JOHN LEWIS PROPERTIES PLC

Company number: 00303301

Financial Statements for the year ended 27 January 2018

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JOHN LEWIS PROPERTIES PLC

Company number: 00303301

Company information

Company number:	00303301
Directors:	Sir Charlie Mayfield Patrick Lewis
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 27 January 2018

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 £44.2m was £0.1m higher than last year. Operating profit before exceptional items decreased by £1.0m (3.1%) to £31.2m.

Exceptional operating income of £2.7m was recognised on finalisation of a property disposal which was previously recorded as exceptional (2017· Exceptional operating income of £0.8m was recognised on the finalisation of a prior year property disposal, which was previously recorded as exceptional). Profit for the year increased by £4.7m (18.9%) to £29.5m predominately due to lower tax charges.

Net assets increased £29.5m (3.1%) to £977.0m, and the fair value of investment property is estimated to be £929.7m, up 15.7% from £803.6m 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 Partnership's framework. The principal financial risk the Partnership faces is the ability to generate sufficient funds to satisfy the Partnership's business needs, to meet employees' ("Partners'") expectations for Partnership Bonus and to mitigate against any adverse financial impact resulting from risks identified in the Partnership's business planning process crystallising. 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 42 to 45 of the Partnership's Annual Report and Accounts.

Approved by the Directors and signed on behalf of the Board

Director/~~Company Secretary~~ CHARLIE MAYFIELD
21 May 2018

Directors' report for the year ended 27 January 2018

The Directors present their report and the audited financial statements for the year ended 27 January 2018.

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
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 27 January 2018 is £33.9m (2017. £33.0m). The share capital of the Company is wholly owned by John Lewis plc. The Directors do not recommend the payment of a dividend (2017. £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 27 January 2018 (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 Group'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

~~Director~~/Company Secretary PETER SIMPSON
21 May 2018

JOHN LEWIS PROPERTIES PLC

Statement of comprehensive income for the year ended 27 January 2018

Notes		2018 £m	2017 £m
	Revenue		
	Rent receivable	**44.2**	44.1
	Rent payable	**(3.4)**	(3.6)
7	Other operating income	**3.8**	3.4
	Administrative expenses	**(15.5)**	(13.4)
2	Profit on disposal of property	**2.1**	1.7
	Operating profit before exceptional items	**31.2**	32.2
3	Exceptional items	**2.7**	0 8
	Operating profit	**33.9**	33.0
4	**Profit before tax**	**33.9**	33.0
5	Taxation	**(4.4)**	(8.2)
	Profit and total comprehensive income for the year	**29.5**	24.8

Balance sheet
as at 27 January 2018

Notes		**2018**	2017
		£m	£m
	Non-current assets		
6	Investment properties	**617.2**	491.4
7	Investment in JLP Scottish Partnership	**44.6**	44.6
8	Trade and other receivables	**1.3**	1.1
		663.1	537.1
	Current assets		
8	Trade and other receivables	**1.1**	4.2
9	Assets held for sale	**-**	8.1
	Amount due from fellow group undertakings	**384.8**	475.1
		385.9	487.4
	Total assets	**1,049.0**	1,024.5
	Current liabilities		
10	Trade and other payables	**(1.0)**	(2.6)
	Current tax payable	**(6.1)**	(8.5)
		(7.1)	(11.1)
	Non-current liabilities		
11	Finance lease liabilites	**(1.4)**	(1.5)
5	Deferred tax liabilities	**(63.5)**	(64.4)
		(64.9)	(65.9)
	Total liabilities	**(72.0)**	(77.0)
	Net assets	**977.0**	947.5
	Equity		
12	Share capital	**25.7**	25.7
	Share premium account	**1.2**	1.2
	Retained earnings	**950.1**	920.6
	Total equity	**977.0**	947.5

The accompanying notes form part of these financial statements.

The financial statements on pages 6 to 17 were approved by the Board of Directors on 21 May 2018 and signed on their behalf by

Director PATRICK LEWIS
21 May 2018

Statement of changes in equity for the year ended 27 January 2018

	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
Balance at 30 January 2016	25.7	1.2	895 8	922.7
Profit for the year	-	-	24.8	24.8
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**

Notes to the financial statements

1. Accounting policies

Basis of accounting
The financial statements are prepared ın 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 requırements and disclosure exemptions in the individual financial statements of qualifying entitıes 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 exemptıons 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 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 27 January 2018 (prior year: 52 weeks ended 28 January 2017).

