

JOHN LEWIS PROPERTIES plc

CONTENTS

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Notice of annual general meeting	1
Board of directors	2
Officers and professional advisers	2
Directors' report	3
Income statement	4
Balance sheet	5
Statement of changes in shareholders' equity	6
Notes to the accounts	7
Directors' responsibilities for financial statements	16
Report of the auditors	17



JOHN LEWIS PROPERTIES plc

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the seventy-first annual general meeting of the company will be held at 9.20 am on 23rd August 2006 at Partnership House, Carlisle Place, London SW1P 1BX:

To receive the directors' report and accounts for the year 2005/06.

To consider the re-election of retiring directors.

To consider the re-appointment of the auditors.

To consider the remuneration of the auditors.

By Order of the Board
Margaret Casely-Hayford, Secretary
171 Victoria Street, London SW1E 5NN
23 August 2006

A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member.

JOHN LEWIS PROPERTIES plc

BOARD OF DIRECTORS

Chairman

Sir Stuart Hampson

Nigel Keen

OFFICERS AND PROFESSIONAL ADVISERS

**Company Secretary &
Director of Legal Services**

Margaret Casely-Hayford

Director of Financial Control

Ros Haigh

Auditors

PricewaterhouseCoopers LLP

Solicitors

Lovells

Bankers

Royal Bank of Scotland plc

**Registered office and
Transfer office**

171 Victoria Street, London, SW1E 5NN

Registered in England No. 303301

JOHN LEWIS PROPERTIES plc

DIRECTORS' REPORT FOR THE YEAR ENDED 28 JANUARY 2006

Directors

The directors of the company as at the date of this report are as listed on page 2. Ian Alexander, the Partnership's Finance Director, died unexpectedly on 27 November 2005, and Michael Milner resigned as a director on 31 January 2006. All other directors served throughout the period under review.

Principal activity

John Lewis Properties plc is primarily a property owning company and is a wholly owned subsidiary of John Lewis plc.

Review of the business

The company is a wholly owned subsidiary within the John Lewis Partnership plc group; a review of the group's activities for the year ended 28 January 2006 is given in the statement by the Chairman of John Lewis Partnership plc, which is included within that company's report and accounts.

Payments to suppliers

The Partnership's policy for the payment of its suppliers is to agree terms of payment in advance and, provided a supplier fulfils the agreement, to pay promptly in accordance with those terms. Payments to suppliers are dealt with on a group basis and full details of the group's supplier payment practice are provided in the accounts of John Lewis plc.

Dividends

The share capital of the company is wholly owned by John Lewis plc. The directors do not recommend the payment of a dividend (2005: £nil).

Directors' interests

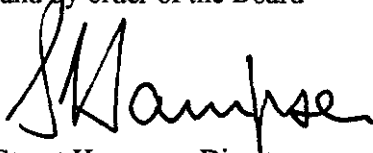
Under the constitution of the Partnership all the directors, as employees of John Lewis plc, are necessarily interested in the 612,000 Deferred Ordinary Shares in John Lewis Partnership plc which are held in trust for the benefit of employees of John Lewis plc and of certain other companies.

No director has or had a material interest in any contract or arrangement to which the company is or was a party.

Going concern

The directors, having made enquiries, consider that the company has adequate resources to continue in operational existence for the foreseeable future, and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements.

For and by order of the Board



Sir Stuart Hampson, Director

23rd August 2006

JOHN LEWIS PROPERTIES plc

INCOME STATEMENT
FOR THE YEAR ENDED 28 JANUARY 2006

Notes	2006 £m	2005 £m
Revenue		
Rent receivable	15.0	15.6
Rent payable	(3.1)	(3.6)
Administrative expenses	(8.6)	(9.0)
Operating profit	3.3	3.0
Profit on disposal of property	2.9	19.5
Finance costs	(0.1)	(0.1)
2 Profit before tax	6.1	22.4
3 Taxation	(0.4)	(7.9)
Profit for the period	5.7	14.5

JOHN LEWIS PROPERTIES plc

BALANCE SHEET AS AT 28 JANUARY 2006

Notes	2006 £m	2005 £m
Non-current assets		
4 Investment properties	527.5	534.1
Current assets		
5 Trade and other receivables	0.5	0.5
Amount owed by holding company	120.8	108.1
	121.3	108.6
Total assets	648.8	642.7
Current liabilities		
6 Trade and other payables	(0.7)	(0.7)
7 Finance lease liabilities	(0.1)	(0.1)
	(0.8)	(0.8)
Non-current liabilities		
7 Finance lease liabilities	(1.9)	(2.0)
8 Deferred tax liabilities	(109.0)	(108.5)
	(110.9)	(110.5)
Total liabilities	(111.7)	(111.3)
Net assets	537.1	531.4
Equity		
9 Called up share capital	25.7	25.7
Share premium account	1.2	1.2
Retained earnings	510.2	504.5
Total equity	537.1	531.4

