high inflation and the resulting cost of living crisis. However the Partnership still has a strong balance sheet, as at 28 January 2023, the Partnership had total assets less current liabilities of £4.7bn and net assets of £2.1bn. Liquidity as at that date remains strong at £1.5bn, made up of cash and cash equivalents, short-term investments and undrawn committed credit facilities of £0.4bn.

The Directors have modelled a severe but plausible downside scenario ('severe downside scenario') which reflects a deeper economic downturn and under delivery of the Partnership Plan. This scenario combines selected impacts with consistent assumptions to the scenarios disclosed in the viability statement. The modelling covers the going concern assessment period, being the 12 month period ending 27 April 2024. For the purposes of the going concern assessment, it is assumed that all Partnership borrowings are repaid at their maturity date and that no further refinancing or funding is undertaken.

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 poor trading environment throughout the assessment period resulting in a reduction in sales, as well as a reduction in margin across both brands and a 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 adjustments occur simultaneously, mitigating actions would be required to ensure that the Partnership's liquidity remains sufficient.

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 Partnership has a syndicated credit facility of £420m maturing in 2026. The credit facility is undrawn at the balance sheet date and has not been drawn at any point throughout the year. The severe downside scenario modelled indicates that without mitigating actions a number of the Partnership's financial covenants would breach at the next balance sheet date due to the reduction in profits and net assets modelled. Post mitigating actions, there would be no breaches of financial covenants and the cash low point under such a scenario would be £661m, with further mitigations available.

Notes to the consolidated financial statements (continued)

1.1 ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)

1.1.1 BASIS OF PREPARATION (CONTINUED)

The severe downside scenario detailed above is considered 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 2023/24 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 Partnership 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 Partnership's consolidated financial statements incorporate the results for the Company and all entities controlled by the Company including its subsidiaries and the Partnership'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 Partnership has control. Control exists when the Partnership 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 Partnership shares joint control with a third party. All intercompany balances, transactions and unrealised gains are eliminated upon consolidation.

The following UK subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the 52 week period ended 28 January 2023. 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
Carlisle Place Ventures Limited	02829583
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 52 week period ended 28 January 2023. 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.

Notes to the consolidated financial statements (continued)
1.1 ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)
1.1.3 SUBSIDIARIES AND RELATED UNDERTAKINGS (CONTINUED)

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 Partnership, 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 periods beginning after 1 January 2022 and therefore adopted by the Partnership's account for the period from 30 January 2022 to 28 January 2023. The adoption of these standards has not had a significant impact on the Partnership's consolidated results, financial position or disclosures:

- 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 - updated references (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);
- Annual improvements cycle to IFRS 2018-2020.

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

- IFRS 17 Insurance Contracts, Amendments to IFRS 17 and Initial Application of IFRS17 and IFRS 9 – Comparative Information (effective date 29 January 2023);
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current (effective date to be confirmed);
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to introduce a new definition for accounting estimates (effective date 29 January 2023);
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statements 2 Making Materiality Judgements (effective date 29 January 2023);
- Amendments to IFRS 16: Lease liability in a Sale and Leaseback (effective date to be confirmed);
- Amendments to IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (effective date 29 January 2023).

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 Partnership 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 Partnership 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 Partnership 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.

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

The table below sets out the Partnership'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 accrual	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 Partnership 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.

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 that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and management's key judgement in respect of presentation are:

Notes to the consolidated financial statements (continued)

1.1 ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)

1.1.6 KEY JUDGEMENTS AND CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

Areas of key risk	Note	Critical accounting estimates and key judgements
Exceptional items	2.5	Key judgements
Impairment	3.2	Critical accounting estimates
Retirement benefits	6.1	Critical accounting estimates

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 183 to 188*.*

1.2.1 TOTAL TRADING SALES

Total trading sales represents the full customer sales value including VAT as reported weekly to the Partnership's Executive Team, before adjustments for sale or return sales and other accounting adjustments. This measure shows the headline sales trend and is used by the Executive Team and brands to assess the performance of the John Lewis and Waitrose brands.

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 Partnership 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 Partnership fixed property costs, costs of central operations, change-related costs, revenue expenditure and one-off adjusting items. One-off adjusting items are those that do not meet the Partnership'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 Partnership'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/LOSS BEFORE PARTNERSHIP BONUS, TAX AND EXCEPTIONAL ITEMS (PBTBE)

Profit/loss 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 Partnership's underlying profitability, and is a core measure of performance for Partners.

1.2.6 NET DEBT

Net debt incorporates the Partnership'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 Partnership's debt position, excluding any pension deficit/surplus.

Notes to the consolidated financial statements (continued)

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

Partnership Bonus: *Whether to award a Partnership Bonus is decided by the Partnership Board each March, having regard to performance in the previous year. When the Partnership Board has decided to award a Bonus, it is announced and paid in the same month. 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 Partnership'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 Partnership'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 Partnership, including non-GAAP measures known as Total trading sales and Trading operating profit ('TOP') (see note 1.2).

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

2023	Waitrose £m	John Lewis £m	Partnership £m
Total trading sales	**7,311.9**	**4,938.3**	**12,250.2**
Value added tax	(424.5)	(800.2)	(1,224.7)
Sale or return and other accounting adjustments	(137.3)	(354.2)	(491.5)
Revenue	**6,750.1**	**3,783.9**	**10,534.0**
Trading operating profit[1]	**894.3**	**675.6**	**1,569.9**
Other operating and administrative expenses			(1,729.5)
of which:			
Exceptional items (net)			(156.5)
Partnership Bonus			-
Operating loss[2]			**(159.6)**
Finance costs			(139.7)
Finance income			65.2
Loss before tax			**(234.1)**
Taxation			36.5
Loss for the year			**(197.6)**
Profit before Partnership Bonus, tax and exceptional items			**(77.6)**

[1] Included in trading operating profit is other operating income of which £118.9.m (split between operating segments: £37.3m Waitrose and £81.6m 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 loss is a £1.2m 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)

2022	Waitrose £m	John Lewis £m	Partnership £m
Total trading sales	**7,535.9**	**4,925.6**	**12,461.5**
Value added tax	(439.6)	(797.5)	(1,237.1)
Sale or return and other accounting adjustments	(112.7)	(274.2)	(386.9)
Revenue	**6,983.6**	**3,853.9**	**10,837.5**
Trading operating profit[1]	**1,019.6**	**757.7**	**1,777.3**
Other operating and administrative expenses			(1,659.0)
of which:			
Exceptional items (net)			(160.8)
Partnership Bonus			(46.4)
Operating profit[2]			**118.3**
Finance costs			(155.3)
Finance income			10.3
Loss before tax			**(26.7)**
Taxation			(41.1)
Loss for the year			**(67.8)**
Profit before Partnership Bonus, tax and exceptional items			**180.5**

[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)
2.2 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 Partnership 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 Partnership 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 Partnership receives on the transaction. Revenue is also net of Partner and customer 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 Partnership 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 in note 4.1.

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

Notes to the consolidated financial statements (continued)
2.2 REVENUE (CONTINUED)

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 Partnership Board and Executive Team review performance throughout the year.

	2023 £m	2022 £m
Major product lines:		
Goods		
– Grocery	**6,726.2**	6,899.7
– Home	**1,061.3**	1,119.8
– Fashion	**1,218.4**	1,127.9
– Technology[1]	**1,397.5**	1,569.5
Services		
– Free warranty[1]	**17.8**	12.4
Other revenue	**112.8**	108.2
	10,534.0	10,837.5

[1] The balances for the 52 week period ended 29 January 2022 have been adjusted to reflect the split of revenue between Technology and free warranty

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 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. 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.
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 include 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.

Notes to the consolidated financial statements (continued)

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 Partnership.

ACCOUNTING POLICIES

Other operating income includes:

Commissions, backhauling, car park income and licence fees: *Income is recognised when the Partnership 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.*

Other operating income	2023 £m	2022 £m
Commissions	**89.5**	77.2
Rental income	**9.4**	6.9
Backhauling income	**7.8**	7.0
Car park income	**6.8**	5.0
Licence fees	**4.2**	3.5
Other income	**9.1**	8.5
	126.8	108.1

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.

2.4 OPERATING AND ADMINISTRATIVE EXPENSES

PURPOSE

We analyse operating expenses into shop and online operating expenses and administrative expenses, as well as exceptional items and Partnership Bonus. Shop and online 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.

Operating and administrative expenses	2023 £m	2022 £m
Shop and online operating expenses	**(2,245.0)**	(2,225.9)
Administrative expenses	**(1,139.3)**	(1,035.8)
Exceptional items (net) - see note 2.5	**(156.5)**	(160.8)
Partnership Bonus	**-**	(46.4)
	(3,540.8)	(3,468.9)

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.

Notes to the consolidated financial statements (continued)
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 Partnership'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 Partnership's underlying business performance.

Exceptional items	2023 Operating (expense)/ income £m	2023 Taxation credit/ (charge) £m	2022 Operating (expense)/ income £m	2022 Taxation credit/ (charge) £m
Strategic restructuring and redundancy programmes:				
Central operations reviews	**(0.2)**	**0.0**	11.7	(2.2)
Physical estate[1]	**(14.1)**	**0.5**	(108.0)	2.5
Shop operations	**(2.2)**	**0.4**	(41.4)	7.9
	(16.5)	**0.9**	(137.7)	8.2
Shop impairments (Waitrose)	**(131.7)**	**13.6**	-	-
Shop impairments (John Lewis)	**18.4**	**(4.3)**	(23.1)	3.0
Cost of living payment	**(26.7)**	**5.1**	-	-
	(156.5)	**15.3**	(160.8)	11.2

[1] For the 52 week period ended 28 January 2023 this includes a net impairment charge of £14.0m (2022: £11.9m).

Strategic restructuring and redundancy programmes

The Partnership Plan is about two things - increasing the appeal of our brands and building on them to diversify into new services. 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 Partnership considers them exceptional items to provide a more meaningful view of the Partnership's underlying business performance.

Since January 2022, the Partnership has continued its strategic review of physical estate with the closure of two Waitrose stores and reduction in office space at our sites in London and Bracknell. During the year, the Partnership has progressed reorganisation of management structures in John Lewis and Waitrose stores and the restructure of central operations, as announced in previous years.

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

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

Central operations reviews: The transformation of central operations began at the end of 2017 to make the central operations leaner and more efficient. The associated transformation programmes have reached completion this year with a net £0.2m of costs recognised across the Head Office Transformation and Tech & Change Transformation initiatives, primarily related to redundancies.

Included within operating expenses, and not separately reported as exceptional, are £4.1m (January 2022: £4.6m) of restructuring and redundancy costs which are considered by the Partnership 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 will extend to 2027/28.

In 2022, we negotiated the early surrender of the leasehold interest in the London office. In 2023, plans for the use of this office space have developed and we have recognised an impairment charge of £15.6m, following the announcement to close seven floors of our London office and to revise the use of our Bracknell office buildings.

Further charges of £2.9m were recognised for the closure of two Waitrose stores, announced in August 2022, primarily comprising redundancies and impairment of assets. These costs are offset by a £0.2m release of provisions held for prior year Waitrose closures. In 2019/20 and 2020/21 we closed 16 John Lewis stores. This year we have recognised a net income of £4.2m associated with these closures, following the exit of the lease for two stores and a net release of associated property, impairment and redundancy provisions.

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.

In July 2021, we announced the proposal to redesign management structures in Waitrose and John Lewis shops to be simpler and more flexible. This change programme has progressed since January 2022 and, in the 52 weeks to 28 January 2023, we have recognised a net charge of £2.2m primarily related to redundancies.

Store impairments (Waitrose)
In 2023, a net impairment charge of £131.7m (2022: nil) has been recognised. The cash flow forecasts for individual Waitrose stores at January 2023 have been updated for the latest view of future trading, based on a prudent scenario which excludes costs and benefits associated with capital investment.

The updated cash flow forecasts have led to new impairment charges of £131.9m and a reversal of impairment charges of £0.2m for existing provisions which were previously charged as exceptional. The charge has been recognised as exceptional by virtue of its size, and that the circumstances which have led to the charge arising are unique and unusual, including external factors such as higher discount rates, shifts in consumer behaviours and high inflation. See note 3.2 for further detail.

Store impairments (John Lewis)
In 2023, a net impairment release of £18.4m (2022: £23.1m charge) has been recognised. The cash flow forecasts for individual John Lewis stores at January 2023 have been updated for the latest view of future trading, based on a prudent scenario which excludes costs and benefits associated with capital investment.

The updated cash flow forecasts have led to a reversal of impairment charges of £75.8m and new impairment charges of £57.4m. 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.

2.5 EXCEPTIONAL ITEMS (CONTINUED)

Cost of living payment

In 2022/23, the Partnership Board decided to distribute a one-off cost of living support payment of up to £500 per Partner, pro rata based on scheduled weekly hours. The total cost including employers' National Insurance was £26.7m (2022: £nil). The Partnership has classified these payments as an exceptional item to provide a more meaningful view of the Partnership's underlying business performance because this type of payment is material and specific to the unusual economic circumstances this year.

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.