The following standards, amendments and interpretations were adopted by the Company for the 52 weeks ended 27 January 2018 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)
- Amendments to IAS 7: Disclosure Initiative (issued on 29 January 2016)

Notes to the financial statements (continued)

1. Accounting policies (continued)

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
The charge for current income tax is based on the results for the year adjusted for items which are not taxed or are disallowed. It is calculated using tax rates in legislation that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax arising from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, is not recognised. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are enacted or substantively enacted at the balance sheet date that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged to other comprehensive income/(expense), in which case the deferred tax is also dealt with in other comprehensive income/(expense).

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.

Trade and other receivables
Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost less allowances for situations where recovery is doubtful. Such allowances are based on an individual assessment of each receivable.

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

Notes to the financial statements (continued)

1. **Accounting policies** (continued)

Exceptional items
Exceptional items are material, non-recurring items of income and/or expense arising from events or transactions that fall within the activities of the Company.

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 that are believed to be reasonable under the circumstances. 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 Partnership's accounting policy, management must make an assessment of the value in use of each CGU on an annual basis. This requires the estimation of future cash flows expected to arise from the continuing operation on the CGU, which in turn requires assumptions over the gross margin that can be achieved in future years. The provision for impairment is driven by assumptions over sales performance and costs, extrapolated using a long-term growth rate and discounted using the Partnership's weighted average cost of capital. Were there to be a significant change in these assumptions, it could lead to further impairment charges or the reversal of previous impairment charges.

Depreciation
Depreciation is recorded to write down non-current assets to their residual values over their useful economic lives (UEL). Management must therefore estimate the appropriate UELs to apply to each class of asset as set out above If the estimates of UELs are incorrect it could result in the wrong amount of depreciation being charged each year, which could materially impact the carrying value of the assets in question over time. UELs are reviewed on an annual basis to ensure that they are in line with policy and that those policies remain appropriate.

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

	2018 **£m**	2017 £m
Profit on disposal of properties	**2.1**	1.7

3. Exceptional items

Exceptional income of £2.7m was recognised on finalisation of a property disposal which was previously recorded as exceptional (2017: £0.8m income was recognised on finalisation of a prior year property disposal, which was previously recorded as exceptional). An exceptional tax charge of £nil was recognised in the year ended 27 January 2018 (2017: £0.1m).

Notes to the financial statements (continued)

4. Profit on ordinary activities before taxation

	2018 £m	2017 £m
Profit on ordinary activities before taxation is stated after crediting/(charging) the following:		
Operating lease income - land and buildings	**44.2**	44 1
Depreciation	**(13.5)**	(10 0)
Operating lease expense - land and buildings	**(3.4)**	(3.6)

Auditor's remuneration in the year was £15,831 (2017: £15,521).

Contingent rents expensed during the year were £0.1m (2017: £0.2m). Contingent rents are determined based on store revenues.

5. Taxation

5.1 *Analysis of tax charge for the year*

	2018 £m	2017 £m
Analysis of tax (charge)/credit:		
Current tax - current year	(6.1)	(8.5)
Current tax - adjustments in respect of previous years	0.8	(0.2)
Total current tax charge	(5.3)	(8.7)
Deferred tax - current year	(0.4)	(3.2)
Deferred tax - adjustments in respect of previous years	0.5	(0.2)
Deferred tax - changes in tax rate	0.8	3.9
Total tax charge	(4.4)	(8.2)

5.2 Factors affecting tax charge in the year

The tax charge for the period is lower (2017: higher) than the standard corporation tax rate of 19.2% (2017: 20.0%). The differences are explained below:

	2018 £m
Profit on ordinary activites before tax	**33.9**
Profit before tax multiplied by standard rate of corporation tax in the UK of 19.2% (2017: 20.0%)	**(6.5)**
Effects of:	
Changes in tax rate	**0.8**
Adjustment to tax in respect of prior years	**1.3**
Expenses not deductible	**0.1**
Depreciation on assets not qualifying for tax relief	**(0.5)**
Differences between accounting and tax base for land and buildings	**0.4**
Total tax charge	**(4.4)**
Effective tax rate	**13.0%**

Notes to the financial statements (continued)

5. Taxation (continued)

5.3 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% for deferred tax assets and 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 accounts is shown below:

	2018	2017
	£m	£m
Opening liability	**(64.4)**	(64.9)
Credited to statement of comprehensive income	**0.9**	0.5
Closing liability	**(63.5)**	(64.4)

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	Total
	£m	£m	£m	£m	£m
At 30 January 2016	(28 3)	(3.0)	(1.3)	(32.3)	(64.9)
Credit/(charge) to statement comprehensive income	1 8	0.9	(4.0)	1.8	0.5
At 28 January 2017	(26 5)	(2.1)	(5.3)	(30.5)	(64.4)
Credit/(charge) to statement of comprehensive income	-	(0.4)	0.3	1 0	0.9
At 27 January 2018	**(26.5)**	**(2.5)**	**(5.0)**	**(29.5)**	**(63.5)**

The deferred tax liability due after more than one year is £63.5m (2017. £64.4m).

