Company No. 00233462

JOHN LEWIS PLC

Annual report and accounts 2024

JOHN LEWIS PLC

ANNUAL REPORT AND ACCOUNTS
FOR THE 52 WEEK PERIOD ENDED 27 JANUARY 2024

Contents

Company information

Directors:	Sharon White (Chairman) Nish Kankiwala Bérangère Michel
Company Secretary:	Jane Cheong Tung Sing
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Company number:	00233462
Independent auditor:	KPMG LLP 15 Canada Square London E14 5GL

STRATEGIC REPORT
FOR THE 52 WEEK PERIOD ENDED 27 JANUARY 2024

The Directors of John Lewis plc ('the Company' and together with its subsidiaries 'the Group') present the audited consolidated financial statements of the Group and of the Company for the 52 week period ended 27 January 2024.

The Company is the principal trading subsidiary of John Lewis Partnership plc (together with its subsidiaries 'the Partnership'). It owns Waitrose Limited and other companies (see note 29). The Group trades as the Waitrose and John Lewis brands and has over 70,000 employees – or Partners – for whom the Partnership is owned in Trust. For the full results for the John Lewis Partnership plc, see John Lewis Partnership plc's Annual Report and Accounts 2024, available at www.johnlewispartnership.co.uk.

Review of performance

Key performance indicators

	2024	2023
Financial performance		
Revenue (£m)	**10,781**	10,534
Profit/(loss) before tax (£m)	**59**	(225)
Profit/(loss) before Partnership Bonus, tax and exceptional items (£m)	**45**	(69)
Liquidity[1] (£m)	**1,708**	1,458
Borrowings[2] (£m)	**(721)**	(638)

The financial year is the 52 weeks ended 27 January 2024 (prior year: 52 weeks ended 28 January 2023).

[1] Liquidity is the cash and cash equivalents, short-term investments and undrawn committed credit facilities available to us, which we can use to settle liabilities as they fall due.
[2] Borrowings consist of borrowings, less unamortised bond transaction costs and the fair value adjustment for hedged elements on bonds.

OUR PERFORMANCE

The Group returns to profit and progresses transformation

- Profit before tax and exceptional items[3] of £45m, an improvement of £114m compared to a £69m loss in 2022/23;
- Profit before tax of £59m, a £284m improvement year-on-year;
- Operating profit margins[4] increased 1.2 percentage points in the year;
- Group sales[5] were £12.4bn, up 1% on last year. Revenue[6] was £10.8bn, up 2%;
- One million more customers shopped with us in the year taking the total to 22.6 million;
- Net cash generated from operating activities before Partnership Bonus and bond finance costs increased by £202m to £428m and total liquidity increased to £1.7bn giving us the financial flexibility to self-fund our transformation;
- Improved performance will allow us to accelerate investment for our customers (£526m planned this year, up from £302m in 2023/24) and in pay for our Partners - our highest ever pay investment amounting to £116m;
- After careful consideration, we believe that investing in Partner pay and improving our business must continue to take priority over paying a bonus. Consequently, no Partnership Bonus has been paid in relation to the year.

The Group, home to Waitrose and John Lewis, reports a return to profit for the full year 2023/24.

Following a challenging set of results in 2022/23, profit before tax and exceptional items[3] was £45m, a £114m improvement on the prior year loss of £69m. Improvement was achieved through a combination of sales growth, gross margin rate improvement and sustainable productivity improvements. Profit before tax (PBT) was £59m, up from a loss of £225m in 2022/23.

Group sales reached £12.4bn, up by £176m (1%) from a year earlier, while total revenue was up 2% to £10.8bn. Gross margin rate increased by 0.6 percentage points this year. Customer numbers across the Group grew by 1 million, to reach 22.6 million.

Profit growth was supported by a further £111m of productivity improvements in the year. This brings recurring productivity savings since the start of the Partnership Plan in January 2021 to £420m, on track against the target of £900m by 2027/28.

Net cash generated from operating activities before Partnership Bonus and bond finance costs of £428m improved by £202m, due principally to improved profit. This allows us to step up our investment in transforming our business, increasing investment levels from £302m this year to £526m in 2024/25.

We raised additional funding last December of £260m through a combination of sale and leaseback of 11 Waitrose shops and a new term loan[7]. We have sufficient liquidity[8] of £1.7bn in place (up from £1.5bn) to fund our investment growth for the period of the Partnership Plan and repay our £300m bond, maturing in January 2025, reducing further our external borrowings in the year ahead.

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[3] Profit/loss before tax, Partnership Bonus and exceptional items (PBTBE/LBTBE). Partnership Bonus is £nil for 2023/24 and 2022/23 and exceptional items are described in Note 2.5 on pages 42-44.

[4] Operating profit margin is operating profit before exceptional items and property profit/(loss) as a percentage of revenue.

[5] All references to Group sales or sales are Total trading sales which includes VAT, sale or return and other non-cash accounting adjustments

[6] Revenue is total trading sales, less VAT, sale or return and other non-cash accounting adjustments

[7] £131m from new term loan and £129m from sale and leaseback, of which £66m relates to proceeds from sale of land and £63m is presented as other liabilities held at amortised cost

[8] Including undrawn credit facility of £420m

As employee-owners, we have a shared responsibility to ensure the Partnership is sustainable into the long-term. We've consistently said that at this point in our transformation, this is best served by investing in our retail businesses and in Partners' base pay. So after careful consideration, the Partnership Board did not believe it would be right to award a Partnership Bonus in relation to this year. We are increasing overall pay by £116m in 2024 - a record investment.

Waitrose

Sales were up 5% to £7.7bn and a record number of customers chose to shop with Waitrose. Trading operating profit[9] of £1,064m improved by £170m. Sales growth, combined with strong delivery of productivity programmes across stores, cost of goods and supply chain underpinned this improvement. For the full year, volume was down 1.5% and average item price up by 6.6%.

Market dynamics of inflation and low consumer confidence, especially in the first half of the year, shaped the pattern of trade. Slower volumes in the first half and only passing on half of the market rate of inflation to our customers meant our market share (Kantar) declined.

Customer and trade dynamics recovered strongly through the second half as our customers responded to our New Lower Prices campaign. Volume growth returned in four months of the second half when we grew volume market share. Over the full year store transactions grew 6.8%.

Waitrose has now delivered eight consecutive quarters of growth in customer numbers and this year a record number chose to shop with us - customer numbers were up 8.1% to 15.0m. We invested £100m in lower prices and launched innovative products like the Japan Menyū range. The major replatforming of our supply systems is substantially complete and product availability is at record levels.

Nearly 2.5 million customers shopped at our fresh food counters, up 4%. Personal service from our Partners, embodied in our counter offer, remains a core differentiator for us. Our service credentials were recognised through a record 21 The Grocer 33 awards and we won The Grocer Gold customer service award for the third year running.

John Lewis

In a challenging year for the sector, we delivered improved profitability in John Lewis helped by improved gross margin rate and productivity. John Lewis sales were £4.8bn, down 4%. Sales in Fashion, including Beauty, were up on the year while we saw weaker sales in Home and Technology. John Lewis attracted a record 13.4 million customers, underlining the reach of the brand.

Trading operating profit of £689m[10] was £13m better year-on-year as we converted sales into greater profit. Gross margin improvement of 1.0 percentage point and efficiency savings across supply chain and stores underpinned this improvement.

We introduced over 170 new brands. Customers continued to turn to John Lewis for independent, unbiased advice; over 200 of our Partners are now dedicated to fashion personal styling (appointments up 27%), nursery (appointments up 25%) and home (appointments up 5%).

Our customers told us they wanted more ways to spread the cost of their purchases. In response, we launched new payment options for customers wanting to pay in stages. John Lewis remained committed to pricing competitively during the year - ensuring that customers can be confident they are getting great value and service when buying from us.

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[9] See glossary section in John Lewis Partnership plc's Annual Report and Accounts 2024 for definition and reconciliation of Trading operating profit

[10] Trading operating profit from our financial services business is included in John Lewis

We continue to enhance customers' experience across the John Lewis app and website, making it quicker and easier to shop online for delivery or collection at over 13,000 locations. Fifty-three percent of our customers use digital channels for their shopping, which demonstrates the importance of our omni-channel offer, with app use a growing component of sales.

Looking forward

In 2023/24, our focus has been on returning to profitability through improved trading and productivity, while boosting our customer offer. This has been achieved. In 2024/25, we expect continued improvement in our key financial performance measures of Profit before tax, Partnership Bonus and exceptional items (PBTBE).

Given the significant changes in the economy since we announced our strategy in 2020, we have refreshed our Plan. We're laser focused on providing a brilliant retail experience for our customers, inspired by our Partners. We're simplifying our business and improving productivity to generate stronger performance, from which we will invest to modernise and energise our unique customer offer.

In support of our refreshed Plan, we are entering a year of significant investment - £526m planned (over 70% up on the year) - much of which will focus on modernising our technology, refreshing our shops and simplifying how we work.

This year, we will open new Waitrose shops in areas where the brand is underserved, and 80 refurbishments of existing stores are planned over the next three years.

In John Lewis, we will improve our offer to customers with around 80 new brands and strengthened own brand, while revitalising our Home category. We're improving visual merchandising in stores, investing in technology to improve customer service and continuing to invest in value. We will invest in improving our online experience through easier navigation and personalised product recommendations.

We are investing significantly in training and development, supporting Partners in delivering a differentiated experience for customers, with enhanced service training for every Waitrose and John Lewis store Partner.

While our relentless focus is on investing to improve our retail brands, we continue to create a family of businesses over the long term by growing financial services. With the economic environment (particularly around interest rates and inflation) having changed so dramatically since 2020, the refreshed Plan does not set a specific target for the scale of our broader business. In 2023/24, income across our portfolio of financial services products was up 15% and we attracted over 97,000 new Partnership Card customers, taking the total to just under a million. Alongside this, turning retail property into residential homes will improve the strength of our balance sheet.

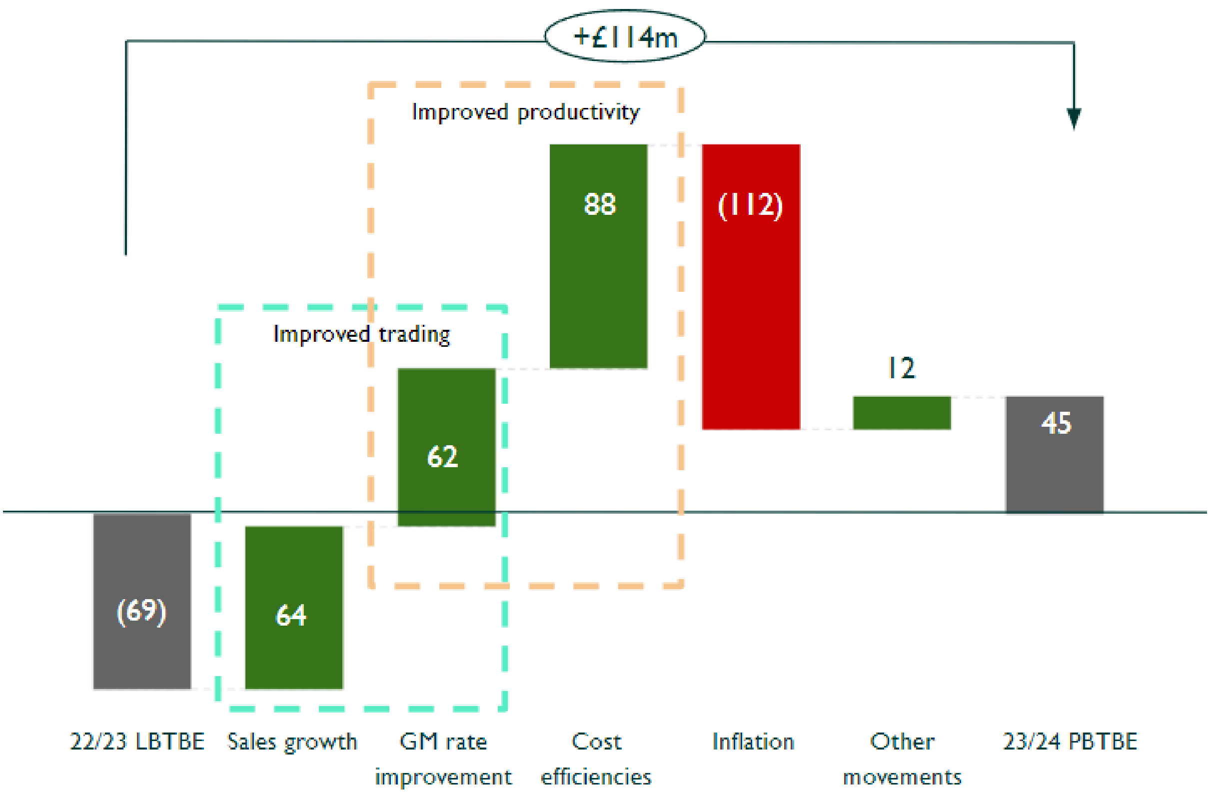
Understanding our profit performance

Within the Group, we measure John Lewis and Waitrose performance as Trading operating profit. The composition and movement in Trading operating profit is outlined in the table below. A reconciliation of Trading operating profit to PBTBE and PBT is included in the glossary section in John Lewis Partnership plc's Annual Report and Accounts 2024 on page 163.

	Waitrose			John Lewis		
	2023/24	2022/24	% vs 22/23	2023/24	2022/24	% vs 22/23
Total trading sales (£m)	**7,661**	**7,312**	**5%**	**4,765**	**4,938**	**(4)%**
Total trading sales LFL*	7,661	7,296	5%	4,765	4,938	(4)%
Revenue (£m)	7,139	6,750	6%	3,644	3,784	(4)%
Trading operating profit (£m)	**1,064**	**894**	**19%**	**689**	**676**	**2%**
Trading operating profit (%)	**14%**	**12%**		**14%**	**14%**	

* 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.

The chart below outlines the key movements in PBTBE since last year.



The £114m improvement in PBTBE identified in the chart is a result of:

- ***Growth in Group sales*** of 1% - the impact of which at the 2022/23 gross margin rate is an improvement in profit of £64m;
- ***Improvement in margin rate*** of 0.6 percentage points - the impact of which is £62m incremental profits from stronger gross margin rate, measured on 2023/24 sales;

- ***Cost efficiencies*** **-** We delivered £88m of efficiencies within the cost base - principally through better matching Partner hours to customer and business need in Waitrose shops, through a reduction in energy usage, through automation of the supply chain in John Lewis, through a continued review of our spend on goods not for resale such as technology and carriers and through simplified ways of working across shops and central teams;
- In total across gross margin and operating costs, we delivered £111m of efficiencies in 2023/24. This brings recurring productivity savings since the start of the Partnership Plan in January 2021 to £420m, on track against the target of £900m;
- ***Inflation*** **-** we saw continued inflation across operating costs, amounting to £112m, principally in Partner pay and utilities costs.

Exceptional items

For 2023/24, our exceptional items are a net £14m of income, principally a net release of shop impairment provisions and a gain on exit of the lease from a previously closed store. In 2022/23, the net charge of £156m related principally to shop impairments and a one-off cost of living payment to Partners.

SECTION 172(1) STATEMENT AND STATEMENTS ON ENGAGEMENT WITH EMPLOYEES, SUPPLIERS, CUSTOMERS AND OTHERS

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

The Company's ultimate parent company is John Lewis Partnership plc, which is owned in trust for the benefit of its members, the Partners employed in the Partnership. Whilst being Directors of the Company, and having acted in a way they consider is most likely to promote the success of the Company, the Directors on the Board are also members of the Partnership's leadership team, which manages the Partnership's business as part of the Partnership's governance structure. In carrying out their duties, the Directors have had in mind the Partnership's Purpose, which is set out in the Partnership's Constitution (available online at www.johnlewispartnership.co.uk). 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'.

The Partnership's Purpose is in many ways aligned to the matters to which Directors must have regard under section 172(1) of the Companies Act 2006 through its objectives to find more trusted ways of doing business and to work together to create a successful business and a fairer, more sustainable future for Partners, customers, suppliers and communities. Further information on decision-making and engagement with stakeholders in the Partnership can be found in John Lewis Partnership plc's Annual Report and Accounts 2024.

Decision-making at the Board

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

Long term sustainability

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

Key stakeholders and community and environmental impact

When it is carrying forward that aim, and aligned to the Partnership's Purpose, the Board keeps in mind the impact the Group has on different stakeholder groups. 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, credit insurers 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. Information on the engagement methods in the Partnership, which are used by the Company's Directors, are in John Lewis Partnership plc's Annual Report and Accounts 2024.

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.

Partners receive updates about the Partnership from regular dialogue with management, email updates, podcasts, vlogs, the Partner Intranet, and through the weekly independent Gazette publication. Further information on the engagement methods in the Partnership, which are used by the Company's Directors, and on the democratic structures used to channel Partner views are in John Lewis Partnership plc's Annual Report and Accounts 2024.

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 services of comparable quality and availability. The Group's 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 via Net Promoter Score (NPS) and Customer Satisfaction (CSAT), reviewing performance against our historic measures and also our competitive market set.

The Partnership's 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 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.

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.

The Board monitors relationships with the Group's suppliers in a number of ways including: review by the Audit and Risk Committee (ARC) of compliance with the Groceries Supply Code of Practice; and the steps the Group is taking to meet its ethics and sustainability goals, to improve the livelihoods 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 Ethics and Sustainability Committee (ESC). Further information is available at www.johnlewispartnership.co.uk/csr.

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

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 Group to support where help is needed.

The Board monitors 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 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.

Financial stakeholders

This includes the John Lewis Partnership Pensions Trust, relationship banks, credit insurers and holders of John Lewis plc bonds. Through the Partnership's website, we share details on our performance, and the Partnership's Treasury team provides further detail as needed. We invite our financial stakeholders to join the Partnership's financial updates and announcements, which gives them an opportunity to hear and engage with the Directors and senior management. We maintain an open and collaborative relationship with our pension trustee, providing financial information and proactive engagement ahead of material transactions.

Environmental impact

The Group is 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 our products and services can have on people, animals and the natural environment. The Board monitors environmental impact via the ESC, including responding to the environmental challenges faced by today's society and those which may impact our business operations.

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.

Business conduct

The Group'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 of business conduct, 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.

Acting fairly as between the Company's members

The Company and Group form part of a group which is held in trust for the benefit of its Partners, and their interests are at the forefront of Board decision-making. 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.

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 below.

Our principal risks are:

- Productivity
- Change delivery
- Information security
- Strategic resilience
- Regulatory non-compliance
- Operational resilience
- Customer experience
- Customer proposition
- Partner differentiation
- Partner wellbeing
- Ethics and sustainability

What has changed since last year?

Managing our principal risks within the Board's risk appetite this year has been challenging. In response to the ongoing economic volatility, we refreshed our Partnership Plan and in doing so prioritised activity to deliver transformation at pace while giving due consideration to our principal risks and the trade-offs required through the Plan years. As a result, we have improved **Strategic resilience**.

Mitigations delivered this year have served to maintain a generally similar overall risk position to last year. The following changes have been made to our risk profile during the year, which continues to evolve to take account of the changing internal and external environment:

- Our **Insufficient profit** risk evolved to a **Productivity** risk, to reflect the step change in ambition required to ensure simplicity and productivity is embedded in all we do, every day. The causes, consequences and controls over this risk were also updated to reflect this change in focus;
- The likelihood of **Change delivery** risk reduced at the beginning of the year as a result of delivering actions to improve the quality of change. However, the potential impact of the risk increased towards the end of the year, reflecting challenges associated with the greater scale and pace of transformation across the Partnership. We ended the year with an overall risk exposure similar to that of the previous year end. We continue to strengthen our ability to deliver change and progress with the Plan but expect this risk to remain as we transform and new ways of working bed in;
- **Regulatory non-compliance** risk reduced overall during the year;
- A new **Operational resilience** principal risk was introduced to ensure greater Executive oversight over the management of business resilience and reflect the significant potential impact of business interruption on customers and Partners, reputation and trading performance. The resulting mitigation plan encompasses both preventative measures across IT systems and operational processes, and our crisis management response.

Our principal risks are described in more detail on the following pages, together with clarity on how they align to our Partnership Purpose, key mitigation activity for each risk and any change in risk exposure score since last year's disclosure.