	2023 £m	2022 £m
Staff costs (note 2.8.2)	**(1,819.6)**	(1,843.2)
Depreciation[1]	**(476.9)**	(387.9)
Amortisation of intangible assets	**(131.5)**	(129.4)
Net loss on sale of property (including exceptional items)	**(1.0)**	(39.2)
Net profit/(loss) on disposal of other plant and equipment and intangible assets	**1.5**	(2.6)
Net profit/(loss) on lease exit[2]	**2.7**	(9.8)
Inventory – cost of inventory recognised as an expense	**(7,280.8)**	(7,359.4)
Sub-lease income:		
– land and buildings	**10.0**	6.0

[1] Included within depreciation is a net impairment charge of £121.2m (2022: £35.6m) see note 3.2.
[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.

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

Auditor's remuneration	**2023 £m**	2022 £m
Audit and audit-related services:		
– Audit of the Company and consolidated financial statements	**(0.8)**	(0.6)
– Audit of the Company's subsidiaries	**(1.8)**	(1.2)
	(2.6)	(1.8)
Non-audit services:		
– Other assurance services	**(0.1)**	(0.1)
	(0.1)	(0.1)
Total fees	**(2.7)**	(1.9)

Notes to the consolidated financial statements (continued)

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. Loss before tax includes investment costs which are not eligible to be capitalised.

	2023 £m	2022 £m
Loss before tax	**(234.1)**	(26.7)
Amortisation and write-offs of intangible assets	**133.4**	129.4
Depreciation[1]	**476.9**	387.9
Share of profit of joint venture (net of tax)	**(1.2)**	(1.0)
Net finance costs	**74.5**	145.0
Partnership Bonus	**-**	46.4
Fair value gains on derivative financial instruments	**0.1**	(1.2)
(Profit)/loss on disposal of property, plant and equipment, intangible assets and early termination of leases	**(3.1)**	51.6
Increase in inventories	**(48.5)**	(12.9)
Increase in receivables	**(12.7)**	(70.5)
Increase in payables	**13.8**	86.6
Decrease in retirement benefit obligations	**(3.1)**	(3.4)
Decrease in provisions	**(47.7)**	(52.6)
Cash generated from operations before Partnership Bonus	**348.3**	678.6

[1] Includes a net impairment charge. 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 Partnership in which they work, and total employment-related costs are shown in the tables below. The average number of full time equivalent employees is 53,300 (2022: 56,000). At the end of the year, our total number of Partners was 74,300 (2022: 78,600). This note also covers Partner benefits, including pay for senior Partners and the Partnership Board.

2.8.1 PARTNER NUMBERS

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

	2023	2022
John Lewis	**21,100**	21,200
Waitrose	**52,700**	55,800
Other	**2,600**	2,500
	76,400	79,500

2.8.2 PARTNER PAY AND BENEFITS

Employment and related costs were as follows:

	2023 £m	2022 £m
Staff costs:		
Wages and salaries	**(1,526.1)**	(1,540.2)
Social security costs	**(119.8)**	(112.6)
Partnership Bonus	**-**	(41.4)
Employers' National Insurance on Partnership Bonus	**-**	(5.0)
Cost of living payment	**(26.7)**	-
Other pension charge (note 6.1.2)	**(137.3)**	(134.0)
Long leave cost	**(9.7)**	(10.0)
Total before Partner discounts	**(1,819.6)**	(1,843.2)
Partner discounts (excluded from revenue)	**(101.8)**	(105.0)
	(1,921.4)	(1,948.2)

Notes to the consolidated financial statements (continued)
2.8 PARTNERS (CONTINUED)
2.8.3 KEY MANAGEMENT COMPENSATION

	2023 £m	2022 £m
Salaries and short-term benefits	**(6.3)**	(6.0)
Post-employment benefits[1]	**(0.6)**	(0.5)
Termination provisions[2]	**(1.2)**	-
	(8.1)	(6.5)

[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 Partnership. 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.

Key management participate in the Partnership'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 is included in the Remuneration Committee report on pages 83 to 89.

	2023 £m	2022 £m
Aggregate emoluments	(2.1)	(2.1)

Notes to the consolidated financial statements (continued)
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 55.

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.

Tax credited/(charged) to the income statement	2023 £m	2022 £m
Current tax – current year	**(3.4)**	(11.1)
Current tax – adjustment in respect of prior years	**7.6**	0.5
Total current tax credit/(charge)	**4.2**	(10.6)
Deferred tax – current year	**18.7**	(14.6)
Deferred tax – rate change	**9.3**	(15.4)
Deferred tax – adjustment in respect of prior years	**4.3**	(0.5)
Total deferred tax credit/(charge)	**32.3**	(30.5)
	36.5	(41.1)

Tax credited/(charged) to other comprehensive income	2023 £m	2022 £m
Current tax on pension scheme[1]	**2.0**	1.9
Total current tax credit	**2.0**	1.9
Deferred tax on pension scheme	**147.2**	(241.2)
Deferred tax on cash flow hedges	**(1.9)**	(3.5)
Total deferred tax credit/(charge)	**145.3**	(244.7)
	147.3	(242.8)

[1] An additional deficit funding contribution of £10.0m has been paid by the Partnership during the year (2022: £10.0m) in relation to the defined benefit pension scheme, resulting in a tax credit of £1.9m (2022: £1.9m) 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 credit for the year is lower (2022: higher) than the standard corporation tax rate of 19.0% (2022: 19.0%). The differences are explained below:

	2023 **£m**	2022 £m
Loss before tax	**(234.1)**	(26.7)
Loss before tax multiplied by standard rate of corporation tax in the UK of 19.0% (2021: 19.0%)	**44.5**	5.1
Effects of:		
Changes in tax rate	**9.3**	(15.4)
Adjustment in respect of prior years	**11.9**	-
Depreciation on assets not qualifying for tax relief	**(11.7)**	(12.4)
Difference between accounting and tax base for land and buildings	**(4.4)**	(2.4)
Differences in overseas tax rates	**(0.1)**	(0.1)
Sundry disallowables	**(18.7)**	(20.4)
Other	**5.7**	4.5
Total tax credit/(charge)	**36.5**	(41.1)
Effective tax rate (%)	**15.6**	(153.9)

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:

Deferred tax	**2023** **£m**	2022 £m
Opening net asset/(liability)	**(177.0)**	98.2
Credited/(charged) to income statement	**32.3**	(30.5)
Credited/(charged) to other comprehensive income/(expense)	**145.3**	(244.7)
Closing net asset/(liability)	**0.6**	(177.0)

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 liabilities	Accelerated tax depreciation £m	Revaluation of land and buildings £m	Rollover gains £m	Other £m	Total £m
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)
Charged to income statement	(12.6)	(1.3)	-	-	(13.9)
Charged to other comprehensive (expense)/income	-	-	-	(1.9)	(1.9)
At 28 January 2023	**(97.6)**	**(12.0)**	**(48.2)**	**(2.9)**	**(160.7)**

Deferred tax assets/(liabilities)	Tax losses £m	Capital gains tax on land and buildings £m	Pensions and provisions £m	Other £m	Total £m
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 (expense)/income	-	-	(241.2)	(3.5)	(244.7)
At 29 January 2022	16.2	39.2	(104.5)	17.0	(32.1)
Credited/(charged) to income statement	58.4	(3.5)	(9.3)	0.6	46.2
Credited to other comprehensive (expense)/income	-	-	147.2	-	147.2
At 28 January 2023	**74.6**	**35.7**	**33.4**	**17.6**	**161.3**

The deferred tax asset in relation to the defined benefit pension scheme is £1.7m (2022: £142.1m liability).

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	**2023 £m**	2022 £m
Deferred tax assets	**5.7**	0.5
Deferred tax liabilities	**(5.1)**	(177.5)
Deferred tax net	**0.6**	(177.0)

Notes to the consolidated financial statements (continued)
2.9 TAXATION (CONTINUED)
2.9.3 DEFERRED TAX (CONTINUED)

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. At the year end, the Partnership had approximately £298m of unutilised tax losses. Deferred tax assets have been recognised on the entire amount, the recovery of which is supported by forecasts of future profitability as set out in the Partnership Plan. Current forecasts indicate that losses will be utilised within approximately five years.

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 main rate of UK corporation tax is 19.0% and will increase to 25.0% from 1 April 2023 as substantively enacted in the Finance Act 2021. This has increased the tax rate applied on deferred tax balances for the past two years and will increase the tax rate applied on taxable profits and losses from the 2023/24 financial year.

The Partnership is aware of the upcoming Global Anti-Base Erosion Rules, which provide for an internationally co-ordinated system of taxation to ensure that large multinational groups pay a minimum level of corporate income tax in countries where they operate. The UK has not yet substantively enacted the rules, but they are expected to apply to accounting periods beginning on or after 31 December 2023. From an initial review of the Partnership's business and tax profile, we do not expect the rules to have a material impact on the Partnership's tax rate or tax payments. There is no impact on the Partnership's results for the 52 week period ended 28 January 2023.

Notes to the consolidated financial statements (continued)

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 evidence of a trigger for potential impairment at least annually or whenever events or circumstances indicate that the value on the balance sheet 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 OPERATING ASSETS AND LIABILITIES (CONTINUED)
3.1 INTANGIBLE ASSETS (CONTINUED)

	Computer software			
	Purchased	Internally developed	Work in progress	Total
Intangible assets	**£m**	**£m**	**£m**	**£m**
Cost				
At 30 January 2021	222.7	815.3	107.5	1,145.5
Additions[1]	-	-	109.9	109.9
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**
Additions[1]	-	-	129.2	129.2
Transfers	77.8	34.5	(112.3)	-
Disposals and write-offs	(15.2)	(48.0)	(1.9)	(65.1)
At 28 January 2023	**297.9**	**829.9**	**84.7**	**1,212.5**
Accumulated amortisation				
At 30 January 2021	(182.5)	(495.1)	-	(677.6)
Charge for the year	(26.2)	(103.2)	-	(129.4)
Disposals and write-offs	30.3	74.3	-	104.6
At 29 January 2022	**(178.4)**	**(524.0)**	**-**	**(702.4)**
Charge for the year	(38.3)	(93.1)	(0.1)	(131.5)
Disposals and write-offs	15.2	48.0	-	63.2
At 28 January 2023	**(201.5)**	**(569.1)**	**(0.1)**	**(770.7)**
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
Net book value at 28 January 2023	**96.4**	**260.8**	**84.6**	**441.8**

[1] For the 52 week period ended 28 January 2023, additions for the year include the non-cash capital expenditure accrual on intangible assets of £2.8m (2022: £2.6m).

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

There are five individually significant assets (2022: five) within the total carrying amount of intangible assets as at 28 January 2023: three are customer projects (£170.0m, 2022: three projects, £150.2m) and two relate to distribution projects (£101.4m, 2022: two projects £118.0m). These assets have remaining useful economic lives ranging from three to ten years.

During the year to 28 January 2023, computer software valued at £112.3m (2022: £145.4m) were brought into use. This covered a range of selling, support, administration and information technology infrastructure applications, with useful economic lives ranging from three to seven years.

Amortisation of intangible assets is charged within operating expenses.

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 Partnership 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.

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 Partnership'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 Partnership 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 evidence of a trigger for potential impairment at least annually or whenever events or circumstances indicate that the value on the balance sheet 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.

JUDGEMENTS

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.*

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

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 and margin performance, the application of an appropriate discount rate and the JL online sales allocation. 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.*

Notes to the consolidated financial statements (continued)
3.2 PROPERTY, PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS (CONTINUED)

Property, plant and equipment	**Land and buildings £m**	**Fixtures, fittings and equipment £m**	**Assets in course of construction £m**	**Total £m**
Cost				
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**
Additions[1]	-	0.1	224.2	224.3
Transfers	77.8	123.0	(200.8)	-
Disposals and write-offs	(13.9)	(118.1)	-	(132.0)
At 28 January 2023	**4,464.1**	**1,844.7**	**132.0**	**6,440.8**
Accumulated depreciation				
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)**
Charge for the year[2]	(161.4)	(105.5)	0.1	(266.8)
Disposals and write-offs	12.8	117.6	-	130.4
At 28 January 2023	**(2,093.3)**	**(1,464.3)**	**0.1**	**(3,557.5)**
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
Net book value at 28 January 2023[3]	**2,370.8**	**380.4**	**132.1**	**2,883.3**

[1] For the 52 week period ended 28 January 2023, additions for the year include the non-cash capital expenditure accrual on property, plant and equipment of £34.8m (2022: £34.1m).
[2] For the 52 week period ended 28 January 2023 this includes an impairment charge of £46.6m in land and buildings (2022: £21.5m charge) and £5.2m in fixtures and fittings (2022: £1.8m credit).
[3] Included within the net book value at 28 January 2023 are £5.3m (2022: £3.8m) of owned assets which are outside the Partnership's normal course of business.