5.4 Factors affecting tax charges in current and future years

Legislation has been enacted to reduce the UK corporation tax rate from 20% to 19% with effect from 1 April 2017 with a further reduction to 17% from 1 April 2020.

The effect of these rate changes was to decrease the deferred tax liability by £0.8m, with a tax credit to the statement of comprehensive income.

Notes to the financial statements (continued)

6. Investment properties

	Land and buildings £m	Assets in the course of construction £m	Total £m
Cost			
At 28 January 2017	622.9	1.7	624.6
Additions	103.6	34.6	138.2
Transfers	1.7	-	1.7
Transfers in from WIP	36.3	(36.3)	-
Disposals	(4.8)	-	(4.8)
At 27 January 2018	**759.7**	**-**	**759.7**
Accumulated Depreciation			
At 28 January 2017	(133.2)	-	(133.2)
Charge for the year	(13.5)	-	(13.5)
Disposals and other movements	4.2	-	4 2
At 27 January 2018	**(142.5)**	**-**	**(142.5)**
Net book values:			
At 28 January 2017	489.7	1 7	491.4
At 27 January 2018	**617.2**	-	**617.2**

Included above are land and buildings assets held under finance leases with a net book value of £1.0m (2017: £1.1m).

The fair value of investment property is estimated to be £929.7m (2017· £803.6m). The valuation basis used excludes John Lewis Partnership plc from being a potential tenant of the property (2017: valuation basis used excludes John Lewis Partnership plc as a potential tenant of the property).

7. Investments in JLP Scottish Partnership

	£m
As at 27 January 2018 and 28 January 2017	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 £3.8m (2017: £3.4m).

Notes to the financial statements (continued)

8. Trade and other receivables

	2018 £m	2017 £m
Due in less than one year:		
Other receivables	**1.1**	4.0
Other taxation	**-**	0.2
	1.1	4.2
Due in greater than one year:		
Prepayments	**1.3**	1.1
	1.3	1 1

As of 27 January 2018 the Company had no impaired trade and other receivables and there were no amounts overdue (2017: nil).

9. Assets held for sale

At 27 January 2018, no property asset was recorded as held for sale (2017: £8.1m).

10. Trade and other payables

	2018 £m	2017 £m
Current:		
Other payables	**(0.2)**	(2.6)
Other taxation	**(0.3)**	-
Deferred Income	**(0.5)**	-
	(1.0)	(2.6)

11. Finance lease liabilities

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

	2018 £m	2017 £m
Not later than one year	**(0.1)**	(0.1)
Later than one year but not more than five	**(0.3)**	(0.3)
More than five years	**(1.8)**	(1.9)
	(2.2)	(2.3)
Future finance charge on finance leases	**0.8**	0.8
Present value of finance lease liabilities	**(1.4)**	(1.5)
Of which:		
Not later than one year	**-**	-
Later than one year but no more than five	**(0.1)**	(0.1)
More than five	**(1.3)**	(1.4)

Notes to the financial statements (continued)

12. Share capital

	2018 £m	2017 £m
Equity:		
Authorised and issued ordinary shares		
25,700,000 shares of £1 each	**25.7**	25.7

13. Lease commitments

	2018 £m	2017 £m
Future aggregate minimum lease payments under non-cancellable operating leases, payable:		
Within one year	**(2.9)**	(2 5)
Later than one year and less than five years	**(13.4)**	(11.7)
After five years	**(163.8)**	(159.7)

	2018 £m	2017 £m
Amounts payable after five years comprise the following:		
Later than five years and less than ten years	**(20.2)**	(17.3)
Later than ten years and less than twenty years	**(44.5)**	(38.9)
Later than twenty years and less than forty years	**(31.0)**	(33.0)
Later than forty years and less than eighty years	**(49.9)**	(51.6)
After eighty years	**(18.2)**	(18.9)
	(163.8)	(159.7)

Total future non group related sub-lease payments receivable relating to the above operating leases amounted to £0.3m (2017: £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 (2017: nil). All staff engaged in the service of the Company are employees of John Lewis plc. No charges were made for their services (2017: £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.

