JOHN LEWIS PROPERTIES PLC

Company number: 00303301

Financial Statements for the year ended 25 January 2020

Contents

Company information

Company number:	00303301
Directors:	Sharon White Patrick Lewis Christopher Harris
Company Secretary:	Peter Simpson
Registered office:	171 Victoria Street, London, SW1E 5NN
Independent auditor:	KPMG LLP
Bankers:	Royal Bank of Scotland plc

Strategic report for the year ended 25 January 2020

Review of the business and future developments
John Lewis Properties plc ('the Company') primarily acts as a property holding company for John Lewis Partnership plc ('the Partnership') and owns some of the properties occupied by the Partnership. Most of its rental income derives from tenancy agreements with other Partnership companies.

John Lewis Properties plc's revenue at £30.8m was £19.6m lower than last year. The Company's revenue is rental income based on market valuations. Due to a decline in the market value of department store properties, rental income in the year fell. Operating profit before exceptional items decreased by £47.5m (117.3%) to an operating loss of £7.0m, predominantly as a result of impairment charges. Impairment charges arose across investment properties (£17.7m), right-of-use assets (£9.0m) and the investment in Scottish Partnership (£9.5m) as a result of our impairment testing. The impairment charge has arisen due to a fall in market values, and does not meet the criteria of our exceptional accounting policy and has therefore been recorded in operating profit.

Net exceptional income of £30.6m for the year (2019: £12.6m charge) includes:

- An impairment release which is the reversal of a prior year impairment. In 2018/19, following the signing of a lease variation contract for a John Lewis branch, an exceptional impairment charge of £12.6m was recognised. This impairment has now been released due to a change in circumstances and the lapsing of the lease variation. Accordingly, an exceptional credit of £12.6m has been recognised in the year; and
- Profit on disposal of £18.0m has been classified as exceptional. This includes the sale of a parcel of land belonging to our Waitrose Farm in the Leckford Estate, which is considered exceptional due to the size of the transaction and the proportion of land being sold. This also includes a property sale arising from a distribution review conducted in 2017/18 which was previously classified as exceptional.

Profit for the year increased by £3.5m (21.9%). Net assets increased £19.7m (2.0%) to £1,012.7m, and the fair value of investment property is estimated to be £825.6m, down 2.6% from £847.8m last year.

Given the nature of the Company's activities, the Company's Directors believe that specific KPIs are not necessary or appropriate for an understanding of the Company's development, performance, or the position of its business.

Financial risk management
John Lewis Properties plc's financial risks are managed within the framework of the John Lewis Partnership plc's arrangements. The principal financial risks to which the Partnership is exposed relate to the capital structure and long-term funding of the Partnership and also to the markets and counterparties the Partnership is exposed as part of 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. Details of the Partnership's financial risk management policies are included in note 7 of the Partnership's Annual Report and Accounts.

Principal risks and uncertainties
The principal risks and uncertainties facing the Company are in line with John Lewis Partnership plc. The risks that are most relevant to John Lewis Properties plc are: competition and economic environment and in addition property valuation, which is the risk that the market shifts against the retail sector and current channel format causes a fall in freehold estate valuation.

Strategic report for the year ended 25 January 2020 (continued)

Principal risks and uncertainties (continued)

Details of key mitigations to these principal risks and uncertainties are presented on pages 46 to 50 of the Partnership's Annual Report and Accounts. The economic environment over the past year was challenging. It is now both changed and unprecedented as a result of the Coronavirus pandemic, the impacts of which are being actively managed in relation to the Partnership's customers, Partners and business, most significantly across our supply chain, stores and online operations. Brexit continues to provide a less immediate but nevertheless uncertain backdrop and the Company has continued to take a proactive approach to preparing for Brexit. Further information is presented on page 50 of the Partnership's Annual Report and Accounts.

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

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

The Company's ultimate parent company is John Lewis Partnership plc ('the Partnership'), which is owned in Trust for the benefit of its members, the Partners employed in the Partnership. Whilst being Directors of John Lewis Properties plc, and having acted in a way they consider is most likely to promote the success of the Company, the Directors on the Board are also members of the Partnership's Senior Leadership Team which manages the Partnership's business as part of the Partnership's governance structure. In carrying out their duties, the Directors had in mind the Principles of the Partnership set out in the Partnership's Constitution (available online at www.johnlewispartnership.co.uk). These Principles are consistent with the requirements of Section 172(1) in that they say how the Partnership - including the Company - should operate and how it should conduct its relationships with Partners (both as the Company's members and as employees of John Lewis plc assigned to work for the Company), customers, suppliers and other stakeholders and the communities in which it operates. Further information on decision-making and engagement with stakeholders in the Partnership can be found in the Partnership's Annual Report and Accounts available at www.johnlewispartnership.co.uk

The purpose of the Partnership is set out in Principle 1 of the Constitution: "The Partnership's ultimate purpose is the happiness of all its members, through their worthwhile and satisfying employment in a successful business". Principle 3 of the Constitution says that "the Partnership aims to make sufficient profit from its trading operations to sustain its commercial vitality, to finance its continued development, to distribute a share of those profits each year to its members, and to enable it to undertake other activities consistent with its ultimate purpose". These two Principles are the core fundamentals that underpin the Company's strategic direction. In setting the strategic direction of the Company, Directors also take into account the principal risks facing the business.

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

Stakeholders
Our key stakeholders are our Partners, who are at the heart of our purpose and work in service of our customers. Our direct customers are other companies in the Partnership but, like them, we are focused on responding to the needs of, and building long-term relationships with, retail customers. Other key stakeholders are other landholders with whom we transact, and the communities in which we operate.