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

Right-of-use assets	Land and buildings £m	Fixtures, fittings and equipment £m	Total £m
Cost			
At 30 January 2021	1,974.0	48.2	2,022.2
Additions	133.0	6.3	139.3
Disposals and write-offs[2]	(89.5)	-	(89.5)
At 29 January 2022	**2,017.5**	**54.5**	**2,072.0**
Additions	60.6	-	60.6
Disposals and write-offs[2]	(10.7)	-	(10.7)
At 28 January 2023	**2,067.4**	**54.5**	**2,121.9**
Accumulated depreciation			
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)**
Charge for the year[1]	(201.8)	(8.3)	(210.1)
Disposals and write-offs	6.4	-	6.4
At 28 January 2023	**(782.0)**	**(20.4)**	**(802.4)**
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
Net book value at 28 January 2023	**1,285.4**	**34.1**	**1,319.5**

[1] For the 52 week period ended 28 January 2023 this includes an impairment charge of £69.4m (2022: £15.9m).

[2] Included within disposals and write offs is the impact of changes to leases following lease reviews.

Notes to the consolidated financial statements (continued)

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

In accordance with IAS 36, the Partnership reviews its property, plant and equipment and right-of-use assets for evidence of a trigger for potential impairment at least annually or whenever events or circumstances indicate that the value on the balance sheet may not be recoverable. Each cash generating unit (CGU) that shows an indication of impairment is included in the impairment review.

The impairment review compares the recoverable amount for each CGU to the carrying value on the balance sheet. 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. There are four CGUs for which the recoverable amounts are the fair value less cost to dispose which are valued with reference to an active market and other relevant market inputs. The recoverable amounts of all other impaired CGUs are based on the VIU.

The key assumptions used in the VIU calculation are the expected sales and margin performance, the allocation of online sales and associated costs to stores in the determination of the John Lewis store CGU and the discount rate.

External market valuations are regularly obtained by the Partnership and used within the consideration of fair value less cost to dispose. This is an annual exercise that considers the available market for properties.

Following the impairment review, the Partnership recognised a net impairment charge of £131.7m for Waitrose and a net impairment release of £18.4m for John Lewis as exceptional items. Additionally, within operating expenses, an impairment charge of £1.0m for strategic land holdings was recognised, as well as a release of £7.1m for Waitrose impairment previously charged to operating expenses. A further £14.0m exceptional charge was recognised in relation to our Physical Estate programme and represents the impairment of assets in our JL and Waitrose store closure programme, and the resulting impairment from the reduction of the space we use in our London and Bracknell offices. The total net impairment charge for the year following the impairment review is £121.2m.

In the value in use calculations, no specific impact has been included in respect of climate change as it is not expected to be materially different to the forecast assumptions during the forecast period.

John Lewis store impairment

The impact of the JL impairment review is a net release of £18.4m to exceptional items. The carrying value of JL plant, property and equipment and right of use assets that were subject to impairment testing is £638.4m, after impairment. The cash flow forecasts for the individual stores have been updated for the latest view of future trading which is based on expected future customer behaviour, inflation and cost of living, post pandemic. For some stores, this is better than our previous expectations, whilst for other stores performance expectations have declined. The updated cash flow forecasts have led to a reversal of impairment charges of £75.8m and new impairment charges of £57.4m.

Cash forecasts

The calculations use a post-tax cash flow based on a five year plan approved by the Partnership Board. The plan includes the impact of the updated property strategy, and factors in changes to customer behaviour post-pandemic as well as the impacts of higher inflation and the associated cost of living crisis. The forecasts exclude any costs or benefits associated with capital investments. The key assumptions in this plan are: sales which includes the continued recovery of JL store sales following the pandemic disruption and online sales allocation; margin rates which includes the effect of cost inflation and cost efficiencies; and discount rate. 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 the 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. Reducing sales growth by 3% would increase the net JL impairment by £27.7m. A decline of 75 bps in the margin rate would increase the JL impairment by £20.8m.

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

Online sales 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 £126.1m. If no online sales were attributed to the CGUs, the impairment provision would increase by £158.5m.

Discount rate

The pre-tax discount rate of 14.5% (2022: 12.0%) 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 increased interest rates. An increase in the discount rate of 300 bps would increase the JL impairment charge by £21.1m.

Waitrose store impairment

The impact of the Waitrose impairment review is a net charge of £124.6m, split into a net charge of £131.7m to exceptional items and a release of £7.1m recognised in operating expenses. The carrying value of Waitrose plant, property and equipment and right of use assets that were subject to impairment testing is £398.5m, after impairment. The plan includes the impact of the updated property strategy, and factors in changes to customer behaviour post-pandemic as well as the impacts of higher inflation and the associated cost of living crisis. The updated cash flow forecasts have led to new impairment charges of £131.6m and reversal of previous impairment charges of £7.0m. The releases are due to improved store performance which has been judged to be sustainable.

The impairment calculations for Waitrose stores use a post-tax cash flow based on a five year plan approved by the Board. The forecasts exclude any costs or benefits associated with capital investments. The forecasts exclude any costs or benefits associated with capital investments. The key assumptions in this plan are: sales which includes the recovery of volumes through price investment and year-on-year sales growth; margin rates which includes the effect of cost inflation and cost efficiencies; and discount rate. 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. Reducing the sales growth by 3% would increase the Waitrose impairment by £25.2m. A decline of 75 bps in the margin rate would increase the Waitrose impairment by £32.1m.

The pre-tax discount rate of 13.5% (2022: 10.0%) 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 increased interest rates. An increase in the discount rate of 300 bps would increase the Waitrose impairment charge by £38.5m.

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 Partnership 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 Partnership 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 Partnership'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 GXO Logistics UK II Limited (formerly 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 30 January 2021	2.1	2.0	4.1
At 29 January 2022	2.1	2.0	4.1
At 28 January 2023	**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**
Share of profit	1.2	-	1.2
At 28 January 2023	**1.5**	**-**	**1.5**
At 30 January 2021	1.4	2.0	3.4
At 29 January 2022	2.4	2.0	4.4
At 28 January 2023	**3.6**	**2.0**	**5.6**

3.4 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 28 January 2023, contracts had been entered into for future capital expenditure of £37.2m (2022: £23.3m) of which £32.8m (2022: £20.8m) relates to property, plant and equipment and £4.4m (2022: £2.5m) 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 Partnership on a sale or return basis, where the Partnership 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 Partnership's returns policy. The expected level of returns is based on past experience.*

Inventory	2023 £m	2022 £m
Raw materials	**5.7**	3.9
Work in progress	**0.2**	0.1
Finished goods and goods for resale	**695.8**	651.7
	701.7	655.7

Provisions against inventories of £32.0m were charged (2022: £30.6m charged) to cost of sales.

Finished goods and goods for resale include a 'right to return goods' asset of £12.3m (2022: £12.5m). This relates to the Partnership'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 Partnership. 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 Partnership'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 Partnership 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 Partnership 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 Partnership pays suppliers for goods is determined through negotiations with suppliers regarding both the list price and a variety of rebates and discounts. The principal categories of rebate income are in the form of volume and marketing rebates. Supplier income is broadly split evenly between the two categories as follows:*
Volume rebates: *Volume rebates are earned based on sales or purchase triggers set over specific periods, such as the number of units sold to customers or purchased from the supplier. Volume rebates are recognised over the period set out in the supplier agreement;*
Marketing rebates: *Marketing rebates include promotions, mark downs or marketing support provided by suppliers. Marketing rebates are agreed with suppliers for specific periods and products.*

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

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 Partnership 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)

Trade and other receivables	2023 £m	2022 £m
Current:		
Trade receivables	**69.2**	86.4
Other receivables	**43.0**	41.5
Prepayments	**94.7**	94.3
Accrued income	**51.0**	28.8
	257.9	251.0
Non-current:		
Other receivables	**14.0**	11.3
Prepayments	**2.9**	4.5
	16.9	15.8

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 Partnership intends to offset against amounts owed to suppliers (see note 4.3).

Within accrued income, there is £23.3m (2022: £11.9m) in relation to supplier income which has not yet been invoiced. Additionally, accrued income includes £7.0m (2022: £9.8m) 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 Partnership recognises loss allowances for expected credit losses within operating expenses in the income statement. As at 28 January 2023, trade and other receivables of £0.4m (2022: £1.5m) were partially or fully impaired.

For trade receivables, the Partnership applies the simplified approach with lifetime ECLs recognised from initial recognition of the receivables. The reconciliation for the year is as follows:

Allowance for expected credit losses	£m
At 30 January 2021	2.1
Charged to income statement	1.8
Released to income statement	(2.5)
Written off	0.1
At 29 January 2022	1.5
Charged to income statement	0.1
Released to income statement	(0.7)
Written off	(0.5)
At 28 January 2023	**0.4**

As at 28 January 2023, trade and other receivables of £27.1m (2022: £29.2m) were past due but not impaired. The ageing analysis of the past due amounts is as follows:

Ageing analysis	2023 £m	2022 £m
Up to 3 months past due	**27.0**	28.0
3 to 12 months past due	**0.1**	0.8
Over 12 months past due	**-**	0.4
	27.1	29.2

Notes to the consolidated financial statements (continued)
4.3 TRADE AND OTHER PAYABLES

PURPOSE
Trade and other payables include amounts owed by the Partnership. 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 Partnership has received cash in advance of providing a good or service. It includes revenue in respect of free warranties for Technology products. The Partnership 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.*

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.*

Trade and other payables	**2023 £m**	2022 £m
Current:		
Trade payables	**(1,127.7)**	(1,061.9)
Other payables	**(161.0)**	(159.6)
Other taxation and social security	**(159.6)**	(155.4)
Accruals	**(142.9)**	(183.6)
Deferred income	**(73.6)**	(88.1)
Partnership Bonus	**-**	(46.4)
	(1,664.8)	(1,695.0)
Non-current:		
Other payables	**-**	(0.1)
Deferred income	**(28.3)**	(29.9)
	(28.3)	(30.0)

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

Other payables principally relate to liabilities in respect of unredeemed gift cards and gift vouchers.

Included in deferred income are contract liabilities for free warranties of £26.0m (2022: £27.6m) and payments from customers for goods and services sold but not delivered of £54.7m (2022: £67.5m). During the year an amount of £17.8m (2022: £12.4m) 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 £17.8m (2022: £9.3m). All of the contract liabilities for goods and services sold but not delivered at 29 January 2022 have been recognised as revenue in the 52 week period ended 28 January 2023.

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 Partnership 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 Partnership 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.*

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.*

Provisions	Long leave £m	Customer refunds £m	Insurance claims £m	Reorganisation £m	Other £m	Total £m
At 29 January 2022	(144.4)	(24.8)	(24.3)	(49.6)	(58.9)	(302.0)
Charged to income statement	(12.6)	(46.2)	(8.3)	(13.0)	(10.3)	(90.4)
Released to income statement	26.7	-	1.0	4.6	11.0	43.3
Utilised	9.1	48.2	7.2	47.2	12.2	123.9
At 28 January 2023	**(121.2)**	**(22.8)**	**(24.4)**	**(10.8)**	**(46.0)**	**(225.2)**
Of which:						
Current	(34.8)	(22.8)	(12.9)	(10.8)	(21.0)	(102.3)
Non-current	(86.4)	-	(11.5)	-	(25.0)	(122.9)

The Partnership 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 Partnership'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.

Provisions for customer refunds reflect the Partnership'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. The provisions are based on reserves held in the Partnership'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 central operations reviews, shop closures and the review of shop management structures (note 2.5).

Other provisions primarily include property-related costs including dilapidations provisions.

Notes to the consolidated financial statements (continued)

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.

	2023 £m	2022 £m
Finance costs		
Net interest payable on:		
Commitment fees and bank overdrafts	**(2.3)**	(2.2)
Other loans repayable within five years[1]	**(25.7)**	(28.9)
Other loans repayable in more than five years	**(12.7)**	(12.8)
Interest payable in relation to lease liabilities	**(91.8)**	(97.3)
Amortisation of issue costs of bonds and credit facilities	**(2.0)**	(2.5)
Share Incentive Plan dividends	**-**	(0.1)
Finance costs in respect of borrowings	**(134.5)**	(143.8)
Fair value measurements and other	**(5.2)**	(2.8)
Net finance costs arising on defined benefit retirement and employee benefit schemes	**-**	(8.7)
Total finance costs	**(139.7)**	(155.3)
Finance income		
Finance income in respect of cash and short-term investments[2]	**20.7**	7.4
Fair value measurements and other	**4.7**	2.9
Net finance income arising on other employee benefit schemes	**39.8**	-
Total finance income	**65.2**	10.3
Net finance costs	**(74.5)**	(145.0)

1 Other loans repayable within five years includes interest payable on interest rate swaps of £6.6m (2022: £5.0m).

2 Finance income in respect of cash and short-term investments includes interest receivable on interest rate swaps of £6.1m (2022: £6.1m).

Capitalised borrowing costs totalled £1.4m (2022: £0.6m) of which £0.3m (2022: £nil) were capitalised within intangible assets and £1.1m (2022: £0.6m) 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 Partnership'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.