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
21 May 2018

CHARLIE MAYFIELD
DIRECTOR

KPMG

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

We have audited the financial statements of John Lewis Properties plc for the year ended 27 January 2018 set out on pages 6 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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.

Respective responsibilities of Directors and auditor
As explained more fully in the Statement of Directors' responsibilities 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. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 27 January 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; 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
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

Aimie Keki

Aimie Keki (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square,
London,
E14 5GL
23 May 2018

JLP Scottish Partnership

Financial Statements

27 January 2018

THESE PARTNERSHIP ACCOUNTS FORM PART OF THE ACCOUNTS OF COMPANY No. 00303301

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Partnership information

General partners	JLP Scottish Limited Partnership John Lewis Properties plc
Independent auditor	KPMG LLP 15 Canada Square London E14 5GL
Bankers	The Royal Bank of Scotland plc

Strategic report for year ended 27 January 2018

Review of performance and future developments

Key performance indicators:

	2018 **£'000**	2017 £'000
Loss for the year	**(2,068.0)**	(4,328.2)
Investment property valuation	**134,300.0**	144,250.0
Net assets/partners' interests	**138,100.5**	147,972.5

The statement of comprehensive income on page 6 shows a loss for the year ended 27 January 2018 of £2,068,000 (2017: loss £4,328,200) principally due to the fair value loss on revaluation of investment properties which exceeded the rental income received during the year.

The balance sheet on page 6 shows the JLP Scottish Partnership's financial position at the year end. The value of investment properties has decreased from £144,250,000 to £134,300,000 and the partners' interests have decreased from £147,972,500 to £138,100,500. These movements principally reflect the fair value loss on revaluation of investment properties.

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

Principal risks and uncertainties

JLP Scottish Partnership's financial and operational issues are managed on a Partnership wide basis by John Lewis Partnership plc (the Partnership) and so, where it is relevant, the Strategic report and General partners' report provide information in respect of the Partnership. Details of principal risks and uncertainties are included within pages 42 to 45 of the Partnership's Annual Report and Accounts.

JLP Scottish Partnership's principal risks and uncertainties are in line with those of the Partnership. However, the risks that are most relevant to the JLP Scottish Partnership are: economic environment and 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 in pages 42 and 45 of the Partnership's Annual Report and Accounts.

For and on behalf of the partners

Director CHARLIE MAYFIELD
John Lewis Properties plc

12 April 2018

Director PATRICK LEWIS
John Lewis plc (as General Partner of
JLP Scottish Limited Partnership)
12 April 2018

General partners' report for year ended 27 January 2018

The general partners present their report and the audited financial statements of JLP Scottish Partnership for the year ended 27 January 2018.

Principal activity
The principal activity of JLP Scottish Partnership is a property holding partnership.

The JLP Scottish Partnership was formed on 17 December 2009 between JLP Scottish Limited Partnership and John Lewis Properties plc. The JLP Scottish Partnership acquired freehold properties at their market value of £150,900,000 on 30 January 2010, that were owned by the John Lewis Partnership plc group, which was funded by the capital it received from its partners.

In September 2011, following agreement by the partners, the John Lewis Partnership plc group withdrew properties with a market value of £70,000,000 and substituted these with other properties with a market value of £72,750,000. In January 2015, following agreement by the partners, John Lewis Properties plc, on behalf of the John Lewis Partnership plc group withdrew a property with a market value of £9,000,000. In accordance with the Scottish Partnership agreement, there was no requirement for this property to be substituted with any other properties.

The freehold properties, which are held as investment properties, are leased to John Lewis plc or Waitrose Limited, and the JLP Scottish Partnership receives rental income. In addition, the JLP Scottish Partnership fair values the investment properties on an annual basis and allocates and distributes income and capital to the partners in accordance with an Amended and Restated Limited Partnership Agreement dated 26 January 2010 between JLP Scottish Limited Partnership and John Lewis Properties plc, which has been further revised on 27 January 2012, following agreement of the partners.

General partners

John Lewis Properties plc
171 Victoria Street
London
SW1E 5NN

JLP Scottish Limited Partnership
John Lewis
69 St James Centre
Edinburgh
EH1 3SP

Political donations
JLP Scottish Partnership made no political donations during the year (2017: £nil).