Strategic report for the year ended 25 January 2020 (continued)

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

Long-term sustainability
We aim to make sufficient profit to sustain the Partnership's commercial vitality. This balanced against the needs of our customers, Partners and other stakeholders and the community to ensure we are conducting all our business relationships with integrity. The long-term sustainability of the Company is at the forefront of decision making, particularly in response to the challenging conditions in retail and, since the year end, the Coronavirus pandemic.

Partners
Information on the engagement methods in the Partnership, which are used by the Company's Directors, are in the Partnership's Annual Report available at www.johnlewispartnership.co.uk

Customers
The Customer Research Team collects data on Partnership customers through surveys, face to face research, customer feedback to Partners and contact centres and external data sources. Regular customer reports are produced for management and are regularly shared with Directors, and provide insight into the future property needs of the Partnership companies.

Producers and suppliers
We work closely with other landholders, developers, and a range of legal and professional service providers. The Company has taken measures to prevent modern slavery and human trafficking in its business and supply chains. Further information is available at www.johnlewispartnership.co.uk/csr

Financial stakeholders
The Company seeks to make information available to financial stakeholders as part of information provided about and by the Partnership. This includes contact details should stakeholders wish to discuss anything directly. Directors regularly participate in financial updates and announcements made by the Partnership, which gives stakeholders an opportunity to engage directly with them.

Community and environment
The Partnership's Constitution requires Directors to take all reasonable steps to minimise any detrimental impact the Company's operations may have on the environment. We have set ambitious targets to reduce the environmental impact of our buildings. Full detail of our performance against these targets and of activities designed to help Partners and communities thrive, such as The Golden Jubilee Trust, is available in the Partnership's Annual Report and Accounts and at www.johnlewispartnership.co.uk/csr

Business conduct
The Company aims to conduct all its business relationships with integrity and courtesy, and scrupulously to honour every business agreement.

Acting fairly as between the Company's owners
Because the Partnership is held in Trust for the benefit of its members, all Partners share an obligation to improve the Company in the knowledge that they share the rewards of success. The share of profit is in the form of Partnership Bonus.

Approved by the Directors and signed on behalf of the Board

Patrick Lewis
Director
22 May 2020

Directors' report for the year ended 25 January 2020

The Directors present their report and the audited financial statements for the year ended 25 January 2020.

Principal activity
John Lewis Properties plc is incorporated and registered in England and Wales. The Company is primarily a property owning Company and is a wholly owned subsidiary of John Lewis plc, within the John Lewis Partnership ('the Partnership').

There are no plans to change the business activities of the Company.

Directors and Company Secretary
The Directors of the Company and the Company Secretary who served during the year and at the date of the signing of this report include:

Sharon White (Chairman, appointed 4 February 2020)
Sir Charlie Mayfield (Chairman, resigned 4 February 2020)
Patrick Lewis
Christopher Harris (appointed on 11 April 2019)
Peter Simpson (Company Secretary)

Results and dividends
The Company's profit before taxation for the year ended 25 January 2020 is £21.6m (2019: £27.9m). The share capital of the Company is wholly owned by John Lewis plc. The Directors do not recommend the payment of a dividend (2019: £nil).

John Lewis Properties plc guarantee
In January 2017 John Lewis Properties plc entered into a corporate guarantee in favour of John Lewis Partnership Pensions Trust with regards to pension obligations due to the Pensions Trust from John Lewis plc.

The effect of the 2017 guarantee is that in the event John Lewis plc fails to make any payments due to the scheme for any reason, then the pension scheme can claim against John Lewis Properties plc for those payments.

Associated with the provision of the 2017 guarantee, John Lewis Properties plc entered into a 10-year Deed of Undertaking with John Lewis Partnership Trust for Pensions which sets out a number of undertakings which John Lewis Properties plc must comply with during the 10-year period of the Deed. The principal undertaking is that John Lewis Properties plc must maintain an adjusted net asset value of at least £800m from 2018 until the end of the Deed.

Health and safety
The Company adopts the Partnership's arrangements in respect of health and safety. The Partnership is committed to going about its business in a way that avoids, so far as is reasonably practicable, causing harm to people or property, and to promoting, through its extensive occupational health service, the wellbeing of its workforce. The Partnership cannot expect to eliminate health and safety risk totally from the workplace but its current priority is to ensure that management at all levels know and understand the risks within their areas of responsibility.

Directors' responsibilities
The Statement of Directors' responsibilities in relation to the financial statements is set out on page 29.

Directors' report for the year ended 25 January 2020 (continued)

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

Going concern
The Directors, having reviewed the Company's current performance, forecasts and financing arrangements, including specific consideration of the current Coronavirus outbreak (see the Partnership's Annual Report and Accounts, page 51), consider, at the approval date of these accounts, that the Company has sufficient resources to continue in operation and meet its liabilities as they fall due. Accordingly, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the Company's financial statements.

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

Directors' and Officers' liability insurance
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 each Trustee of the Partnership's Pension Fund, in respect of liabilities that may attach to them in their capacity as a Trustee. As a former Trustee of the Partnership's Pension Fund, Patrick Lewis has the benefit of this indemnity in relation to his term as Trustee from August 2009 to September 2015.