	2022 £m	Cash movements £m	Other non-cash movements £m	**2023 £m**
Non-current assets				
Derivative financial instruments	1.7	-	(0.1)	**1.6**
	1.7	-	(0.1)	**1.6**
Current assets				
Cash and cash equivalents	1,415.4	(377.3)	-	**1,038.1**
Short-term investments	95.3	(95.0)	-	**0.3**
Derivative financial instruments	6.0	(32.9)	38.2	**11.3**
	1,516.7	(505.2)	38.2	**1,049.7**
Current liabilities				
Borrowings and overdrafts	(173.2)	155.9	(50.0)	**(67.3)**
Lease liabilities	(156.6)	224.7	(216.6)	**(148.5)**
Derivative financial instruments	(8.4)	3.1	1.3	**(4.0)**
	(338.2)	383.7	(265.3)	**(219.8)**
Non-current liabilities				
Borrowings	(650.2)	0.2	50.0	**(600.0)**
Unamortised bond transaction costs	7.4	-	(1.4)	**6.0**
Fair value adjustment for hedged element on bonds	1.0	-	5.2	**6.2**
Lease liabilities	(1,831.7)	-	77.0	**(1,754.7)**
Derivative financial instruments	(0.8)	-	(8.0)	**(8.8)**
	(2,474.3)	0.2	122.8	**(2,351.3)**
Total net debt	(1,294.1)	(121.3)	(104.4)	**(1,519.8)**

5.2 ANALYSIS OF NET DEBT (CONTINUED)

Reconciliation of net cash flow to net debt	2023 £m	2022 £m
Decrease in net cash and cash equivalents in the year	**(377.3)**	(102.8)
Cash outflow from borrowings	**150.0**	75.0
Cash (inflow)/outflow from movement in short-term investments	**(95.0)**	95.0
Cash outflow from SIP shares	**6.1**	9.7
Cash outflow from movement in other net debt items	**194.9**	274.1
Cash movement in net debt for the year	**(121.3)**	351.0
Opening net debt	**(1,294.1)**	(1,438.6)
Non-cash movement in net debt for the year	**(104.4)**	(206.5)
Closing net debt	**(1,519.8)**	(1,294.1)

Our total borrowings and lease liabilities are summarised below.

	Borrowings £m	Lease liabilities £m	**Total £m**
At 30 January 2021	(908.1)	(2,037.3)	**(2,945.4)**
Movements arising from operating cash flows	9.7	97.3	**107.0**
Movements arising from financing cash flows	106.1	155.1	**261.2**
Other non-cash movements	(31.1)	(203.4)	**(234.5)**
At 29 January 2022	(823.4)	(1,988.3)	**(2,811.7)**
Movements arising from operating cash flows	6.1	91.8	**97.9**
Movements arising from financing cash flows	181.1	132.9	**314.0**
Other non-cash movements	(31.1)	(139.6)	**(170.7)**
At 28 January 2023	**(667.3)**	**(1,903.2)**	**(2,570.5)**

Borrowings exclude unamortised bond transaction costs of £6.0m (2022: £7.4m) and the fair value adjustment for hedged element on bonds of £6.2m gain (2022: £1.0m gain).

5.3 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.*

Short-term investments	2023 £m	2022 £m
Short-term investments	**0.3**	95.3

For the 52 week period ended 28 January 2023, the effective interest rate on short-term investments was 1.3% (2022: 0.3%) and these investments had an average maturity of 93 days (2022: 102 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.*

Cash and cash equivalents	2023 £m	2022 £m
Cash at bank and in hand	**162.9**	162.5
Short-term deposits	**875.2**	1,252.9
	1,038.1	1,415.4

For the 52 week period ended 28 January 2023, the effective interest rate on short-term deposits was 1.4% (2022: 0.0%) and these deposits had an average maturity of six days (2022: two days).

At 28 January 2023, £12.4m (2022: £13.4m) of the Partnership's cash balance and £0.1m (2022: £nil) of the Partnership's accrued interest balance was pledged as collateral. This is part of the Partnership'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 5.6% (2022: 4.2%).

Share Incentive Plan: *The Share Incentive Plan (SIP or BonusSave) is initially measured at fair value and the liability is subsequently measured at amortised cost. It is de-recognised once the liability has been settled.*

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

Borrowings and overdrafts	**2023 £m**	2022 £m
Current:		
Share Incentive Plan shares (SIP)	**(17.3)**	(23.2)
Bank loans[1]	**(50.0)**	(150.0)
	(67.3)	(173.2)
Non-current:		
Bank loans[1]	**-**	(50.0)
6⅛% Bonds, 2025	**(300.0)**	(300.0)
4¼% Bonds, 2034	**(300.0)**	(300.0)
Unamortised bond and loan transaction costs	**6.0**	7.4
Fair value adjustment for hedged element on bonds	**6.2**	1.0
Share Incentive Plan shares (SIP)	**-**	(0.2)
	(587.8)	(641.8)

[1] £150m of term loans were repaid during 2022/23. See note 7.1.2.

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

The Partnership operates the BonusSave scheme, a Share Incentive Plan (SIP) which allows Partners to elect to invest part of their Partnership Bonus back into the Partnership. For the year ended 29 January 2022 the BonusSave scheme was not open to investment of the Partnership bonus due to a change in scheme provider and for the 52 week period ended 28 January 2023, no Partnership bonus was declared. SIP shares are issued as part of the BonusSave scheme. Partners who wish to invest part of their Partnership Bonus in SIP shares are entitled to a dividend, the amount of which is determined from year to year by the Partnership Board. The amounts receivable in a winding up would be limited to the amounts that have been paid on the SIP shares. The amounts in respect of SIP shares are classified as debt as the Partnership has a clear obligation to repay the amounts.

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 The scheme is operated by a third party provider. At 28 January 2023, the value of SIP shares purchased by John Lewis Partnership Trust Limited on behalf of Partners was £17.3m (2022: £23.4m), £86.9m lower than the value of SIP shares issued of £104.2m (2022: £104.2m).

The SIP shares shown as current and non-current borrowings above reflect amounts owed directly to Partners in respect of the scheme. The cash flow movement as a result of the net subscriptions and redemptions of shares of £6.0m (2022: £9.7m) is shown as an operating cash flow in the consolidated statement of cash flows alongside the Partnership Bonus paid during the year. Payments made to SIP shareholders, in respect of interest of £nil (2022: £0.2m) are shown as cash flows used in financing operations.

Notes to the consolidated financial statements (continued)
5.6 LEASE LIABILITIES

PURPOSE
The Partnership enters into leases for property, plant and equipment. The Partnership's lease portfolio 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 Partnership'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 Partnership 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 Partnership 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 Partnership 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 Partnership's incremental borrowing rate. Generally, the Partnership 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 Partnership 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 Partnership 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.

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 Partnership 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 Partnership 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 Partnership. The Partnership 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.*

Notes to the consolidated financial statements (continued)
5.6 LEASE LIABILITIES (CONTINUED)

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

	2023 £m	2022 £m
Depreciation charge for right of use assets (excluding impairment) (see note 3.2)	**(140.8)**	(139.8)
Interest expense on lease liabilities	**(91.8)**	(97.2)
Expense relating to short-term leases	**(4.3)**	(1.7)
Expense relating to leases of low-value assets that are not shown above as short-term leases	**(0.3)**	(1.8)
Expense relating to variable lease payments not included in lease liabilities	**(3.7)**	(3.3)
Total cash outflow for leases comprising interest and capital payments (see note 5.2)	**(224.7)**	(252.4)
Additions to right-of-use assets (see note 3.2)	**60.6**	139.3
Carrying amount of right-of-use assets (see note 3.2)	**1,319.5**	1,473.3
Income from sub-leasing right-of-use assets	**10.0**	6.0

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 Partnership 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 Partnership'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 Partnership 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 Partnership 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 Partnership. 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.*

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

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 and inflation. Given the size of the Partnership'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 key assumptions is provided in note 6.1.5. The pension scheme asset includes a variety of assets including those where a market quotable price is not available (level 3). The assets are valued by third party fund managers using a variation of valuation models (see note 6.1.4).*

Retirement benefits

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

Notes to the consolidated financial statements (continued)
6.1 RETIREMENT BENEFITS (CONTINUED)

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 Partnership.

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

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.

Actuarial valuation
The pension scheme is subject to a full actuarial valuation every three years using assumptions agreed between the Pensions Trust and the Partnership. 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 last valuation was completed by an independent professionally qualified actuary as at 31 March 2019. The valuation at that date showed a funding deficit of £58.0m (31 March 2016: £479.0m deficit). The actuarial valuation showed that the scheme assets were sufficient to cover 99% (31 March 2016: 90%) of the benefits which had accrued to members.

As a result of the actuarial valuation, the Partnership 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.

We are in the closing stages of finalising the 31 March 2022 actuarial valuation. We expect the results of the valuation to show that, since the last valuation in 2019, the funding position of the scheme and the estimated time period to low dependency has improved, and this may mean that no deficit contributions will be required ahead of the next triennial valuation in 2025.

IAS 19 accounting valuation
In the financial statements the liabilities are determined in accordance with IAS 19: Employee Benefits. At the year end, there was an IAS 19 accounting pension deficit of £101.9m (£100.2m after deferred tax), compared to a surplus of £473.5m in January 2022 (£331.4m post deferred tax). The accounting position reflects the gap between the market value of pension assets held by our defined benefit scheme and the IAS 19 value of our pension liabilities.

At the year end, IAS 19 pension liabilities for the defined benefit obligation for funded arrangements were £4,475.9m, down from £6,732.7m at January 2022, with the reduction largely attributable to an increase in the discount rate as a result of increasing interest rate expectations, partly offset by this year's inflation figure being higher than expected. The market value of pension assets was £4,387.8m, down from £7,225.5m at January 2022. The reduction was largely due to a fall in the value of liability driven investments designed to hedge interest rate and inflation risks related to the pension scheme's liabilities (as measured on the actuarial basis).

Differences between the actuarial valuation and accounting valuation
The actuarial valuation will almost always be different compared with the accounting valuation, mainly due to the use of different assumptions to value the liabilities. The discount rate used for the accounting valuation is prescribed by the accounting standard and assumes that pension assets are invested in high quality (AA) corporate bond yields of an appropriate term. The actuarial discount rate is determined based on assumptions set by the Trustee following consultation with the Partnership and Scheme Actuary, and takes into account the scheme's actual investment strategy, expected evolution of the investment strategy (the journey plan) and the Trustee's view of the Partnership's covenant.

Whilst the accounting valuation is useful for comparing pension schemes across different businesses, it does not take into account the scheme's actual investment strategy, often producing a higher value of liabilities than the technical provisions valuation, and therefore it is of less use for scheme funding purposes. It is the actuarial valuation, not the accounting valuation, that is used to judge the cash contributions from the Partnership to the scheme.

Investment strategy and de-risking

The Pensions Trust's investment strategy is consulted upon with the Partnership. The investment strategy is designed to ensure the scheme can pay members benefits as they fall due, while also targeting full funding on a low dependency basis. 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.

Following positive progress over most of 2022, the pension scheme was affected by extreme market volatility in September and October following the UK Government's 'mini budget', which created significant instability in the economy and financial markets. In order to preserve suitable liquidity within the Trust's assets, the hedge (a liability matching strategy designed to protect against movements in interest rates and inflation on the actuarial basis) was reduced from 100% to 75% of assets. As at 31 March 2023 the hedge was increased to 100% of liabilities on a technical provisions basis. The Pensions Trust continues to manage scheme risks carefully and appropriately. The pension scheme remains liquid and well funded despite the market volatility.

Recognition of a retirement benefit surplus

The Partnership recognised a retirement benefit surplus position at the prior year 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 Partnership considers that under the Pension scheme rules, the Partnership has an unconditional right to a refund of surplus after all pension payments have been made. As such the surplus was recognised as the amount that the Partnership has a right to receive as a refund.

Risk management

The cost of the scheme to the Partnership 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 (subject to a cap) 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 strategy as detailed in note 6.1(the liability matching scheme is designed to hedge the actuarial liabilities and not the accounting measurement of liabilities);
- Changes in the discount rate used to value pension liabilities: a lower discount rate will lead to higher liabilities. On an actuarial basis, changes in the technical provision liabilities due to changes in the discount rate are broadly offset by the Trustees' liability matching strategy as detailed above. On an accounting basis, if the change in the discount rate is driven solely by an increase in credit spreads (and not gilt movements which is what the liability matching strategy hedges) then there will not be an offsetting impact on the assets for accounting purposes;
- The return on assets being lower than assumed: if the rate of growth in assets falls below the discount rate used to value the liabilities then the pension deficit (surplus) will increase (reduce). This is offset in part by the Trustee's investment strategy of holding a diversified portfolio of assets as detailed in note 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 an increase (reduction) in the deficit (surplus). This is offset in part by the Trustee's investment strategy of holding a diversified portfolio of assets as detailed in note 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 increasing (decreasing) the scheme's deficit (surplus). This is mitigated in part by the benefit design including 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 28 January 2023. The following financial assumptions have been used to value the obligation:

	2023	2022
Discount rate	**4.65%**	2.30%
Future RPI inflation	**3.00%**	3.30%
Future CPI inflation	**2.60%**	2.85%
Increase in pensions – in payment		
Pre-April 1997	**1.85%**	1.95%
April 1997-April 2016	**2.85%**	3.05%
Post-April 2016	**1.85%**	1.95%
Increase in pensions – deferred	**2.60%**	2.85%

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 Partnership's pension scheme has cash flows spanning out over 50 years and an average duration of 17 years. The model adopted by the Partnership 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 change in estimate has increased the discount rate by 0.2% at 28 January 2023.

