JOHN LEWIS PROPERTIES PLC

Company number: 00303301

Financial Statements for the year ended 26 January 2019

Contents

JOHN LEWIS PROPERTIES PLC

Company number: 00303301

Company information

Company number:	00303301
Directors:	Sir Charlie Mayfield 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

JOHN LEWIS PROPERTIES PLC

Strategic report for the year ended 26 January 2019

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

John Lewis Properties plc's revenue at £50.4m was £6.2m higher than last year. Operating profit before exceptional items increased by £9.3m (29.8%) to £40.5m.

An exceptional charge was recognised in relation to signing of an amended lease which resulted in an impairment adjustment of £12.6m (2018: nil). Profit for the year decreased by £13.5m (45.8%) to £16.0m predominately due to impairment provisions and higher tax charges.

Net assets increased £16.0m (1.6%) to £993.0m, and the fair value of investment property is estimated to be £847.8m, down 8.8% from £929.7m 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 the Partnership is exposed to relate to the capital structure and long-term funding of the Partnership and also to the markets and counterparties the Partnership is exposed to in its operations. 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.

Details of key mitigations to these principal risks and uncertainties are presented on pages 38 to 42 of the Partnership's Annual Report and Accounts.

Approved by the Directors and signed on behalf of the Board

PATRICK LEWIS
Director/~~Company Secretary~~
23 May 2019

Directors' report for the year ended 26 January 2019

The Directors present their report and the audited financial statements for the year ended 26 January 2019.

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 plc group.

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:

Sir Charlie Mayfield (Chairman)
Patrick Lewis
Christopher Harris (appointed 11 April 2019)
Nigel Keen (resigned 31 January 2018)
Keith Hubber (resigned as Company Secretary on 31 January 2018)
Peter Simpson (appointed as Company Secretary on 31 January 2018)

Results and dividends
The Company's profit before taxation for the year ended 26 January 2019 is £27.9m (2018: £33.9m). The share capital of the Company is wholly owned by John Lewis plc. The Directors do not recommend the payment of a dividend (2018: £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 being 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 17.

Directors' report for the year ended 26 January 2019 (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 Group 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, after reviewing the Company's operating budgets, investment plans and financing arrangements, consider that the Company has sufficient financing available at the date of this report. Accordingly, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements.

Independent auditor
KPMG LLP have 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.
2. So far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware.

Approved by the Directors and signed on behalf of the Board

PATRICK LEWIS
Director/~~Company Secretary~~
23 May 2019

Statement of comprehensive income
for the year ended 26 January 2019

Notes		2019 £m	2018 £m
	Revenue		
	Rent receivable	**50.4**	44.2
	Rent payable	**(3.6)**	(3.4)
7	Other operating income	**4.4**	3.8
	Administrative expenses	**(12.8)**	(15.5)
2	Profit on disposal of property	**2.1**	2.1
3	**Operating profit before exceptional items**	**40.5**	31.2
4	Exceptional items	**(12.6)**	2.7
	Operating profit	**27.9**	33.9
	Profit before tax	**27.9**	33.9
5	Taxation	**(11.9)**	(4.4)
	Profit and total comprehensive income for the year	**16.0**	29.5

The accompanying notes form part of these financial statements.

JOHN LEWIS PROPERTIES PLC

Balance sheet
as at 26 January 2019

Notes		2019 £m	2018 £m
	Non-current assets		
6	Investment properties	**590.3**	617.2
7	Investment in JLP Scottish Partnership	**44.6**	44.6
8	Trade and other receivables	**1.4**	1.3
		636.3	663.1
	Current assets		
8	Trade and other receivables	**1.5**	1.1
9	Assets held for sale	**9.4**	-
	Amount due from fellow group undertakings	**421.4**	384.8
		432.3	385.9
	Total assets	**1,068.6**	1,049.0
	Current liabilities		
10	Trade and other payables	**(0.6)**	(1.0)
	Current tax payable	**(9.7)**	(6.1)
		(10.3)	(7.1)
	Non-current liabilities		
11	Finance lease liabilites	**(1.2)**	(1.4)
5	Deferred tax liabilities	**(64.1)**	(63.5)
		(65.3)	(64.9)
	Total liabilities	**(75.6)**	(72.0)
	Net assets	**993.0**	977.0
	Equity		
12	Share capital	**25.7**	25.7
	Share premium account	**1.2**	1.2
	Retained earnings	**966.1**	950.1
	Total equity	**993.0**	977.0

The accompanying notes form part of these financial statements.

