JOHN LEWIS PROPERTIES plc

Report and Accounts 1999

303301

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COMPANIES HOUSE 20/05/99

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the sixty-third annual general meeting of the company will be held at 12.10 pm on 24 June 1999 at 171 Victoria Street, London SW1E 5NN:

To receive the directors' report and accounts for the year 1998/99.

To consider the re-election of retiring directors.

Special Notice having been received, to consider the re-appointment of PricewaterhouseCoopers as auditors.

To consider the remuneration of the auditors.

By order of the Board
Brian Pritchard Secretary
171 Victoria Street London SW1E 5NN
19 May 1999

Following the merger of Price Waterhouse and Coopers & Lybrand, Price Waterhouse resigned as Auditors of the Company during the year and the Directors appointed PricewaterhouseCoopers as Auditors in their stead. Special Notice has been received under Section 379 of the Companies Act 1985 of a proposal to re-appoint PricewaterhouseCoopers as Auditors.

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.

BOARD OF DIRECTORS

Chairman	Sir Stuart Hampson
Deputy Chairman	David Young
	John Carpenter FRICS
	Howard King FRICS
	Luke Mayhew
	Michael Milner

OFFICERS AND PROFESSIONAL ADVISERS

Company Secretary	Brian Pritchard ACIS
Chief Accountant	Ros Haigh FCA
Director of Legal Services	Terry Neville
Auditors	PricewaterhouseCoopers
Solicitors	Lovell White Durrant
Bankers	National Westminster Bank Plc
Registered office and Transfer office	171 Victoria Street London SW1E 5NN

Registered in England No. 303301

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 1999

Directors

The directors of the company are as listed on page 3. All 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 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 the terms of payment in advance and, provided a supplier fulfils the agreement, to pay promptly in accordance with such 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.

Use of profits

The share capital of the company is wholly owned by John Lewis plc. The profit for the year amounted to £2.8m and has been added to reserves. The directors do not recommend the payment of a dividend.

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.

There were no contracts during or at the end of the financial year in which the directors were materially interested and which were significant in relation to the company's business.

For and by order of the Board
Brian Pritchard Secretary
29 April 1999

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JANUARY 1999

Notes		1999 £m	1998 £m
2	**Rent receivable**	16.0	16.1
2	**Rent payable**	(3.6)	(3.4)
		12.4	12.7
	Administrative expenses	(4.3)	(4.2)
2	**Trading profit**	8.1	8.5
	Profit on disposal of fixed assets	–	1.2
	Interest payable	(2.0)	(1.4)
3	**Profit on ordinary activities before taxation**	6.1	8.3
4	Tax on profit on ordinary activities	(3.3)	(3.0)
9	**Profit for the financial year**	2.8	5.3

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Notes		1999 £m	1998 £m
	Profit for the financial year	2.8	5.3
9	Unrealised surplus on revaluation of department store properties	6.7	17.0
	Total recognised gains and losses for the year	9.5	22.3

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	1999 £m	1998 £m
Reported profit on ordinary activities before taxation	6.1	8.3
Transfer from revaluation reserve	2.5	2.3
Historical cost profit on ordinary activities before taxation	8.6	10.6
Historical cost profit for the financial year	5.3	7.6

BALANCE SHEET AS AT 31 JANUARY 1999

Notes		1999 £m	1998 £m
	Fixed assets		
5	Tangible assets	*354.6*	*347.5*
	Current assets		
6	Debtors	*11.4*	*1.7*
	Amount owed by holding company	*149.5*	*159.0*
		160.9	*160.7*
	Creditors		
7	Amounts falling due within one year	*(9.7)*	*(7.5)*
	Net current assets	*151.2*	*153.2*
	Total assets less current liabilities	*505.8*	*500.7*
	Creditors		
7	Amounts falling due after more than one year	*(4.7)*	*(9.1)*
	Net assets	*501.1*	*491.6*
	Capital and reserves		
8	Called up share capital	*25.7*	*25.7*
9	Share premium account	*1.2*	*1.2*
9	Revaluation reserve	*211.0*	*206.8*
9	Profit and loss account	*263.2*	*257.9*
	Total shareholders' funds	*501.1*	*491.6*

Approved by the Board on 29 April 1999
Sir Stuart Hampson

NOTES TO THE ACCOUNTS

1 Accounting policies

Accounting convention

The accounts are prepared under the historical cost convention, with the exception of certain land and buildings which are included at valuation, and in accordance with applicable accounting standards.