Future RPI and CPI inflation: The inflation assumptions used to calculate the Partnership's defined benefit pension obligations are based on a cash flow weighted Bank of England RPI, which is then adjusted for inflation risk. The Partnership 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 S3 (2022: S2 Light) series standard tables. Based on scheme experience, the probability of death at each age was multiplied by 118% for males and 100% for females who were non pensioners and 109% for males and 97% for females who were pensioners (2022: 127% for males and 106% for females who were non pensioners and 130% for males and 109% for females who were pensioners). 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 2021 improvements model with a smoothing parameter of 7.0 (2022: CMI 2020, 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:

	2023		2022	
	Male	**Female**	Male	Female
Average life expectancy for a 65 year old (in years)	**21.3**	**24.0**	21.0	23.4
Average life expectancy at age 65, for a 50 year old (in years)	**21.6**	**24.9**	22.0	24.7

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.

Amounts recognised in the balance sheet	2023 £m	2022 £m
Defined benefit obligation for funded arrangements	**(4,475.9)**	(6,732.7)
Total value of scheme assets	**4,387.8**	7,225.5
Total funded defined benefit (liability)/asset at end of year	**(88.1)**	492.8
Defined benefit obligation for unfunded arrangements	**(13.8)**	(19.3)
Defined benefit (liability)/asset at end of year (net)	**(101.9)**	473.5

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 Partnership 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 Partnership'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.

Amounts recognised in the income statement	2023 £m	2022 £m
Contribution expense[1]	**(114.2)**	(115.3)
Administrative expenses – funded by the pension scheme	**(9.4)**	(7.6)
Administrative expenses – funded by the employer	**(13.7)**	(11.1)
Total operating expense	**(137.3)**	(134.0)
Net interest on net defined benefit liability	**11.1**	(9.9)
Total pension charge	**(126.2)**	(143.9)

[1] Includes Partnership contributions to the defined contribution section of the pension scheme of £113.1m (2022: £113.9m), together with cash supplements in respect of certain Partners in lieu of future pension accrual of £1.1m (2022: £1.4m).

Notes to the consolidated financial statements (continued)
6.1 RETIREMENT BENEFITS (CONTINUED)
6.1.3 RECONCILIATION OF RETIREMENT BENEFITS

Amounts recognised in equity	2023 £m	2022 £m
Return on plan assets greater than interest income	**(2,812.2)**	505.6
Remeasurements:		
– gain from changes in financial assumptions	**2,634.1**	500.9
– (loss)/gain from changes in demographic assumptions	**(70.2)**	5.3
– experience (losses)/gains	**(351.2)**	105.1
Total (loss)/gain recognised in equity	**(599.5)**	1,116.9

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).

Reconciliation of net defined benefit (liability)/asset	2023 £m	2022 £m
Net defined benefit asset/(liability) at beginning of year	**473.5**	(646.9)
Pension credit/(charge)	**1.7**	(17.5)
Contributions	**22.4**	21.0
Total (losses)/gains recognised in equity	**(599.5)**	1,116.9
Net defined benefit (liability)/asset at end of year	**(101.9)**	473.5

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:

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

Reconciliation of defined benefit obligation	2023 £m	2022 £m
Defined benefit obligation at beginning of year	**(6,752.0)**	(7,443.5)
Interest on pension liabilities	**(153.0)**	(114.0)
Remeasurements:		
– gain/(loss) from changes in financial assumptions	**2,634.1**	500.9
– (loss)/gain from changes in demographic assumptions	**(70.2)**	5.3
– experience (losses)/gains	**(351.2)**	105.1
Benefits paid	**202.6**	194.2
Defined benefit obligation at end of year	**(4,489.7)**	(6,752.0)

The scheme liabilities are 55.2% (2022: 71.9%) in respect of deferred scheme participants and 44.8% (2022: 28.1%) in respect of retirees.

The weighted average duration of the scheme liabilities at the end of the year is 17 years (2022: 22 years). The reduction in duration is due to the significant increase in discount rates.

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.

Reconciliation of value of assets	2023 £m	2022 £m
Value of assets at the beginning of year	**7,225.5**	6,796.6
Interest income on assets	**164.1**	104.1
Return on plan assets greater than interest income	**(2,812.2)**	505.6
Benefits paid	**(202.6)**	(194.2)
Administrative expenses paid	**(9.4)**	(7.6)
Contributions	**22.4**	21.0
Value of assets at the end of year	**4,387.8**	7,225.5

Notes to the consolidated financial statements (continued)
6.1 RETIREMENT BENEFITS (CONTINUED)
6.1.4 ANALYSIS OF ASSETS

	2023				2022			
	Quoted £m	**Unquoted £m**	**Total £m**	**Total**	Quoted £m	Unquoted £m	Total £m	Total
Equities								
UK	-	-	-	-	10.5	10.8	21.3	0.3%
Rest of the world	-	-	-	-	368.1	520.7	888.8	12.3%
Bonds								
Government – Rest of the world	-	-	-	-	197.0	10.6	207.6	2.9%
Corporates – UK	-	-	-	-	23.8	0.5	24.3	0.3%
Corporates – Rest of the world	-	-	-	-	380.8	247.9	628.7	8.7%
Property								
UK	-	**594.0**	**594.0**	**13.5%**	-	554.1	554.1	7.7%
Alternative assets								
Liability driven investments	-	**1,630.8**	**1,630.8**	**37.2%**	-	3,020.6	3,020.6	41.8%
Hedge funds	-	**254.2**	**254.2**	**5.8%**	-	374.4	374.4	5.2%
Private equity	-	**477.0**	**477.0**	**10.9%**	-	519.3	519.3	7.2%
Other alternative assets	-	**601.4**	**601.4**	**13.7%**	-	810.7	810.7	11.2%
Cash and other	**830.4**	-	**830.4**	**18.9%**	175.7	-	175.7	2.4%
Total market value of assets	**830.4**	**3,557.4**	**4,387.8**	**100.0%**	1,155.9	6,069.6	7,225.5	100.0%

Equities and bonds which are traded on active markets are included at the quoted price, which is normally the bid price.

Level 3 assets are investments where a market quotable price is not available. The fair values of these assets are derived in accordance with IFRS 13 and provided by the relevant fund manager. Final audited year-end valuations for some of these assets are not available until after the year-end. As part of the checks carried out on these assets, a retrospective review is carried out for the purposes of these accounts and finally once all year-end valuations are available.

Freehold properties are stated at fair value as determined by CBRE Ltd, who are Royal Institution of Chartered Surveyors (RICS) Registered Valuers. Valuations included in the financial statements are valued as at 31 December 2022 in accordance with the current edition of the RICS Valuation – Professional Standards Global and UK, and Financial Reporting Standard 102. The valuer's 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. The fair value of the indirect property assets is based on the most recent available fund valuation at 31 December 2022 adjusted for cash flows to year end.

Hedge funds, private equity funds, private credit funds, insurance linked funds and infrastructure funds are valued at fair value by the investment managers or their third-party agents, having regard to professional valuations, asset values and other appropriate financial information. For private equity funds, private credit funds and infrastructure funds, fair values are based on the most recently available quarterly valuations adjusted where relevant for cash flows to year end. This is 31 December 2022 for all funds with the exception of £71.0m of private equity funds for which this is 30 September 2022. Hedge funds and insurance linked funds are valued monthly including at the end of January. Various different valuation methods and assumptions are utilised by the fund managers as appropriate for the underlying investment including discounted cash flows, enterprise value, cost plus accrued interest and external pricing. Where internal cash flow modelling has been performed,

Notes to the consolidated financial statements (continued)
6.1 RETIREMENT BENEFITS (CONTINUED)
6.1.4 ANALYSIS OF ASSETS (CONTINUED)

significant assumptions will include discount rate and expected cash flows. The sensitivity of significant assumptions to the valuation of level 3 assets has not been disclosed as the diversified nature of the portfolio and the wide range of different assumptions adopted by each fund manager make disclosure impractical.

Due to the complex nature of valuing the quarterly priced assets, which includes private equity funds, private credit funds, infrastructure funds and property, no estimate has been used from 31 December 2022 to determine the year end valuation for these assets to 28 January 2023 as any valuation difference is not expected to be material.

Assets sold after the year end and prior to signing of the financial statements are stated at the realised value within 'cash and other'.

Financial instruments including derivatives are valued in accordance with note 1.1.5.

Liability driven investments are invested with through a unit-linked insurance policy and include UK Government bond and cash equivalent assets valued at £1,973.9m (2022: £4,272.6m) and associated repurchase agreements and swaps valued at £(343.1)m (2022: £(1,252.0)m). This is part of the Trustee's interest rate and inflation hedging strategy (liability matching strategy).

Other alternative assets include investments in infrastructure funds of £247.8m (2022: £345.3m), insurance linked funds £1.6m (2022: £76.8m) and private debt £352.0m (2022: £388.6m).

Cash and other includes cash deposits of £329.3m (2022: £187.4m), pending cash for unsettled transactions of £488.2m (2022: £nil), forward foreign exchange contracts valued at £11.0m (2022: £(9.7)m) and other items valued at £1.9m (2022: £(2.0)m).

The Trustee and the Partnership are undertaking useful discussions to align understanding and goals where appropriate in respect of climate risk. This process will continue in future years. The Partnership is not aware of any particular risk pertaining to the pension assets and will continue to review this matter with the Trustee.

Actual return on assets	**2023 £m**	2022 £m
Interest income on assets	**164.1**	104.1
Return on plan assets greater than interest income	**(2,812.2)**	505.6
Actual return on assets	**(2,648.1)**	609.7

Notes to the consolidated financial statements (continued)
6.1 RETIREMENT BENEFITS (CONTINUED)
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 28 January 2023	(4,489.7)	
Sensitivity of:		
– 0.1% increase to Discount rate[1]	(72.7)	(1.6%)
– 1.0% increase to Discount rate[1]	(649.5)	(14.5%)
– 0.1% increase to Retail price inflation[1]	20.5	0.5%
– 0.1% increase to Consumer price inflation[1]	25.6	0.6%
– a one-year increase in life expectancy	132.1	2.9%

[1] The discount rate and inflation sensitivities do not allow for the impact of the liability matching strategy, which is designed to hedge interest rate and inflation risks related to the pension scheme's liabilities (as measured on the actuarial basis). As set out above, changes in the accounting liabilities due to changes in inflation expectations are broadly offset by the Trustees' liability matching strategy. However, if the change in the accounting discount rate is driven solely by an increase in credit spreads (and not gilt movements which is what the liability matching strategy hedges) then there will not be an offsetting impact on the assets for accounting purposes.

6.1 RETIREMENT BENEFITS (CONTINUED)

6.1.6 OTHER ARRANGEMENTS

JLP Scottish Limited Partnership

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

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

Together with another Partnership 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 Partnership companies. The Partnership 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 Partnership may be required to transfer this amount in cash to the scheme.

Under IAS 19, the investment held by the pension scheme in JLP Scottish Limited Partnership, a consolidated entity, does not represent a plan asset for the purpose of the Partnership's consolidated financial statements. Accordingly, the pension surplus position presented in these consolidated accounts does not reflect the £69.6m (2022: £65.3m) 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 Partnership. The pension scheme would be entitled to claim against either or both of John Lewis Properties plc and Waitrose Limited under these arrangements.

Notes to the consolidated financial statements (continued)

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 Partnership 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 Partnership'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 Partnership is a long-term business, held in trust for the benefit of its Partners.

The Partnership's capital management strategy is to maintain a prudent capital structure, seeking to maintain a financial risk profile consistent with an investment grade credit rating to ensure the long-term financial sustainability of the Partnership. Although the Partnership 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 Partnership 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 Partnership'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 Partnership's overall liquidity, with undrawn committed credit facilities complementing these balances.

At the year end, the Partnership had undrawn committed credit facilities of £420m (2022: £420m). This facility was renewed during the previous year and now matures in October 2026. In addition to these facilities, the Partnership had listed bonds at the year end totalling £600.0m (2022: £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 Partnership has a bank loan of £50m which is due to mature in Q4 2023. The loan has variable interest payments. Two £75.0m bank loans were repaid in March 2022, in advance of their maturity in Q4 2022. The maturity profiles of financial debt are set out below.

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

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

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	(655.1)	(667.3)	(67.3)	(300.0)	(300.0)
Interest payments on borrowings	-	(189.2)	(32.2)	(30.9)	(126.1)
Lease liabilities[1]	(1,903.2)	(2,954.8)	(222.0)	(216.2)	(2,516.6)
Trade and other payables	(1,431.6)	(1,431.6)	(1,431.6)	-	
Derivative financial liabilities					
Derivative contracts – receipts	-	439.5	362.5	77.0	-
Derivative contracts – payments	-	(438.4)	(357.4)	(81.0)	-
At 28 January 2023	**(3,989.9)**	**(5,241.8)**	**(1,748.0)**	**(551.1)**	**(2,942.7)**

[1] The lease liabilities due 2 years and beyond can be further broken down as £(582.8)m 2-5 years, £(654.1)m 5-10 years, £(653.1)m 10-15 years and £(626.6)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	(815.0)	(823.4)	(173.2)	(50.0)	(600.2)
Interest payments on borrowings	-	(225.2)	(35.1)	(31.7)	(158.4)
Lease liabilities	(1,988.3)	(3,089.4)	(221.3)	(220.6)	(2,647.5)
Trade and other payables	(1,451.6)	(1,451.6)	(1,451.5)	(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	**(4,254.9)**	**(5,588.9)**	**(1,882.5)**	**(301.3)**	**(3,405.1)**

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.