Registered company number: 00303301

The financial statements on pages 6 to 16 were approved by the Board of Directors on 23 May 2019 and signed on their behalf by

PATRICK LEWIS

Director
23 May 2019

Statement of changes in equity for the year ended 26 January 2019

	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
Balance at 28 January 2017	25.7	1.2	920.6	947.5
Profit for the year	-	-	29.5	29.5
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**

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 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 26 January 2019 (prior year: 52 weeks ended 27 January 2018).

The following standards, amendments and interpretations were adopted by the Company for the 52 weeks ended 26 January 2019 and have not had a significant impact on the Company's profit for the year, equity or disclosures:

- Annual Improvements to IFRSs 2014-2016 Cycle – various standards (issued on 8 December 2016)
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (issued on 19 January 2016)

Notes to the financial statements (continued)

1. Accounting policies (continued)

- Amendments to IAS 7: Disclosure Initiative (issued on 29 January 2016).
- IFRS 15 'Revenue from Contracts with Customers' (applicable for the period beginning 28 January 2018)
- IFRS 9 'Financial Instruments' (applicable for the period beginning 28 January 2018)

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 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, freehold buildings and buildings held under finance leases. 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.

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 life, at the following rates:

- Freehold and long leasehold buildings - 2% to 4%
- Other leaseholds - 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 building would be expected to realise if it were at the end of its useful economic life. The assets' residual values and useful lives are reviewed at least at each balance sheet date.

Leased assets
Assets used by the Company which have been funded through finance leases on terms that transfer to the Company substantially all the risks and rewards of ownership are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. The interest element of finance lease rentals is charged to the income statement. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the Company does not retain substantially all their risks and rewards of ownership of the assets are classified as operating leases. Operating lease rental payments, other than contingent rentals, are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term. Contingent rentals are recognised as an expense in the statement of comprehensive income when incurred.

Notes to the financial statements (continued)

1. Accounting policies (continued)

Leased assets (continued)
Lease premiums and inducements are recognised in current and non-current assets and liabilities accordingly, and amortised on a straight line basis over the lease term.

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

Taxation
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.

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 on cash generating units ('CGUs') which are branches with an allocation of online, being the lowest level of separately identifiable cash flows. An impairment loss is recognised for the amount by which the asset's net book value exceeds its recoverable amount, the latter being the higher of the asset's fair value less costs to dispose and value in use. Value in use calculations are performed using cash flow projections, discounted at a pre-tax rate which reflects the asset specific risks and the time value of money.

Where an impairment loss subsequently reverses, the carrying amount of the CGU is increased to the revised estimate of the recoverable amount, but so that 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 immediately as a credit to the statement of comprehensive income.

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. 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.

Notes to the financial statements (continued)

1. Accounting policies (continued)

Investments
Investments are valued at cost, less allowances for impairment. Impairment reviews are performed annually.

Exceptional items: Change in accounting policy
During the year, the Directors have reviewed the accounting policy for Exceptional items. As part of this review, the Directors have changed the accounting policy for Exceptional items to improve the transparency and clarity of the application of the policy. The new policy is described below:

Items which are significant by virtue of their size and nature are presented as exceptional items within their relevant consolidated income statement category.

The separate reporting of exceptional items helps to provide an indication of the Company's underlying business performance. Exceptional items relate to certain costs or incomes that individually or, if of a similar type, in aggregate, are significant by virtue of their size and nature and are separately reported to help users of the financial statements understand the underlying business performance of the Company.

In assessing whether an item is exceptional, the nature of the item is considered. This assessment includes, both individually and collectively, each of the following:

- Whether the item is outside of the principal activities of the business;
- The specific circumstances which have led to the item arising;
- The likelihood of recurrence; and
- If the item is likely to recur, whether the item is unusual by virtue of its size.

No restatement of items disclosed in prior periods is required as a result of this change in accounting policy. For details of our exceptional items see note 3.

Critical accounting estimates and judgements
Estimates and judgements are continually evaluated and are based on historical experience and other relevant factors, including 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 sales performance; 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 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.