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, refreshed mid-year as part of our business planning process, is our strategic response to this and its effective operationalisation is our single most important mitigation.

Movement in risk exposure versus last year:

Increased ⇈ Decreased ⇊ No movement ⟺

<table>
<tr><td colspan="2">1. Productivity ⟺</td></tr>
<tr><td>Risk
We cannot make sufficient improvement in our productivity levels to deliver the necessary step change in financial performance.

Key causes and consequences
Inability to make a cultural step change to achieve a productivity mindset, alongside the pace of change being too slow with insufficient resource and capability to land the change required; combined with external economic pressures like inflation, could mean that we fail to deliver the productivity savings required to fund the Partnership Plan and profit to deliver our Purpose.

Alignment to Partnership Purpose
Happier people, Happier business</td><td>Mitigations
● Monthly performance review reporting to the Partnership Executive Team and Partnership Board, with key indicators to the risk included in scorecards
● Delivery of gross margin improvement initiatives as part of strategy delivery across retail and new services, including reviewing our assortments and supplier contracts, reducing freight costs, and improving product availability, in part from technology investments
● Cost efficiencies activity including better matching Partners' hours to customer and business needs in Waitrose shops, reducing energy usage, automation within the John Lewis supply chain and reviewing goods not for resale contracts
● Monthly financial performance updates to all Partners through the Gazette and Partner Intranet to encourage a productivity mindset
● Budget targets for leaders communicated and reflected in the Plan and scorecard metrics with quarterly progress updates
● Specific productivity targets allocated to senior leaders and progress monitored monthly

Owner
Partnership Executive Director, Finance

Oversight
Partnership Executive Team and ARC</td></tr>
<tr><td colspan="2">2. Change delivery Impact ⇈ Likelihood ⇊</td></tr>
<tr><td>Risk
Change activity does not realise the desired benefits to agreed timelines and drives unforeseen cost and consequences.

Key causes and consequences
Operating model and transformational change complexity combined with the volume and pace of the change required and capacity to deliver/receive change, could result in increased costs, disruption to trade, poor customer and Partner experience and missing our transformation ambitions.</td><td>Mitigations
● Partnership Transformation leadership team recruited and in place
● Four year transformation plan and 2024/25 annual investment plan signed off by the Partnership Board and supported by scorecards to track benefits at least on a quarterly basis
● Reviews by senior sponsors of change activity and transformation and finance leadership to ensure quality of portfolio insight and intervention, with weekly escalation meetings to the Partnership Chief Transformation and Technology Officer (CTTO) to resolve emerging issues quickly
● Transformation Operating Plan model in place and used as input to quarterly delivery planning including a monthly capacity review

Owner
CTTO</td></tr>
</table>

Alignment to Partnership Purpose
Happier people, Happier business, Happier world

Oversight
Partnership Executive Team and Partnership Board

3. Information security ⟺

Risk
The Partnership suffers a loss of key customer, Partner and/or commercially sensitive data leading to financial, regulatory, legal, operational and reputational issues.

Key causes and consequences
External and internal threats, behaviour which fails to protect the integrity of data in both Partnership and third party systems could result in loss of key customer, Partner or business data, causing internal and/or external reputational damage, interruption of IT service and trading, fines, unforeseen costs and regulatory consequences.

Alignment to Partnership Purpose
Happier people, Happier business

Mitigations
- Five year cyber security strategy focused on prevention, detection and response
- Well-established governance, including robust Information Security policy and standards and an Information Security and Privacy Steering Group with Partnership wide senior representation including Chief Information Security Officer, Data Protection Officer, Chief Information Officer, Chief Data and Insights Officer and brand leadership
- Independent maturity assessment against globally recognised cyber control framework (National Institute of Standards and Technology) with sector specific benchmarking
- A documented continual improvement plan, aligned to our strategy and Technology Modernisation Programme
- Intelligence-led security operations, with proactive and reactive capabilities supported by specialist security services
- Skilled and experienced Partnership Information Security team with focus on continual professional development
- Established Information Security and Privacy risk assessment process and assurance framework to ensure adherence to standards
- Annual mandatory training for Partners and continuous awareness campaigns with key stakeholders, including increased reporting of threat and risk metrics

Owner
CTTO

Oversight
Partnership Executive Team and ARC

4. Strategic resilience ⟺

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, and/or it may not be sufficiently clear or compelling to inspire and engage Partners.

Key causes and consequences
Reduced margins due to changing customer behaviour and confidence - exacerbated by the cost of living crisis - and competitor activity, coupled with a lack of alignment on priorities and/or a lack of a clear strategic vision may result in an inability to sustain financial performance and meet customer needs.

Alignment to Partnership Purpose

Mitigations
- Next phase of the Partnership Plan created and announced
- Target enterprise operating model for the Partnership agreed by the Partnership Executive Team and Partnership Board
- Priorities and investment plan for 2024/25 agreed and signed off by the Partnership Board
- Oversight and monitoring of progress against the strategy through quarterly reporting against key change activity and Partnership scorecard
- Strategy embedded in key trade and business processes
- Ongoing activity to engage Partners and leaders in the Plan
- Ongoing strategy development
- Review of key macro assumptions and consumer trends at least annually
- Continued engagement and discussions with Government and regulators through trade groups

Owner
Partnership Executive Director, Finance

Oversight
Partnership Executive Team and Partnership Board

Happier people, Happier business, Happier world	
5. Regulatory non-compliance ⇊	
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. **Alignment to Partnership Purpose** Happier people, Happier business, Happier world	**Mitigations** ● Policies and standards for areas of regulatory compliance maintained, regularly reviewed and published on the Partner Intranet ● Ongoing oversight and monitoring of completion of mandatory training courses ● Clear executive accountability for each key regulatory area ● Horizon scanning in areas of responsibility for new/changing regulations and the potential Partnership impact and response ● Programme of independent high risk regulatory assurance reviews, alongside second line assurance activities, such as within Partnership Financial Services or the Data Partnership Protection Office over the General Data Protection Regulation (GDPR) ● Key areas of control improvement noted within health and safety, and financial crime remediation plan delivered ● Financial and people focused internal controls framework, including a database of risks, controls and assurance mechanisms ● Whistleblowing process ● New financial services quality assurance framework implemented with measures in response to the Consumer Duty legislation **Owner** Partnership Executive Director, Finance **Oversight** Partnership Executive Team and ARC
6. Operational resilience **(new)**	
Risk Inability to prevent, remedy, and recover from a major/sustained business interruption, due to a loss of key IT systems; premises (including plant/equipment) or suppliers. **Key causes and consequences** Complex legacy IT estate requiring significant investment, upgrades and/or replacement; greater operational dependency on third parties to deliver key services; significant required investment in the physical estate; and/or siloed ways of working. **Alignment to Partnership Purpose** Happier people, Happier business	**Mitigations** ● Incident and crisis management structures in place and rehearsed at managing incidents/crises and effective escalation to the Partnership Executive Team ● IT disaster recovery plans, with business critical systems identified and prioritised for recovery and restoration ● Resilience policy supported by an established assurance framework ● Vendor onboarding controls requiring all new third parties to pass through business continuity self-assessments ● Appropriate insurance policies at specific sites ● Multi-year technology modernisation project funded and underway ● Development of understanding of climate impact on operational resilience and mitigating activity - see Climate disclosures on pages 13 to 23 of John Lewis Partnership plc's Annual Report and Accounts 2024 ● Continuation of programmes already underway **Owner** Partnership Executive Director, Finance **Oversight** Partnership Executive Team and ARC

7. Customer experience	⟺
Risk Customers do not receive differentiated, excellent customer service across touchpoints. **Key causes and consequences** Systems, data, processes 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. **Alignment to Partnership Purpose** Happier people, Happier business	**Mitigations** ● Differentiated, personal service from Partners across Waitrose and John Lewis to provide excellent customer experience, supported by customer listening and insight, training and addressing customer pain points ● Reviewing and acting on customer insight data and key performance indicators, including Have Your Say, customer satisfaction, customer voice (including complaints and queries), product availability and NPS ● Changes implemented in Waitrose to better align Partner availability and activities with customer needs ● School of Service standards developed, with over 9,500 Partners trained Partnership wide and the John Lewis Service at Peak campaign and 'At Your Service' 2023 service plan delivered ● Provided expert advice to more customers. John Lewis saw an increasing number of customer advice appointments across personal styling, nursery consultations and home; and Waitrose embodied personal service in its growing counters offer **Owner** Partnership Executive Director, John Lewis and Partnership Executive Director, Waitrose **Oversight** Partnership Executive Team and Partnership Board

8. Customer proposition	⟺
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. **Alignment to Partnership Purpose** Happier people, Happier business, Happier world	**Mitigations** ● Continued development of high quality, innovative propositions, tested with customers for relevance and consideration ● Ongoing range and category reviews, including bringing in branded products that complement overall range ● Continued differentiation on own brand products for example in home, fashion, Waitrose No.1 and Waitrose 'Dine In' meal deals, as well as further development of John Lewis Financial Services product range ● Waitrose propositions launched including 'New Lower Prices' and 'Food to Feel Good About' campaigns, lunchtime meal deal, expansion of 'Dine In' meal deals, improvement to ScanPayGo technology and availability improvement actions ● 'Family Life' launched in spring 2023 to bring advice, products and services from baby to tween years, to John Lewis customers ● Online enhancements across app and website, including live chat rolled out for John Lewis ● Increased convenience of shopping at John Lewis at over 13,000 Click & Collect locations; and expansion of Waitrose groceries on demand via a new partnership with Uber Eats ● Competitor activity monitoring and response, regular and frequent customer and competitive performance metric evaluation and response implemented ● Increased number of my John Lewis members through members only events and promotions, such as 'The 12 Treats of Christmas', and in store events, including Christmas grotto and 'Santa's Tea Party' ● John Lewis increased category focused marketing, such as within beauty or the 'Family Life' campaign, and focus on brands, introducing 100 new fashion brands **Owner**

	Partnership Executive Director, John Lewis and Partnership Executive Director, Waitrose **Oversight** Partnership Executive Team and Partnership Board
9. Partner differentiation ⟺	
Risk The responsibilities and benefits of membership are not sufficiently felt and experienced by Partners and/or do not drive a distinctive and better business in service of our Purpose. **Key causes and consequences** Pressure on pay, scale of Partnership transformation ongoing, and 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. **Alignment to Partnership Purpose** Happier people, Happier business	**Mitigations** ● A clear purpose statement articulating why we exist, who we are and the three guiding principles that drive us: Happier people, Happier business and Happier world ● A written Constitution that sets out how power is shared between our members and representative bodies: Partnership Council, Partnership Board and the Partnership Chairman. It also sets out the Rules and Values of the Partnership as an experiment in industrial democracy and explains the role of Partners within that, as well as some of the key aspects of our Distinctive Character ● Partnership Values which bring to life 'how we are' ● Partnership Council and regular Partner Forums in place to ensure the voice of Partners is heard throughout the Partnership ● Financial and wider business performance shared transparently and frequently with Partners ● Leadership behaviours embedded in learning programmes across the Partner lifecycle ● Earning membership process - a 90 day process to ensure that all new Partners are right for our business and our business is right for them - to ensure Partners understand our Partner-led model as part of their induction ● Distinctive Partner experience is embedded within the new People strategy ● Financial assistance fund and support to help Partners manage their finances ● Working with Partnership Council's Partner Working Group on modernising and simplifying pay strategy and contribution. The Board also agreed the Partnership's largest ever pay review budget, for 2024/25, noting that more needs to be done to sustainably improve pay rates at all levels **Owner** Partnership Executive Director, People **Oversight** Partnership Executive Team and Partnership Board
10. Partner wellbeing ⟺	
Risk Partners' sense of wellbeing is threatened by societal and organisational uncertainty and change. **Key causes and consequences** Pressure on Partners relating to the cost of living challenges, anxiety from external social geopolitical instability, the longer term impact of the pandemic (in respect of both physical and mental health and social impacts) and/or significant organisational change and job insecurity could lead to deterioration in Partner wellbeing,	**Mitigations** ● Health and wellbeing strategy which defines what wellbeing means in the Partnership and clearly connects wellbeing and our Purpose ● Wellbeing support services including occupational health and financial support tools to provide Partners with mental and physical health, emotional, financial and bereavement support ● Partner Choice offerings (non-financial rewards and benefits) monitored and refreshed ● Monitoring and oversight of all Partner survey data with commentary in place ● Manager mental health awareness training has launched with roll out to complete end 2024 ● Support to Partners through transformation and change ● Routine measurement of Partner wellbeing maintained with rolling Partner surveys and benchmarking against the UK population

increased absence, loss of talent and failure to deliver the Partnership Plan. **Alignment to Partnership Purpose** Happier people	**Owner** Partnership Executive Director, People **Oversight** Partnership Executive Team and Partnership Board
11. Ethics and sustainability ⟺	
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. Failure to effectively manage our ethics and sustainability risks could result in a loss of trust from our customers, Partners and stakeholders; eroding brand value and jeopardising delivery of the Partnership Plan, in addition to potential legal and financial implications impacting our ability to operate. **Alignment to Partnership Purpose** Happier world	**Mitigations** ● Governance including Partnership Board-level ESC ● Partnership Human Rights policy in place ● Product sourcing standards and targets ● Stringent animal welfare requirements and policies (some expanded to include branded products) ● Net zero science-based targets validated by the SBTi ● Scope 3 GHG emissions baseline and performance published ● Operational food waste to animal feed trial ● Traceability systems maintained and improved ● Dedicated agricultural supply chains in key product categories ● External targets and reporting e.g. Ethics and Sustainability Report and Human Rights Report ● Developing our our approach to climate transition planning ● Embedding our net zero operations targets into our financial planning, decision-making frameworks and performance reporting **Owner** Partnership Executive Director, New Businesses **Oversight** Partnership Executive Team and ESC

Looking ahead

Our principal risks will continue to be monitored through our governance as we manage overall Partnership Plan delivery. Refreshed quarterly risk reporting will track adherence to agreed targets for each principal risk, in support of Partnership wide scorecard reporting which includes a principal risk performance metric. Decision-making will be supported by a repurposed risk agenda across senior governance meetings that will continue to enable proactive debate over existing and emerging areas of risk, and on opportunities to manage reputation and transformation. Additionally, it will cover significant interdependencies in our mitigation plans, behaviour and capability shifts; and more strategic topics such as the role of artificial intelligence, global supply chains and the evolving geopolitical environment.

Alongside this, our risk culture across the Partnership will continue to be developed in the year ahead, through practical application of a new accountability and behavioural framework. Other key priorities for the year ahead, to continue to progress our maturity, include refreshing the risk management toolkit, with a focus on reviewing risk assessment criteria and developing the measurement and reporting of risk proximity; refreshing risk appetite; improving central oversight over regulatory non-compliance risk; and developing insight and horizon scanning across a longer time scale.

VIABILITY STATEMENT

In John Lewis Partnership plc's Annual Report and Accounts 2024, the Partnership Board considers the viability of the Partnership as a whole which includes the Group.

The Directors therefore have a reasonable expectation that the Group will remain commercially viable over the three-year period of assessment. An overview of the process undertaken to reach this conclusion was provided to, and reviewed by, the Partnership's ARC (see pages 40 to 42 of John Lewis Partnership plc's Annual Report and Accounts 2024).

Approved by the Directors on 7 May 2024 and signed on behalf of the Board.

Sharon White
Director, John Lewis plc
7 May 2024

DIRECTORS' REPORT
FOR THE 52 WEEK PERIOD ENDED 27 JANUARY 2024

The Directors present their report and the audited consolidated financial statements for the 52 week period ended 27 January 2024.

The Directors have chosen, as permitted under 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 as the Board considers them to be of strategic importance. These are:

- Statements on engagement with, and having due regard to the interests of, employees and key stakeholders - pages 9 to 11;
- Risk management - pages 12 to 18;
- Future business developments - pages 6 and 18.

Principal activities
The Company is incorporated and registered in England and Wales. The principal activity of the Group 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), 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, plants and flowers), a cookery school and the Leckford Estate (the Waitrose Farm). Shops also operate under licence in the Middle East. The two brands work closely together, enhancing customer choice. The Partnership's Financial Services business principally provides credit and insurance products to customers in the UK. There are also hotels, manufacturing activities, customer contact centres, and business to business contracts in the UK and abroad. The Company's subsidiaries and related undertakings are listed in note 1.1.3 on page 32.

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

Sharon White
Nish Kankiwala (appointed 1 May 2023)
Bérangère Michel

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

The Company's corporate governance arrangements are in accordance with policies agreed by the Partnership Board and its committees. These arrangements are explained in the Governance Report on pages 45 to 84 of John Lewis Partnership plc's Annual Report and Accounts 2024. As stated in John Lewis Partnership plc's Annual Report and Accounts 2024, the Partnership does not report against any formal corporate governance code, because it is governed by its own Constitution. The Constitution and the governance structures are broadly consistent with the Wates Principles. The Constitution sets out the Partnership's Purpose and Values, and the Governance section of John Lewis Partnership plc's Annual Report and Accounts 2024 sets out how the Partnership's governing authorities are structured and monitor alignment of policy and behaviour with the Purpose.

The management functions responsible for preparing the consolidated financial statements for John Lewis plc and its Internal Audit and Risk management functions are provided by the Partnership. The Partnership's Audit and Risk Committee (ARC), which has at least two independent members and at least one member with competence in accounting, assists the Partnership Board in fulfilling its responsibility by reviewing and monitoring (i) the integrity of the Partnership's financial and narrative statements, other formal announcements relating to the Partnership's financial performance, and reviewing significant financial reporting judgements contained in them (ii) the effectiveness of the Partnership's system of internal controls and risk management; (iii) the effectiveness of the Partnership's auditor and the internal and external audit process; and (iv) the effectiveness of the Partnership's processes for compliance with laws and regulations, including systems and controls for the detection of fraud. Its composition and the ARC's activities in these areas are detailed in the Partnership's Audit and Risk Committee report on pages 55 to 64 of John Lewis Partnership plc's Annual Report and Accounts 2024.

KPMG LLP were the Partnership's and the Group's external auditor for 2023/24. They provided the ARC with relevant reports, reviews, information and advice throughout the year, as set out in their engagement letter. The ARC is responsible for making a recommendation to the Partnership Board relating to the appointment, re-appointment or removal of the external auditor.

The Partnership has 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 risk governance structure with defined accountability. The principal risks and uncertainties for the Group and their mitigations are explained on pages 12 to 18 of the Strategic Report. These risks are reviewed and monitored by the ARC. The work undertaken by the ARC during the year to review these risks is detailed in the Partnership's Audit and Risk Committee report on pages 55 to 64 of John Lewis Partnership plc's Annual Report and Accounts 2024.

Reporting to the ARC during the year 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 Partnership's Director of Risk and Assurance reports operationally to the Chair of the ARC and structurally to the Partnership's Executive Director, Finance. The Partnership Board receives updates, through the Chair of the ARC and copies of its minutes, on the operation of the systems of internal control for risk management.

Employees

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

The Partnership has in place a structure for sharing power amongst Partnership Council (which reflects Partner opinion), the Partnership Board and the Partnership Chairman, as established by the Constitution. The Partnership's democratic network of an elected Council 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. 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. There are further formal ways in which democratic vitality is encouraged: 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 (Partners who are independent from executive accountabilities and are appointed by, and report to, the Partnership Chairman).

Partners may receive an annual Partnership Bonus from the profits of the business if approved by the Partnership Board in any given year. This is a shared bonus for shared effort. No Partnership Bonus was awarded in respect of 2023/24.

Equal opportunities, diversity and inclusion

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

Diversity and inclusion are critical components of the Partnership's Values. We believe that everyone should have equal opportunities and be treated with respect and fairness, regardless of their background, gender, race, ethnicity, sexual orientation, or any other characteristic. The Partnership has a Diversity and Inclusion Plan, and its Pay Gap Report 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 Group recruits people with disabilities to suitable vacancies on merit. We offer tailored support through the recruitment process for applicants who declare their disability. We know adjustments are of the utmost importance for our Partners with disabilities, be they physical or cognitive, and arrange reasonable adjustments required at an individual level to ensure our disabled applicants and Partners are supported.

For further information, see John Lewis Partnership plc's Annual Report and Accounts 2024 at pages 11 to 12 in the Strategic Report and pages 72 to 73 in the Nomination Committee report. The Partnership's Pay Gap Report can also be viewed at www.johnlewispartnership.co.uk.