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

Disclosure of information to the auditor
Each of the persons who are Directors at the date of approval of this report confirms that:

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

Approved by the Directors and signed on behalf of the Board

Patrick Lewis
Director
22 May 2020

Statement of comprehensive income
for the year ended 25 January 2020

Notes		2020 £m	2019 £m
	Revenue		
	Rent receivable	**30.8**	50.4
	Rent payable	**(0.9)**	(3.6)
9	Other operating income	**4.6**	4.4
	Administrative expenses	**(54.2)**	(12.8)
2	Profit on disposal of property	**12.7**	2.1
3	**Operating (loss)/profit before exceptional items**	**(7.0)**	40.5
4	Exceptional items	**30.6**	(12.6)
	Operating profit	**23.6**	27.9
5	Finance costs	**(2.0)**	-
	Profit before tax	**21.6**	27.9
6	Taxation	**(2.1)**	(11.9)
	Profit and total comprehensive income for the year	**19.5**	16.0

The accompanying notes form part of these financial statements.

Balance sheet
as at 25 January 2020

Notes		2020 £m	2019 £m
	Non-current assets		
7	Investment properties	**602.6**	590.3
8	Right-of-use assets	**27.7**	-
9	Investment in JLP Scottish Partnership	**57.3**	44.6
10	Trade and other receivables	**1.5**	1.4
		689.1	636.3
	Current assets		
10	Trade and other receivables	**6.5**	1.5
11	Assets held for sale	**0.5**	9.4
	Amount due from fellow group undertakings	**430.0**	421.4
		437.0	432.3
	Total assets	**1,126.1**	1,068.6
	Current liabilities		
12	Trade and other payables	**(9.1)**	(0.6)
	Current tax payable	**(5.9)**	(9.7)
13	Lease liabilities	**(0.6)**	-
		(15.6)	(10.3)
	Non-current liabilities		
13	Lease liabilities	**(36.9)**	(1.2)
6	Deferred tax liabilities	**(60.9)**	(64.1)
		(97.8)	(65.3)
	Total liabilities	**(113.4)**	(75.6)
	Net assets	**1,012.7**	993.0
	Equity		
14	Share capital	**25.7**	25.7
	Share premium account	**1.2**	1.2
	Retained earnings	**985.8**	966.1
	Total equity	**1,012.7**	993.0

The accompanying notes form part of these financial statements.

Registered Company number: 00303301

The financial statements on pages 8 to 28 were approved by the Board of Directors on 22 May 2020 and signed on their behalf by

Patrick Lewis
Director
22 May 2020

Statement of changes in equity for the year ended 25 January 2020

	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
Balance at 27 January 2018	25.7	1.2	950.1	977.0
Profit for the year	-	-	16.0	16.0
Balance at 26 January 2019	25.7	1.2	966.1	993.0
Adjustment on initial application of IFRS 16[1]	-	-	0.2	0.2
Adjusted balance at 27 January 2019	25.7	1.2	966.3	993.2
Profit for the year	-	-	19.5	19.5
Balance at 25 January 2020	**25.7**	**1.2**	**985.8**	**1,012.7**

[1] The Company has initially applied IFRS 16 at 27 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in retained earnings at the date of initial application (see note 1).

Notes to the financial statements

1. Accounting policies

Accounting convention and basis of preparation

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

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) as adopted by the European Union. 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 IAS 7 to present a cash flow statement;
- The requirements of paragraph 17 of IAS 24, Related Party Disclosures, to disclose information related to key management personnel, and the requirements of IAS 24 to disclose related party transactions between two or more members of a group for wholly owned subsidiaries;
- The requirements of IFRS 7 Financial Instruments: Disclosures;
- The requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- The requirements of paragraphs 30 and 31 of IAS 8 to disclose information assessing the possible impact of new standards issued but which are not yet effective;
- 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 paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets; and
- The requirements of paragraph 52, 58, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.

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

The financial year is the 52 weeks ended 25 January 2020 (prior year: 52 weeks ended 26 January 2019).

Notes to the financial statements (continued)

1. Accounting policies (continued)

Going concern
In determining the appropriate basis of preparation of the financial statements for the year ended 25 January 2020, the Directors are required to consider whether the Company can continue in operational existence for the foreseeable future. The Directors has concluded that it is appropriate to adopt the going concern basis, having undertaken an assessment of the financial forecasts with specific consideration to the trading position of the Company in the context of the current Coronavirus pandemic. Accordingly, the Directors are satisfied that it is appropriate to adopt the going concern basis of preparing the Company's financial statements.

As at 25 January 2020, the Company had total assets less current liabilities of £1.1bn and net assets of £1.0bn. The Directors have reviewed the rapidly evolving situation relating to Coronavirus and are expecting that the Company will remain operational making sufficient rental income to cover its expenses. Rental income is dependent on the liquidity of the John Lewis Partnership as a whole which as at 25 January 2020 was £1.4bn, made up of cash and cash equivalents, short term investments and undrawn committed credit facilities of £500m. The John Lewis Partnership liquidity position has not changed significantly since the balance sheet date.

Amendments to accounting standards
The following policy was adopted by the Company for the 52 weeks ended 25 January 2020 and has had a significant impact on the Company's profit for the year, equity and disclosures:

IFRS 16 'Leases' (applicable for the period beginning 27 January 2019)
IFRS 16 'Leases' specifies how to recognise, measure, present and disclose leases and replaces IAS 17 'Leases'. The Company has adopted IFRS 16 from 27 January 2019 using a modified retrospective transition approach, under which the cumulative effect of initial application is recognised in retained earnings at 27 January 2019. The comparative information presented for the year ended 26 January 2019 has not been restated and therefore continues to be shown under IAS 17.