Going concern
The JLP Scottish Partnership is currently in a net assets position. The partners are of the opinion that the JLP Scottish Partnership has sufficient financing available at the date of this report. The partners are satisfied with the JLP Scottish Partnership's results and its financial position and will continue to pursue suitable business opportunities.

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

Disclosure of information to the independent auditor
Each of the persons who are a Director of the general partners at the date of approval of this report confirms that:

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

For and on behalf of the general partners

Director
John Lewis Properties plc CHARLIE MAYFIELD
12 April 2018

Director PATRICK LEWIS
John Lewis plc (as General Partner of
JLP Scottish Limited Partnership)
12 April 2018

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

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

The Partnerships (Accounts) Regulations 2008 require the general partners to prepare financial statements for each financial year in accordance with Part 15 and Chapter 1 of Part 16 of the Companies Act 2006. Under that law the general partners has elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

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

The general partners are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the partnership and to prevent and detect fraud and other irregularities.

For and on behalf of the general partners

Director
John Lewis Properties plc

12 April 2018

Director
John Lewis plc (as General Partner of
JLP Scottish Limited Partnership)
12 April 2018

Income statement
for the year ended 27 January 2018

Note		2018 £'000	2017 £'000
	Rental income	**7,861.5**	7,670.4
2	Administrative expenses	**(10.8)**	(10.2)
3	Fair value losses on revaluation of investment properties	**(9,950.0)**	(12,020.0)
	Operating loss	**(2,099.3)**	(4,359.8)
	Finance income	**31.3**	31.6
	Loss and total comprehensive expense for the year	**(2,068.0)**	(4,328.2)

Balance sheet
as at 27 January 2018

Note		2018 £'000	2017 £'000
	Non current assets		
3	Investment property	**134,300.0**	144,250.0
	Current assets		
	Cash and cash equivalents	**0.1**	0.2
	Intercompany with John Lewis plc	**5,495.2**	5,372.3
		5,495.3	5,372.5
	Total assets	**139,795.3**	149,622.5
	Current liabilities		
4	Trade and other payables	**(1,694.8)**	(1,650.0)
	Net current assets	**3,800.5**	3,722.4
	Total assets less current liabilities	**138,100.5**	147,972.5
	Net assets	**138,100.5**	147,972.5
	Represented by:		
	Partners' interests		
5	Partners' capital	**144,500.2**	144,525.2
5	Partners' other interests	**(6,399.7)**	3,447.3
	Total Partners' interests	**138,100.5**	147,972.5

The accompanying notes on pages 7 to 9 form part of these financial statements.

These financial statements on pages 6 to 9 were approved by the partners on 12 April 2018 and signed on its behalf by:

Director
John Lewis Properties plc

CHARLIE MAYFIELD

Director
John Lewis plc (as General Partner of JLP Scottish Limited Partnership)

PATRICK LEWIS

Notes

1 Accounting policies

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

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

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

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

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

The following standards, amendments and interpretations were adopted by the JLP Scottish Partnership for the year ended 27 January 2018 and have not had a significant impact on the JLP Scottish Partnership's loss for the year, equity or disclosures:

- Annual Improvements to IFRSs 2014-2016 Cycle – various standards (issued on 8 December 2016)

Rental income
Rental income is credited to the statement of comprehensive income on an accruals basis.

Administrative expenses
Administrative expenses are charged to the statement of comprehensive income on an accruals basis

Finance income
Finance income is credited to the statement of comprehensive income on an accruals basis.

Investment property
Property that is held for long term rental yields, for capital appreciation or both, and is not occupied by the JLP Scottish Partnership is classified as investment property. Investment property comprises freehold land and buildings. Investment properties are stated at fair value and revalued on an annual basis to fair value after consultation with external independent valuers

Fair value gains or losses arising on revaluation of investment properties are credited or debited to the statement of comprehensive income in the period that they arise. No depreciation is provided in respect of investment properties applying the fair value model.

Cash at bank and in hand
Cash at bank and in hand in the balance sheet comprises cash at bank.

Taxation
No tax is recorded in the financial statements of the JLP Scottish Partnership, as all tax liabilities are liabilities of the partners and not the JLP Scottish Partnership

2 Administrative expenses
Administrative expenses include auditor remuneration of £10,570 (2017: £9,978).

The JLP Scottish Partnership had no employees during the current year (2017: nil).