Notes to the consolidated financial statements (continued)

7.1 MANAGEMENT OF FINANCIAL RISKS (CONTINUED)

7.1.3 INTEREST RATE RISK

In order to manage the risk of interest rate fluctuations on the Partnership's financial debt and cash, the Partnership maintains a mix of fixed and floating rate debt (77% fixed) in line with the Partnership Board approved Treasury Standard. An analysis of the Partnership's financial liabilities is detailed below. Exposures to interest rate fluctuations are managed, when required, using interest rate derivatives. The Partnership has converted £100.0m of fixed rate debt to floating rate debt using interest rate swap contracts. 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.

7.1.4 FOREIGN CURRENCY RISK

The Partnership 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 £421.7m (2022: £497.6m) had been entered into, to hedge purchases in foreign currencies which will mature over the next 24 months.

7.1.5 CREDIT RISK

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

	2023 £m	2022 £m
Trade and other receivables	**126.2**	139.2
Short-term investments	**0.3**	95.3
Cash and cash equivalents	**1,038.1**	1,415.4
Derivative financial instruments	**12.9**	7.7
	1,177.5	1,657.6

7.1.6 ENERGY RISK

The Partnership actively manages the energy cost risk associated with the Partnership's activities. The Partnership 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 £5.1m (2022: £6.2m) had been entered into, to hedge future purchases of diesel.

Notes to the consolidated financial statements (continued)

7.1 MANAGEMENT OF FINANCIAL RISKS (CONTINUED)

7.1.7 SENSITIVITY ANALYSIS

The following analysis illustrates the sensitivity of the Partnership'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 Partnership'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.

		2023		2022
	Income statement +/- £m	**Equity +/- £m**	Income statement +/- £m	Equity +/- £m
UK interest rates +/- 1% (2022: +/- 1%)	**8.7**	**-**	10.7	-
US Dollar exchange rate (GBP/USD) +/- 10% (2022: +/- 10%)	**-**	**23.7**	-	26.0
Euro exchange rate (GBP/EUR) +/- 10% (2022: +/- 10%)	**-**	**13.2**	-	19.2

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.

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 52 week period ended 28 January 2023, 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.

Notes to the consolidated financial statements (continued)
7.2 DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL LIABILITIES (CONTINUED)
7.2.2 FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of derivative financial instruments is as follows:

Fair value of derivative financial instruments	**2023**				2022			
	Assets £m	**Liabilities £m**	**Recognised in other comprehensive income £m**	**Recognised in income statement £m**	Assets £m	Liabilities £m	Recognised in other comprehensive income £m	Recognised in income statement £m
Non-current								
Currency and commodity derivatives - cash flow hedge	**1.6**	**(3.1)**	**(7.1)**	**-**	1.7	(0.8)	0.9	-
Other derivatives	**-**	**(5.7)**	**-**	**-**	-	-	-	-
	1.6	**(8.8)**	**(7.1)**	**-**	1.7	(0.8)	0.9	-
Current								
Currency and commodity derivatives - cash flow hedge	**11.3**	**(4.0)**	**7.4**	**-**	5.8	(7.5)	(1.7)	-
Other derivatives	**-**	**-**	**-**	**(0.1)**	0.2	(0.9)	-	(0.7)
	11.3	**(4.0)**	**7.4**	**(0.1)**	6.0	(8.4)	(1.7)	(0.7)

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 Partnership 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.

7.2.3 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES HELD AT AMORTISED COST

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

	2023		2022	
	CV £m	**FV £m**	CV £m	FV £m
Financial liabilities				
Listed bonds	**(594.0)**	**(482.3)**	(592.6)	(619.5)

The fair values of the Partnership'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 because they are all of a short term nature.

Notes to the consolidated financial statements (continued)

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.

Currency analysis	Floating rate £m	Non-interest bearing £m	Total £m
Sterling financial assets	945.3	92.9	1,038.2
Other financial assets	0.2	-	0.2
At 28 January 2023	**945.5**	**92.9**	**1,038.4**
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

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.

Currency analysis	Fixed rate £m	Floating rate £m	Total £m
All Sterling			
At 28 January 2023	**(2,400.5)**	**(164.0)**	**(2,564.5)**
At 29 January 2022	(2,485.1)	(319.2)	(2,804.3)

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.

Share capital	2023 Issued and fully paid £m	2022 Issued and fully paid £m
Equity		
Deferred ordinary shares		
612,000 of £1 each	**0.6**	0.6

The deferred ordinary shares rank in all respects as equity shares except that each share has 1,000 votes in a vote taken on a poll.

The deferred ordinary shares are held by John Lewis Partnership Trust Limited in trust for the benefit of Partners. Ultimate control rests with John Lewis Partnership Trust Limited.

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-adopted 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 Partnership 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 Partnership is included within note 16. Loans to joint ventures are disclosed in note 3.3.

8.2.2 ARRANGEMENTS WITH PENSION SCHEME TRUSTEE

The Partnership 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 OTHER TRANSACTIONS

Key management compensation has been disclosed in note 2.8.3.

During the year the Partnership provided administrative support services to charities related to the Partnership. The estimated value of these support services is £167,000 (2022: £161,000). The Partnership also made donations totalling £1.0m (2022: £0.8m) to the John Lewis & Partners Foundation.

8.3 SUBSEQUENT EVENTS

PURPOSE
Events that take place after the balance sheet date of 28 January 2023 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.

There are no subsequent events to report.

COMPANY FINANCIAL STATEMENTS

COMPANY BALANCE SHEET as at 28 January 2023

A financial snapshot of the Company, showing our assets and how they are financed

Notes		2023 £m	2022 £m
	Current assets		
	Trade and other receivables	**0.7**	-
	Non-current assets		
11	Investments	**115.3**	123.4
	Total assets	**116.0**	123.4
	Current liabilities		
13	Trade and other payables	**(0.1)**	(0.2)
	Non-current liabilities		
12	Borrowings	**(104.2)**	(104.2)
	Total liabilities	**(104.3)**	(104.4)
	Net assets	**11.7**	19.0
	Equity		
14	Share capital	**0.6**	0.6
	Capital redemption reserve	**5.0**	5.0
	Retained earnings	**6.1**	13.4
	Total equity	**11.7**	19.0

The financial statements on pages 164 to 169 were approved by the Board of Directors on 27 April 2023 and signed on its behalf by Sharon White and Bérangère Michel, Directors, John Lewis Partnership plc.

Sharon White and Bérangère Michel
Directors, John Lewis Partnership plc
28 April 2023
Registered number 00238937

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

COMPANY STATEMENT OF CHANGES IN EQUITY for the 52 week period ended 28 January 2023

Notes		Share capital £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
	Balance at 30 January 2021	0.6	5.0	13.0	18.6
10	Profit for the year and total comprehensive income	-	-	0.4	0.4
	Balance at 29 January 2022	0.6	5.0	13.4	19.0
10	Loss for the year and total comprehensive income	-	-	(7.3)	(7.3)
	Balance at 28 January 2023	**0.6**	**5.0**	**6.1**	**11.7**

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

Notes to the Company financial statements

9 ACCOUNTING POLICIES

PURPOSE
John Lewis Partnership plc ('the Company') prepares its accounts in compliance with UK-adopted IFRS and in conformity with the requirements of the Companies Act 2006. Below we set out significant accounting policies applied by the Company in the current reporting period where they are different, or additional, to those used by the Partnership. The accounting policies are set in line with the requirements of UK-adopted IFRS and there have been no changes in accounting policies during the year other than those set out under 'Amendments to accounting standards' in note 1 to the Partnership's consolidated financial statements.

Basis of preparation
The separate financial statements of the Company are drawn up in accordance with UK-adopted IFRS and in conformity with the requirements of the Companies Act 2006. The Company's accounting policies are aligned with the Partnership's accounting policies as described in note 1 to the Partnership's consolidated financial statements. Additional accounting policies are noted below.

John Lewis plc settles transactions on behalf of John Lewis Partnership plc for administrative convenience, including amounts in respect of subscription for BonusSave, dividend payments and amounts owed to tax authorities. The settlement of these transactions is reflected in the intercompany loan. As a result, no cash flows through John Lewis Partnership plc and no cash is generated from its operations, so a Company cash flow statement is not required.

Going concern
In determining the appropriate basis of preparation of the financial statements for the 52 week period ended 28 January 2023, 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.

Investment in subsidiary undertakings
The Partnership has a number of investments in subsidiary companies. Investments are valued at cost, less allowances for impairment. Investments are reviewed for evidence of a trigger for potential impairment at least annually or whenever events or circumstances indicate that the value on the balance sheet may not be recoverable.

10 PROFIT AND LOSS OF THE COMPANY FOR THE 52 WEEK PERIOD

PURPOSE
The Company is exempt from disclosing a full income statement as allowed by the Companies Act 2006, therefore the profit for the Company for the year is disclosed within this note.

As permitted by Section 408 of the Companies Act 2006, John Lewis Partnership 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 £7.3m loss (2022: £0.4m profit).

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

Notes to the Company financial statements (continued)
11 INVESTMENTS

PURPOSE
This note sets out the value of the shares owned or amounts loaned to subsidiary companies directly invested in by the Company, which, together with their own subsidiaries, consolidate to form the Partnership.

The Company has the following investments at 28 January 2023:

	Subsidiary		Other	
Investments	**Shares in John Lewis plc £m**	**Loan to John Lewis plc £m**	**Shares in John Lewis Partnership Trust Limited £m**	**Total £m**
At 29 January 2022	11.3	112.0	0.1	123.4
Movements	-	(8.1)	-	(8.1)
At 28 January 2023	**11.3**	**103.9**	**0.1**	**115.3**

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

12 BORROWINGS

PURPOSE
Borrowings consist of long-term loans from Partnership companies in respect of Share Incentive Plan shares, which are allocated to Partners who are entitled to a dividend.

Borrowings	**2023 £m**	2022 £m
Non-current:		
Loans from Partnership companies	**(104.2)**	(104.2)
	(104.2)	(104.2)

13 TRADE AND OTHER PAYABLES

PURPOSE
Trade and other payables include amounts we owe in respect of BonusSave dividends, and to HMRC in the form of taxes.

Trade and other payables	**2023 £m**	2022 £m
Other payables	**(0.1)**	(0.2)

All of the Company's trade and other payables are current. The carrying amount of trade and other payables approximates to fair value.

Notes to the Company financial statements (continued)

14 SHARE CAPITAL

PURPOSE

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

Share capital	**2023** **Issued and fully paid** **£m**	2022 Issued and fully paid £m
Equity		
Deferred ordinary shares		
612,000 of £1 each	**0.6**	0.6

The deferred ordinary shares rank in all respects as equity shares except that each share has 1,000 votes in a vote taken on a poll.

The deferred ordinary shares are held by John Lewis Partnership Trust Limited in Trust for the benefit of Partners. Ultimate control rests with John Lewis Partnership Trust Limited.

15 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. We are required by UK-adopted 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.

15.1 LOAN TO JOHN LEWIS PLC

The loan to John Lewis plc has been disclosed in note 11.

15.2 OTHER TRANSACTIONS

Arrangements with the Pension Scheme Trustee are disclosed within note 8.2 to the Partnership's consolidated financial statements.

Notes to the Company financial statements (continued)

16 SUBSIDIARIES AND RELATED UNDERTAKINGS

The Company has a number of subsidiaries and related undertakings which contribute to the overall profitability of the Partnership. 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 28 January 2023 are disclosed below.

The Company's two direct 100% owned subsidiaries as at 28 January 2023 were:

Name	Principal activity	Country of incorporation	Class of share	Percentage shareholdings
John Lewis Partnership BTR Limited	Holding company	England & Wales[1]	Ordinary	100%
John Lewis plc	Retailing and corporate services	England & Wales[1]	Ordinary	100%

[1] The address of the registered office is 171 Victoria Street, London SWIE 5NN.

John Lewis Partnership BTR Limited is a holding company set up in connection with a new venture with abrdn for our 'build to rent' property business but there are no transactions this year.

The whole of the ordinary share capital of the subsidiary undertakings of John Lewis plc and John Lewis Partnership BTR Limited as shown on the next page are held within the Partnership. Except where noted, all of these subsidiary undertakings operate wholly or mainly in the United Kingdom.

Subsidiary and related undertakings of John Lewis Partnership BTR Limited:

Name	Principal activity	Country of incorporation	Class of share	Percentage shareholdings
John Lewis Partnership BTR (Bromley Development) Limited	Property holding company	England & Wales[1]	Ordinary	100%
John Lewis Partnership BTR (Operating) Limited	Property management company	England & Wales[1]	Ordinary	100%
John Lewis Partnership BTR (Reading Development) Limited	Property holding company	England & Wales[1]	Ordinary	100%
John Lewis Partnership BTR (West Ealing Development) Limited	Property holding company	England & Wales[1]	Ordinary	100%

[1] The address of the registered office is 171 Victoria Street, London SWIE 5NN.