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except in relation to sub-leases. Under IAS 17, the Company's sub-lease contracts were classified as operating leases. On transition to IFRS 16, the Company assessed the classification of these sub-lease contracts with reference to the right-of-use assets rather than the underlying assets, and concluded that they are operating leases under IFRS 16 because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

The main impact of IFRS 16 for the Company is the recognition of all future lease liabilities on the balance sheet for leases in which it acts as a lessee. Corresponding right-of-use assets have also been recognised on the balance sheet representing the economic benefits of the Company's right to use the underlying leased assets. The explanations which follow in the remaining paragraphs relate to leases in which the Company acts as a lessee.

Definition of a lease
Previously the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 'Determining Whether an Arrangement Contains a Lease'. The Company now 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 Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Amendments to accounting standards (continued)

Exemptions on transition to IFRS 16
On transition to IFRS 16, the Company has elected to apply the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Excluding initial direct costs from measuring the right-of-use assets at the transition date;
- Using hindsight when determining the lease term where the contract contains options to break or renew; and
- For leases determined to be onerous before the transition date, relying on this assessment as an indicator of impairment as an alternative to performing an impairment review.

On transition to IFRS 16, the Company did not elect to grandfather the assessment of which contracts are leases.

IAS 17 – Operating leases
For all periods prior to 27 January 2019, the Company classified the majority of its property leases as operating leases under IAS 17. Operating lease rental payments were recognised as an expense in the income statement on a straight-line basis over the lease term.

On transition to IFRS 16, these lease liabilities recognised were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at 27 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities at 27 January 2019 was 5.8%.

IAS 17 – Finance leases
For all periods prior to 27 January 2019, the Company previously held operating leases under IAS 17 for the land elements of a small number of long leasehold property leases. The building elements of these leases were classified as finance leases under IAS 17. These finance leases are on terms that transfer to the Company substantially all the risks and rewards of ownership. The accounting treatment for finance leases under IAS 17 is similar to the accounting treatment for leases under IFRS 16. Leased assets are capitalised at inception at fair value or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. The interest element of the finance lease rentals is charged to the income statement and the capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

For finance leases the carrying amounts of the right-of-use assets and the lease liabilities on transition at 27 January 2019 were equal to the carrying amounts of the finance lease assets and finance lease liabilities recognised at the 26 January 2019 year-end under IAS 17.

Under IFRS 16, there is no longer a distinction between operating and finance leases. As a result, these property leases have been remeasured on transition to account for the land and building elements as part of the same lease, with future lease payments discounted at the incremental borrowing rate applicable on 27 January 2019. The existing finance lease assets and finance lease liabilities in relation to these property leases have been written off to reserves on transition.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Amendments to accounting standards (continued)

The following table presents the reconciliation of lease liabilities at 27 January 2019:

	£m
Minimum lease payments under non-cancellable operating leases at 26 January 2019	(100.2)
Minimum lease payments under non-cancellable finance leases at 26 January 2019	(1.8)
Discounted using the incremental borrowing rate at 27 January 2019	(37.7)
Lease liabilities recognised at 27 January 2019	(37.7)

Transition

The opening balance sheet position as at 27 January 2019 has been restated on transition to IFRS 16. The Company recognised additional right-of-use assets, lease liabilities and deferred tax liabilities as well as a reduction in prepayments, deferred income, provisions and property, plant and equipment (including finance lease assets and the corresponding liabilities), recognising the difference in retained earnings. Comparative periods have not been restated.

	£m Increase/ (decrease)
Assets	
Property, plant and equipment – Finance lease assets	(0.7)
Right-of-use assets	38.0
Prepayments	(0.6)
	(Increase)/ decrease
Liabilities	
Lease liabilities – current	(0.4)
Lease liabilities – non current	(37.3)
Lease liabilities – previous finance lease liabilities - non current	1.2
	(Increase)/ decrease
Equity	
Retained earnings	(0.2)

Notes to the financial statements (continued)

1 Accounting policies (continued)

Amendments to accounting standards (continued)
The following standards, amendments and interpretations were applicable for the period beginning 27 January 2019, and were adopted by the Company for the year ended 25 January 2020. They have not had a significant impact on the Company's profit for the year, equity or disclosures:

- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- IFRIC 23: Uncertainty over Income Tax Treatments
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Annual Improvements to IFRS Standards 2015-2017 Cycle

The following are new accounting standards and amendments to existing standards that have been published and are applicable for the Company's accounting periods beginning 26 January 2020 onwards, which the Company has not adopted early:

- Amendments to References to Conceptual Framework in IFRS Standards
- Amendments to IFRS 3: Definition of a Business
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

The adoption of these standards is not expected to have any impact on the Company's financial statements.

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

Other assets
Other assets are held at cost.

Investment property
Property that is held for either long-term rental yields or for capital appreciation, or for both, and that is not occupied by the Company is classified as investment property. Investment property comprises freehold land and freehold buildings. Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at cost less accumulated depreciation and impairment losses. The disclosed fair value of investment property is deemed to be market value. If an investment property becomes owner occupied it is reclassified as a tangible fixed asset. Property that is being constructed or developed for future use as investment property is classified as an asset in the course of construction and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

Right-of-use assets
Right-of-use assets are initially measured at cost, which is an amount equal to the corresponding Lease liabilities adjusted for any lease payments made at or before the commencement date, less any lease incentives received.

Notes to the financial statements (continued)

1 Accounting policies (continued)

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

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

Depreciation
No depreciation is charged on freehold land and 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 their expected useful economic life (UEL), at the following rates:

- Freehold and long leasehold buildings - 2% to 4%
- Other leasehold buildings - over the shorter of the useful economic life and the remaining period of the lease

Property residual values are assessed as the price in current terms that a property would be expected to realise, if the buildings were at the end of their useful economic life. The assets' residual values and useful economic lives are reviewed and adjusted if appropriate at least at each balance sheet date.