Notes to the financial statements (continued)

1. Accounting policies (continued)

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.

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

	2019 £m	2018 £m
Profit on disposal of properties	2.1	2.1

3. Operating profit before exceptional items

	2019 £m	2018 £m
Operating profit before exceptional items is stated after crediting/(charging) the following:		
Operating lease income - land and buildings	50.4	44.2
Depreciation	(14.2)	(13.5)
Operating lease expense - land and buildings	(3.6)	(3.4)

Auditor's remuneration in the year was £18,025 (2018: £15,831).

Contingent rents expensed during the year were £0.9m (2018: £0.1m). Contingent rents are determined based on store revenues.

4. Exceptional items

Following the signing of an amended lease contract, an exceptional charge of £12.6m (2018: £nil) has been recorded in relation to an impairment in the value of an investment asset held by the Company.

5. Taxation

5.1 Analysis of tax charge for the year

	2019 £m	2018 £m
Analysis of tax (charge)/credit:		
Current tax - current year	(9.6)	(6.1)
Current tax - adjustments in respect of previous years	(1.7)	0.8
Total current tax charge	(11.3)	(5.3)
Deferred tax - current year	1.4	(0.4)
Deferred tax - adjustments in respect of previous years	(1.9)	0.5
Deferred tax - changes in tax rate	(0.1)	0.8
Total tax charge	(11.9)	(4.4)

Notes to the financial statements (continued)

5. Taxation (continued)

5.2 Factors affecting tax charge in the year

The tax charge for the period is higher (2018: lower) than the standard corporation tax rate of 19.0% (2018: 19.2%). The differences are explained below:

	2019 £m	2018 £m
Profit on ordinary activites before tax	**27.9**	33.9
Profit before tax multiplied by standard rate of corporation tax in the UK of 19.0% (2018: 19.2%)	**(5.3)**	(6.5)
Effects of:		
Changes in tax rate	**(0.1)**	0.8
Adjustment to tax in respect of prior years	**(3.5)**	1.3
Expenses not deductible	**-**	0.1
Depreciation on assets not qualifying for tax relief	**(3.9)**	(0.5)
Differences between accounting and tax base for land and buildings	**0.9**	0.4
Total tax charge	**(11.9)**	(4.4)
Effective tax rate	**42.7%**	13.0%

5.3 Deferred tax

Deferred tax is calculated in full on temporary differences. In the year to 26 January 2019, a tax rate of 19% was used for deferred tax assets or liabilities expected to reverse before 1 April 2020, and 17% for those assets or liabilities expected to reverse after 1 April 2020.

The movement on the deferred tax accounts is shown below:

	2019 £m	2018 £m
Opening liability	**(63.5)**	(64.4)
(Charged)/Credited to statement of comprehensive income	**(0.6)**	0.9
Closing liability	**(64.1)**	(63.5)

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 £m	Capital gains tax on land and buildings £m	Revaluation of land and buildings £m	Rollover gains £m	Total £m
At 28 January 2017	(26.5)	(2.1)	(5.3)	(30.5)	(64.4)
(Charge)/credit to statement comprehensive income	-	(0.4)	0.3	1.0	0.9
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)**

The deferred tax liability due after more than one year is £64.1m (2018: £63.5m).

5.4 Factors affecting tax charges in current and future years

Legislation has been enacted to reduce the UK corporation tax rate from 19% to 17% from 1 April 2020.

Notes to the financial statements (continued)

6. Investment properties

	Land and buildings £m	Assets in the course of construction £m	Total £m
Cost			
At 27 January 2018	759.7	-	759.7
Additions	8.9	1.1	10.0
Transfers in from WIP	1.1	(1.1)	-
Disposals	(3.0)	-	(3.0)
Transfers to assets held for sale	(22.4)	-	(22.4)
At 26 January 2019	**744.3**	**-**	**744.3**
Accumulated Depreciation			
At 27 January 2018	(142.5)	-	(142.5)
Charge for the year	(14.2)	-	(14.2)
Disposals and other movements	2.3	-	2.3
Transfers to assets held for sale	0.4	-	0.4
At 26 January 2019	**(154.0)**	**-**	**(154.0)**
Net book values:			
At 27 January 2018	617.2	-	617.2
At 26 January 2019	**590.3**	**-**	**590.3**

Included above are land and buildings assets held under finance leases with a net book value of £0.8m (2018: £1.0m).