Approved by the Board on 23rd August 2006


Sir Stuart Hampson

JOHN LEWIS PROPERTIES plc

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 28 JANUARY 2006

	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
At 31 January 2004	25.7	1.2	490.0	516.9
Profit for the financial year	-	-	14.5	14.5
At 29 January 2005	25.7	1.2	504.5	531.4
Profit for the financial year	-	-	5.7	5.7
At 28 January 2006	25.7	1.2	510.2	537.1

JOHN LEWIS PROPERTIES plc

NOTES TO THE ACCOUNTS

1. Accounting policies

Basis of accounting

The accounts are prepared under the historical cost convention, with the exception of certain land and buildings which are included at their revalued amounts, and in accordance with the Companies Act 1985 and applicable accounting standards.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Prior to 30 January 2005 John Lewis Properties plc prepared its financial statements under UK Generally Accepted Accounting Principles (UK GAAP). From 30 January 2005 the company has elected to prepare its financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and implemented in the UK. The company's date of transition to IFRS is 1 February 2004 and the 2005 comparatives have been restated to IFRS.

The rules for first time adoption of IFRS are set out in IFRS1, "First-time Adoption of International Financial Reporting Standards". IFRS1 requires the use of the same accounting policies in the IFRS transition balance sheet and for all periods presented thereafter. The accounting policies must comply with all IFRS effective at the reporting date for the first financial reporting under IFRS, which is 28 January 2006. The transition date to IFRS for the group was 1 February 2004.

IFRS1 permits companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. These financial statements have been prepared on the basis that the company's freehold and long leasehold properties were revalued on transition to IFRS, and these values are treated as deemed cost at 1 February 2004.

There are a number of new accounting standards and amendments to existing standards that have been published and are mandatory for the accounting periods beginning on or after 29 January 2006 or later periods, but which the company has not early adopted. These are not expected to have a material impact on the company's financial statements.

Investment property

Property that is held for long term rental yields, for capital appreciation or 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 lease. 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 fair value of investment property is deemed to be market value.

If an investment property becomes owner occupied it is reclassified as assets at its cost value. Property that is being constructed or developed for future use as investment property is classified as assets 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.

Cash flow statement

There were no cash movements for John Lewis Properties plc as all transactions were executed by its parent, John Lewis plc. As a result no cash flow statement is presented in these accounts.

JOHN LEWIS PROPERTIES plc

NOTES TO THE ACCOUNTS

Property valuation

The company's freehold and long leasehold department store properties were last valued by the directors, after consultation with CB Richard Ellis, Chartered Surveyors, at 31 January 2004, on the basis that each property is regarded as available for existing use in the open market. The company has decided not to adopt a policy of revaluation for the future. These values have been incorporated as deemed cost, subject to the requirement to test for impairment, in accordance with IAS 36.

Other assets are held at cost.

Depreciation

No depreciation is charged on freehold land, leasehold land with over 100 years to expiry, and assets in the course of construction. Depreciation is calculated for all other assets in equal annual instalments at the following rates:-

Freehold and long leasehold buildings -	2% to 4%
Other leaseholds - over the remaining period of the lease	
Buildings fixtures -	2.5% to 10%
Fixtures and fittings -	10% to 33%

Property residual values are assessed as the price in current terms that a building would be expected to realise, as 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 group substantially all the risks and rewards of ownership are capitalised at the inception of the lease at the fair value of the leased assets 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 income statement on a straight line basis over the lease term. Rentals payable under operating leases are charged to the income statement on an accruals basis. Rentals receivable are credited to the income statement on an accruals basis.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items which are not taxed or are disallowed. It is calculated using tax rates in legislation that has 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.

JOHN LEWIS PROPERTIES plc

NOTES TO THE ACCOUNTS

Deferred tax is calculated at the tax rates 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 directly to shareholders' equity, in which case the deferred tax is also dealt with in shareholders' equity.

Impairment

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or circumstances indicates that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, the latter being the higher of the asset's fair value less costs to sell 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.

Offsetting (after 29 January 2005 only)

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 stated at amortised cost less allowances for situations where recovery is doubtful. Such allowances are based on an individual assessment of each receivable.

2. **Profit before tax**

	2006 £m	2005 £m
Profit on ordinary activities before taxation is stated after crediting/charging the following		
Operating lease income - land and buildings	(15.0)	(15.6)
Depreciation	8.6	9.3
Operating lease rentals - land and buildings	3.1	3.6

Auditors' remuneration in the year was £13,000 (2005: £12,500).