For right-of-use assets depreciation is calculated on a straight-line basis over the expected useful economic life 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.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Lease liabilities – as a lessee
The Company 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 Company 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 Company 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 Company's incremental borrowing rate. Generally, the Company 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 Company has elected to apply the exemption for recognising right-of-use assets and lease liabilities on the balance sheet for leases 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.

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

Lease liabilities – as a lessor
The Company leases out its investment property and right-of-use assets. When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset. When the Company is an intermediate lessor, it assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Taxation
Tax on the profit or loss for the year comprises current and deferred taxation. Tax is recognised in the statement of comprehensive income.

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 of liability in a transaction, other than a business combination, that at the time of the transaction affects neither the 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.

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.

Trade and other receivables
Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost less an allowance for expected credit losses, using the simplified approach under IFRS 9. 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 life of each financial asset.

Investments
Investments are valued at cost, less allowances for impairment. Impairment reviews are performed at least annually or whenever events or circumstances indicate that the value on the balance sheet may not be recoverable.

Revenue
Revenue is generated solely from contracts with customers. Revenue is recognised when the Company has satisfied its performance obligations by transferring a service promised under the relevant lease obligations.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Critical accounting estimates and key judgements

Estimates and key 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 assumptions concerning the future. The resulting accounting estimates will, by definition, be likely to differ from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment
In line with the Company's accounting policy, management must assess the value in use of each CGU when testing for impairment. This requires estimation of the present value of future cash flows expected to arise from the continuing operation of the CGU. These estimates require assumptions over future incomes, future costs and long-term growth rates, as well as the application of an appropriate discount rate.

Were there to be significant changes in these assumptions, it could materially impact the amount charged as impairment during the year, or lead to the reversal of impairment charges recognised in previous years.

Depreciation
Depreciation is recorded to write down non-current assets to their residual values over their useful economic lives (UELs). Management must therefore estimate the appropriate UELs to apply to each class of asset. 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.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Critical accounting estimates and key judgements (continued)

Exceptional items
Exceptional items are those where, in management's opinion, their separate reporting provides a better understanding of the Company's underlying business performance; and which are significant by virtue of their size and nature. In considering the nature of an item, management's assessment includes, both individually and collectively, each of the following:

- 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 Company's underlying business performance.

Lease terms
The Company has applied judgement to determine the lease term for those lease contracts that include a renewal or break option. The assessment of whether the Company is reasonably certain to exercise a renewal option or reasonably certain not to exercise a break option significantly impacts the value of lease liabilities and right-of-use assets recognised on the balance sheet.

Extension options and break clauses are included in a number of the Company's leases. These are used to maximise flexibility in terms of managing the assets used in the Company's operations. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not utilise a break clause.

Extension options (or periods after break clauses) are only included in the lease term if the lease is reasonably certain to be extended (or break clause not utilised).

For leases of branches, distribution centres, offices and vehicles, the following factors are considered the most relevant:

- If there are significant penalties to break leases (or not extend), the Company is typically reasonably certain to extend (or not to utilise the break clause);
- If any leasehold improvements are expected to have significant remaining value, the Company is typically reasonably certain to extend (or not utilise the break clause); and
- The Company considers other factors including the likely value of future rentals, the importance of the underlying assets to the Company's operations, whether the asset is specialised in nature and the costs and business disruption required to replace the leased asset.

Notes to the financial statements (continued)

2. Profit on disposal of properties (before exceptional items)

	2020 £m	2019 £m
Profit on disposal of properties	**12.7**	2.1

3. Operating profit before exceptional items

	2020 £m	2019 £m
Operating profit before exceptional items is stated after crediting/(charging) the following:		
Operating lease income - land and buildings	**30.8**	50.4
Operating lease expense - land and buildings[1]	**(0.9)**	(3.6)
Depreciation[2]	**(47.9)**	(14.2)
Impairment on investment	**(9.5)**	-

[1] Since transition to IFRS 16 on 27 January 2019, only lease rentals of variable and contingent rent have been charged to the income statement. Contingent rents for 2019 were £0.9m. Contingent rents are determined based on store revenues.
[2] Included within depreciation are impairment charges of £26.7m (2019: £nil).

Auditor's remuneration in the year was £19,011 (2019: £18,025).

4. Exceptional items

The net exceptional income of £30.6m for the year (2019: £12.6m charge) includes;

- An impairment release which is the reversal of a prior year impairment. In 2018/19, following the signing of a lease variation contract on a John Lewis branch, an exceptional impairment charge of £12.6m was recognised. This impairment has now been released due to a change in circumstances and the lapsing of the lease variation. Accordingly, an exceptional credit of £12.6m has been recognised in the year; and
- Profit on disposal of £18.0m has been classified as exceptional due to the nature and size of these transactions. This includes the sale of a parcel of land belonging to our Waitrose Farm in the Leckford Estate, which is considered exceptional due to the size of the transaction and the proportion of land being sold. This also includes a property sale arising from a distribution review conducted in 2017/18 which was previously classified as exceptional.

5. Finance costs

	2020 £m	2019 £m
Lease interest expense[1]	**(2.0)**	-

[1] The Company has initially applied IFRS 16 at 27 January 2019, using the modified retrospective approach. Under this approach comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in retained earnings at the date of initial application.