Notes to the Company financial statements (continued)
16 SUBSIDIARIES AND RELATED UNDERTAKINGS (CONTINUED)

Subsidiary and related undertakings of John Lewis plc:

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 SWIE 5NN.
[3] The address of the registered office is Lancaster House, Nunn Mills Road, Northampton NN1 5GE.
[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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS

The Directors are responsible for preparing the Annual Report and Partnership and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Partnership and Company financial statements for each financial year. Under that law they have elected to prepare the Partnership financial statements in accordance with UK-adopted international accounting standards (UK-adopted IFRS) and have elected to prepare the Company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Partnership and Company and of their profit or loss for that period. In preparing each of the Partnership and 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 Partnership and Company financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards (UK-adopted IFRS);
- assess the Partnership and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- use the going concern basis of accounting unless they either intend to liquidate the Partnership or 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 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Partnership'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 Bérangère Michel
Directors, John Lewis Partnership plc
28 April 2023

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

1. Our opinion is unmodified

We have audited the financial statements of John Lewis Partnership plc ("the Company") for the 52-week period ended 28 January 2023 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 of the Group (also termed as "Partnership") financial statements and the accounting policies in note 9 of the Company financial statements.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 28 January 2023 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-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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 Group 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.

Overview		
Materiality: group financial statements as a whole	£22 million (2022: £14.5 million) 0.21% (2022: 0.13%) of Revenue	
Coverage	98% (2022: 99%) of Partnership Revenue	
Key audit matters		**vs 2022**
Recurring risks	Impairment of property, plant and equipment and right-of-use assets	←→
	Defined benefit pension schemes (Gross liability estimation and valuation of level 3 assets)	↓
Parent Company recurring risk	Recoverability of parent Company's investment in subsidiaries	←→

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 (unchanged from 2022), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and our findings ("our results") from those procedures in order that the Company's members, as a body, may better understand the process by which we arrived at our audit opinion. 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.

	The risk	Our response
Impairment of property, plant and equipment and right-of-use assets **Carrying amount £1,036.8 million, out of the total PPE and ROUA of £4,202.8 million (2022: carrying amount £864 million, out of the total PPE and ROUA of £4,400.7 million)** *Refer to page 68 (Audit and Risk committee Report) Page 127 to 128 (accounting policy) and page 129 to 132 (financial disclosures)*	**Forecast-based assessment** The Partnership 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 £106.2 million was recognised, in relation to PPE and ROUAs included in Cash Generating Units ("CGUS") of John Lewis and Waitrose operating segments There is a risk that the carrying value of stores and related PPE and ROUAs may be higher than the recoverable amount. Where there is an indicator of impairment and a review for 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 is calculated at a CGU level and a single store is considered to be a CGU. The recoverable amount was assessed for £1,036.8 million of the total PPE and ROUA net book value (2022: £864 million) and resulted in a net impairment charge of £ 106.2 million during the year (2022: £ 25 million).	**Our procedures included:** We performed the tests below rather than seeking to rely on any of the Partnership's manual controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. However, we engaged our IT Audit specialists to evaluate the design and implementation and operating effectiveness of relevant IT controls over certain IT systems and layers used in deriving elements of the online sales allocation rates for certain CGUs within the John Lewis operating segment. - **Model design evaluation and re-performance:** We evaluated the reasonableness of the design of VIU models in line with the requirements of the accounting standard and re-performed the calculations the Directors performed for determining the VIU of each cash generating unit. - **Our sector experience:** We evaluated assumptions used, in particular those relating to forecast revenue growth and profit margins for the Waitrose and John

	The recoverable amount of an individual store relies on a number of assumptions, most notably short-term sales growth and profit margin, the discount rate and specifically for the CGUs within John Lewis operating segment, the online sales allocation, which all involve a high a degree of estimation uncertainty. Auditor judgement is required to assess whether the Directors' estimate of an individual store's recoverable amount falls within an acceptable range.	Lewis stores. 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 key assumptions to externally derived data in relation to key inputs such as projected economic growth, customer spending behaviours cost inflation, market inputs used in deriving the discount rate and online allocation. We performed an assessment of whether an over/understatement of the impairment charge for certain CGUs identified through these procedures was material. - **Sensitivity analysis:** We performed sensitivity analysis to stress-test the impairment calculation to changes in short-term sales growth and profit margins, the discount rate and specifically for CGUs within John Lewis operating segment, online sales allocation. - **Real estate valuation specialist:** We engaged our real estate valuation specialist to evaluate the reasonableness of the assumptions and methodologies used in determining the fair value less cost of disposals of CGUs whose recoverable amounts are determined on that basis. - **Assessing disclosures:** We also assessed whether the Partnership's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the recoverable amount of PPE and ROUAs.

	The risk	Our response
Impairment of property, plant and equipment and right-of-use assets (continued)	The effect of these matters is that, as part of our risk assessment, 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 Partnership.	**Our results** We found the carrying amount of PPE and ROUAs, and the related impairment charge to be acceptable (2022: acceptable).
Defined benefit pension schemes (Gross liability estimation and valuation of level 3 assets) **Net £101.9 million pension deficit (2022: £473.5 million pension surplus)** *Refer to Page 68 (Audit and Risk Committee Report)* *Refer to page 146 (accounting policy) and pages 146 to 160 (financial disclosures)*	**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). Certain of these include assets for which a net asset valuation ("NAV") is not readily available and therefore additional audit procedures are necessary given the nature of the valuation. The asset classes where significant audit effort and judgement was focused were investment properties, private equity investments and infrastructure funds (non-NAV priced valuations). Level 3 holdings together represented £1,926m (2022: £2,260m) out of which a substantial proportion of assets are stated at a non-NAV priced valuation.	**Our procedures included:** We performed the tests below rather than seeking to rely on any of the Partnership's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. - **Assessing assumptions:** We used our actuarial specialists to challenge the key assumptions used for defined benefit obligation (in particular, the discount rate, inflation and mortality rates). This involved comparing the assumption to available market data and our expectations based on the scheme profile. - **Assessing base data:** We assessed whether the data used in the current year defined benefit obligation valuation is consistent with that prepared at the triennial valuation as at 31 March 2022. We used our actuarial specialists to challenge the methodology used to roll-forward the results of the triennial valuation as at 31 March 2022.

	The risk	Our response
Net defined benefit obligation (continued)	The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the value of the gross defined benefit obligation and level 3 pension asset 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 partnership.	Our procedures for level 3 assets included: - **Substantive tests of detail:** We assessed historical accuracy of valuations for a sample of assets to help inform whether current valuations were appropriate. Additionally, we obtained direct confirmations from third party fund managers to support the valuation of assets stated in the financial statements. In addition, for non-NAV price valued assets we performed the following additional procedures: - **Our valuation expertise:** For property 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. - **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 (IPEV) or applicable financial accounting framework for private equity investments, private credit funds and infrastructure funds included in plan assets. - **Assessing disclosures:** We considered the adequacy of the Partnership's disclosures in respect of the sensitivity of the defined benefit obligation to these assumptions and disclosure of estimation uncertainty over the valuation of level 3 pension assets. **Our results** We found the valuation of the Defined benefit pension schemes (Gross liability estimation and valuation of level 3 assets) to be acceptable (2022: acceptable).

	The risk	Our response
Recoverability of parent Company's investment in subsidiaries **(£115.3 million; 2022: £123.4 million)** *Refer to Page 165 (accounting policies) and Page 166 (financial disclosures)*	**Low risk, high value** The carrying amount of the parent Company's investments in subsidiaries amount to £115.3 million (2022: £123.4 million). Their recoverability is not at a high risk of significant misstatement or subject to significant 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:** We compared the carrying values of the investment in subsidiary and debt due from the group entities with the net assets of the relevant subsidiary included within the group consolidation, to identify whether the net asset values of the subsidiaries, being an approximation of its 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 that the carrying amount of the investment to be acceptable (2022: acceptable).

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

Materiality for the Partnership financial statements as a whole was set at £22 million (2022: £14.5 million), determined with reference to a benchmark of Partnership revenue (as disclosed in note 2.1) of which it represents 0.21% (2022: 0.13%).

We consider total revenue to be the most appropriate benchmark as it 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 £3.7 million (2022: £3.7 million), determined with reference to a benchmark of Company total assets, of which it represents 3.2% (2022: 3.0%).

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% (2022: 75%) of materiality for the financial statements as a whole, which equates to £16.5 million (2022: £10.9 million) for the Partnership and £2.77 million (2022: £2.77 million) 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 £1.0 million (2022: £0.725 million), in addition to other identified misstatements that warranted reporting on qualitative grounds. Of the Partnership's 18 (2022: 18) reporting components, we subjected 6 (2022: 6) to full scope audits for Partnership purposes and 1 component (2022: 1) was subjected to specified risk-focused audit procedures. The latter was not individually significant enough to require a full scope audit for Partnership purposes but did present specific individual risks that needed to be addressed over Claims paid and Outstanding loss reserve.

The components within the scope of our work accounted for the following percentages: 98% of Partnership revenue (2022: 99%), 85% of Partnership total assets (2022: 86%) and 81% of Partnership profit before tax (2022: 84%). The remaining 2% of Partnership revenue (2022: 1%), 15% of Partnership total assets (2022: 14%) and 19% of Partnership profit before tax (2022: 13%) is represented by 11 reporting components (2022: 11), none of which individually represented more than 5% (2022: 5%) of Partnership revenue, Partnership total assets or Partnership profit before tax. For these residual components, we performed analysis at an aggregated Partnership 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 materiality's, which ranged from £1 million to £19.8 million (2022: 0.7 million to 12.3 million), having regard to the mix of size and risk profile of the Partnership across the components. The work on 1 of the 7 components (2022: 1 of the 7 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.

In working with component auditors, we have held planning calls to discuss the areas of the audit relevant to the component. We issued group audit instructions to the component auditor on the scope of their work. We have conducted video conference meetings to discuss the findings reported to the Group team.

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 weaker than expected trading performance.

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, individually and collectively, 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. This included communication from the Group audit team to the component audit team of relevant fraud risks identified at the Group level and request to the component audit team to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

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 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.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior management, journals posted by irregular users to irregular account and post close journals.
- 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.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to the component audit team of relevant laws and regulations identified at the Group level, and a request for the component auditor to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

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.

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.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 171, 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
28 April 2023

FIVE YEAR FINANCIAL RECORD

for the 52 week period ended 28 January 2023

Income statement	2023 £m	2022 £m	2021 £m	2020[1] £m	2019 £m
Revenue					
Waitrose	**6,750.1**	6,983.6	7,043.9	6,373.3	6,429.5
John Lewis	**3,783.9**	3,853.9	3,727.9	3,778.0	3,887.2
	10,534.0	10,837.5	10,771.8	10,151.3	10,316.7
Trading operating profit[2]					
Waitrose	**894.3**	1,019.6	1,144.6	1,063.2	-
John Lewis	**675.6**	757.7	554.4	733.6	-
	1,569.9	1,777.3	1,699.0	1,796.8	-
Operating profit/(loss)	**(159.6)**	118.3	(359.6)	308.0	184.4
Net finance costs	**(74.5)**	(145.0)	(157.6)	(161.6)	(67.0)
Profit before Partnership Bonus, tax and exceptional items	**(77.6)**	180.5	130.8	69.9	160.0
Exceptional items	**(156.5)**	(160.8)	(648.0)	107.4	2.1
Partnership Bonus	**-**	(46.4)	-	(30.9)	(44.7)
As a percentage of eligible pay	**0%**	3%	0%	2%	3%
(Loss)/profit before tax	**(234.1)**	(26.7)	(517.2)	146.4	117.4
Taxation	**36.5**	(41.1)	65.2	(38.0)	(40.1)
(Loss)/profit for the year	**(197.6)**	(67.8)	(452.0)	108.4	77.3
Number of Partners at year end	**74,300**	78,600	80,900	80,800	83,900
Average number of full-time equivalent employees	53,300	56,000	56,800	59,700	60,800

[1] The Partnership has initially applied IFRS 16 at 27 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in retained earnings at the date of initial application which was 27 January 2019.

[2] The Partnership adopted a new organisational structure on 3 February 2020, creating a new non-GAAP measure known as trading operating profit, only 2020 has been restated.

Balance sheet	2023 £m	2022 £m	2021 £m	2020[1] £m	2019 £m
Non-current assets	**4,674.4**	5,361.9	5,116.5	5,905.1	4,383.1
Current assets	**2,025.6**	2,423.4	2,368.9	1,795.6	1,929.0
Total assets	**6,700.0**	7,785.3	7,485.4	7,700.7	6,312.1
Current liabilities	**(1,986.9)**	(2,174.5)	(1,992.8)	(1,789.5)	(2,055.9)
Non-current liabilities	**(2,609.5)**	(2,862.3)	(3,567.9)	(3,352.4)	(1,636.2)
Total liabilities	**(4,596.4)**	(5,036.8)	(5,560.7)	(5,141.9)	(3,692.1)
Net assets	**2,103.6**	2,748.5	1,924.7	2,558.8	2,620.0
Borrowings	**(655.1)**	(815.0)	(903.5)	(762.6)	(1,047.2)
Net debt	**(1,519.8)**	(1,294.1)	(1,438.6)	(1,959.7)	(88.6)

[1] The Partnership has initially applied IFRS 16 at 27 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in retained earnings at the date of initial application which was 27 January 2019.