Directors' interests

Under the Constitution of the Partnership, all the Directors, as employees of John Lewis plc, are interested in the 612,000 deferred ordinary shares in John Lewis Partnership plc, which are held in trust for the benefit of employees of John Lewis plc and other Partnership companies.

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

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

Directors' and Officers' liability insurance and indemnities

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

Capital structure
At 27 January 2024, the Company had in issue 6.75m ordinary shares of £1 each. Each ordinary share carries the right to one vote at a general meeting of the Company. The ordinary shares are wholly owned by John Lewis Partnership plc.

Listing on the London Stock Exchange (LSE)
John Lewis plc is a Standard Listed company in respect of two corporate bonds listed on the LSE. The Company has no securities carrying voting rights admitted to trading on a regulated market.

Dividends
The Directors do not recommend the payment of a dividend on the ordinary shares (2023: £nil).

Use of financial instruments
The notes to the financial statements, including note 7 from pages 89 to 92, include further information on our use of financial instruments.

Going concern
The Directors, after reviewing the Group's operating budgets, investment plans and financing arrangements, consider that the Company and Group have sufficient financing available at the date of approval of this report. Accordingly, the Directors have concluded that the Group is a going concern and the financial statements have been prepared on that basis. Refer to pages 30 and 31 for further detail.

A full description of the Group's business activities, financial position, cash flows, liquidity position, committed facilities and borrowing position, together with the factors likely to affect its future development and performance, is set out in the Strategic Report on pages 3 to 19.

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 respect of the year under review (2023: £nil).

Ethics and sustainability
More information on the progress we are making on our ethics and sustainability aims is available in the John Lewis Partnership plc's Ethics and Sustainability Report 2023/24. To read this and our latest Modern Slavery Statement, please visit www.johnlewispartnership.co.uk/csr.

Events after the balance sheet date
Since 27 January 2024, there has been one subsequent event which requires 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 2024 AGM, together with a resolution to authorise the Directors to determine the auditor's remuneration.

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

Approved by the Directors on 7 May 2024 and signed on behalf of the Board.

Jane Cheong Tung Sing
Company Secretary

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT for the 52 week period ended 27 January 2024

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

Notes		**2024 £m**	2023 £m
2.1, 2.2	**Revenue**	**10,781**	10,534
	Cost of sales	**(7,391)**	(7,281)
	Gross profit	**3,390**	3,253
2.3	Other operating income	**124**	127
2.4	Operating and administrative expenses	**(3,365)**	(3,532)
	of which:		
2.5	Exceptional items (net)	**14**	(156)
	Partnership Bonus	**-**	-
3.5	Share of profit of joint venture (net of tax)	**1**	1
2.1	**Operating profit/(loss)**	**150**	(151)
2.6	Finance costs	**(138)**	(139)
2.6	Finance income	**47**	65
2.7	**Profit/(loss) before tax**	**59**	(225)
2.8	Taxation	**(15)**	35
	Profit/(loss) for the year	**44**	(190)
2.1	**Profit/(loss) before Partnership Bonus, tax and exceptional items**	**45**	(69)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the 52 week period ended 27 January 2024

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		2024 £m	2023 £m
	Profit/(loss) for the year	**44**	(190)
	Other comprehensive (expense)/income:		
	Items that will not be reclassified to profit or loss:		
6.4	Remeasurement of defined benefit pension scheme	**(191)**	(600)
2.8	Movement in deferred tax on pension scheme	**46**	147
2.8	Movement in current tax on pension scheme	**1**	3
	Items that may be reclassified subsequently to profit or loss:		
	Fair value (loss)/gain on cash flow hedges	**(11)**	37
	Cash flow hedge gain reclassified and reported in the consolidated income statement	**-**	(10)
2.8	Movement in deferred tax on cash flow hedges	**4**	(2)
	Gain on foreign currency translations	**1**	-
	Other comprehensive expense for the year	**(150)**	(425)
	Total comprehensive expense for the year	**(106)**	(615)

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

CONSOLIDATED BALANCE SHEET as at 27 January 2024

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

Notes		2024 £m	2023 £m
	Non-current assets		
3.1	Intangible assets	**405**	442
3.2	Property, plant and equipment	**2,762**	2,883
3.2	Right-of-use assets	**1,290**	1,319
3.3	Trade and other receivables	**29**	17
3.4	Derivative financial instruments	**1**	2
3.5	Investment in and loans to joint venture	**5**	5
2.8	Deferred tax asset	**55**	6
		4,547	4,674
	Current assets		
4.1	Inventories	**678**	702
3.3	Trade and other receivables	**353**	344
	Current tax receivable	**5**	17
3.4	Derivative financial instruments	**1**	11
4.2	Short-term investments	**260**	-
4.3	Cash and cash equivalents	**1,028**	1,038
		2,325	2,112
	Total assets	**6,872**	6,786
	Current liabilities		
5.1	Borrowings and overdrafts	**(296)**	(50)
5.2	Trade and other payables	**(1,690)**	(1,769)
	Current tax payable	**(4)**	-
5.3	Other liabilities held at amortised cost	**(2)**	-
5.4, 5.5	Lease liabilities	**(146)**	(149)
5.6	Provisions	**(99)**	(102)
3.4	Derivative financial instruments	**(15)**	(4)
		(2,252)	(2,074)
	Non-current liabilities		
5.1	Borrowings	**(425)**	(588)
5.2	Trade and other payables	**(29)**	(28)
5.3	Other liabilities held at amortised cost	**(60)**	-
5.4, 5.5	Lease liabilities	**(1,703)**	(1,754)
5.6	Provisions	**(115)**	(123)
3.4	Derivative financial instruments	**(1)**	(9)
6.4	Retirement benefit obligations	**(287)**	(102)
2.8	Deferred tax liability	**(5)**	(5)
		(2,625)	(2,609)
	Total liabilities	**(4,877)**	(4,683)
	Net assets	**1,995**	2,103
	Equity		
8.1	Share capital	**7**	7
	Other reserves	**(4)**	4
	Retained earnings	**1,992**	2,092
	Total equity	**1,995**	2,103

CONSOLIDATED BALANCE SHEET as at 27 January 2024 (continued)

The financial statements on pages 25 to 93 were approved by the Board of Directors on 7 May 2024 and signed on its behalf by Sharon White and Bérangère Michel, Directors, John Lewis plc.

Sharon White and Bérangère Michel
Directors, John Lewis plc
7 May 2024

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 27 January 2024

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	Share premium £m	Capital reserve £m	Hedging reserve £m	Foreign currency translation reserve £m	Retained earnings £m	Total equity £m
	Balance at 29 January 2022	**7**	**-**	**1**	**-**	**-**	**2,732**	**2,740**
	Loss for the year	-	-	-	-	-	(190)	(190)
6.4	Remeasurement of defined benefit pension scheme	-	-	-	-	-	(600)	(600)
	Fair value gain on cash flow hedges	-	-	-	37	-	-	37
	Cash flow hedge gain reclassified and reported in the consolidated income statement	-	-	-	(10)	-	-	(10)
2.8	Tax on above items recognised in equity	-	-	-	(2)	-	150	148
	Total comprehensive expense for the year	-	-	-	25	-	(640)	(615)
	Hedging losses transferred to cost of inventory	-	-	-	(22)	-	-	(22)
	Balance at 28 January 2023	**7**	**-**	**1**	**3**	**-**	**2,092**	**2,103**
	Profit for the year	-	-	-	-	-	44	44
6.4	Remeasurement of defined benefit pension scheme	-	-	-	-	-	(191)	(191)
	Fair value loss on cash flow hedges	-	-	-	(11)	-	-	(11)
	Cash flow hedge gain reclassified and reported in the consolidated income statement	-	-	-	-	-	-	-
2.8	Tax on above items recognised in equity	-	-	-	4	-	47	51
	Gain on currency translations	-	-	-	-	1	-	1
	Total comprehensive expense for the year	-	-	-	(7)	1	(100)	(106)
	Hedging losses transferred to cost of inventory	-	-	-	(2)	-	-	(2)
	Balance at 27 January 2024	**7**	**-**	**1**	**(6)**	**1**	**1,992**	**1,995**

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

CONSOLIDATED STATEMENT OF CASH FLOWS for the 52 week period ended 27 January 2024

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

Notes		2024 £m	2023 Reclassified[1] £m
2.10	**Cash generated from operations before Partnership Bonus**	**525**	342
	Net taxation received/(paid)	**5**	(10)
	Pension deficit reduction payments	**(7)**	(10)
	Finance costs paid on lease and other liabilities	**(95)**	(96)
	Net cash generated from operating activities before Partnership Bonus and bond finance costs	**428**	226
	Partnership Bonus paid	**-**	(46)
	Finance costs paid in respect of bonds and related financial instruments	**(35)**	(32)
	Net cash generated from operating activities	**393**	148
	Cash flows from investing activities		
	Purchase of property, plant and equipment	**(155)**	(223)
	Purchase of intangible assets	**(112)**	(128)
	Proceeds from sale of property, plant and equipment and intangible assets	**82**	2
	Finance income received	**41**	12
	Cash Inflow from loans to joint venture	**1**	-
5.4	Cash (outflow)/inflow from short-term investments	**(260)**	95
	Net cash used in investing activities	**(403)**	(242)
	Cash flows from financing activities		
	Payment of capital element of leases	**(143)**	(133)
5.3	Proceeds in relation to other liabilities at amortised cost	**62**	-
	Cash proceeds from borrowings	**131**	-
	Cash outflow from borrowings	**(50)**	(150)
	Net cash used in financing activities	**-**	(283)
	Decrease in net cash and cash equivalents	**(10)**	(377)
5.4	Net cash and cash equivalents at beginning of the year	**1,038**	1,415
	Net cash and cash equivalents at end of the year	**1,028**	1,038
4.3	**Net cash and cash equivalents comprise:**		
	Cash at bank and in hand	**147**	163
	Short-term deposits	**881**	875
		1,028	1,038

[1] See accounting policy in note 2.6

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 Group'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 note 1.1.6.

The financial year is the 52 week period ended 27 January 2024 (prior year: 52 week period ended 28 January 2023). See Glossary section in John Lewis Partnership plc's Annual Report and Accounts 2024, pages 162 to 168 for an explanation of financial terms.

Going concern

In determining the appropriate basis of preparation of the financial statements for the period ended 27 January 2024, the Directors are required to consider whether the Group can continue in operational existence for a period of at least 12 months from the approval of these financial statements. The Board has concluded that the Group is a going concern and the Annual Report and Accounts have been prepared on that basis, having undertaken a rigorous assessment of the financial forecasts with specific consideration to the trading position of the Group.

The Group returned to profit in 2023/24 through a combination of sales growth, gross margin rate improvement and sustainable cost reductions. There is more to do to deliver the Partnership Plan and a transformation of this scale carries inherent risks but the Group has a strong balance sheet to support this transformation and high levels of liquidity to provide sufficient financial cover in the event of a severe but plausible downside scenario (described below). As at 27 January 2024, the Group had total assets less current liabilities of £5bn and net assets of £2bn. Liquidity as at that date remains strong at £1.7bn, made up of £1.3bn of cash and cash equivalents and short-term investments and £0.4bn of undrawn committed credit facilities.

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 30 April 2025. For the purposes of the going concern assessment, it is assumed that all Group borrowings are repaid at their maturity date, which for the purposes of this going concern period includes the repayment of the Group's 2025 £300m bond maturing in January 2025, and that no further refinancing or funding is undertaken.

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

Going concern (continued)
The severe downside scenario has a significant adverse impact on sales, margin, costs and cash flow: Waitrose and John Lewis continue to trade both in store and online, albeit with lower sales and margins compared to current trading levels. This severe downside scenario assumes a poor trading environment throughout the assessment period, as well as a reduction in gross margin against expectations across both brands, a higher impairment charge, a decrease in pension scheme assets, and under delivery of key activities - which includes future productivity plans. The impact of the severe downside adjustments has been reviewed against the Group's projected cash position and financial covenants. Should these events occur simultaneously, mitigating actions would be required to ensure that the Group's liquidity remains sufficient to meet liabilities as they fall due over the next 12 months.

The severe downside scenario modelled indicates that without mitigating actions the Group's financial covenants relating to the undrawn revolving credit facility (RCF) would breach at the next balance sheet date due to the reduction in profits and net assets modelled. This is a £420m credit facility, maturing in 2026. It is undrawn at the balance sheet date and has not been drawn at any point throughout the year. In the severe downside scenario, the Group's lowest cash balance would still be positive, at £519m, prior to mitigations, therefore the RCF would remain undrawn. Any default on the covenant would therefore not create any further cash outflow for the Group in the severe downside scenario.

Despite this, in the severe downside scenario the Directors would react to trigger downside mitigations to protect the financial health of the Group. The Directors have identified available mitigations in the going concern assessment period, all within management's control, to reduce costs and improve the Group'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 investment expenditure through postponing or pausing projects and change activity, deferring or cancelling discretionary spend (including discretionary Partner benefits), and reducing marketing spend. Post mitigating actions, there would be no breaches of financial covenants and the lowest cash balance point under such a scenario would be £564m, with further mitigations available.

If outcomes are unexpectedly significantly worse, the Directors may need to consider what additional mitigating actions were needed, for example, leveraging the value of our asset base to support liquidity.

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

1.1.2 BASIS OF CONSOLIDATION

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

Notes to the consolidated financial statements (continued)

1.1 ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)

1.1.3 SUBSIDIARIES AND RELATED UNDERTAKINGS

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

The following UK subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the period ended 27 January 2024. 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 27 January 2024. Unless otherwise stated, the undertakings listed below are registered at 171 Victoria Street, London, SW1E 5NN, United Kingdom, and all have a single class of ordinary share with a nominal value of £1.

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

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

In accordance with Section 479C of the Companies Act 2006, John Lewis Partnership plc or John Lewis plc guarantee 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. The guarantee is enforceable against John Lewis Partnership plc or 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 ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)

1.1.4 AMENDMENTS TO ACCOUNTING STANDARDS

The following standards, amendments and interpretations were applicable for the periods beginning after 1 January 2023 and therefore adopted by the Group for the period from 29 January 2023 to 27 January 2024. The adoption of these standards has not had a significant impact on the Group's consolidated results, financial position or disclosures:

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statements 2 Making Materiality Judgements (effective date 29 January 2023);
- 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 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (effective date 29 January 2023);
- IFRS 17 Insurance Contracts, Amendments to IFRS 17 and Initial Application of IFRS17 and IFRS 9 – Comparative Information (effective date 29 January 2023).

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

- 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 and No-current Liabilities with Covenants (effective date 28 January 2024);
- Amendments to IAS 7 Statement of Cash Flows and IFRS 17 Insurance Contracts: Supplier Finance Arrangements (effective date 28 January 2024);
- Amendments to IFRS 16: Lease liability in a Sale and Leaseback (effective date 28 January 2024);
- Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (effective 26 January 2025).

1.1.5 SIGNIFICANT ACCOUNTING POLICIES

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

Financial instruments

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

Derivative financial instruments are initially measured at fair value. The fair value of a derivative financial instrument represents the difference between the value of the outstanding contracts at their contracted rates and a valuation calculated using the forward rates of exchange and interest rates prevailing at the balance sheet date. Subsequent to initial recognition, unless designated as hedging instruments, derivatives are measured at fair value and any gains or losses arising from changes in fair value are taken directly to the income statement.

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

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

Notes to the consolidated financial statements (continued)

1.1 ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)

1.1.5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

	Note	**Measurement**
Financial assets:		
Trade receivables	3.3	Amortised cost
Other receivables	3.3	Amortised cost
Derivative financial instruments	3.4	Fair value through profit and loss or other comprehensive income[1]
Short-term investments	4.2	Amortised cost
Cash and cash equivalents	4.3	Amortised cost
Financial liabilities:		
Borrowings and overdrafts	5.1	Amortised cost
Trade payables	5.2	Amortised cost
Other payables	5.2	Amortised cost
Accruals	5.2	Amortised cost
Partnership Bonus accrual	5.2	Amortised cost
Other liabilities	5.3	Amortised cost
Lease liabilities	5.4, 5.5	Amortised cost
Derivative financial instruments	3.4	Fair value through profit and loss or other comprehensive income[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.

Notes to the consolidated financial statements (continued)

1.1 ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)

1.1.5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Offsetting

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

Foreign currencies

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

Government grants

The Group accounts for government grants on an accruals basis and has elected to present receipts relating to government grants as a deduction in reporting the related expense.

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:

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

Notes to the consolidated financial statements (continued)

1.2 NON-GAAP MEASURES

PURPOSE

Our financial statements disclose financial measures which are required under UK-adopted IFRS. We also report additional financial measures that we believe enhance the relevance and usefulness of the financial statements. These are important for understanding underlying business performance, and they are described as non-GAAP measures. In this note, we have explained what the primary non-GAAP financial measures are and why we use them. For definitions, and where applicable, reconciliations, of other non-GAAP measures, please see the Glossary section in John Lewis Partnership plc's Annual Report and Accounts 2024, pages 162 to 168*.*

1.2.1 TOTAL TRADING SALES

Total trading sales represents the full customer sales value including VAT as reported weekly to the Group's Executive Team, before adjustments for 'sale or return' sales and other accounting adjustments. This measure shows the headline sales trend 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 Group level in aggregate. TOP excludes exceptional items. TOP is used to assess the performance of the John Lewis and Waitrose brands and determine the allocation of resources to those segments.

1.2.3 CENTRALLY MANAGED COSTS

Centrally managed costs include all Group fixed property costs, 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 Group's definition of 'exceptional items', because they are considered to be relevant to the principal activities of the business. However, these are removed from the trading operating profit of each brand, as they are non-recurring in a business-as-usual scenario. This allows management to better assess the underlying performance.

1.2.4 EXCEPTIONAL ITEMS

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

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

In previous years, charges were classified under either operating expenses or exceptional items, as determined by whether they met the criteria for exceptional items. During the year, the Directors amended the definition of exceptional items to include store impairment charges, irrespective of size or nature of the impairment charge. There is no impact on the prior year. Any reversal of historic impairment charges will continue to be reversed through the income statement line in which they were originally recorded. This reflects the Directors' judgement that store impairment charges are not part of the Group's underlying performance.

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

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 Group's underlying profitability, and is a core measure of performance for Partners.

1.2.6 NET DEBT

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

Notes to the consolidated financial statements (continued)

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

Partnership Bonus: *Whether to award a Partnership Bonus is decided by the Partnership Board each March, having regard to performance in the past year and future financial obligations. The Partnership Bonus is recorded in the year it relates to rather than the year it was declared because there is a constructive obligation to pay a Partnership Bonus and the amount can be reliably estimated once the results for the year are known.*

IFRS 8 Operating Segments requires operating segments to be identified based on the way in which the Group's internal financial reporting is organised and regularly reviewed by the CODM to allocate resources and to assess the performance of the different operating segments. The Group's reporting segments are determined based on the business activities of its brands (John Lewis and Waitrose) for which operating results are reviewed by the CODM which is the Executive Team. The Executive Team reviews the operating performance for each brand (John Lewis and Waitrose) in the Group, including non-GAAP measures known as Total trading sales and Trading operating profit (TOP) (see note 1.2).

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

2024	John Lewis £m	Waitrose £m	Total £m
Total trading sales	**4,765**	**7,661**	**12,426**
Value added tax	(772)	(443)	(1,215)
Sale or return and other accounting adjustments	(349)	(81)	(430)
Revenue	**3,644**	**7,137**	**10,781**
Trading operating profit[1]	**689**	**1,064**	**1,753**
Other operating and administrative expenses			(1,604)
of which:			
Exceptional items (net)			14
Partnership Bonus			-
Share of profit of joint venture (net of tax)			1
Operating profit			**150**
Finance costs			(138)
Finance income			47
Profit before tax			**59**
Taxation			(15)
Profit for the year			**44**
Profit before Partnership Bonus, tax and exceptional items			**45**

[1] Included in trading operating profit is other operating income of which £116m (split between operating segments: £41m Waitrose and £75m John Lewis) represents further income from customers (see note 2.3). This is reported to the CODM separately as part of other income and expenses.