Notes to the financial statements (continued)

6. Taxation

6.1 Analysis of tax charge for the year

	2020 £m	2019 £m
Analysis of tax (charge)/credit:		
Current tax - current year	**(5.9)**	(9.6)
Current tax - adjustments in respect of previous years	**0.6**	(1.7)
Total current tax charge	**(5.3)**	(11.3)
Deferred tax - current year	**3.8**	1.4
Deferred tax - changes in tax rate	**(0.4)**	(0.1)
Deferred tax - adjustments in respect of previous years	**(0.2)**	(1.9)
Total tax charge	**(2.1)**	(11.9)

6.2 Factors affecting tax charge in the year

The tax charge for the period is lower (2019: higher) than the standard corporation tax rate of 19.0% (2019: 19.0%). The differences are explained below:

	2020 £m	2019 £m
Profit on ordinary activites before tax	**21.6**	27.9
Profit before tax multiplied by standard rate of corporation tax in the UK of 19.0% (2019: 19.0%)	**(4.1)**	(5.3)
Effects of:		
Changes in tax rate	**(0.4)**	(0.1)
Adjustment to tax in respect of prior years	**0.4**	(3.5)
Depreciation on assets not qualifying for tax relief	**(2.9)**	(3.9)
Differences between accounting and tax base for land and buildings	**4.9**	0.9
Total tax charge	**(2.1)**	(11.9)
Effective tax rate	**9.7%**	42.7%

6.3 Deferred tax

Deferred tax is calculated on temporary differences using a rate of 19% where assets or liabilities were expected to reverse during the accounting period to 25 January 2020, 17.33% for those expected to reverse during the accounting period to 30 January 2021 and 17% for those expected to reverse in later periods.

The movement on the deferred tax accounts is shown below:

	2020 £m	2019 £m
Opening liability	**(64.1)**	(63.5)
Credited/(Charged) to statement of comprehensive income	**3.2**	(0.6)
Closing liability	**(60.9)**	(64.1)

Notes to the financial statements (continued)

6. Taxation (continued)

6.3 Deferred tax (continued)

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

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

	Accelerated tax depreciation	Capital gains tax on land and buildings	Revaluation of land and buildings	Rollover gains	Other	Total
	£m	£m	£m	£m	£m	£m
At 27 January 2018	(26.5)	(2.5)	(5.0)	(29.5)	-	(63.5)
(Charge)/credit to statement of comprehensive income	(1.5)	0.7	0.2	-	-	(0.6)
At 26 January 2019	(28.0)	(1.8)	(4.8)	(29.5)	-	(64.1)
Credit/(charge) to statement of comprehensive income	0.9	0.9	(1.4)	1.3	1.5	3.2
At 25 January 2020	**(27.1)**	**(0.9)**	**(6.2)**	**(28.2)**	**1.5**	**(60.9)**

The net deferred tax liability at 25 January 2020 was £60.9 m (2019: £64.1m).The net deferred tax liability is recoverable after more than one year.

6.4 Factors affecting tax charges in current and future years

Legislation has been enacted (Finance Act 2016) to reduce the corporation tax rate from 19% to 17% from 1 April 2020. However the Government announced in the Spring Budget on 11 March 2020 that the corporation tax rate will remain at 19%. At the balance sheet date legislation had not yet been amended and therefore the substantively enacted rate for the purposes of determining the deferred tax recognition rate for assets and liabilities expected to reverse in periods overlapping 1 April 2020 and later remains at 17%.

If the corporation tax rate of 19% had been substantively enacted as at 25 January 2020 the deferred tax movement would have been as follows:

	2020
	£m
Opening liability	(64.1)
Charged to statement of comprehensive income	(4.0)
Charged to reserves	(0.1)
Closing liability	(68.2)

The movement largely relates to accelerated tax depreciation.

Notes to the financial statements (continued)

7. Investment properties

	Land and buildings £m	Assets in the course of construction £m	Total £m
Cost			
At 26 January 2019	744.3	-	744.3
Adjustment on initial application of IFRS 16[1]	(1.2)	-	(1.2)
At 27 January 2019	743.1	-	743.1
Additions	33.5	1.3	34.8
Transfers in from WIP	1.3	(1.3)	-
Disposals	(7.6)	-	(7.6)
Transfers to assets held for sale[2]	21.8	-	21.8
At 25 January 2020	**792.1**	**-**	**792.1**
Accumulated Depreciation			
At 26 January 2019	(154.0)	-	(154.0)
Adjustment on initial application of IFRS 16[1]	0.5	-	0.5
At 27 January 2019	(153.5)	-	(153.5)
Charge for the year[3]	(24.6)	-	(24.6)
Disposals and other movements	1.5	-	1.5
Transfers to assets held for sale[2]	(12.9)	-	(12.9)
At 25 January 2020	**(189.5)**	**-**	**(189.5)**
Net book values:			
At 26 January 2019	590.3	-	590.3
At 25 January 2020	**602.6**	**-**	**602.6**

[1] The Company has initially applied IFRS 16 at 27 January 2019 which requires the recognition of right-of-use assets in place of finance lease assets. As a result, at 27 January 2019, land and building assets held under finance leases with a net book value of £0.7m have been reallocated and recognised as right-of-use assets. The Company has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated (see note 1).

[2] Transfers to assets held for sale includes the reclassification of a property with a net book value of £9.4m back to property, plant and equipment due to changes in circumstances. This is offset by properties with total carrying value of £0.5m which have been recorded as held for sale at 25 January 2020.

[3] For the year ended 25 January 2020 this includes a net impairment release of £5.1m to land and buildings.

In accordance with IAS 36, the Company reviews its property investment for impairment at least annually or whenever events or circumstances indicate that the value on the balance sheet may not be recoverable. Following the impairment review, the Company recognised an impairment charge to land and buildings in the year of £17.7m. This is offset by a release of £12.6m impairment which has been released due to changes in circumstances this year. This release was classified as exceptional, see note 4.