[2] IFRS 15 was adopted in 2019 on a fully retrospective basis. Figures for 2018 were therefore restated.

GLOSSARY

Throughout the Annual Report and Accounts, alternative performance measures (APMs) have been reported. These are non-GAAP measures and are presented to provide stakeholders with additional financial information on the performance of the Partnership. These APMs should not be viewed in isolation or as an alternative to the equivalent GAAP measure.

The measures detailed below are not defined by UK-adopted IFRS and therefore may not be directly comparable with other companies' APMs - this includes those in the retail industry.

Adjusted cash flow

Operating profit before Partnership Bonus, exceptional items, depreciation and amortisation, but after lease adjusted interest and tax. This measure is important to assess our Debt ratio.

	2022/23 £m	2021/22 £m
Operating (loss)/profit	**(159.6)**	118.3
add back		
Depreciation, amortisation and write-offs	**481.2**	483.8
Exceptional items (net)	**156.5**	160.8
Partnership Bonus	**-**	46.4
less		
Lease adjusted interest	**(102.3)**	(143.8)
Tax excluding tax on exceptional items	**21.2**	(52.3)
Adjusted cash flow	**397.0**	613.2

Debt ratio

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.

	2022/23 £m	2021/22 £m
Total net debts	**(1,735.7)**	(1,413.3)
Adjusted cash flow	**397.0**	613.2
Debt ratio	**(4.4)**	(2.3)

Profit/loss before Partnership Bonus, tax and exceptional items (PBTBE)

Profit/loss before Partnership Bonus, tax and exceptional items. This measure is important as it allows for a comparison of underlying profit performance.

	2022/23 £m	2021/22 £m
(Loss)/profit before tax, Partnership Bonus and exceptional items	**(77.6)**	180.5
Exceptional items	**(156.5)**	(160.8)
Partnership Bonus	**-**	(46.4)
Loss before tax	**(234.1)**	(26.7)

Total net debts

The Partnership's borrowings and overdrafts, lease liabilities, derivative financial instruments and IAS 19 pension deficit (net of deferred tax), less any liquid cash, short-term deposits and investments.

	2022/23 £m	2021/22 £m
Borrowings and overdrafts	**(655.1)**	(815.0)
Derivative financial instruments	**0.1**	(1.4)
Pension deficit (after deferred tax)	**(100.2)**	-
Lease liabilities	**(1,903.2)**	(1,988.3)
Liquid cash, short-term deposits and investments	**922.7**	1,391.4
Total net debts	**(1,735.7)**	(1,413.3)

Trading operating profit

Trading operating profit represents operating profits used to assess the performance of the John Lewis and Waitrose brands and determine the allocation of resources to them. It excludes centrally managed costs, including fixed property costs and depreciation.

2022/23	Waitrose £m	John Lewis £m	Partnership £m
Trading operating profit	**894.3**	**675.6**	**1,569.9**
Centrally managed costs incl property			(1,091.8)
Depreciation and amortisation			(481.2)
Net finance costs			(74.5)
PBTBE			**(77.6)**
Exceptional items			(156.5)
Partnership Bonus			-
Loss before tax			**(234.1)**

2021/22	Waitrose £m	John Lewis £m	Partnership £m
Trading operating profit	**1,019.6**	**757.7**	**1,777.3**
Centrally managed costs incl property			(970.1)
Depreciation and amortisation			(481.7)
Net finance costs			(145.0)
PBTBE			**180.5**
Exceptional items			(160.8)
Partnership Bonus			(46.4)
Loss before tax			**(26.7)**

TERM	DEFINITION
Amortisation	An expense recorded to write down intangible assets to their residual values over their useful economic lives (UELs).
Amortised cost	The value of an intangible asset after accounting for amortisation and impairment. Sometimes referred to as carrying value or net book value.
Assets	Something of value that the Partnership owns, benefits from, or has use of, in generating income or cash.

TERM	DEFINITION
Auditor	An individual or body who undertakes the work required for an audit. The Partnership's auditor is KPMG LLP.
Average hourly rate	The pay received per hour, calculated from pay received divided by hours worked.
Balance sheet	A financial statement that shows assets, liabilities and capital/equity at a particular point in time, giving a summary of what the Partnership/Company owns and what it owes.
Biomethane	An alternative to fossil fuels, similar to natural gas, which is produced from organic waste, and is suitable for use as vehicle fuel.
Capital investment/ expenditure	Cash outflows in relation to additions to tangible fixed assets (property, plant, and equipment), and intangible assets (IT software) recognised on the balance sheet.
Cash equivalents	Short-term deposits which the Partnership can quickly and easily convert into cash.
Cash flow (statement of)	A financial statement that shows how changes in balance sheet accounts, income and expenses affect cash and cash equivalents. It breaks the analysis down to operating, investing and financing activities. It is a measure of cash generation, working capital efficiency and capital discipline of the business.
Click & Collect	A service offered through Johnlewis.com to enable customers to buy or order goods and collect from a local Waitrose or John Lewis.
Committed credit facilities	Similar to a personal overdraft, this is an agreement with banks to provide the Partnership with additional funds as and when we might require.
Cost of sales	The cost to the business of producing and purchasing goods sold over a specific period of time.
Debt	Money the Partnership has borrowed which it is required to repay.
Depreciation	An expense recorded to write down non-current assets to their residual values over their useful economic lives (UELs).
Exceptional items	Items of income and/or expense which are significant by virtue of their size and nature are presented as exceptional items. The separate reporting of exceptional items helps to provide an indication of the Partnership's underlying business performance.
Executive Team	Responsible for developing and recommending Partnership strategy to the Partnership Board and setting the direction for the Partnership in the execution of that strategy; and responsible for prioritising the allocation of capital and resources.
Financial year	The period of 364 days, or 52 weeks, running from 30 January 2022 to 28 January 2023.
Foreign exchange (FX) exposure	The risk that the Partnership faces when a financial transaction is denominated in a currency other than GBP (Sterling). This will primarily be for products the Partnership sells which we buy from suppliers in another currency.
Freehold	Outright ownership of land and buildings and the right to control usage for an unlimited period without any future obligation to transfer ownership to another party.
Full-time equivalent (FTE)	The hours worked by one Partner on a full-time basis. The concept converts the hours worked by several part-time Partners into the hours worked by full-time Partners to enable like-for-like comparisons of resources.
Hedging	A risk management strategy that helps to reduce the effects of future financial market movements on the Partnership's assets.

TERM	DEFINITION
IAS	International Accounting Standards
UK-adopted IFRS	UK-adopted international accounting standards
Impairment	A reduction in the value of an asset due to a fall in the expected future economic benefits generated by the asset.
Investment	Total investment spend includes capital investment, revenue investment, restructuring and redundancy costs, and lease disposal costs.
KPI	Key Performance Indicator - a type of performance measurement used by businesses to check progress towards their goals.
Lease	A contract in which one party lends land, property or services to another for a specified period of time, usually in return for payment.
Like-for-like (LFL) sales	Comparison of sales between two periods in time (e.g. this year to last year), removing the impact of shop openings and closures and the impact of a 53rd week for 2020/21. Waitrose like-for-like sales excludes fuel.
Liquid cash	Immediately available cash in bank.
Liquidity	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.
Long leave	The long leave scheme provides Partners up to six months' paid leave after 25 years' Partnership service.
Margin (gross)	The difference between a product or service's selling price and its cost of purchase/production.
Material items	Items in the financial statements are material if their omission or misstatement could influence the economic decisions of users. Items may be material by size or by nature.
Materiality concept	The universally accepted accounting principle that all material matters should be disclosed in the accounts.
Net book value	The value of an asset after accounting for amortisation/depreciation and impairment. Sometimes referred to as carrying value.
Net finance costs	Interest payable on our borrowings, our defined benefit pension scheme and long leave scheme, offset by interest received from investments.
Net Promoter Score (NPS)	An external benchmark which calculates a measure between -100 and +100, that shows the willingness of customers to recommend products and services to others. A larger positive figure represents a higher level of customer satisfaction and loyalty to a brand.
Non-management Partners (NMP)	Level 9 and Level 10 Partners, excluding Assistant Team Managers in Waitrose.
Operating profit/(loss)	Profit/(loss) earned by the Partnership over a specific period of time, before accounting for net finance costs and tax.
Partners (members)	The name given to all employees of the John Lewis Partnership.

TERM	DEFINITION
Pension funding deficit (actuarial/funding)	The actuarial or funding deficit is a measure that is used to judge the money that the Partnership needs to contribute to the pension scheme based on predicted growth rates and risks specific to the Partnership's scheme.
Profit/(loss) before tax (PBT or LBT)	Profit/(loss) generated by the Partnership over a specific period of time, before accounting for tax.
Qualifying services	A person's services as a Director of the company and his or her services at any time while he or she is a Director of the company.
Residual value	Property residual values are assessed as the price in current terms that a property would be expected to realise if the buildings were at the end of their useful economic life.
Restructuring	A change to internal organisational structures, designed to streamline processes and create more efficient and cost-effective ways of working.
Revenue investment	Investment spend recognised directly in the income statement.
Short-term investments	Cash placed with financial institutions (such as banks) for a period of between three months and a year. The Partnership receives more interest on these short-term investments compared to immediately accessible cash kept in bank accounts.
Solvency	Ability of the Partnership to meet its long-term financial obligations (e.g. repayment of its debts).
Total liquidity	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.
Total trading sales	The full customer sales value, including VAT, that is used to assess ongoing sales performance. It is before adjustment for sale or return sales and other accounting adjustments. A reconciliation between Total trading sales and Revenue is provided below.
Trading operating profit %	Trading operating profit divided by total trading sales.
Value added tax (VAT)	A tax on the sales value of a product or service which is collected by HMRC.
Variable Net Asset Value (VNAV)	Fund prices change on a daily basis in relation to the net asset value of the underlying holdings included within the fund.
Working capital	The cash the Partnership utilises as part of its day-to-day trading operations. This includes aspects such as the money tied up in stock, the money we owe to suppliers for goods we haven't yet paid for, and any money we may be owed from customers and suppliers.

Reconciliation of Total trading sales to Revenue

2022/23	Waitrose £m	John Lewis £m	Partnership £m
Total trading sales	**7,311.9**	**4,938.3**	**12,250.2**
Deduct:			
Value added tax	(424.5)	(800.2)	(1,224.7)
Sale or return and other accounting adjustments	(137.3)	(354.2)	(491.5)
Revenue	**6,750.1**	**3,783.9**	**10,534.0**

2021/22	Waitrose £m	John Lewis £m	Partnership £m
Total trading sales	**7,535.9**	**4,926.6**	**12,461.5**
Deduct:			
Value added tax	(439.6)	(797.5)	(1,237.1)
Sale or return and other accounting adjustments	(112.7)	(274.2)	(386.9)
Revenue	**6,983.6**	**3,853.9**	**10,837.5**

Reconciliation of Operating (loss)/profit to PBTBE

	2023 £m	2022 £m
Operating (loss)/profit	**(159.6)**	118.3
Add back:		
Exceptional items	**156.5**	160.8
Partnership Bonus	**-**	46.4
Deduct:		
Net finance costs	**(74.5)**	(145.0)
(Loss)/profit before Partnership Bonus, tax and exceptional items	**(77.6)**	180.5

Reconciliation of Loss before tax to PBTBE

	2023 £m	2022 £m
Loss before tax	**(234.1)**	(26.7)
Add back:		
Exceptional items	**156.5**	160.8
Partnership Bonus	**-**	46.4
(Loss)/profit before Partnership Bonus, tax and exceptional items	**(77.6)**	180.5

GENERAL INFORMATION

John Lewis Partnership plc is a public company limited by shares, incorporated and registered in England & Wales under company number 00238937.

INDEPENDENT AUDITOR
KPMG LLP

REGISTERED OFFICE
John Lewis Partnership plc, 171 Victoria Street, London, SW1E 5NN.

PREFERENCE SHARES
Any remaining queries relating to the Preference Shares previously in issue (which were cancelled in November 2016) should be directed to the Company Secretariat, John Lewis Partnership plc, 171 Victoria Street, London, SW1E 5NN.

MORE INFORMATION
For more information about the John Lewis Partnership please visit:
www.johnlewispartnership.co.uk
twitter.com/JLPartnership
linkedin.com/company/john-lewis-partnership
For more information about Waitrose or John Lewis please visit:
www.waitrose.com
facebook.com/waitrose
twitter.com/waitrose
youtube.com/waitroseandpartners
pinterest.com/waitrose
instagram.com/waitrose
linkedin.com/company/waitroseandpartners
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pinterest.com/JohnLewis
instagram.com/JohnLewis
linkedin.com/company/johnlewisandpartners

CONTACT INFORMATION
You are invited to contact us with your enquiry or comments. To enable us to respond to your enquiry as quickly as possible, please use the ‘Contact us’ section on the John Lewis Partnership website.