2023	John Lewis £m	Waitrose £m	Total £m
Total trading sales	**4,938**	**7,312**	**12,250**
Value added tax	(800)	(425)	(1,225)
Sale or return and other accounting adjustments	(354)	(137)	(491)
Revenue	**3,784**	**6,750**	**10,534**
Trading operating profit[1]	**676**	**894**	**1,570**
Other operating and administrative expenses			(1,722)
of which:			
Exceptional items (net)			(156)
Partnership Bonus			-
Share of profit of joint venture (net of tax)			1
Operating profit			**(151)**
Finance costs			(139)
Finance income			65
Loss before tax			**(225)**
Taxation			35
Loss for the year			**(190)**
Loss before Partnership Bonus, tax and exceptional items			**(69)**

[1] Included in trading operating profit is other operating income of which £119m (split between operating segments: £37m Waitrose and £82m 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.

Notes to the consolidated financial statements (continued)

2.2 REVENUE

PURPOSE

Revenue is generated solely from contracts with customers.

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

ACCOUNTING POLICIES

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

Revenue from the sale of goods and services is recognised when the Group has satisfied its performance obligations by transferring a promised good or service to the customer. The good or service is considered to be transferred when the customer obtains control of that good, or the service is complete. Revenue in respect of 'sale or return sales' which represents concession income is stated at the value of the margin that the Group receives on the transaction. Revenue is also net of Partner 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 from the customer.

Sales of gift vouchers and gift cards are treated as liabilities, and revenue is recognised when the gift vouchers or cards are redeemed against a later transaction. Non-redemption revenue is recognised in proportion to the pattern of rights exercised by the customer based on assumptions regarding redemption rates and time to expiry. Certain entities within the Group sell products with a right of return, and experience is used to estimate and provide for the value of such returns at the time of sale. This is further discussed in note 4.1.

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

2.2.1 DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

We analyse our revenue between goods and services. Goods are split into four major product lines: Grocery, Home, Fashion and Technology. Services currently comprise free warranties on selected goods.

	2024 £m	2023 £m
Major product lines:		
Goods		
– Grocery	**7,112**	6,726
– Home[1]	**1,021**	1,081
– Fashion[1]	**1,225**	1,216
– Technology[1]	**1,315**	1,407
Services		
– Free warranty	**17**	18
Other revenue[1]	**91**	86
	10,781	10,534

[1] The balances for the 52 week period ended 28 January 2023 have been adjusted to allocate revenue for delivery and workrooms to the associated major product lines

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

Nature and timing of satisfaction of performance obligations
The major product and service lines generating revenue are Grocery, Home, Fashion and Technology.

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 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.

Home products are principally sold by John Lewis and include items intended for use in the home environment. Fashion products are principally sold by John Lewis and include clothing, footwear, beauty, jewellery and other items. This also includes 'sale or return' sales. Technology products are principally sold by John Lewis and include televisions, computers, tablets and other electrical items. Customers pay at the point of sale in John Lewis shops. Where a product is ordered online, it is generally fulfilled from a centralised location.

Revenue from Grocery, Home, Fashion and Technology is recognised when the goods have been received by the customer and control obtained. Waitrose and John Lewis accept returns in accordance with a customer's statutory rights under consumer laws in the United Kingdom and have a discretionary goodwill policy. Under the goodwill policy, customers can return products within 35 days after receipt, if not entirely satisfied. Adjustments to revenue 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. For business to business customers, invoices are raised and are payable on a variety of payment terms up to 30 days.

Free warranties
A 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.

When such Technology products are sold with a free warranty an element of the sales price is allocated to the performance of that service, estimated on a cost plus margin basis. This amount is deducted from revenue and deferred on the balance sheet. Revenue is 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 5.2.

Other revenue
Other revenue products/services are principally sold by John Lewis and include catering and the 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 Group.

ACCOUNTING POLICIES

Other operating income includes:

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

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

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

Other operating income	**2024 £m**	2023 £m
Commissions	**85**	90
Rental income	**9**	9
Backhauling income	**8**	8
Car park income	**9**	7
Licence fees	**4**	4
Other income	**9**	9
	124	127

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	**2024 £m**	2023 £m
Shop and online operating expenses	**(2,233)**	(2,245)
Administrative expenses	**(1,146)**	(1,131)
Exceptional items (net) - see note 2.5	**14**	(156)
Partnership Bonus	**-**	-
	(3,365)	(3,532)

In addition to the items disclosed in note 2.7, 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 Group's underlying business performance; and which are significant by virtue of their size and nature; exceptional items include store impairment charges. In considering the nature of an item, management's assessment includes, both individually and collectively, whether the item is outside the principal activities of the business; the specific circumstances which have led to the item arising; the likelihood of recurrence; and if the item is likely to recur, whether it is unusual by virtue of its size.*

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

Exceptional items	2024 Operating (expense)/ income £m	2024 Taxation credit/ (charge) £m	2023 Operating (expense)/ income £m	2023 Taxation credit/ (charge) £m
Strategic restructuring and redundancy programmes:				
Productivity	**(11)**	**3**	-	-
Physical estate[1]	**10**	**(3)**	(14)	1
Central operations reviews	**1**	**-**	-	-
Shop operations	**-**	**-**	(2)	-
	-	**-**	(16)	1
Store impairments (John Lewis)	**8**	**(6)**	18	(4)
Store impairments (Waitrose)	**6**	**-**	(131)	13
Cost of living payment	**-**	**-**	(27)	5
	14	**(6)**	(156)	15

[1] For the 52 week period ended 28 January 2023 this includes a net impairment charge of £14m.

Strategic restructuring and redundancy programmes

Our refreshed Partnership Plan is focused on providing a brilliant retail experience for our customers, inspired by our Partners. During the year, a number of ongoing transformation projects which were announced in previous years have continued. These are across our physical estate, shop operations and central operations. Since January 2023, we have been simplifying our business and improving productivity. Some of this transformation is in the form of restructuring.

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

2.5 EXCEPTIONAL ITEMS (CONTINUED)

Productivity (previously Lean, Simple, Fast): Improving our productivity through being leaner, simpler and faster is a key pillar of the Partnership Plan. In 2024, a charge of £11m has been recorded; which is principally the redundancy and restructuring costs from simplifying processes in Waitrose shops.

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 2024, the release of £10m principally relates to the exit of the lease of a John Lewis store whose closure was announced in March 2021. The remaining lease liability was released to exceptional items, consistent with how John Lewis store closures in 2021 and 2022 were recorded.

In 2023, we recognised an impairment charge of £16m following the announcement to close seven floors of our London office and to revise the use of our Bracknell office buildings. Further charges of £3m were recognised for the closure of two Waitrose shops, announced in August 2022, primarily comprising redundancies and impairment of assets.

Central operations reviews: The transformation of central operations began at the end of 2017. The original transformation programmes have reached completion this year with a net release of £1m recognised across the Head Office Transformation and Tech & Change Transformation initiatives, primarily related to the true up for existing provisions.

Included within operating expenses, and not separately reported as exceptional, are £4m (2023: £4m) of restructuring and redundancy costs which are considered by the Group to be separate from our strategic programmes and part of the underlying business performance.

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 customer experience and productivity, we have made a number of changes in our shop operating models.

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 now closed. In 2023, we recognised a net charge of £2m primarily related to redundancies.

Store impairments (John Lewis)

In 2024, a net impairment release of £8m (2023: £18m release) was recognised. The cash flow forecasts for individual John Lewis stores at January 2024 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 £67m and a reversal of impairment charges of £75m for existing provisions which were previously charged as exceptional. The charge has been recognised as exceptional in accordance with the accounting policy for exceptional items. See note 3.2 for further detail.

Store impairments (Waitrose)

In 2024, a net impairment release of £6m (2023: £131m charge) was recognised. The cash flow forecasts for individual Waitrose stores at January 2024 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 £43m and a reversal of impairment charges of £49m for existing provisions which were previously charged as exceptional. The charge has been recognised as exceptional in accordance with the accounting policy for exceptional items. See note 3.2 for further detail.

Notes to the consolidated financial statements (continued)

2.5 EXCEPTIONAL ITEMS (CONTINUED)

Cost of living payment

In 2023, the 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 £27m. The Group classified these payments as an exceptional item to provide a more meaningful view of the Group's underlying business performance because this type of payment is material and specific to the unusual economic circumstances of the prior year. There was no such payment in 2024.

2.6 NET FINANCE COSTS

PURPOSE

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

ACCOUNTING POLICY

Finance costs and income are presented in the consolidated income statement in the period in which they occur. In the consolidated statement of cash flows, finance costs are shown as operating activities and financing income is shown as investing activities. In the current year, interest paid on borrowings and other financial instruments has been presented in operating activities. Consequently, the comparative has been reclassified to align with the current period presentation.

	2024 £m	2023 £m
Finance costs		
Net interest payable on:		
Commitment fees and bank overdrafts	**(2)**	(2)
Other loans repayable within five years[1]	**(29)**	(25)
Other loans repayable in more than five years	**(12)**	(13)
Interest payable in relation to lease liabilities (see note 5.5)	**(89)**	(92)
Amortisation of issue costs of bonds and credit facilities	**(2)**	(2)
Finance costs in respect of borrowings	**(134)**	(134)
Fair value measurements and other	**2**	(5)
Net finance costs arising on defined benefit retirement scheme	**(6)**	-
Total finance costs	**(138)**	(139)
Finance income		
Finance income in respect of cash and short-term investments[2]	**48**	20
Fair value measurements and other	**(1)**	5
Net finance income arising on other employee benefit schemes	**-**	40
Total finance income	**47**	65
Net finance costs	**(91)**	(74)

[1] Other loans repayable within five years includes interest payable on interest rate swaps of £10m (2023: £7m).

[2] Finance income in respect of cash and short-term investments includes interest receivable on interest rate swaps of £6m (2023: £6m).

Capitalised borrowing costs totalled £2m (2023: £1m) which were capitalised within property, plant and equipment.

Notes to the consolidated financial statements (continued)
2.7 PROFIT/(LOSS) BEFORE TAX

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

	2024 £m	2023 £m
Staff costs (note 2.9)	**(1,795)**	(1,820)
Depreciation[1]	**(326)**	(477)
Amortisation of intangible assets (note 3.1)	**(155)**	(132)
Net profit/(loss) on sale of property (including exceptional items)	**10**	(1)
Net profit on disposal of other plant and equipment and intangible assets	**-**	2
Net profit on lease exit[2]	**12**	3
Inventory – cost of inventory recognised as an expense	**(7,391)**	(7,281)
Sub-lease income – land and buildings	**9**	10

[1] Included within depreciation is a net impairment release of £14m (2023: £121m charge). 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	**2024 £m**	2023 £m
Audit and audit-related services:		
– Audit of the Company and consolidated financial statements	**(1)**	(1)
– Audit of the Company's subsidiaries	**(2)**	(2)
	(3)	(3)
Non-audit services:		
– Other assurance services	**-**	-
	-	-
Total fees	**(3)**	(3)

Non-audit services are other assurance services and amount to £0.1m (2023: £0.1m).

Notes to the consolidated financial statements (continued)

2.8 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 Board is available on the Group's website. In addition, our total tax contributions are shown in John Lewis Partnership plc's Annual Report and Accounts 2024, page 44.

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)
2.8 TAXATION (CONTINUED)
2.8.1 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 2.8.3.

Tax credited/(charged) to the income statement	**2024 £m**	2023 £m
Current tax – current year	**(13)**	(5)
Current tax – adjustment in respect of prior years	**(1)**	8
Total current tax (charge)/ credit	**(14)**	3
Deferred tax – current year	**(7)**	19
Deferred tax – rate change	**-**	9
Deferred tax – adjustment in respect of prior years	**6**	4
Total deferred tax (charge)/credit	**(1)**	32
	(15)	35

Tax credited/(charged) to other comprehensive income	**2024 £m**	2023 £m
Current tax on pension scheme[1]	**1**	3
Total current tax credit	**1**	3
Deferred tax on pension scheme	**46**	147
Deferred tax on cash flow hedges	**4**	(2)
Total deferred tax credit	**50**	145
	51	148

[1] An additional deficit funding contribution of £7m has been paid by the Group during the year (2023: £10m) in relation to the defined benefit pension scheme, resulting in a tax credit of £2m (2023: £2m) to the statement of other comprehensive income/(expense) and a corresponding reduction in our current tax liability.

Notes to the consolidated financial statements (continued)

2.8 TAXATION (CONTINUED)

2.8.2 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 Group profit before tax.

The tax charge for the year (2023: credit) is higher (2023: lower) than the standard corporation tax rate of 24.0% (2023: 19.0%). The differences are explained below:

	2024 £m	2023 £m
Profit/(loss) before tax	**59**	(225)
Profit/(loss) before tax multiplied by standard rate of corporation tax in the UK of 24.0% (2023: 19.0%)	**(14)**	43
Effects of:		
Changes in tax rate	**-**	9
Adjustment in respect of prior years	**5**	12
Depreciation on assets not qualifying for tax relief	**(12)**	(12)
Difference between accounting and tax base for land and buildings	**5**	(4)
Differences in overseas tax rates	**1**	-
Sundry disallowables	**3**	(19)
Other	**(3)**	6
Total tax (charge)/credit	**(15)**	35
Effective tax rate (%)	**25.4**	15.5

2.8.3 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 increased from 1 April 2023 to 25% for companies with profits over £250,000. The movement on the deferred tax account is shown below:

Deferred tax	**2024 £m**	2023 £m
Opening net asset/(liability)	**1**	(176)
(Charged)/credited to income statement	**(1)**	32
Charged to other comprehensive income/(expense)	**50**	145
Closing net asset	**50**	1

Notes to the consolidated financial statements (continued)
2.8 TAXATION (CONTINUED)
2.8.3 DEFERRED TAX (CONTINUED)

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

Deferred tax assets/(liabilities)	Accelerated tax depreciation £m	Revaluation of land and buildings £m	Rollover gains £m	Other £m	Total £m
At 29 January 2022	(85)	(10)	(48)	(1)	(144)
Charged to income statement	(13)	(2)	-	-	(15)
Charged to other comprehensive (expense)/income	-	-	-	(2)	(2)
At 28 January 2023	(98)	(12)	(48)	(3)	(161)
Charged to income statement	(1)	-	-	-	(1)
Credited to other comprehensive (expense)/income	-	-	-	4	4
At 27 January 2024	**(99)**	**(12)**	**(48)**	**1**	**(158)**

Deferred tax assets/(liabilities)	Tax losses £m	Capital gains tax on land and buildings £m	Pensions and provisions £m	Other £m	Total £m
At 29 January 2022	16	39	(104)	17	(32)
Credited/(charged) to income statement	59	(3)	(10)	1	47
Charged to other comprehensive (expense)/income	-	-	147	-	147
At 28 January 2023	75	36	33	18	162
(Charged)/credited to income statement	(3)	(2)	1	4	-
Credited to other comprehensive (expense)/income	-	-	46	-	46
At 27 January 2024	**72**	**34**	**80**	**22**	**208**

The deferred tax asset in relation to the defined benefit pension scheme is £49m (2023: £2m asset).

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net. Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset):

Deferred tax	2024 £m	2023 £m
Deferred tax assets	**55**	6
Deferred tax liabilities	**(5)**	(5)
Deferred tax net	**50**	1

Notes to the consolidated financial statements (continued)

2.8 TAXATION (CONTINUED)

2.8.3 DEFERRED TAX (CONTINUED)

The recoverability of deferred tax assets is supported by the expected level of future profits in the countries concerned. At the year end, the Group had approximately £284m (2023: £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 deficit has been adjusted to reflect the current tax benefit obtained in the financial year ended 30 January 2010, following the contribution of the limited partnership interest in JLP Scottish Limited Group 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.

2.8.4 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 increased to 25.0% from 1 April 2023.

The Group is aware of the 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 enacted the BEPS Pillar Two Minimum Tax legislation in July 2023 with effect for accounting periods beginning on or after 31 December 2023. From an initial review of the Group's business and tax profile, we do not expect the rules to have a material impact on the Group's tax rate or tax payments.

Notes to the consolidated financial statements (continued)
2.9 PARTNERS

PURPOSE

The average number of Partners employed during the year, together with details of the area of the Group in which they work, and total employment-related costs are shown in the tables below. The average number of full time equivalent employees is 50,800 (2023: 53,300). At the end of the year, our total number of Partners was 70,500 (2023: 74,300). This note also covers Partner benefits, including pay for senior Partners and the Board.

2.9.1 PARTNER NUMBERS

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

	2024	2023
John Lewis	**20,500**	21,100
Waitrose	**49,600**	52,700
Other	**2,800**	2,600
	72,900	76,400

2.9.2 PARTNER PAY AND BENEFITS

Employment and related costs were as follows:

	2024 £m	2023 £m
Staff costs:		
Wages and salaries	**(1,538)**	(1,526)
Social security costs	**(115)**	(120)
Partnership Bonus	**-**	-
Employers' National Insurance on Partnership Bonus	**-**	-
Cost of living payment	-	(27)
Other pension charge (note 6.3)	**(134)**	(137)
Long leave cost	**(7)**	(10)
Total before Partner discounts	**(1,794)**	(1,820)
Partner discounts (excluded from revenue)	**(99)**	(101)
	(1,893)	(1,921)

2.9 PARTNERS (CONTINUED)

2.9.3 KEY MANAGEMENT COMPENSATION

	2024 £m	2023 £m
Salaries and short-term benefits	**(7)**	(6)
Post-employment benefits[1]	**(1)**	(1)
Termination provisions[2]	**(1)**	(1)
	(9)	(8)

[1] Includes cash supplements in lieu of future pension accrual.
[2] Includes contractual payments and compensation for loss of office.

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

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

2.9.4 DIRECTORS' EMOLUMENTS

Directors' emoluments have been summarised below. Further details of the remuneration of Directors is given in the parts of the Remuneration Committee report noted in John Lewis Partnership plc's Annual Report and Accounts 2024 on pages 74 to 80, which can be viewed at www.johnlewispartnership.co.uk.

	2024 £m	2023 £m
Aggregate emoluments	**(3)**	(2)

The total remuneration of the highest paid director in the year is £1,179,600 (2023: £1,122,600).

Notes to the consolidated financial statements (continued)

2.10 RECONCILIATION OF PROFIT/(LOSS) BEFORE TAX TO CASH GENERATED FROM OPERATIONS BEFORE PARTNERSHIP BONUS

PURPOSE

We have analysed how our profit before tax reconciles to the cash generated from our operating activities before Partnership Bonus. Items added back to, or deducted from, profit 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. Profit before tax includes investment costs which are not eligible to be capitalised.

	2024 £m	2023 £m
Profit/(loss) before tax	**59**	(225)
Amortisation and write-offs of intangible assets	**155**	132
Depreciation[1]	**326**	477
Share of profit of joint venture (net of tax)	**(1)**	(1)
Net finance costs (see note 2.6)	**91**	74
Partnership Bonus	**-**	-
Profit on disposal of property, plant and equipment, intangible assets and early termination of leases	**(22)**	(3)
Decrease/(Increase) in inventories	**27**	(48)
Increase in receivables	**(22)**	(12)
Decrease in payables	**(72)**	(1)
Decrease in retirement benefit obligations	**(3)**	(3)
Decrease in provisions	**(13)**	(48)
Cash generated from operations before Partnership Bonus	**525**	342

[1] Includes a net impairment release (2023: charge). See note 3.2.

Notes to the consolidated financial statements (continued)

3 NON-CURRENT ASSETS

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)
3.1 INTANGIBLE ASSETS (CONTINUED)

	Computer software			
Intangible assets	**Purchased**	**Internally developed**	**Work in progress**	**Total**
	£m	**£m**	**£m**	**£m**
Cost				
At 29 January 2022	236	843	70	1,149
Additions[1]	-	-	129	129
Transfers	77	35	(112)	-
Disposals and write-offs	(15)	(48)	(2)	(65)
At 28 January 2023	**298**	**830**	**85**	**1,213**
Additions[1]	-	-	121	121
Transfers	98	33	(131)	-
Disposals and write-offs	(19)	(55)	(3)	(77)
At 27 January 2024	**377**	**808**	**72**	**1,257**
Accumulated amortisation				
At 29 January 2022	(178)	(524)	-	(702)
Charge for the year	(39)	(93)	-	(132)
Disposals and write-offs	15	48	-	63
At 28 January 2023	**(202)**	**(569)**	**-**	**(771)**
Charge for the year	(67)	(88)	-	(155)
Disposals and write-offs	19	55	-	74
At 27 January 2024	**(250)**	**(602)**	**-**	**(852)**
Net book value at 29 January 2022	58	319	70	447
Net book value at 28 January 2023	96	261	85	442
Net book value at 27 January 2024	**127**	**206**	**72**	**405**

[1] For the 52 week period ended 27 January 2024, additions for the year include the non-cash capital expenditure accrual on intangible assets of £7m (2023: £3m).