The fair value of investment property is estimated to be £847.8m (2018: £929.7m). The valuation basis used excludes John Lewis Partnership plc from being a potential tenant of the property (2018: valuation basis used excludes John Lewis Partnership plc as a potential tenant of the property).

7. Investments in JLP Scottish Partnership

	£m
As at 26 January 2019 and 27 January 2018	**44.6**

John Lewis Properties plc has a 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 £4.4m (2018: £3.8m).

Notes to the financial statements (continued)

8. Trade and other receivables

	2019 £m	2018 £m
Due in less than one year:		
Other receivables	**1.2**	1.1
Other taxation	**0.3**	-
	1.5	1.1
Due in greater than one year:		
Prepayments	**1.4**	1.3
	1.4	1.3

Trade receivables are non-interest bearing and generally on credit terms of less than 90 days. Concentrations of credit risk are considered to be very limited. The carrying amount of trade and other receivables approximates to fair value and is denominated in Sterling. As of 26 January 2019 the Company had no impaired trade and other receivables and there were no amounts overdue (2018: nil).

The Company recognises loss allowances for expected credit losses (ECLs) within administrative expenses in the income statement. As at 26 January 2019, trade and other receivables of £nil (2018: £nil) were partially or fully impaired.

9. Assets held for sale

At 26 January 2019, one property asset in John Lewis Properties PLC was recorded as held for sale at a carrying value of £9.4m, (2018: nil). This asset was not sold at the balance sheet date but has a high probability of being completed with 12 months.

10. Trade and other payables

	2019 £m	2018 £m
Current:		
Other payables	**(0.3)**	(0.2)
Other taxation	**-**	(0.3)
Deferred Income	**(0.3)**	(0.5)
	(0.6)	(1.0)

11. Finance lease liabilities

The minimum lease payments under finance leases fall due as follows:

	2019 £m	2018 £m
Not later than one year	**-**	(0.1)
Later than one year but not more than five	**(0.1)**	(0.3)
More than five years	**(1.7)**	(1.8)
	(1.8)	(2.2)
Future finance charge on finance leases	**0.6**	0.8
Present value of finance lease liabilities	**(1.2)**	(1.4)
Of which:		
Not later than one year	-	-
Later than one year but no more than five	(0.1)	(0.1)
More than five	(1.1)	(1.3)

Notes to the financial statements (continued)

12. Share capital

	2019 £m	2018 £m
Equity:		
Authorised and issued ordinary shares		
25,700,000 shares of £1 each	25.7	25.7

13. Lease commitments

	2019 £m	2018 £m
Future aggregate minimum lease payments under non-cancellable operating leases, payable:		
Within one year	(2.6)	(2.9)
Later than one year and less than five years	(10.8)	(13.4)
After five years	(86.8)	(163.8)

	2019 £m	2018 £m
Amounts payable after five years comprise the following:		
Later than five years and less than ten years	(14.1)	(20.2)
Later than ten years and less than twenty years	(29.1)	(44.5)
Later than twenty years and less than forty years	(17.2)	(31.0)
Later than forty years and less than eighty years	(21.4)	(49.9)
After eighty years	(5.0)	(18.2)
	(86.8)	(163.8)

Total future non group related sub-lease payments receivable relating to the above operating leases amounted to £0.3m (2018: £0.3m).

14. 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 (2018: nil). All staff engaged in the service of the Company are employees of John Lewis plc. No charges were made for their services (2018: £nil).

15. 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, Partnership House, Carlisle Place, London SW1P 1BX.

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

16. Subsequent events

On 15 May 2019, John Lewis Properties PLC made a further capital contribution to the Scottish Partnership of £15.8m to ensure that the net assets of the Scottish Partnership meet the minimum net asset value required under the Scottish Partnership agreement.

JOHN LEWIS PROPERTIES PLC

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

171 Victoria Street, London, SW1E 5NN
23 May 2019

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 26 January 2019 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 26 January 2019 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.

Other Matter – Impact of the uncertainty due to the UK exiting the European Union on our Audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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.

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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 17, 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.

Aimie Keki

Aimie Keki (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
EC14 5GL
23 May 2019