The fair value of investment property is estimated to be £825.6m (2019: £847.8m). The valuation basis used excludes John Lewis Partnership plc from being a potential tenant of the property (2019: valuation basis used excludes John Lewis Partnership plc as a potential tenant of the property).

Notes to the financial statements (continued)

7. Investment properties (continued)

The Company's investment properties and right-of-use assets are leased to tenants, primarily subsidiaries of the Partnership, under operating leases with rentals payable periodically. The Company has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Lease payments for the majority of contracts are subject to market review, usually annually. The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the year-end date:

	2020 £m
Within one year	**(29.5)**
Later than one year and less than five years	**(89.5)**
After five years	**(1,538.5)**

	2020 £m
Later than five years and less than ten years	**(150.1)**
Later than 10 years and less than 25 years	**(444.8)**
Later than 25 years and less than 50 years	**(484.0)**
After 50 years	**(459.6)**

8. Right-of-use assets

	Land and buildings £m	Total £m
Recognition of right-of-use assets on initial application of IFRS 16 at 27 January 2019[1]	38.0	38.0
Additions	0.4	0.4
At 25 January 2020	**38.4**	**38.4**
Accumulated depreciation		
Recognition of right-of-use assets on initial application of IFRS 16 at 27 January 2019[1]	-	-
Charge for the year[2]	(10.7)	(10.7)
Disposals and write-offs	-	-
At 25 January 2020	**(10.7)**	**(10.7)**
Net book values:		
Net book value at January 2019 – adjusted for IFRS 16	38.0	38.0
Net book value at January 2020	**27.7**	**27.7**

[1] The Company has initially applied IFRS 16 at 27 January 2019 which requires the recognition of right-of-use assets in relation to the Company's lease liabilities. As a result, at 27 January 2019, the Company recognised £38.0m of right-of-use assets related to those lease liabilities. The Company has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated (see note 1).

[2] For the year ended 25 January 2020 this includes a net impairment charge of £9.0m.

In accordance with IAS 36, the Company reviews its right-of-use assets for impairment at least annually or whenever events or circumstances indicate that the value on the balance sheet may not be recoverable. Following the impairment review, the Company recognised an impairment charge to land and buildings in the year of £9.0m.

Notes to the financial statements (continued)

9. Investments in JLP Scottish Partnership

As at 27 January 2018	44.6
As at 26 January 2019	44.6
Additions	52.3
Disposals	(30.1)
Impairment	(9.5)
As at 25 January 2020	**57.3**

In accordance with IAS 36, the Company reviews its investment in JLP Scottish Partnership for impairment at least annually or whenever events or circumstances indicate that the value on the balance sheet may not be recoverable. Following the impairment review, the Company recognised an impairment charge in the year of £9.5m (Jan 2019: £nil).

John Lewis Properties plc has a 40% (2019: 31%) investment in JLP Scottish Partnership, a property holding partnership. JLP Scottish Partnership allocates and distributes income and capital to its partners in accordance with the Scottish Partnership Agreement. During the year the Company received income amounting to £4.6m (2019: £4.4m).

10. Trade and other receivables

	2020	2019
	£m	£m
Due in less than one year:		
Other receivables	0.2	1.2
Other taxation	6.3	0.3
	6.5	1.5
Due in greater than one year:		
Prepayments	1.5	1.4
	1.5	1.4

Trade receivables are non-interest bearing and generally on credit terms of less than 90 days. Concentrations of credit risk are considered to be very limited. The carrying amount of trade and other receivables approximates to fair value and is denominated in Sterling. As of 25 January 2020 the Company had no impaired trade and other receivables and there were no amounts overdue (2019: £nil).

The Company recognises loss allowances for expected credit losses (ECLs) within administrative expenses in the income statement. As at 25 January 2020, trade and other receivables of £nil (2019: £nil) were partially or fully impaired.

11. Assets held for sale

At 25 January 2020, two property assets were recorded as held for sale with a total carrying value of £0.5m. Both of these properties have been sold since the year-end.

At 26 January 2019 there was one property asset recorded as held for sale with a carrying value of £9.4m. Following a change in circumstances this property is no longer classified as held for sale and has been reclassified as an investment property on the balance sheet.

Notes to the financial statements (continued)

12. Trade and other payables

	2020 £m	2019 £m
Current:		
Other payables	(0.4)	(0.3)
Other taxation	(8.3)	-
Deferred income	(0.4)	(0.3)
	(9.1)	(0.6)

13. Lease liabilities

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

	2020 £m	2019 £m
Depreciation charge for right of use assets,excluding impairment (see note 8)	**(1.7)**	-
Interest expense on lease liabilities (see note 5)	**(2.0)**	-
Expense relating to variable lease payments not included in lease liabilities	**(0.9)**	-
Total cash outflow for leases comprising interest and capital payments	**(2.7)**	-
Additions to right-of-use assets (see note 8)	**0.4**	-
Carrying amount of right-of-use assets (see note 8)	**27.7**	-
Carrying amount of lease liabilities – current	**(0.6)**	-
Carrying amount of lease liabilities – non-current	**(36.9)**	-

Lease liabilities falling due after more than five years are £33.7m (2019:£nil).

Prior to 27 January 2019, the Company recognised leases in line with IAS 17. Assets which were leased on terms that transferred substantially all the risks and rewards of ownership to the Company were treated as finance leases and capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. The interest element of finance lease rentals was charged to the income statement. From the 27 January 2019, the Company no longer recognises finance leases in line with IAS 17 and instead recognises right-of-use assets and lease liabilities in line with IFRS 16 (see above). Therefore the minimum lease payments under finance leases as at 25 January 2020 are deemed to be £nil (see note 1).