Intangible assets principally relate to customer and distribution projects with useful economic lives of up to ten years. There are five individually significant assets (2023: five) within the total carrying amount of intangible assets as at 27 January 2024: three are customer projects (£178m, 2023: three projects, £170m) and two relate to distribution projects (£100m, 2023: two projects £101m). These assets have remaining useful economic lives ranging from three to ten years.

During the year to 27 January 2024, computer software valued at £130m (2023: £112m) was 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.

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

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

This note shows the cost of the assets, which is the amount we initially paid for them, or deemed cost if the assets were purchased before 31 January 2004 when the Group transitioned to report under UK-adopted IFRS. For right-of-use assets, the cost is equivalent to the present value of the future lease payments relating to the leased assets. This note also details any additions and disposals during the year, and shows depreciation, which is an expense in the income statement to reflect the usage of these assets. Depreciation is calculated by estimating how many years we expect to use the asset; this is also known as the useful economic life (UEL). The depreciation charge reduces the initial value of the assets over time and spread evenly over their 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 Group's freehold and long leasehold properties were last revalued to fair value by the Directors, after consultation with CB Richard Ellis, Chartered Surveyors, as at 31 January 2004. These values have been incorporated as deemed cost, subject to the requirement to test for impairment in accordance with IAS 36: Impairment of Assets. The Group has decided not to adopt a policy of revaluation since 31 January 2004.

Right-of-use assets: *Right-of-use assets are initially measured at cost, which is an amount equal to the corresponding lease liabilities (present value of future lease payments) adjusted for any lease payments made at or before the commencement date, less any lease incentives received. See note 5.5 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 post-IFRS 16 rate, which reflects the asset specific risks and the time value of money.*

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

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

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 ESTIMATE
Impairment: *In line with the Group'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 various factors, in particular future sales, future margin performance and the John Lewis online sales allocation. Each of these three areas are critical in estimating the present value of future cash flows. Were there to be significant changes in these estimations, the amount recognised in respect of impairment during the year could be materially impacted, or impairment charges recognised in previous years may be reversed.*

CRITICAL ACCOUNTING JUDGEMENT
Impairment: *The John Lewis online sales allocation reflects that, 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.*

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**	**Fixtures, fittings and equipment**	**Assets in course of construction**	**Total**
	£m	**£m**	**£m**	**£m**
Cost				
At 29 January 2022	4,400	1,840	109	6,349
Additions[1]	-	-	224	224
Transfers	78	123	(201)	-
Disposals and write-offs	(14)	(118)	-	(132)
At 28 January 2023	**4,464**	**1,845**	**132**	**6,441**
Additions[1]	1	-	152	153
Transfers	71	97	(168)	-
Disposals and write-offs	(87)	(136)	(5)	(228)
At 27 January 2024	**4,449**	**1,806**	**111**	**6,366**
Accumulated depreciation				
At 29 January 2022	(1,945)	(1,476)	-	(3,421)
Charge for the year[2]	(161)	(106)	-	(267)
Disposals and write-offs	13	117	-	130
At 28 January 2023	**(2,093)**	**(1,465)**	**-**	**(3,558)**
Charge for the year[2]	(121)	(92)	-	(213)
Disposals and write-offs	41	126	-	167
At 27 January 2024	**(2,173)**	**(1,431)**	**-**	**(3,604)**
Net book value at 29 January 2022	2,455	364	109	2,928
Net book value at 28 January 2023	2,371	380	132	2,883
Net book value at 27 January 2024	**2,276**	**375**	**111**	**2,762**

[1] For the 52 week period ended 27 January 2024, additions for the year include the non-cash capital expenditure accrual on property, plant and equipment of £22m (2023: £35m).

[2] For the 52 week period ended 27 January 2024 this includes an impairment charge of £14m in land and buildings (2023: £47m charge) and an impairment release of £5m in fixtures and fittings (2023: £5m charge).

[3] Included within the net book value at 27 January 2024 are £3m (2023: £5m) of owned assets which are outside the Group's normal course of business.

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

Right-of-use assets	**Land and buildings**	**Fixtures, fittings and equipment**	**Total**
	£m	**£m**	**£m**
Net book value at 29 January 2022	1,431	42	1,473
Additions	61	-	61
Disposals including lease terminations, modifications and reassessments	(5)	-	(5)
Depreciation charge	(202)	(8)	(210)
Net book value at 28 January 2023	**1,285**	**34**	**1,319**
Additions[2]	79	16	95
Disposals including lease terminations, modifications and reassessments	(11)	-	(11)
Depreciation charge[1]	(104)	(9)	(113)
Net book value at 27 January 2024	**1,249**	**41**	**1,290**

[1] For the 52 week period ended 27 January 2024, this includes an impairment release of £23m (2023: £69m charge)

[2] For the 52 week period ended 27 January 2024, this includes £35m of additions arising from the sale and leaseback of certain plant, property and equipment assets which met the sale criteria under IFRS 15. See also note 5.3.

In accordance with IAS 36, the Group 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 CGU that shows an indication of impairment is included in the impairment review.

For non-store assets, including corporate assets, these are not allocated to store CGUs as they cannot be reasonably allocated given (i) the complexity of multiple supply chain sites, (ii) the support provided to multiple and varying locations and (iii) the fact that operations are not typically affected by individual store openings or closures. These are subject to an impairment test at the Group level. The impairment test at the Group level compared the Group VIU, prepared on a broadly consistent basis to the store VIU, to the carrying value of intangible assets, plant, property and equipment and right of use assets. No impairment charges were identified.

The impairment review compares the recoverable amount for each CGU to the carrying value on the balance sheet. It considers the 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 four year cash flow projections using the latest forecast data and extended to a fifth year to adjust for specific cash flows. 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, up to the end of the lease term for leasehold properties and in perpetuity for freehold properties. There are two CGUs in John Lewis which are not held at VIU but are held at their recoverable amounts which are higher. The recoverable amount is the fair value less cost to dispose, 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 growth rate and operating margins used to estimate cash flows are based on past performance and on the Group four year plan approved by the Board which has been prudently prepared.

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

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

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

Following the impairment review, the Group recognised a net impairment release of £8m for John Lewis and a net impairment release of £6m for Waitrose as exceptional items. The total net impairment release for the year following the impairment review is £14m.

In the VIU 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. Certain assets within the CGU are expected to be replaced at the end of their UEL by those that have a lower impact on the environment, such as refrigeration units. Cash outflows that are directly associated with CGUs have been included in the discounted cash flow modelling.

John Lewis store impairment

The carrying value of John Lewis plant, property and equipment and right of use assets that were subject to impairment testing is £624m, after the impairment provision. 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 £75m and new impairment charges of £67m. The releases are due to improved store performance which has been judged to be sustainable. All new charges have been recorded in exceptional items, consistent with the updated accounting policy for exceptional items. Reversals have been recorded through the line they were originally recorded which is exceptional items for all reversals this year.

Cash forecasts

The calculations use a post-tax cash flow based on a four year plan approved by the 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 with a continued recovery of John Lewis store sales following the pandemic disruption and online sales allocation; margin rates which includes the effect of cost inflation and cost efficiencies. 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.

Online sales allocation

Judgement is required as to whether online sales and associated costs should be attributed to John Lewis 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), reflects the importance of stores to some of our omnichannel customers. This 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). Online sales are allocated to stores based on the connection of the store to our omnichannel customers and supported by detailed customer data, which is based on the number of branch visits.

The Group has observed a shift in customer behaviour and spending patterns both within the physical and online channels. The relationship between the branch and online businesses and the impact they play on omnichannel customers has also stabilised post the Covid-19 era. The Group's physical estate portfolio strategy also continues to evolve. In response to such factors, the Group has refined its online allocation methodology in the current year to ensure that the cash flows of CGUs continue to reflect the latest market dynamics. The specific allocation of online sales and costs is based on a consistent application of the methodology although the amounts vary by store.

Discount rate

The pre-tax post- IFRS 16 discount rate of 14.8% (2023: 14.5%) used to discount the cash flows is derived from the JL Weighted Average Cost of Capital (WACC). This has increased since last year end, reflecting increased interest rates. The WACC factors in the nominal (i.e. inflation adjusted) nature of the cash flow forecasts within the impairment model.

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

Waitrose store impairment

The carrying value of Waitrose plant, property and equipment and right of use assets that were subject to impairment testing is £335m, after the impairment provision. 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 £49m and new impairment charges of £43m. The releases are due to improved store performance which has been judged to be sustainable. All new charges have been recorded in exceptional items, consistent with the updated accounting policy for exceptional items. Reversals have been recorded through the line they were originally recorded which is exceptional items for all reversals this year.

The impairment calculations for Waitrose stores use a post-tax cash flow based on a four year plan approved by the Board. 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 the allocation of central costs. 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.

Discount rate

The pre-tax post-IFRS 16 discount rate of 13.7% (2023: 13.5%) used to discount the cash flows is derived from the Waitrose WACC which has increased from last year end, reflecting increased interest rates. The WACC factors in the nominal (i.e. inflation adjusted) nature of the cash flow forecasts within the impairment model.

Sensitivities in the impairment modelling - John Lewis

The John Lewis impairment estimation is most sensitive to changes in the sales and margin forecasts, as well as the allocation of online sales and costs and the allocation of central costs. Sensitivity analysis reflects a reasonably plausible alternative scenario and has focused on these aspects of the impairment evaluation:

John Lewis sensitivity adjustment	Net Impairment impact
Sales growth by -2.0%	Additional charge of £52m
Sales growth by +2.0%	Additional release of £50m
Margin rate by -50 bps	Additional charge of £37m
Margin rate by +50 bps	Additional release of £36m
Increase allocation of central costs by 5%	Additional charge of £33m
Decrease allocation of central costs by 5%	Additional release of £33m
Reduction in number of branch visits by online customers by one visit	Additional release of £109m
Increase in number of branch visits by online customers by one visit	Additional charge of £72m
No online sales allocation	Additional charge of £302m
Discount rate by +100 bps	Additional charge of £19m
Discount rate by -100 bps	Additional release of £21m

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

Sensitivities in the impairment modelling - Waitrose

The Waitrose impairment estimation is most sensitive to changes in the sales and margin forecasts and the allocation of central costs. Sensitivity analysis reflects a reasonably plausible alternative scenario and has focused on these aspects of the impairment evaluation:

Waitrose sensitivity adjustment	Net Impairment impact
Sales growth by -4.0%	Additional charge of £35m
Sales growth by +4.0%	Additional release of £26m
Margin rate by -50 bps	Additional charge of £18m
Margin rate by +50 bps	Additional release of £17m
Increase allocation of central costs by 5%	Additional charge of £11m
Decrease allocation of central costs by 5%	Additional release of £11m
Discount rate by +100 bps	Additional charge of £15m
Discount rate by -100 bps	Additional release of £11m

Recognition of impairment charges and reversals

2024	Other operating and administrative expenses before exceptionals	Exceptional items	Total
	£m	£m	£m
Impairment charges	-	(110)	(110)
Impairment reversals	-	124	124
Total	**-**	**14**	**14**

2023	Other operating and administrative expenses before exceptionals	Exceptional items	Total
	£m	£m	£m
Impairment charges	-	(189)	(189)
Impairment reversals	7	76	83
Total	**7**	**(113)**	**(106)**

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

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

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

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

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

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

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

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

Rebate income is recognised when the Group has contractual entitlement to the income, it can be estimated reliably and it is probable that it will be received. Rebate income 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 Group is sometimes required to estimate the amounts due from suppliers at the year end. Estimates of supplier income are accrued within accrued income, and are based on a review of the supplier agreements in place and of relevant sales and purchase data.

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

3.3 TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade and other receivables	2024 £m	2023 £m
Current:		
Trade receivables	**70**	69
Other receivables	**129**	130
Prepayments	**97**	94
Accrued income	**57**	51
	353	344
Non-current:		
Other receivables	**19**	14
Prepayments	**10**	3
	29	17

Trade receivables are non-interest bearing and generally on credit terms of less than 90 days. Concentrations of credit risk are considered to be very limited. The carrying amount of trade and other receivables approximates to fair value and is denominated in Sterling. Within trade receivables is supplier income which has been invoiced where there is no legal right to offset. Included in trade payables are invoices for supplier income where there is a right to offset and the Group intends to offset against amounts owed to suppliers (see note 5.2).

Within accrued income, there is £23m (2023: £23m) in relation to supplier income which has not yet been invoiced. Additionally, accrued income includes £12m (2023: £7m) in relation to other operating income items (see note 2.3) which has not been billed at the reporting date. The unbilled amounts of other operating income is made up of items that are not individually material for further disclosures and had no significant changes during the period.

The Group recognises loss allowances for expected credit losses (ECLs) within operating expenses in the income statement. As at 27 January 2024, trade and other receivables of £nil (2023: £nil) were partially or fully impaired.

For trade receivables, the Group 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 29 January 2022	2
Charged to income statement	-
Released to income statement	(1)
Written off	(1)
At 28 January 2023	-
Charged to income statement	-
Released to income statement	-
Written off	-
At 27 January 2024	**-**

As at 27 January 2024, trade and other receivables of £29m (2023: £27m) were past due but not impaired. The ageing analysis of the past due amounts is as follows:

Ageing analysis	2024 £m	2023 £m
Up to 3 months past due	**29**	27
3 to 12 months past due	**-**	-
Over 12 months past due	**-**	-
	29	27

Notes to the consolidated financial statements (continued)

3.4 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 27 January 2024, 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.

3.4.1 FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of derivative financial instruments is as follows:

				2024				2023
Fair value of derivative financial instruments	**Assets**	**Liabilities**	**Recognised in other comprehensive income**	**Recognised in income statement**	Assets	Liabilities	Recognised in other comprehensive income	Recognised in income statement
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Non-current								
Currency and commodity derivatives - cash flow hedge	**1**	**(1)**	**(1)**	**-**	2	(3)	(7)	-
Other derivatives	**-**	**-**	**-**	**-**	-	(6)	-	-
	1	**(1)**	**(1)**	**-**	2	(9)	(7)	-
Current								
Currency and commodity derivatives - cash flow hedge	**1**	**(11)**	**(10)**	**-**	11	(4)	7	-
Other derivatives	**-**	**(4)**	**-**	**(4)**	-	-	-	-
	1	**(15)**	**(10)**	**(4)**	11	(4)	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 Group are classified as level 2 under the IFRS 13 fair value hierarchy, as all significant inputs to the valuation model used are based on observable market data and are not traded in an active market.

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

Notes to the consolidated financial statements (continued)

3.4 DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL LIABILITIES (CONTINUED)

3.4.2 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES HELD AT AMORTISED COST

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

		2024		2023
	CV £m	**FV £m**	CV £m	FV £m
Financial liabilities				
Listed bonds	**(595)**	**(509)**	(594)	(482)

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

For other financial assets and liabilities, there are no material differences between carrying value and fair value because they are all of a short term nature.

Notes to the consolidated financial statements (continued)

3.5 INVESTMENT IN AND LOANS TO JOINT VENTURE

PURPOSE

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

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

ACCOUNTING POLICIES

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

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

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity accounted investees, from the date that joint control commences until the date that joint control ceases. John Lewis plc and 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 29 January 2022	2	2	4
At 28 January 2023	2	2	4
Additions	-	(1)	(1)
At 27 January 2024	**2**	**1**	**3**
Share of profit/(loss)			
At 29 January 2022	-	-	-
Share of profit	1	-	1
At 28 January 2023	**1**	**-**	**1**
Share of profit	1	-	1
At 27 January 2024	**2**	**-**	**2**
At 29 January 2022	2	2	4
At 28 January 2023	3	2	5
At 27 January 2024	**4**	**1**	**5**

3.6 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 27 January 2024, contracts had been entered into for future capital expenditure of £15m (2023: £37m) of which £11m (2023: £33m) relates to property, plant and equipment and £4m (2023: £4m) relates to intangible assets.

Notes to the consolidated financial statements (continued)

4 CURRENT ASSETS

4.1 INVENTORIES

PURPOSE

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

ACCOUNTING POLICIES

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

Inventory	**2024** **£m**	2023 £m
Raw materials	**4**	6
Work in progress	**1**	-
Finished goods and goods for resale	**673**	696
	678	702

Provisions against inventories of £32m were charged (2023: £32m charged) to cost of sales.

Finished goods and goods for resale include a 'right to return goods' asset of £11m (2023: £12m). This relates to the Group's expected returns inventory based on previous rates of return.

4.2 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	**2024** **£m**	2023 £m
Short-term investments	**260**	-

For the 52 week period ended 27 January 2024, the effective interest rate on short-term investments was 5.4% (2023: 1.3%) and these investments had an average maturity of 109 days (2023: 93 days). The increase in short-term investments during the year has allowed the Group to enhance the interest rate earned on a portion of its substantial cash balances. Maturities on the £260m go out to May 2024.

Notes to the consolidated financial statements (continued)

4.3 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	2024 £m	2023 £m
Cash at bank and in hand	**147**	163
Short-term deposits	**881**	875
	1,028	1,038

For the 52 week period ended 27 January 2024, the effective interest rate on short-term deposits was 4.2% (2023: 1.4%) and these deposits had an average maturity of two days (2023: six days).

At 27 January 2024, £16m (2023: £12m) of the Group's cash balance and £0.2m (2023: £0.1m) of the Group's accrued interest balance was pledged as collateral. This is part of the Group's insurance arrangements and the release of these funds is subject to approval from third parties.

Cash and cash equivalents includes credit and debit card transactions not yet settled of £79m (2023: £80m).

Notes to the consolidated financial statements (continued)
5 LIABILITIES - NON-CURRENT AND CURRENT
5.1 BORROWINGS AND OVERDRAFTS

PURPOSE
Our borrowings comprise bonds, bank loans and bank overdrafts.

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 6.8% (2023: 5.6%).

Borrowings and overdrafts	**2024 £m**	2023 £m
Current:		
6⅛% Bonds, 2025	**(300)**	-
Fair value adjustment for hedged element on bonds	**4**	-
Bank loans	**-**	(50)
	(296)	(50)
Non-current:		
Bank loans[1]	**(131)**	-
6⅛% Bonds, 2025	**-**	(300)
4¼% Bonds, 2034	**(300)**	(300)
Unamortised bond and loan transaction costs	**6**	6
Fair value adjustment for hedged element on bonds	**-**	6
	(425)	(588)

[1] During the year, the Group entered into a new term loan with its banking partners for £131m, this loan matures in 2026. Alongside this, the Group repaid a £50m term loan at maturity in December 2023 (2023: repaid £150m). See note 7.1.2.

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

Notes to the consolidated financial statements (continued)

5.2 TRADE AND OTHER PAYABLES

PURPOSE

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

ACCOUNTING POLICIES

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

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

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 over the most recent 24 months.*

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	**2024 £m**	2023 £m
Current:		
Trade payables	**(1,092)**	(1,128)
Amounts owing to parent undertakings	**(102)**	(104)
Other payables	**(158)**	(160)
Other taxation and social security	**(145)**	(160)
Accruals	**(126)**	(143)
Deferred income	**(67)**	(74)
Partnership Bonus	**-**	-
	(1,690)	(1,769)
Non-current:		
Deferred income	**(29)**	(28)

The carrying amount of trade and other payables approximates their fair value. Other payables principally relate to liabilities in respect of unredeemed gift cards and gift vouchers.

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

Included in deferred income are contract liabilities for free warranties of £26m (2023: £26m) and payments from customers for goods and services in advance of providing a good or service at the balance sheet date of £45m (2023: £55m). During the year an amount of £17m (2023: £18m) was released to the income statement over the period covered by the free warranties. The deferral for the year was £17m (2023: £18m). All of the contract liabilities for goods and services sold but not delivered at 28 January 2023 have been recognised as revenue in the 52 week period ended 27 January 2024.