3. **Taxation**

	2006 £m	2005 £m
Analysis of tax charge		
Group relief - this year	0.4	(0.6)
Corporation tax - prior years	(0.5)	(1.1)
Total current tax credit	(0.1)	(1.7)
Deferred tax	0.5	9.6
Total tax charge	0.4	7.9

JOHN LEWIS PROPERTIES plc

NOTES TO THE ACCOUNTS

3. Taxation (continued)

The tax for the period is lower than (2005: higher than) the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2006 £m	2005 £m
Profit on ordinary activities before tax	6.1	22.4
Profit on ordinary activities at standard rate of corporation tax in the UK of 30% (2005: 30%)	1.8	6.7
Effects of:		
Adjustments in respect of prior period	(0.5)	(1.1)
Depreciation on assets not qualifying for tax relief	(0.5)	2.2
Expenses not deductible for tax purpose	0.1	4.8
Non taxable receipts	0.4	1.1
Adjustment in respect of property disposal	(0.9)	(5.8)
Total tax charge for the period	0.4	7.9

4. Investment properties

	Land and buildings £m	Assets in the course of construction £m	Total £m
Cost			
At 31 January 2004	570.1	9.8	579.9
Additions	0.2	12.2	12.4
Transfers	21.7	(21.7)	-
Disposals	(23.1)	-	(23.1)
At 29 January 2005	568.9	0.3	569.2
Additions	0.1	2.5	2.6
Transfers	2.8	(2.8)	-
Disposals	(0.8)	-	(0.8)
As 28 January 2006	571.0	-	571.0
Depreciation			
At 31 January 2004	26.1	-	26.1
Charge for the year	9.3	-	9.3
Disposals	(0.3)	-	(0.3)
At 29 January 2005	35.1	-	35.1
Charge for the year	8.6	-	8.6
Disposals	(0.2)	-	(0.2)
At 28 January 2006	43.5	-	43.5

Net book values:

At 29 January 2005	533.8	0.3	534.1
At 28 January 2006	527.5	-	527.5

Included above are land and buildings assets held under finance leases with a net book value of £1.7m (2005: £1.8m).

The fair value of investment property is estimated to be £553m (2005: £490m).

JOHN LEWIS PROPERTIES plc

NOTES TO THE ACCOUNTS

5. Trade and other receivables

	2006	2005
	£m	£m
Amounts falling due within one year:		
Other receivables	0.5	0.5
	0.5	0.5

6. Trade and other payables

	2006	2005
	£m	£m
Current:		
Other payables	0.7	0.7
	0.7	0.7

7. Finance lease liabilities

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

	2006	2005
	£m	£m
Not later than one year	0.1	0.1
Later than one year but not more than five	0.5	0.5
More than five years	2.9	3.1
	3.5	3.7
Future finance charge on finance leases	1.5	1.6
Present value of finance lease liabilities	2.0	2.1
Of which:		
Current	0.1	0.1
Non current	1.9	2.0

8. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 30% (2005: 30%).

	Total £m
At 31 January 2004	98.9
Charged to the income statement	9.6
At 29 January 2005	108.5
Charged to the income statement	0.5
At 28 January 2006	109.0

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS12) during the period are shown on page 13.

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

JOHN LEWIS PROPERTIES plc

NOTES TO THE ACCOUNTS

8. Deferred tax (continued)

	Accelerated tax depreciation	Revaluation of land & buildings	Rollover gains	Total
	£m	£m	£m	£m
Deferred tax liabilities				
At 31 January 2004	26.6	71.9	1.5	100.0
Charged/(credited) to income statement	4.0	(0.5)	6.1	9.6
At 29 January 2005	30.6	71.4	7.6	109.6
Charged/(credited) to income statement	2.4	(2.3)	0.1	0.2
At 28 January 2006	33.0	69.1	7.7	109.8
				Capital losses
				£m
Deferred tax assets				
At 31 January 2004				(1.1)
Charged to income statement				-
At 29 January 2005				(1.1)
Charged to income statement				0.3
At 28 January 2006				(0.8)

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered.

All of the deferred tax assets were available for offset against deferred tax liabilities and hence the net deferred tax provision at 2006 was £109.0m (£108.5m).

The deferred tax liability due after more than one year is £109.0m.

9. Share capital

	2006 £m	2005 £m
Equity:		
Authorised, issued and fully paid Ordinary Shares, 25,700,000 of £1 each	25.7	25.7

10. Commitments

At 31 January 2006 contracts had been placed for future capital expenditure of £nil (2005 £2.4m), which have not been provided for in these accounts.