3 Investment Property

	£'000
As at 30 January 2016	**156,270.0**
Fair value loss on revaluation	**(12,020.0)**
As at 28 January 2017	**144,250.0**
Fair value loss on revaluation	**(9,950.0)**
As at 27 January 2018	**134,300.0**

The JLP Scottish Partnership's investment properties were valued by the partners after consultation with CB Richard Ellis and BNP Paribas Real Estate UK, Chartered Surveyors, as at 27 January 2018.

4 Trade and other payables

	2018 £'000	2017 £'000
Other tax	**(395.1)**	(384.4)
Accruals and Deferred income	**(1,299.7)**	(1,265.6)
	(1,694.8)	(1,650.0)

5 Partners' interests

	Partners' Capital at 28 January 2017 £'000	Return of capital £'000	**Partners' Capital at 27 January 2018 £'000**
JLP Scottish Limited Partnership	99,875 1	(25.0)	**99,850.1**
John Lewis Properties plc	44,650.1	-	**44,650.1**
Total partners' capital	144,525.2	(25.0)	**144,500.2**

	Total other interests at 28 January 2017 £'000	Share of income profit £'000	Share of capital loss £'000	Distributions £'000	**Total other interests at 27 January 2018 £'000**
JLP Scottish Limited Partnership	2,146 7	3,754.1	(10.0)	(4,024.0)	**1,866.8**
John Lewis Properties plc	1,300.6	4,127.8	(9,940.0)	(3,754 9)	**(8,266.5)**
Total partners' other interests	3,447.3	7,881.9	(9,950.0)	(7,778.9)	**(6,399.7)**

The total interest of JLP Scottish Limited Partnership at 27 January 2018 was £101,716,900 (2017: £102,021,800) and John Lewis Properties plc was £36,383,400 (2017: £45,950,700). The partners' interests include the initial capital contribution plus Share of income profit less Share of capital loss, Distributions and Return of capital since incorporation.

6 Operating leases

JLP Scottish Partnership's operating leases relate primarily to supermarkets and department stores. The majority of lease payments receivable are subject to review to reflect market rentals, but because of the uncertainty over the amount of any future changes, such changes have not been reflected in the table below.

The future minimum lease payments receivable under non-cancellable operating leases are as follows:	**2018**	2017
	Land and buildings	Land and buildings
	£'000	£'000
Within one year	**(8,160.9)**	(7,841.5)
Later than one year and less than five years	**(32,643.7)**	(31,365.9)
After five years	**(66,813.1)**	(72,043.9)

Future aggregate minimum lease payments receivable under non-cancellable operating leases, payable after five years comprise the following:	***2018*** **Land and buildings £'000**	*2017* Land and buildings £'000
Later than five years and less than ten years	**(40,804.6)**	(39,207.4)
Later than ten years and less than twenty years	**(26,008.5)**	(32,836.5)
	(66,813.1)	(72,043.9)

7 Ultimate parent company and controlling entity

John Lewis plc[1] is the parent company of the smallest group to consolidate the financial statements of JLP Scottish Partnership. John Lewis Partnership plc[1], the JLP Scottish Partnership's ultimate parent company, is the parent company of the largest group to consolidate these financial statements. Ultimate control rests with John Lewis Partnership Trust Limited[1], which holds the Deferred Ordinary Shares issued by John Lewis Partnership plc in trust for the benefit of employees. These companies are registered in England and Wales.

The consolidated financial statements of these groups and of these financial statements are available to the public and may be obtained from the Company Secretary, John Lewis Partnership, Partnership House, Carlisle Place, London, SW1P 1BX.

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

KPMG

Independent auditor's report to the members of JLP Scottish Partnership

Opinion

We have audited the financial statements of JLP Scottish Partnership ("the qualifying partnership") for the year ended 27 January 2018 which comprise the Statement of Comprehensive Income, Balance Sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the qualifying partnership's affairs as at 27 January 2018 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 as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008.

Basis for opinion

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

Going concern

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and general partners' report

The general partners are responsible for the strategic report and the general partners' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit or
- the general partner were not entitled to take advantage of the small companies exemption, as applied to qualifying partnerships, from the requirement to prepare a strategic report.

We have nothing to report in these respects.

KPMG

General partners' responsibilities

As explained more fully in the their statement set out on page 5, the general partners are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the qualifying partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the qualifying partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. *Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in* accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

This report is made solely to the qualifying partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by regulation 4 of the Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the qualifying partnership's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the qualifying partnership and its members, as a body, for our audit work, for this report, or for the opinions we have formed.

M Maloney

Michael Maloney (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL
12 April 2018