5.3 OTHER LIABILITIES HELD AT AMORTISED COST

PURPOSE

Other liabilities at amortised cost are amounts owed by the Group in respect of certain property transactions included as part of a sale and leaseback transaction. In this transaction, certain plant, property and equipment assets did not meet the sale criteria in IFRS 15 Revenue from Contracts with Customers. The accounting therefore reflects that these plant, property and equipment assets have not been sold and remain on the balance sheet. In substance, this is a financing transaction. Non-current other liabilities at amortised cost are not expected to be settled within the next financial year.

ACCOUNTING POLICIES

Other liabilities at amortised cost: *Other liabilities at amortised cost are initially recognised at fair value and subsequently measured at amortised cost. They are increased by the interest charge and decreased by the payments made.*

Other liabilities at amortised cost	**2024 £m**	2023 £m
Current:		
Other liabilities at amortised cost	**(2)**	-
	(2)	-
Non-current:		
Other liabilities at amortised cost	**(60)**	-
	(60)	-

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

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

	2023 £m	Cash movements £m	Other non-cash movements £m	**2024 £m**
Non-current assets				
Derivative financial instruments	2	-	(1)	**1**
	2	-	(1)	**1**
Current assets				
Cash and cash equivalents	1,038	(10)	-	**1,028**
Short-term investments	-	260	-	**260**
Derivative financial instruments	11	(12)	2	**1**
	1,049	238	2	**1,289**
Current liabilities				
Borrowings and overdrafts	(50)	85	(335)	**(300)**
Fair value adjustment for hedged element on bonds	-	-	4	**4**
Other liabilities amortised cost	-	(2)	-	**(2)**
Lease liabilities	(149)	232	(229)	**(146)**
Derivative financial instruments	(4)	7	(18)	**(15)**
	(203)	322	(578)	**(459)**
Non-current liabilities				
Borrowings	(600)	(131)	300	**(431)**
Unamortised bond transaction costs	6	-	-	**6**
Fair value adjustment for hedged element on bonds	6	-	(6)	**-**
Other liabilities amortised cost	-	(60)	-	**(60)**
Lease liabilities	(1,754)	-	51	**(1,703)**
Derivative financial instruments	(9)	-	8	**(1)**
	(2,351)	(191)	353	**(2,189)**
Total net debt	(1,503)	369	(224)	**(1,358)**

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

Reconciliation of net cash flow to net debt

	2024 **£m**	2023 Reclassified[1] £m
Decrease in net cash and cash equivalents in the year	**(10)**	(377)
Cash inflow from borrowings	**(131)**	-
Cash outflow from borrowings[1]	**85**	182
Cash outflow/(inflow) from movement in short-term investments	**260**	(95)
Cash inflow from other liabilities held at amortised cost	**(62)**	-
Cash outflow from movement in other net debt items[1]	**227**	162
Cash movement in net debt for the year	**369**	(128)
Opening net debt	**(1,503)**	(1,271)
Non-cash movement in net debt for the year	**(224)**	(104)
Closing net debt	**(1,358)**	(1,503)

[1] See accounting policy in note 2.6

Our total borrowings and lease liabilities are summarised below.

	Borrowings £m	Lease liabilities £m	**Total** **£m**
At 29 January 2022	(800)	(1,988)	**(2,788)**
Movements arising from operating cash flows[1]	32	92	**124**
Movements arising from financing cash flows[1]	150	133	**283**
Other non-cash movements	(32)	(140)	**(172)**
At 28 January 2023	(650)	(1,903)	**(2,553)**
Movements arising from operating cash flows	35	89	**124**
Movements arising from financing cash flows	(81)	143	**62**
Other non-cash movements	(35)	(178)	**(213)**
At 27 January 2024	**(731)**	**(1,849)**	**(2,580)**

[1] See accounting policy in note 2.6

Other non-cash movements in borrowings relate to interest accruals. Other non-cash movements in lease liabilities reflect the unwind of the discount on the lease liability and changes to lease agreements such as changes to future rental charges, extensions and new leases.

Borrowings exclude unamortised bond transaction costs of £5m (2023: £6m), unamortised loan transaction costs of £1m (2023: £nil) and the fair value adjustment for hedged element on bonds of £4m gain (2023: £6m gain).

Notes to the consolidated financial statements (continued)

5.5 LEASE LIABILITIES

PURPOSE

The Group enters into leases for property, plant and equipment. The Group'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 five and 100 years and may include break clauses or options to renew beyond the non-cancellable periods. The majority of the Group's lease payments are subject to market review, usually every five years, and some lease agreements include rental payments contingent on turnover or economic indices. These contingent lease payments are excluded from the calculation of lease liabilities under IFRS 16: Leases.

ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

Sale and leaseback: *A sale and leaseback transaction is where the Group sells an asset and immediately leases back the same asset from the buyer. On sale, the property, plant and equipment asset is derecognised from the balance sheet and the Group measures a right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the rights of use retained by the Group. The Group also recognises a lease liability at the date of the transaction. Any gain or loss that relates to the rights of the buyer is recognised in the income statement. Judgement is exercised in assessing whether assets have been sold in accordance with IFRS 15 Revenue from Contracts with Customers.*

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

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

	2024 £m	2023 £m
Depreciation charge for right of use assets (excluding impairment) (see note 3.2)	**(136)**	(141)
Interest expense on lease liabilities (see note 2.6)	**(89)**	(92)
Expense relating to short-term leases	**(3)**	(4)
Expense relating to variable lease payments not included in lease liabilities	**(4)**	(4)
Total cash outflow for leases comprising interest and capital payments (see note 5.4)	**(232)**	(225)
Additions to right-of-use assets (see note 3.2)	**95**	61
Carrying amount of right-of-use assets (see note 3.2)	**1,290**	1,319
Gains arising from sale and leaseback transactions	**8**	-
Income from sub-leasing right-of-use assets	**9**	10

Gains arising from sale and leaseback transactions resulted from the derecognition of certain plant, property and equipment assets and recording of a right-of-use asset. See notes 3.2 and 5.3.

We 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 values of rental payments are subject to future market rates applicable as at the date of extension which are parameters not yet publicly known. As a result, we do not consider the potential future undiscounted lease payments to be able to be reliably estimated. There were no leases not yet commenced to which the Group is committed that are not included in lease liabilities as at year end.

Notes to the consolidated financial statements (continued)

5.6 PROVISIONS

PURPOSE

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

ACCOUNTING POLICIES

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

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

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 28 January 2023	(121)	(23)	(24)	(11)	(46)	(225)
Charged to income statement	(12)	(48)	(9)	(8)	(7)	(84)
Released to income statement	-	-	1	11	3	15
Utilised	11	49	8	-	12	80
At 27 January 2024	**(122)**	**(22)**	**(24)**	**(8)**	**(38)**	**(214)**
Of which:						
Current	(38)	(22)	(11)	(8)	(20)	(99)
Non-current	(84)	-	(13)	-	(18)	(115)

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

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

Provisions for insurance claims are in respect of the Group's employer's, public and vehicle third-party liability insurances. These reserves relate to past events and are calculated using independent actuarial assessments wherever possible, or a reasonable assessment based on past claims experience. The Group's insurance arrangements include self-insurance, reinsurance to the Group's captive insurance company, JLP Insurance Limited, and third party cover.

Provisions for reorganisation reflect restructuring and redundancy costs, principally in relation to productivity reviews, 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. The effect of discounting non-current provisions is not individually material.

Notes to the consolidated financial statements (continued)
6 RETIREMENT BENEFITS

PURPOSE

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

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

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

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

ACCOUNTING POLICIES

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

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

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

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

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 Group's defined benefit obligation, relatively small movements in these assumptions could cause a material adjustment to the carrying amount of the obligation. Sensitivity analysis on the key assumptions is provided in note 6.6. 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 6.5).*

Notes to the consolidated financial statements (continued)

6.1 RETIREMENT BENEFITS

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

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

All contributions to the defined benefit section of the pension scheme to meet the obligations are funded by the Group. The scheme also includes a defined contribution section. Contributions to the defined contribution section of the scheme are made by both Partners and the Group.

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

Actuarial valuation

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

The most recent valuation has been carried out by an independent professionally qualified actuary as at 31 March 2022, and resulted in an actuarial surplus of £320m (31 March 2019: deficit of £58m). The market value of the assets of the scheme as at 31 March 2022 was £6,934m (31 March 2019: £6,012m). The actuarial valuation showed that these assets were sufficient to cover 105% (31 March 2019: 99%) of the benefits which had accrued to members. The valuation calculated under the actuarial valuation basis of a surplus of £320m at 31 March 2022 is different from the accounting valuation which is presented on the balance sheet in the Group's financial statements at 27 January 2024 which is a deficit of £287m. Differences arise between the actuarial valuation and accounting valuation, mainly due to the use of different assumptions to value the liabilities and changes in market conditions between the two valuation dates of 31 March 2022 and 27 January 2024.

For actuarial valuation purposes the liabilities are determined based on assumptions set by the Trustee following consultation with the Group and Scheme Actuary. The discount rate used for the actuarial valuation as at 31 March 2022 is based on index-linked gilt yields plus 2.4% and 0.5% for pre- and post-retirement respectively.

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

As a result of the 31 March 2022 valuation, the Group and the Trustee agreed to stop making additional deficit reducing contributions. These were previously £10m per annum.

The next triennial actuarial valuation of the scheme will take place as at 31 March 2025.

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

Pension commitments recognised in these accounts have been calculated based on the most recent actuarial valuation, as at 31 March 2022, which has been updated by actuaries to reflect the assets and liabilities of the scheme as at 27 January 2024, calculated on assumptions that are appropriate for accounting under IAS 19.

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 £287m (£239m after deferred tax), compared to £102m (£100m after deferred tax) at January 2023. 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 £4,017m, down from £4,476m at January 2023, 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 £3,743m, down from £4,388m at January 2023. An increase in the value of liability driven investments has been more than offset by lower values for the remaining assets.

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 Group 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 Group'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 Group to the scheme.

Investment strategy

The Pensions Trustee's investment strategy is consulted upon with the Group. 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.

The Pensions Trustee continues to manage scheme risks carefully and appropriately. It has a hedge in the form of a liability matching strategy designed to protect against movements in interest rates and inflation on the actuarial basis. At 31 March 2024 the hedge was at 78% of low dependency liabilities, which has been maintained since this target ratio was set at 31 March 2023. This is the equivalent to c.95% of technical provisions liabilities, a fall from 100% at 31 March 2023, due to changes in market conditions (i.e. the yield curve). The pension scheme remains liquid and well funded.

6.1 RETIREMENT BENEFITS (CONTINUED)

Risk management

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

Specific risks include:

- Changes in future expectations of price inflation: the majority of the scheme's benefit obligations are linked to inflation (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 6.5 (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 6.5;
- Falls in asset values not being matched by similar falls in the value of liabilities: 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 6.5;
- 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)
6.2 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 27 January 2024. The following financial assumptions have been used to value the obligation:

	2024	2023
Discount rate	**5.28%**	4.65%
Future Retail Price Index inflation	**2.85%**	3.00%
Future Consumer Price Index inflation	**2.50%**	2.60%
Increase in pensions – in payment		
Pre-April 1997	**1.81%**	1.85%
April 1997-April 2016	**2.73%**	2.85%
Post-April 2016	**1.81%**	1.85%
Increase in pensions – deferred	**2.50%**	2.60%

Nominal discount rate: IAS 19 requires that the nominal discount rate is set by reference to market yields on high quality corporate bonds of a suitable term consistent with the scheme cash flows. The Group's pension scheme has cash flows spanning out over 50 years and an average duration of 16 years. The model adopted by the Group is a yield curve approach, based on corporate bonds within the iBoxx AA corporate bond index. Where there are no high quality corporate bonds of appropriate duration to reference, an extrapolation from other bond yields is required. Following actuarial advice, the criteria used to determine which bonds are included in the model has been updated during the year, to ensure the discount rate remains robust to changes in bond yields. This change in estimate has increased the discount rate by 0.1% at 27 January 2024, resulting in a £42m increase to the defined benefit pension obligation this year.

Future RPI and CPI inflation: The inflation assumptions used to calculate the Group's defined benefit pension obligations are based on a cash flow weighted UK government bond market implied rate of RPI, which is then adjusted for inflation risk. The Group has reflected the impact of RPI reform to align RPI with CPIH (a variant of the Consumer Price Index that includes an estimate of housing costs) expected from 2030 onwards. An inflation risk premium of 0.3% has been applied until 2030, increasing to 0.4% beyond this date. A long-term gap of 1.0% between RPI and CPI has been applied until 2030, reducing to 0.1% beyond this date. Following actuarial advice, the criteria used to determine the inflation risk premium has been updated during the year resulting in an £18m increase to the defined benefit pension obligation this year.

Demographic assumptions
The post-retirement mortality assumptions used in valuing the pension liabilities were based on the S3 (2023: S3) series standard tables. Based on scheme experience, the probability of death at each age was multiplied by 112% for males and 95% for females who were non-pensioners and 103% for males and 92% for females who were pensioners (2023: 118% for males and 100% for females who were non-pensioners and 109% for males and 97% 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 2022 improvements model with a smoothing parameter of 7.0 (2023: CMI 2021, smoothing parameter of 7.0) subject to a long-term trend of 1.25%.

The average life expectancies assumed were as follows:

		2024		2023
	Male	**Female**	Male	Female
Average life expectancy for a 65 year old (in years)	**21.3**	**24.0**	21.3	24.0
Average life expectancy at age 65, for a 50 year old (in years)	**21.5**	**24.9**	21.6	24.9

Notes to the consolidated financial statements (continued)
6.3 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	**2024 £m**	2023 £m
Defined benefit obligation for funded arrangements	**(4,017)**	(4,476)
Total value of scheme assets	**3,743**	4,388
Total funded defined benefit liability at end of year	**(274)**	(88)
Defined benefit obligation for unfunded arrangements	**(13)**	(14)
Defined benefit liability at end of year (net)	**(287)**	(102)

PURPOSE

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

- *Service cost is the cost to the Group of future benefits earned by members which is attributable to members' service in the current period. Following the closure of the defined benefit section of the pension scheme on 1 April 2020, no further service costs will be recognised;*
- *Contribution expense is in respect of the Group's contributions to the defined contribution section of the pension scheme and cash supplements in respect of certain Partners in lieu of future pension accrual;*
- *Administrative expenses are in relation to the pension scheme. Net interest on the net defined benefit liability is made up of the interest cost on pension liabilities and interest income on pension assets.*

Amounts recognised in the income statement	**2024 £m**	2023 £m
Contribution expense[1]	**(115)**	(114)
Administrative expenses – funded by the pension scheme	**(4)**	(9)
Administrative expenses – funded by the employer	**(15)**	(14)
Total operating expense	**(134)**	(137)
Net interest on net defined benefit liability	**(5)**	11
Total pension charge	**(139)**	(126)

[1] Includes Group contributions to the defined contribution section of the pension scheme of £114m (2023: £113m), together with cash supplements in respect of certain Partners in lieu of future pension accrual of £1m (2023: £1m).

Notes to the consolidated financial statements (continued)

6.4 RECONCILIATION OF RETIREMENT BENEFITS

Amounts recognised in equity	**2024 £m**	2023 £m
Return on plan assets greater than interest income	**(657)**	(2,812)
Remeasurements:		
– gain from changes in financial assumptions	**483**	2,633
– gain/(loss) from changes in demographic assumptions	**40**	(70)
– experience loss	**(57)**	(351)
Total loss recognised in equity	**(191)**	(600)

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 6.5.

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 6.3, 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	**2024 £m**	2023 £m
Net defined benefit (liability)/asset at beginning of year	**(102)**	474
Pension (charge)/credit	**(9)**	2
Contributions	**15**	22
Total losses recognised in equity	**(191)**	(600)
Net defined benefit liability at end of year	**(287)**	(102)

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)
6.4 RECONCILIATION OF RETIREMENT BENEFITS (CONTINUED)

Reconciliation of defined benefit obligation	**2024 £m**	2023 £m
Defined benefit obligation at beginning of year	**(4,490)**	(6,752)
Interest on pension liabilities	**(204)**	(153)
Remeasurements:		
– gain from changes in financial assumptions	**483**	2,633
– gain/(loss) from changes in demographic assumptions	**40**	(70)
– experience losses	**(57)**	(351)
Benefits paid	**198**	203
Defined benefit obligation at end of year	**(4,030)**	(4,490)

The scheme liabilities are 54.8% (2023: 55.2%) in respect of deferred scheme participants and 45.2% (2023: 44.8%) in respect of retirees.

The weighted average duration of the scheme liabilities at the end of the year is 16 years (2023: 17 years).

PURPOSE

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

- *Interest income on assets represents the expected return on investments if it is in line with the discount rate. It is calculated as the discount rate at the beginning of the year multiplied by the value of the assets at the beginning of the year. This is recognised within net finance costs in the income statement;*
- *Return on plan assets greater/(less) than interest income represents how much greater or less the actual return is than the interest income. This is recognised in equity and shown in the statement of comprehensive income/(expense).*

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

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

Reconciliation of value of assets	**2024 £m**	2023 £m
Value of assets at the beginning of year	**4,388**	7,226
Interest income on assets	**199**	164
Return on plan assets greater than interest income	**(657)**	(2,812)
Benefits paid	**(198)**	(203)
Administrative expenses paid	**(4)**	(9)
Contributions	**15**	22
Value of assets at the end of year	**3,743**	4,388

Notes to the consolidated financial statements (continued)
6.5 ANALYSIS OF ASSETS

				2024				2023
	Quoted £m	**Unquoted £m**	**Total £m**	**Total %**	Quoted £m	Unquoted £m	Total £m	Total %
Equities								
UK	-	-	-	-	-	-	-	-
Rest of the world	-	-	-	-	-	-	-	-
Bonds								
Government – Rest of the world	-	-	-	-	-	-	-	-
Corporates – UK	-	-	-	-	-	-	-	-
Corporates – Rest of the world	-	-	-	-	-	-	-	-
Property								
UK	-	**542**	**542**	**14.5%**	-	594	594	13.5%
Alternative assets								
Liability driven investments	-	**1,872**	**1,872**	**50.0%**	-	1,631	1,631	37.2%
Hedge funds	-	**139**	**139**	**3.7%**	-	254	254	5.8%
Private equity	-	**367**	**367**	**9.8%**	-	477	477	10.9%
Other alternative assets	-	**510**	**510**	**13.6%**	-	602	602	13.7%
Cash and other	**313**	-	**313**	**8.4%**	830	-	830	18.9%
Total market value of assets	**313**	**3,430**	**3,743**	**100.0%**	830	3,558	4,388	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 Group's annual financial statements have been signed.

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 2023 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 are based. The fair value of the indirect property assets is based on the most recent available fund valuation at 31 December 2023 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 2023 for all funds. 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, 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.

Notes to the consolidated financial statements (continued)

6.5 ANALYSIS OF ASSETS (CONTINUED)

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 2023 to determine the year end valuation for these assets to 27 January 2024 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 through a unit-linked insurance policy and include UK government bond and cash equivalent assets valued at £2,553m (2023: £1,974m) and associated repurchase agreements and swaps valued at £(681)m (2023: £(343)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 £172m (2023: £248m) and private debt £337m (2023: £352m).

Property assets include segregated property portfolio valued at £432m (2023: £475m) and property assets held in private investment companies valued at £110m (2023: £89m).

Cash and other includes cash deposits of £299m (2023: £329m), pending cash for unsettled transactions of £nil (2023: £488m), forward foreign exchange contracts £nil (2023: £11m) and other items valued at £14m (2023: £2m).

Actual return on assets	**2024** **£m**	2023 £m
Interest income on assets	**200**	164
Return on plan assets greater than interest income	**(657)**	(2,812)
Actual return on assets	**(457)**	(2,648)

6.6 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 also based on consumer price inflation indices:

	£m	**% change**
Defined benefit obligation as at 27 January 2024	(4,030)	
Sensitivity of:		
– 0.1% pts increase to discount rate[1]	(61)	(1.5%)
– 1.0% pts increase to discount rate[1]	(544)	(13.5%)
– 0.1% pts increase to retail price inflation	16	0.4%
– 0.1% pts increase to consumer price inflation	21	0.5%
– a one-year increase in life expectancy	109	2.7%

[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 (based on movements in gilts) and inflation risks related to the pension scheme's liabilities (as measured on the actuarial basis). It is not feasible to disclose the sensitivity of the liability matching strategy to movements in IAS 19 assumptions as the liability matching strategy has been put in place by the Pension Trustee to match the actuarial liability not the IAS 19 liability to which the sensitivities disclosed above relate

Notes to the consolidated financial statements (continued)

6.7 OTHER ARRANGEMENTS

JLP Scottish Limited Partnership

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

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

Together with another Group company, JLP Scottish Limited Partnership provided sufficient capital to JLP Scottish Partnership to enable it to procure property assets with an original market value of £151m from other Group companies in 2010. The Group retains control over these properties, including the flexibility to substitute alternative properties. The properties held in JLP Scottish Partnership have been leased back to John Lewis plc and Waitrose Limited.