JOHN LEWIS PROPERTIES plc

NOTES TO THE ACCOUNTS

11. Lease Commitments

	2006	2005
	£m	£m
Total commitments under non-cancellable operating leases of land and buildings expiring:		
Within one year	2.9	2.9
Later than one year and less than five years	11.4	11.5
After five years	243.3	246.1

Total future sub-lease payments receivable relating to the above operating leases amounted to £0.4m (£0.4m).

12. Reconciliation of profit before tax to cash used in operations

	2006	2005
	£m	£m
Profit before tax	6.1	22.4
Depreciation	8.6	9.3
Net finance costs	0.1	0.1
(Profit)/loss on disposal of property	(2.9)	(19.5)
Increase/(decrease) in payables	0.1	(0.3)
Increase in amounts owed by fellow group undertakings	(12.0)	(12.0)
Cash used in operations	-	-

13. Non cash movements

The following non cash movements are included within the increase in amounts owed by fellow group undertakings:

	2006	2005
	£m	£m
Operating activities		
Taxation	0.1	1.7
Finance costs paid	(0.1)	(0.1)
Investing activities		
Purchase of property, plant & equipment	(2.8)	(13.3)
Proceeds from property, plant & equipment	3.6	42.3
Financing activities		
Payment of capital element of finance lease	(0.1)	-
	0.7	30.6

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 period (2005: nil). All staff engaged in the service of the company are employees of John Lewis plc. No charges were made for their services (2005: nil).

JOHN LEWIS PROPERTIES plc

NOTES TO THE ACCOUNTS

15. Related party transactions

During the year John Lewis Properties plc received rental income from other group companies of £15.0m (2005: £15.6m).

In addition, other transactions were settled on behalf of John Lewis Properties plc by other group companies for administrative convenience, such as supplier settlement. All such transactions were charged to John Lewis Properties plc at cost. It is not practical to quantify these non trading charges.

Included in current assets is a balance of £120.8m (2005: £108.1m) for amounts owed by the holding company.

16. Reconciliation of net assets and profit from UK GAAP to IFRS

Prior to 30 January 2005 John Lewis Properties plc prepared its financial statements under UK Generally Accepted Accounting Principles (UK GAAP). From 30 January 2005 the company has elected to prepare its financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and implemented in the UK. The company's date of transition to IFRS is 1 February 2004 and the 2005 comparatives have been restated to IFRS.

The principle adjustments on transition to IFRS were as follows:

- Revaluation of freehold and long leasehold property and reassessment of their associated residual values;
- Classification of certain leases as finance leases, and the amortisation of lease inducements over the full term of the related lease;

Reconciliation of net assets and profit from UK GAAP to IFRS

	Year ended 29 January 2005 £m	
(net of deferred tax effects)		£m
Profit retained under UK GAAP		18.6
Property valuation		(4.1)
Profit retained under IFRS		14.5

	29 January 2005 £m	1 February 2004 £m
(net of deferred tax effects)		£m
Net assets under UK GAAP	542.0	523.4
Property valuation	(10.2)	(6.1)
Finance lease and operating lease inducements	(0.4)	(0.4)
Net assets under IFRS	531.4	516.9

JOHN LEWIS PROPERTIES plc

NOTES TO THE ACCOUNTS

17. **Parent company**

John Lewis plc is the parent company of the smallest group to consolidate the accounts of the company. John Lewis Partnership plc, the company's ultimate parent company, is the parent company of the largest group to consolidate these accounts. Ultimate control rests with John Lewis Partnership Trust Limited, which holds the equity of John Lewis Partnership plc in trust for the benefit of the employees. All of these companies are registered in England. Copies of these accounts may be obtained from the Company Secretary, John Lewis Partnership, Partnership House, Carlisle Place, London, SW1E 1BX.

JOHN LEWIS PROPERTIES plc

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The directors are required by UK company law to prepare financial statements for each financial year which give a true and fair view of its state of affairs of the company as at the end of the financial year and of its profit or loss for that period. In preparing the financial statements suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made. Relevant accounting standards have been followed. The directors are responsible for maintaining adequate accounting records that disclose with reasonable accuracy at any time the financial position of the company, and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking steps for preventing and detecting fraud and other irregularities.

JOHN LEWIS PROPERTIES plc

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JOHN LEWIS PROPERTIES plc

We have audited the financial statements of John Lewis Properties plc for the year ended 28 January 2006 which comprise the Income Statement, the Balance Sheet, the Statement of Change in Shareholders' Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

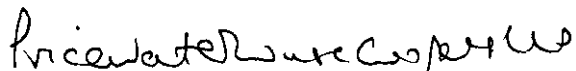
JOHN LEWIS PROPERTIES plc

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JOHN LEWIS
PROPERTIES plc**

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 28 January 2006 and of its profit and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.



*PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
1 Embankment Place
London
WC2N 6RH*

23 August 2006