Finance lease liabilities

	2020 £m	2019 £m
Not later than one year	-	-
Later than one year but not more than five	-	(0.1)
More than five years	-	(1.7)
	-	(1.8)
Future finance charge on finance leases	-	0.6
Present value of finance lease liabilities	-	(1.2)

Of which:		
Not later than one year	-	-
Later than one year but no more than five	-	(0.1)
More than five	-	(1.1)

Notes to the financial statements (continued)

13. Lease liabilities (continued)

Prior to 27 January 2019, the Company recognised leases in line with IAS 17. Leases where the Company did not retain substantially all the risks and rewards of ownership of the asset were classified as operating leases. From the 27 January 2019, the Company no longer recognises operating leases in line with IAS 17 and instead recognises right-of-use assets and lease liabilities in line with IFRS 16 (see above). Therefore the future aggregate minimum lease payments payable under non-cancellable operating leases as at 25 January 2020 are deemed to be £nil (see note 1).

	2020	2019
	£m	£m
Future aggregate minimum lease payments under non-cancellable operating leases, payable:		
Within one year	-	(2.6)
Later than one year and less than five years	-	(10.8)
After five years	-	(86.8)

	2020	2019
	£m	£m
Amounts payable after five years comprise the following:		
Later than five years and less than 10 years	-	(14.1)
Later than 10 years and less than 20 years	-	(29.1)
Later than 20 years and less than 40 years	-	(17.2)
Later than 40 years and less than 80 years	-	(21.4)
After 80 years	-	(5.0)
	-	(86.8)

14. Share capital

	2020	2019
	£m	£m
Equity:		
Authorised and issued ordinary shares		
25,700,000 shares of £1 each	**25.7**	25.7

15. Directors and employees

The Directors are full time executives of John Lewis plc and no part of their remuneration relates to services to this Company. The Company had no employees during the year (2019: £nil). All staff engaged in the service of the Company are employees of John Lewis plc. No charges were made for their services (2019: £nil).

16. Parent Company and qualifying undertakings

The immediate parent undertaking is John Lewis plc, which is also the parent company of the smallest group to consolidate the financial statements of the Company. John Lewis Partnership plc, the Company's ultimate parent company, is the parent company of the largest group to consolidate these financial statements. Ultimate control rests with John Lewis Partnership Trust Limited, which holds the deferred ordinary shares issued by John Lewis Partnership plc in trust for the benefit of employees. All of these companies are registered in England and Wales. Copies of these financial statements may be obtained from the Company Secretary, John Lewis Partnership plc, 171 Victoria Street, London SW1E 5NN.

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

Notes to the financial statements (continued)

17. Subsequent events

The Coronavirus outbreak has developed rapidly in 2020 after our results were announced and with hindsight would have had a material impact on a number of judgements made in these accounts.

At 25 January 2020 the emerging Coronavirus outbreak was largely restricted to China with a few contained cases reported around the world. Whilst this presented a threat to the supply chain it was not forecast to impact day to day operations and therefore no impact was reflected in our sales performance and cost forecasts.

The Government announced on 23 March 2020 that shops selling "non-essential goods" including clothes and electronics stores will be closed immediately.

Whether the impact of Coronavirus is an adjusting or non-adjusting post balance sheet event is a significant judgement which impacts its treatment in these accounts. A post balance sheet event is adjusting if it provides more information about circumstances that existed at the year-end. The Company has concluded that Coronavirus is a non-adjusting post balance sheet event at 25 January 2020 on the basis that at that date:

- The World Health Organisation had not declared a global health emergency;
- There was no significant spread of the virus outside of China;
- There were no cases in the UK and no evidence that the virus was not contained in Europe at that stage; and
- Events such as the announcement or enactment of new measures to contain the virus or decisions taken by management are generally considered to be non-adjusting.

As a non-adjusting event we have therefore made no adjustments in these financial statements to account for the impact of Coronavirus above that which was known at 25 January 2020.

Whilst, the investment properties held by the Company are valued at cost and not revalued, we have considered the implications for the valuation of investment properties. The rapid spread of Coronavirus has led to a fall in global stock markets and significant volatility in property yields. In retail specifically, the temporary closure of stores and rapid shift of customer demand to online channels could have longer term implications for the value of investment properties. The high level of uncertainty and reducing number of transactions as evidence means valuers are struggling to assess the value of properties with a high degree of certainty. Therefore there is a risk of a fall in the valuation of investment properties held by the Company, but at the time of signing this is difficult to quantify.

Investment in Scottish Partnership

There is a requirement under the JLP Scottish Partnership funding structure, that JLP Scottish Partnership must maintain a minimum net assets value of £125m. As a result of a draft valuation of the properties owned by JLP Scottish Partnership performed on 31 March 2020 the Directors expect that a £5.8m (2019: net £22.2m) investment into Scottish Partnership will be made by John Lewis Properties Limited as required under the JLP Scottish Partnership funding structure. As this is based on circumstances that have arisen post year-end this has been disclosed as a non-adjusting post balance sheet event.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

Under company law the 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the 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 the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

By order of the Board

Patrick Lewis
Director

22 May 2020
171 Victoria Street, London, SW1E 5NN

KPMG

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

Opinion

We have audited the financial statements of John Lewis Properties Plc ("the company") for the year ended 25 January 2020 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 25 January 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that 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 its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and Directors' report

The Directors are responsible for the strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in 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.

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 29, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the 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 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.

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.

M Maloney

Michael Maloney (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square
London
E14 5GL

22nd May 2020