As a partner in JLP Scottish Limited Partnership, the pension scheme is entitled to an annual share of the profits of the JLP Scottish Limited Partnership each year over 21 years, from 2010. At the end of this period, the Group 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 £1m to £100m. At that point, the Group may be required to transfer this amount in cash to the scheme.

Under IAS 19, the investment held by the pension scheme in JLP Scottish Limited Partnership, a consolidated entity, does not represent a plan asset for the purpose of the Group's consolidated financial statements. Accordingly, the pension deficit position presented in these consolidated accounts does not reflect the £80m (2023: £70m) 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 £760m of net assets.

Waitrose Limited guarantee

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

The guarantees have improved the recovery to the pension scheme in the event of insolvency of the Group. 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 Group and also to the markets and counterparties we are exposed to in our operations. These risks can be summarised as: capital and long-term funding risk, liquidity risk, interest rate risk, foreign currency risk, credit risk and energy risk. This note details how each of these risks is managed.

7.1.1 CAPITAL AND LONG-TERM FUNDING RISK
The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, provide returns for its Partners and to maintain a prudent level of funding. The Group is a long-term business, held in trust for the benefit of its Partners.

The Group'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 Group. Although the Group does not have an external credit rating, it routinely monitors its capital and liquidity requirements, whilst maintaining an appropriate level of liquidity (cash plus undrawn committed credit facilities) and a managed debt maturity profile to reduce refinancing risk and ensure continuity of funding. Forms of borrowing include bond issues, bank debt, assets acquired via leases and any pension deficit.

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

At the year end, the Group had undrawn committed credit facilities of £420m (2023: £420m). This facility matures in October 2026. In addition to these facilities, the Group had listed bonds at the year end totalling £600m (2023: £600m), with £300m due to mature in 2025 and the remaining £300m due to mature in 2034. The bonds have fixed coupons. The Group repaid a £50m bank loan at maturity in December 2023. During the year, the Group entered into a new syndicate loan with its banking partners for £131m which matures in December 2026. The loan has variable interest payments. The maturity profiles of financial debt are set out below.

The Group's listed bonds, bank loans and committed credit facilities contain financial covenants. Throughout the year, the Group maintained comfortable headroom against its covenants. The following analysis shows the contractual undiscounted cash flows payable under financial liabilities and derivative financial liabilities at the balance sheet date:

	Carrying amount £m	Total contractual cash flows £m	Due within 1 year £m	Due between 1 and 2 years £m	Due 2 years and beyond £m
Non-derivative financial liabilities					
Borrowings and overdrafts	(721)	(731)	(300)	-	(431)
Interest payments on borrowings	-	(188)	(42)	(23)	(123)
Lease liabilities[1]	(1,849)	(2,885)	(226)	(213)	(2,446)
Trade and other payables	(1,376)	(1,376)	(1,376)	-	-
Derivative financial liabilities					
Derivative contracts – receipts	-	385	327	58	-
Derivative contracts – payments	-	(400)	(341)	(59)	-
At 27 January 2024	**(3,946)**	**(5,195)**	**(1,958)**	**(237)**	**(3,000)**

[1] The lease liabilities due two years and beyond can be further broken down as £(588)m 2-5 years, £(789)m 5-10 years, £(494)m 10-15 years and £(575)m 15 years and beyond.

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

	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	(638)	(650)	(50)	(300)	(300)
Interest payments on borrowings	-	(189)	(32)	(31)	(126)
Lease liabilities	(1,903)	(2,955)	(222)	(216)	(2,517)
Trade and other payables	(1,432)	(1,432)	(1,432)	-	-
Derivative financial liabilities					
Derivative contracts – receipts	-	440	363	77	-
Derivative contracts – payments	-	(438)	(357)	(81)	-
At 28 January 2023	**(3,973)**	**(5,224)**	**(1,730)**	**(551)**	**(2,943)**

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

7.1.3 INTEREST RATE RISK

In order to manage the risk of interest rate fluctuations on the Group's financial debt and cash, the Group maintains a mix of fixed and floating rate debt (67% fixed) in line with the Board approved Treasury Standard. An analysis of the Group's financial liabilities is detailed below. Exposures to interest rate fluctuations are managed, when required, using interest rate derivatives. The Group has converted £100m (2023: £100m) of fixed rate debt, hedging the 2025 £300m bond, 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 Group uses derivative financial instruments to manage exposures to movements in exchange rates arising from transactions with overseas-based suppliers and other organisations. Foreign exchange management committees exist for each of Waitrose and John Lewis, and they meet regularly to oversee the foreign exchange purchasing activities for each brand. Foreign currency exposures are hedged primarily using forward foreign exchange contracts covering up to 100% of forecast direct exposures on a rolling basis. Forward foreign exchange contracts used to hedge forecast currency requirements are designated as cash flow hedges with fair value movements recognised in equity. Derivative financial instruments that were designated as cash flow hedges during the year were effective. At the balance sheet date, the notional value of open forward foreign currency contracts of £378m (2023: £422m) had been entered into, to hedge purchases in foreign currencies which will mature over the next 24 months.

Notes to the consolidated financial statements (continued)

7.1 MANAGEMENT OF FINANCIAL RISKS (CONTINUED)

7.1.5 CREDIT RISK

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

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

	2024 £m	2023 £m
Trade and other receivables	**219**	213
Short-term investments	**260**	-
Cash and cash equivalents	**1,028**	1,038
Derivative financial instruments	**2**	13
	1,509	1,264

7.1.6 ENERGY RISK

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

Diesel cost exposures are hedged primarily using over-the-counter diesel swaps covering up to 100% of forecast direct exposures on a rolling basis. Diesel swaps used to hedge forecast diesel requirements are designated as cash flow hedges with fair value movements recognised in equity. Derivative financial instruments that were designated as cash flow value hedges during the year were effective. At the balance sheet date, the notional value of open diesel swaps of £6m (2023: £5m) had been entered into, to hedge future purchases of diesel.

7.1.7 SENSITIVITY ANALYSIS

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

The analysis excludes the impact of movements in other provisions and market variables on the carrying value of pension, which are included in notes 5.6 and 6.6.

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 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.

		2024		2023
	Income statement +/- £m	**Equity +/- £m**	Income statement +/- £m	Equity +/- £m
UK interest rates +/- 1% (2023: +/- 1%)	**6**	**-**	11	-
US Dollar exchange rate (GBP/USD) +/- 10% (2023: +/- 10%)	**-**	**21**	-	24
Euro exchange rate (GBP/EUR) +/- 10% (2023: +/- 10%)	**-**	**12**	-	13

7.2 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.

7.2.1 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	1,190	97	1,287
Other financial assets	1	-	1
At 27 January 2024	**1,191**	**97**	**1,288**
Sterling financial assets	945	93	1,038
Other financial assets	-	-	-
At 28 January 2023	945	93	1,038

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 credit and debit card transactions not yet settled.

7.2.2 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 27 January 2024	**(2,348)**	**(228)**	**(2,576)**
At 28 January 2023	(2,401)	(146)	(2,547)

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	2024	2023
	Issued and fully paid £m	Issued and fully paid £m
Equity		
Deferred ordinary shares		
6,750,000 of £1 each	**7**	7

8.2 RELATED PARTY TRANSACTIONS

PURPOSE

Two or more parties are considered to be related if one party has direct or indirect control or significant influence over financial or operating policies of the other party. We have a number of related parties with whom we transact, including the 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 Group and its direct and indirect subsidiaries and related undertakings are eliminated upon consolidation, and therefore do not need to be disclosed separately. A list of subsidiaries and related undertakings within the Group is included within note 29. Loans to joint ventures are disclosed in note 3.5.

8.2.2 ARRANGEMENTS WITH PENSION SCHEME TRUSTEE

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

8.2.3 OTHER TRANSACTIONS

Key management compensation has been disclosed in note 2.9.3.

During the year the Group provided administrative support services to charities related to the Group. The estimated value of these support services is £175,000 (2023: £167,000). The Group also made donations totalling £1m (2023: £1m) to the John Lewis Partnership Foundation.

8.3 SUBSEQUENT EVENTS

PURPOSE

Events that take place after the balance sheet date of 27 January 2024 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.

In March 2024, we announced our proposal to close the Waitrose Enfield Customer Fulfilment Centre resulting in 545 Partners entering a period of consultation. All 545 roles are at proposed risk of redundancy.

JOHN LEWIS PLC - COMPANY ONLY FINANCIAL STATEMENTS

COMPANY BALANCE SHEET as at 27 January 2024

Notes		2024 £m	2023 £m
	Non-current assets		
12	Intangible assets	**264**	292
13	Property, plant and equipment	**573**	602
13	Right-of-use-assets	**664**	670
17	Trade and other receivables	**13**	6
	Derivative financial instruments	**1**	2
14	Investments in subsidiaries	**707**	941
24	Deferred tax asset	**139**	99
15	Investments in and loans to joint venture	**5**	5
26	Retirement benefit surplus	**-**	-
		2,366	2,617
	Current assets		
16	Inventories	**403**	427
17	Trade and other receivables	**259**	251
	Current tax receivable	**19**	19
	Derivative financial instruments	**1**	11
18	Short-term investments	**260**	-
19	Cash and cash equivalents	**909**	939
		1,851	1,647
	Total assets	**4,217**	4,264
	Current liabilities		
20	Borrowings and overdrafts	**(296)**	(50)
21	Trade and other payables	**(1,566)**	(1,642)
22	Lease liabilities	**(59)**	(58)
23	Provisions	**(88)**	(93)
	Derivative financial instruments	**(15)**	(4)
		(2,024)	(1,847)
	Non-current liabilities		
20	Borrowings	**(425)**	(588)
21	Trade and other payables	**(22)**	(20)
22	Lease liabilities	**(880)**	(926)
23	Provisions	**(105)**	(114)
	Derivative financial instruments	**(1)**	(9)
26	Retirement benefit obligations	**(207)**	(32)
24	Deferred tax liability	**-**	-
		(1,640)	(1,689)
	Total liabilities	**(3,664)**	(3,536)
	Net assets	**553**	728
	Equity		
27	Share capital	**7**	7
	Share premium	**-**	-
	Other reserves	**(6)**	3
	Retained earnings	**552**	718
	Total equity	**553**	728

COMPANY BALANCE SHEET as at 27 January 2024 (continued)

The financial statements on pages 94 to 110 were approved by the Board of Directors on 7 May 2024 and signed on its behalf by Sharon White and Bérangère Michel, Directors, John Lewis plc.

Sharon White and Bérangère Michel
Directors, John Lewis plc
7 May 2024
Registered number 00233462

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

COMPANY STATEMENT OF CHANGES IN EQUITY for the 52 week period ended 27 January 2024

Notes		Share capital £m	Share premium £m	Hedging reserve £m	Foreign currency translation reserve £m	Retained earnings £m	Total equity £m
	Balance at 29 January 2022	7	-	-	1	1,157	1,165
10	Profit for the year	-	-	-	-	4	4
	Remeasurement of defined benefit pension scheme	-	-	-	-	(592)	(592)
	Fair value gain on cash flow hedges	-	-	37	-	-	37
	Cash flow hedge losses reclassified and reported in the consolidated income statement	-	-	(10)	-	-	(10)
	Tax on above items recognised in equity	-	-	(2)	-	148	146
	Total comprehensive (expense)/income for the year	-	-	25	-	(440)	(415)
	Recycle to retained earnings	-	-	-	(1)	1	-
	Hedging losses transferred to cost of inventory	-	-	(22)	-	-	(22)
	Balance at 28 January 2023	7	-	3	-	718	728
10	Loss for the year	-	-	-	-	(35)	(35)
	Remeasurement of defined benefit pension scheme	-	-	-	-	(178)	(178)
	Fair value loss on cash flow hedges	-	-	(11)	-	-	(11)
	Cash flow hedge gains reclassified and reported in the consolidated income statement	-	-	-	-	-	-
	Tax on above items recognised in equity	-	-	4	-	47	51
	Total comprehensive (expense)/income for the year	-	-	(7)	-	(166)	(173)
	Recycle to retained earnings	-	-	-	-	-	-
	Hedging losses transferred to cost of inventory	-	-	(2)	-	-	(2)
	Balance at 27 January 2024	7	-	(6)	-	552	553

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

Notes to the company financial statements

9 ACCOUNTING POLICIES

9.1 BASIS OF PREPARATION

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

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

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

Notes to the company financial statements (continued)
9 ACCOUNTING POLICIES (CONTINUED)
9.1 BASIS OF PREPARATION (CONTINUED)

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

The financial year is the 52 weeks ended 27 January 2024 (prior year: 52 weeks ended 28 January 2023).

Going concern
In determining the appropriate basis of preparation of the financial statements for the 52 week period ended 27 January 2024, 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, for the reasons set out in note 1.1.1. Consequently, the Directors have concluded that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

9.2 INVESTMENT IN SUBSIDIARY UNDERTAKINGS
The Company has a number of investments in subsidiary companies. Investments are valued at cost, less allowances for impairment. 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.

9.3 AMENDMENTS TO ACCOUNTING STANDARDS
The following standards, amendments and interpretations were applicable for the periods beginning after 1 January 2023 and therefore adopted by the Company for the period from 29 January 2023 to 27 January 2024. The adoption of these standards has not had a significant impact on the Company's results, financial position or disclosures:

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statements 2 Making Materiality Judgements (effective date 29 January 2023);
- 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 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (effective date 29 January 2023);
- IFRS 17 Insurance Contracts, Amendments to IFRS 17 and initial application of IFRS17 and IFRS 9 – Comparative Information (effective date 29 January 2023).

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

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (effective date 28 January 2024);
- Amendments to IAS 7 Statement of Cash Flows and IFRS 17 Insurance Contracts: Supplier Finance Arrangements (effective date 28 January 2024);
- Amendments to IFRS 16: Lease liability in a Sale and Leaseback (effective date 28 January 2024);
- Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (effective 26 January 2025).

10 PROFIT AND LOSS OF THE COMPANY FOR THE YEAR
As permitted by Section 408 of the Companies Act 2006, John Lewis plc has not presented its own income statement or statement of comprehensive income/(expense). The result dealt with in the accounts of the Company amounted to £35m loss (2023: £4m profit). There was £2m dividend income in the year (2023: £nil).

Details of auditor's remuneration are provided in note 2.7 to the consolidated financial statements of the Group.

Notes to the company financial statements (continued)
11 PARTNERS
11.1 PARTNER NUMBERS

The Partner numbers and benefits referred to below relate to Partners contracted by the Company in John Lewis branches and central functions. Full employee numbers are provided in note 2.9.1 to the consolidated financial statements of the Group.

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

	2024	2023
John Lewis	**20,500**	21,100
Other	**2,800**	2,600
	23,300	23,700

11.2 PARTNER PAY AND BENEFITS

Employment and related costs were as follows:

	2024 £m	2023 £m
Staff costs:		
Wages and salaries	**(643)**	(614)
Social security costs	**(55)**	(55)
Partnership Bonus	**-**	-
Employers' National Insurance on Partnership Bonus	**-**	-
Cost of living payment	**-**	(9)
Other pension expenses	**(65)**	(64)
Long leave cost	**(2)**	(5)
Total before Partner discounts	**(765)**	(747)
Partner discounts (excluded from revenue)	**(47)**	(52)
	(812)	(799)

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

	2024 £m	2023 £m
Salaries and short-term benefits	**(7)**	(6)
Post-employment benefits[1]	**(1)**	(1)
Termination provisions[2]	**(1)**	(1)
	(9)	(8)

[1] Includes cash supplements in lieu of future pension accrual.
[2] Includes contractual payments and compensation for loss of office.

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

Notes to the company financial statements (continued)
11 PARTNERS (CONTINUED)
11.2 PARTNER NUMBERS (CONTINUED)

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

11.3 DIRECTORS' EMOLUMENTS

Directors' emoluments are disclosed in note 2.9.4 to the John Lewis Partnership plc's Annual Report and Accounts 2024.

12 INTANGIBLE ASSETS

Intangible assets	Computer software			
	Purchased	Internally developed	Work in progress	Total
	£m	£m	£m	£m
Cost				
At 28 January 2023	198	557	61	816
Additions1	-	-	70	70
Transfers	57	27	(84)	-
Disposals and write-offs	(16)	(36)	2	(50)
At 27 January 2024	**239**	**548**	**49**	**836**
Accumulated amortisation				
At 28 January 2023	(130)	(394)	-	(524)
Charge for the year	(40)	(61)	-	(101)
Disposals and write-offs	16	37	-	53
At 27 January 2024	**(154)**	**(418)**	**-**	**(572)**
Net book value at 28 January 2023	**68**	**163**	**61**	**292**
Net book value at 27 January 2024	**85**	**130**	**49**	**264**

[1] For the 52 week period ended 27 January 2024, additions for the year include the non-cash capital expenditure accrual on intangible assets of £3m (2023: £2m).

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

There are three individually significant assets within the total carrying amount of intangible assets as at 27 January 2024: three are customer projects (£62m, 2023: £87m) and one relates to a distribution project (£108m, 2023: £107m). These assets have useful economic lives ranging from three to ten years.

During the year to 27 January 2024, computer systems valued at £84m (2023: £76m) were brought into use. This covered a range of selling, support, supply chain, administration and information technology infrastructure applications, with useful economic lives ranging from three to seven years.

Amortisation of intangible assets is charged within operating expenses.

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

Property, plant and equipment	Land and buildings	Fixtures, fittings and equipment	Assets in course of construction	Total
	£m	£m	£m	£m
At 28 January 2023	940	951	59	1,950
Additions1	13	2	80	95
Transfers	-	52	(52)	-
Disposals and write-offs	(11)	(79)	(26)	(116)
At 27 January 2024	**942**	**926**	**61**	**1,929**
Accumulated depreciation				
At 28 January 2023	(621)	(727)	-	(1,348)
Charge for the year2	(47)	(54)	-	(101)
Disposals and write-offs	23	70	-	93
At 27 January 2024	**(645)**	**(711)**	**-**	**(1,356)**
Net book value at 28 January 2023	319	224	59	602
Net book value at 27 January 2024	**297**	**215**	**61**	**573**

[1] For the 52 week period ended 27 January 2024, additions for the year include the non-cash capital expenditure accrual on property, plant and equipment of £11m (2023: £20m).

[2] For the 52 week period ended 27 January 2024, this includes an impairment charge of £30m to land and buildings (2023: £22m credit) and a credit of £2m to fixtures and fittings (2023: £6m credit).

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

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

Right-of-use assets	Land and buildings	Fixtures, fittings and equipment	Total
	£m	£m	£m
Net book value at 29 January 2022	692	40	732
Additions	6	1	7
Disposals including lease terminations, modifications and reassessments	(13)	-	(13)
Depreciation charge[1]	(48)	(8)	(56)
Net book value at 28 January 2023	**637**	**33**	**670**
Additions	18	16	34
Disposals including lease terminations, modifications and reassessments	(14)	-	(14)
Depreciation charge[1]	(18)	(8)	(26)
Net book value at 27 January 2024	**623**	**41**	**664**

[1] For the 52 week period ended 27 January 2024, this includes an impairment release of £25m (2023: charge of £8m).

Notes to the company financial statements (continued)

14 INVESTMENTS IN SUBSIDIARIES

The Company has the following investments at 27 January 2024.

	Shares in Group companies £m	Loans to Group companies £m	Total £m
At 28 January 2023	49	892	941
Movements	(3)	(231)	(234)
At 27 January 2024	**46**	**661**	**707**

During the current year, the company repurchased £3m of shares from one of its subsidiaries.

A list of subsidiary undertakings is provided in note 29.

15 INVESTMENTS IN AND LOANS TO JOINT VENTURE

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

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

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

John Lewis plc and 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 28 January 2023	2	2	4
Additions	-	(1)	(1)
At 27 January 2024	2	1	3
Share of profit			
At 28 January 2023	1	-	1
Share of profit	1	-	1
At 27 January 2024	2	-	2
At 28 January 2023	3	2	5
At 27 January 2024	**4**	**1**	**5**

16 INVENTORIES

Inventory	2024 £m	2023 £m
Finished goods and goods for resale	**403**	427
	403	427

The cost of inventory recognised as an expense by the Company in the year was £2,307m (2023: £2,448m). Provisions against inventories of £25m were charged (2023: £26m) to cost of sales.

Finished goods and goods for resale include a 'right to return goods' asset of £11m (2023: £12m). This relates to the Group's expected returns inventory based on previous rates of return.

17 TRADE AND OTHER RECEIVABLES

Trade and other receivables	2024 £m	2023 £m
Current:		
Trade receivables	**42**	46
Other receivables[1]	**114**	112
Prepayments	**64**	60
Accrued income	**39**	33
	259	251
Non-current:		
Other receivables	**4**	3
Prepayments	**9**	3
	13	6

[1] The Group operates the BonusSave scheme, a share incentive plan (SIP) which allows Partners to elect to invest part of their Partnership Bonus back into the Group (see John Lewis Partnership plc's Annual Report and Accounts note 5.1). Included within other receivables is a balance of £92m (2023: £87m) due from John Lewis Partnership Trust Limited in relation to SIP shares in issue but not allocated to Partners.

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

Within accrued income, there is £23m (2023: £20m) in relation to supplier income which has not yet been invoiced.

The Company recognises loss allowances for expected credit losses within operating expenses in the income statement. As at 27 January 2024, trade and other receivables of £25m (2023: £24m) were past due but not impaired. The ageing analysis of the past due amounts is as follows:

	2024 £m	2023 £m
Up to 3 months past due	**23**	24
3 to 12 months past due	**0**	0
Over 12 months past due	**0**	0
	23	24

Notes to the company financial statements (continued)

18 SHORT-TERM INVESTMENTS

	2024 £m	2023 £m
Short-term investments	**260**	-

For the 52 week period ended 27 January 2024, the effective interest rate on short-term investments was 5.4% (2023: 1.3%) and these investments had an average maturity of 109 days (2022: 93 days).

19 CASH AND CASH EQUIVALENTS

Cash and cash equivalents	2024 £m	2023 £m
Cash at bank and in hand	**65**	92
Short-term deposits	**844**	847
	909	939

For the 52 week period ended 27 January 2024, the effective interest rate on short-term deposits was 4.2% (2023: 1.4%) and these deposits had an average maturity of two days (2023: six days).

20 BORROWINGS AND OVERDRAFTS

	2024 £m	2023 £m
Current:		
Bank Loans[1]	**-**	(50)
61/8% bonds, 2025	**(300)**	-
Fair value adjustment for hedged element on bonds	**4**	
	(296)	(50)
Non-current:		
Bank loans	**(131)**	-
61/8% bonds, 2025	**-**	(300)
41/8% bonds, 2034	**(300)**	(300)
Unamortised bond transaction costs	**6**	6
Fair value adjustment for hedged element on bonds	**-**	6
	(425)	(588)

[1] £50m of term loans were repaid during 2023/24 (2022/23: £150m).

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

Notes to the company financial statements (continued)
21 TRADE AND OTHER PAYABLES

	2024 £m	2023 £m
Current:		
Trade payables	**(503)**	(531)
Amounts owed to parent company	**(100)**	(103)
Amounts owed to Group companies	**(572)**	(551)
Other payables	**(128)**	(147)
Other taxation and social security	**(113)**	(133)
Accruals	**(90)**	(108)
Deferred income	**(60)**	(69)
Partnership Bonus	**-**	-
	(1,566)	(1,642)
Non-current:		
Deferred income	**(22)**	(20)
	(22)	(20)

[1] The Company operates the BonusSave scheme, a share incentive plan (SIP) which allows Partners to elect to invest part of their Partnership Bonus back into the Company (see John Lewis plc Annual Report and Accounts note 5.1). Included within amounts owed to parent company is a balance of £104m in relation to the SIP shares in issue, of which £92m relates to SIP shares in issue but not allocated to Partners. There is an offsetting equivalent balance in relation to these shares included within other receivables. The remaining £12m relates to SIP shares held directly by Partners.

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

Included in deferred income are contract liabilities for free warranties of £26m (2023: £26m) and payments from customers for goods and services sold but not delivered of £41m (2023: £55m). During the year an amount of £17m (2023: £9m) was released to the income statement in relation to free warranties matching to the period over which the free warranties are utilised. The deferral for the year was £17m (2023: £11m). All of the contract liabilities for goods and services sold but not delivered at 28 January 2023 have been recognised as revenue in the 52 week period ended 27 January 2024.

22 LEASE LIABILITIES

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

	2024 £m	2023 £m
Depreciation charge for right-of-use assets (excluding impairment) (see note 13)	**(51)**	(56)
Interest expense on lease liabilities	**(47)**	(48)
Expense relating to short-term leases	**(3)**	(2)
Expense relating to variable lease payments not included in lease liabilities	**(1)**	(1)
Total cash outflow for leases comprising interest and capital payments	**(103)**	(100)
Additions to right-of-use assets (see note 13)	**34**	7
Carrying amount of right-of-use assets (see note 13)	**664**	670
Income from sub-leasing right-of-use assets	**3**	-

Lease liabilities repayable by instalments falling due after more than five years are £720m (2023: £770m).

Notes to the company financial statements (continued)

23 PROVISIONS

	Long leave £m	Customer refunds £m	Insurance claims £m	Reorganisation £m	Other £m	Total £m
At 28 January 2023	**(121)**	**(23)**	**(16)**	**(8)**	**(39)**	**(207)**
Charged to income statement	(12)	(48)	(8)	(8)	(3)	(79)
Released to income statement	-	-	1	3	1	5
Utilised	11	49	8	8	12	88
At 27 January 2024	**(122)**	**(22)**	**(15)**	**(5)**	**(29)**	**(193)**
Of which:						
Current	(38)	(22)	(7)	(5)	(16)	(88)
Non-current	(84)	-	(8)	-	(13)	(105)

The Group has a long leave scheme, open to all Partners, which provides up to six months' paid leave after 25 years' service. There is no proportional entitlement for shorter periods of service. The provision for the liabilities under the scheme is assessed on an actuarial basis, reflecting Partners' expected service profiles, salary growth, National Insurance and overtime earnings assumptions. The real discount rate applied differs from the real discount rate used for the Group's retirement benefits (note 6.1 to the consolidated financial statements) 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 Group's expected liability for returns of goods sold based on experience of rates of return.

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

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

Other provisions primarily include property-related costs.

Notes to the company financial statements (continued)
24 DEFERRED TAX
24.1 DEFERRED TAX

Deferred tax is calculated on temporary differences using a rate of 25.0% reflecting that the rate of Corporation Tax increased from 1 April 2023 to 25% for companies with profits over £250,000. The movement on the deferred tax account is shown below:

	2024 £m	2023 £m
Opening asset/(liability)	**99**	(52)
(Charged)/Credited to income statement	**(9)**	6
Credited to other comprehensive income	**49**	145
Closing asset	**139**	99

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 29 January 2022	(8)	(5)	(8)	(1)	(22)
Charged to income statement	(35)	(1)	-	-	(36)
At 28 January 2023	**(43)**	**(6)**	**(8)**	**(1)**	**(58)**
Charged to income statement	(2)	-	-	-	(2)
At 27 January 2024	**(45)**	**(6)**	**(8)**	**(1)**	**(60)**

Deferred tax assets/(liabilities)	**Tax and capital losses £m**	**Capital gains tax on land and buildings £m**	**Pensions and provisions £m**	**Other £m**	**Total £m**
At 29 January 2022	16	29	(82)	6	(31)
Credited/(charged) to income statement	47	1	(7)	2	43
Credited/(charged) to other comprehensive income/(expense)	-	-	147	(2)	145
At 28 January 2023	**63**	**30**	**58**	**6**	**157**
Credited/(charged) to income statement	(7)	(2)	1	1	(7)
Credited to other comprehensive income	-	-	45	4	49
At 27 January 2024	**56**	**28**	**104**	**11**	**199**

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

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

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future profits is probable.

Notes to the company financial statements (continued)

24.1 DEFERRED TAX (CONTINUED)

The deferred tax balance associated with the pension surplus has been adjusted to reflect the current tax benefit obtained in the financial year ended 30 January 2010, following the contribution of the limited partnership interest in JLP Scottish Limited Partnership to the pension scheme (see note 6.7 to the consolidated financial statements).

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

24.2 FACTORS AFFECTING TAX CHARGES IN CURRENT AND FUTURE YEARS

The main rate of UK corporation tax increased to 25% from 1 April 2023.

25 COMMITMENTS AND CONTINGENCIES

At 27 January 2024, contracts had been entered into for future capital expenditure of £5m (2023: £23m) of which £3m (2023: £19m) relates to property, plant and equipment and £2m (2023: £3m) relates to intangible assets.

26 RETIREMENT BENEFIT OBLIGATIONS

As disclosed in note 6.7 to the consolidated financial statements, the investment held by the pension scheme in JLP Scottish Partnership is £80m (2023: £70m). This represents a plan asset for the Company accounts which is added to the Group funded defined benefit deficit of £274m (2023: £88m deficit). The retirement benefit deficit of the Company as at 27 January 2024 was £207m with a funded deficit of £194m and an unfunded obligation of £13m (2023: £32m net deficit, with a £19m funded deficit and £14m unfunded obligation). Note 6.1 of the consolidated financial statements details the financial assumptions used.

27 SHARE CAPITAL

		2024		2023
	Authorised	**Issued and fully paid**	Authorised	Issued and fully paid
Share capital	**£m**	**£m**	£m	£m
Equity				
Deferred ordinary shares				
6,750,000 of £1 each	**7**	**7**	7	7

28 RELATED PARTY TRANSACTIONS

During the year, the Company provided administrative support services to charities related to the Company. The estimated value of these support services is £175,000 (2023: £167,000). The Company also made donations totalling £1m (2023: £1m) to the John Lewis & Partners Foundation.

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

The Company has a number of subsidiaries and related undertakings which contribute to the overall profitability of the Group. In accordance with section 409 of the Companies Act 2006 and Schedule 4 of The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, a full list of related undertakings, registered office addresses and the percentages of share class owned as at 27 January 2024 are disclosed below. Subsidiaries and related undertakings as at 27 January 2024 were as follows:

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 Clipper Logistics Group, Gelderd Road, Leeds, West Yorkshire LS12 6LT.
[4] The address of the registered office is PO Box 155, Mill Court, La Charroterie, St Peter Port, Guernsey GY1 4ET.
[5] The address of the registered office is John Lewis & Partners, 60 Leith Street, Edinburgh EH1 3SP.
[6] The address of the registered office is Suite 3201, Jardine House, 1 Connaught Place, Central, Hong Kong.
[7] The address of the registered office is 3rd Floor, Tower B, Signature Towers, South City, Sector - 30, Gurgaon, Haryana 122001, India.
[8] The address of the registered office is Number 22 Mount Ephraim, Tunbridge Wells, Kent TN4 8AS.
[9] The address of the registered office is 44 Esplanade, St Helier, Jersey JE4 9WG.
[10] Jonelle Limited has three classes of shares, each with a nominal value of £1.
[(i)] John Lewis Partnership Pensions Trust and JLP Scotland Limited are the Limited Partners. John Lewis plc is the General Partner.
[(ii)] JLP Scottish Limited Partnership and John Lewis Properties plc are the General Partners.

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

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

Ultimate control rests with John Lewis Partnership Trust Limited, which holds the deferred ordinary shares issued by John Lewis Partnership plc in Trust for the benefit of employees of the Partnership. Both of these companies are registered in England and Wales. Copies of the accounts for these companies may be obtained from the Company Secretary, John Lewis Partnership plc, 171 Victoria Street, London, SW1E 5NN.

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with UK-adopted international accounting standards (UK-adopted IFRS) and have elected to prepare the Company financial statements in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss for that period. In preparing each of the Group 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 Group and Company financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards (UK-adopted IFRS);
- assess the Group 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 Group or the 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 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 Group 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 Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board.

Sharon White and Bérangère Michel
Directors, John Lewis plc
7 May 2024

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

1. Our opinion is unmodified

We have audited the financial statements of John Lewis plc ("the Company") for the 52 - week period ended 27 January 2024 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 consolidated 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 27 January 2024 and of the Group's profit 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, including FRS 101 reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and we remain 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. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the Directors on 8 June 2016. The period of total uninterrupted engagement is for the eight financial periods ended 27 January 2024. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: Group financial statements as a whole	£25 million (2023: £22 million) 0.23% (2023: 0.21%) of Revenue	
Coverage	98% (2023: 98%) of Group Revenue	
Key audit matters		**vs 2023**
Recurring risks	Recoverability of the carrying amount of the property, plant and equipment and right-of-use assets	←→
	Defined benefit pension schemes (gross liability and valuation of level 3 assets)	↑
Parent Company recurring risk	Recoverability of parent Company's investment in subsidiary	←→

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 2023), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Recoverability of the carrying amount of property, plant and equipment and right-of-use assets **(£4,052 million, 2023: £4,202 million)** Refer to Page 56 to 57 (accounting policy) and page 58 to 62 (financial disclosures)	**Forecast-based assessment** Under IAS 36 'Impairment of Assets', the Group is required to complete an impairment review of its store portfolio where there are indicators of impairment or impairment reversal. Judgement is required in identifying indicators of impairment charges or reversals and estimation is required in determining the recoverable amount of the Group's store portfolio. The Group has significant property, plant and equipment (PPE) and right-of- use assets (ROUAs) held on the consolidated balance sheet. In the period a net impairment reversal of £14 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 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 of an individual store relies on a number of assumptions, most notably short-term sales growth and profit margin, 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 also required to assess whether the allocation of centralised costs to the CGUs is reasonable and to assess whether the CGU's recoverable amount falls within an acceptable range.	**Our procedures included:** We performed the tests below rather than seeking to rely on any of the Group'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 CGUs within the John Lewis operating segment. **Adequacy of impairment indicators:** Challenging management's assessment based on our knowledge of the business, its operating environment, industry knowledge, current market conditions and other information obtained during the audit. **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. **Methodology assessment:** We assessed the reasonableness of the methodology and the allocation of online revenue to CGUs within the John Lewis operating segment, after considering relevant macro-economic factors, market practice and various plausible alternatives. We assessed the reasonableness of the allocation of central costs to CGUs within the John Lewis and Waitrose operating segments, after evaluating the nature and/or drivers of these costs and whether they can be allocated reasonably and consistently to CGUs, taking into consideration various plausible alternatives. **Our sector experience:** We evaluated assumptions used, in particular those relating to forecast revenue growth and profit margins for the Waitrose and John Lewis stores.

	The risk	Our response
Recoverability 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 Group.	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 and market inputs used in deriving the forecast revenue growth and online allocation. We also engaged our macro-economics specialists to provide benchmark data for future growth over the next 4 years for the sectors in which John Lewis and Waitrose operate. We compared the forecasts used in the impairment model with the benchmark data. We evaluated multiple scenarios to assess whether changes in assumptions would result in a material adjustment to the impairment reversal. **Sensitivity analysis**: We performed sensitivity analysis to stress-test the impairment calculation to changes in short- term sales growth and profit margins, and specifically for CGUs within John Lewis operating segment, online sales allocation. **Assessing disclosures**: We also assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the recoverable amount of PPE and ROUAs. **Our results:** We found the carrying amount of PPE and ROUAs and the related impairment reversal to be acceptable (2023: acceptable).

	The risk	Our response
Defined benefit pension schemes (Gross liability £4,030 million (2023: £4,490 million) and valuation of level 3 assets £1,558 million (2023: £1,927 million) Refer to Page 78 (accounting policy) and	**Subjective valuation** A significant level of estimation is required in order to determine the valuation of the gross pension 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 there are a number of assets whose valuation requires significant judgement as a result of quoted prices being unavailable (level 3 assets).	**Our procedures included:** We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Assessing assumptions:** We used our actuarial specialists to challenge the key assumptions used to estimate the defined

	The risk	Our response
page 79 to 88 (financial disclosures)	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 class where significant audit effort and judgement was focused were investment properties. Level 3 holdings together represented £1,558 million (2023: £1,927 million) out of which £515 million (2023: £564 million) are investment properties for which a net asset valuation ("NAV") is not readily available. 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 assets has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements disclose the sensitivity estimated (note 6.6) by the Group.	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. 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. **Methodology choice:** We assessed the valuation methodologies used with reference to the Royal Institute of Chartered Surveyors for property and the International Private Equity and Venture Capital Valuation guidance (IPEV) for private equity funds. For private credit and infrastructure funds we assessed the valuation methodologies adopted for fair value principles consistent with the accounting framework. 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. **Assessing disclosures:** We considered the adequacy of the Group'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 obligation and valuation of level 3 assets to be acceptable (2023: acceptable).

	The risk	Our response
Recoverability of parent Company's investment in subsidiary (£707 million; 2023: £941 million) Refer to Page 98 (accounting policies) and Page 102 (financial disclosures)	**Low risk, high value** The carrying amount of the parent Company's investment in subsidiary balance amounts to £707 million (2023: £941 million). The recoverability of the balance 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 value of the investment in its subsidiary with the net assets of the relevant subsidiary included within the Group consolidation, to identify whether the net asset values of the subsidiary, being an approximation of its minimum recoverable amount, were in excess of the carrying amount. **Assessing subsidiary audits**: Assessing the work performed over its subsidiary and considering the results of the work on the subsidiary's profit and net assets. **Our results** We found that the Company's conclusion that there is no impairment of its investment in subsidiary to be acceptable (2023: acceptable).

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

Materiality for the Group financial statements as a whole was set at £25 million (2023: £22 million), determined with reference to a benchmark of Group revenue (as disclosed in note 2.1) of which it represents 0.23% (2023: 0.21%). 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 £18.80 million (2023: £19.75 million), determined with reference to a benchmark of Company total assets, of which it represents 0.52% (2023: 0.46%).

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% (2023: 75%) of materiality for the financial statements as a whole, which equates to £18.7 million (2023: £16.5 million) for the Group and £14.10 million (2023: £14.80 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 £1.25 million (2023: £1.0 million), in addition to other identified misstatements that warranted reporting on qualitative grounds. Out of the Group's 17 (2023: 17) reporting components, we subjected 4 components (2023: 5) to full scope audits for Group purposes and 1 component (2023: 1) was subjected to specified risk-focused audit procedures over property, plant, and equipment. The latter had specific risk related to the recoverability of assets.

The components within the scope of our work accounted for the following percentages: 98% of Group revenue (2023: 98%), 86% of Group total assets (2023: 85%) and 74% of Group profit before tax (2023: 84%). The remaining 2% of Group revenue (2023: 2%), 14% of Group total assets (2023: 15%) and 26% of Group profit before tax (2023: 16%) is represented by 12 reporting components (2023: 11), none of which individually represented more than 2% (2023: 5%) of Group revenue and Group total assets or more than 8% of (2023: 3%) Group profit before tax. For these residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team set the component materialities, which ranged from £3.4 million to £18.8 million (2023: £1.0 million to £19.8 million), having regard to the mix of size and risk profile of the Group across the components. The work on all 5 components (2023: 5 of the 6 components) 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.

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; and
- using analytical procedures to identify any unusual or unexpected relationships.

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

As required by auditing standards, we performed procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as impairment 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 components, except 4 components that were scoped out based on the size relevant to the Group based on risk criteria, and comparing the identified entries to supporting documentation. These included those posted by senior management, journals posted or approved by irregular users, journal entries posted to the accounts that are not frequently used, journals posted and approved by the same user, and post close journal entries; and

- 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.

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; General Data Protection Regulation (GDPR) compliance, Employment and social security legislation, including minimum wage and pension auto-enrolment, Tax legislation, Fraud, Bribery and Corruption, Money laundering, Foreign Corrupt Practices Act, Environmental protection legislation, including emissions trading & Climate Change Act 2008, Export control, Consumer Rights Act 2015 and Sale of Goods Act, Distance selling regulations, Market abuse regulation, Food Standards Act, Competition Law and Groceries Supply Code of Practice 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 111, 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. 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 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
8 May 2024