Property valuation

The valuations, which are performed annually and principally relate to department store properties, are made on the basis that each property is regarded as available for existing use in the open market. The surplus or deficit arising on the revaluation of properties is taken to the revaluation reserve. Distribution properties are carried at depreciated historical 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 – 1% to 4%
Other leaseholds – over the remaining period of the lease
Fixtures and fittings – 10% to 33%

Leased assets

Rentals payable under operating leases are charged to the profit and loss account as incurred.

Deferred taxation

Provision for deferred taxation is only made where there is a reasonable probability of a liability crystallising in the foreseeable future.

2 Analysis of turnover and trading profit

John Lewis Properties plc acts as a property holding company of the department store division of the John Lewis Partnership group. The business is carried on in the United Kingdom. Turnover and trading profit derive from continuing operations, there having been no discontinued operations or acquisitions in the year.

3 Profit on ordinary activities before taxation

	1999	*1998*
	£m	*£m*
Profit on ordinary activities before taxation is stated after charging the following:		
Depreciation	*4.4*	*4.2*
Operating lease rentals – land and buildings	*3.4*	*3.4*

Auditors' remuneration in the year was £11,000 (£11,000).

4 Tax on profit on ordinary activities

Corporation tax based on the profit for the year	*3.3*	*3.0*

The tax charge is based on a corporation tax rate of 31% (31%) and has been increased by £0.4m (reduced by £0.2m) as a result of depreciation in excess of (less than) capital allowances.

Total taxation deferred and unprovided in respect of capital allowances in excess of depreciation amounts to £18.1m (£18.5m) based on corporation tax at 31% (31%).

No provision has been made in these accounts for the liability to taxation of £20.1m (£17.1m) on capital gains, which would arise if properties were to be sold at the amounts at which they have been revalued and included in these accounts.

NOTES TO THE ACCOUNTS *continued*

5 Tangible fixed assets

	Land and buildings £m	Fixtures and fittings £m	Assets in construction £m	Total £m
Cost or valuation				
At 31 January 1998	352.7	1.4	1.1	355.2
Additions at cost	3.0	–	1.8	4.8
Revaluation adjustments	3.0	–	–	3.0
At 31 January 1999	358.7	1.4	2.9	363.0
At cost	28.9	1.4	2.9	33.2
At valuation 1988	20.9	–	–	20.9
At valuation 1999	308.9	–	–	308.9
At 31 January 1999	358.7	1.4	2.9	363.0
Depreciation				
At 31 January 1998	6.4	1.3	–	7.7
Charge for the year	4.4	–	–	4.4
Revaluation adjustments	(3.7)	–	–	(3.7)
At 31 January 1999	7.1	1.3	–	8.4
Net book values at 31 January 1998	346.3	0.1	1.1	347.5
Net book values at 31 January 1999	351.6	0.1	2.9	354.6

	1999 £m	1998 £m
Land and buildings at cost or valuation:		
Freehold property	235.9	231.5
Leasehold property, 50 years or more unexpired	117.0	115.4
Leasehold property, less than 50 years unexpired	5.8	5.8
	358.7	352.7

In 1988 Hillier Parker, chartered surveyors, valued most of the Partnership's freehold and long leasehold properties. This valuation was on the basis of existing use value. At 31 December 1998, the directors, after consultation with Hillier Parker, revalued the Partnership's department store properties on the same basis, and this valuation has been incorporated into the accounts as at 31 January 1999. The £6.7m surplus arising from this revaluation has been credited to revaluation reserve.

NOTES TO THE ACCOUNTS *continued*

5 Tangible fixed assets *(continued)*

All distribution properties are stated at depreciated historical cost. Certain amenity properties, which represent less than 6% of the company's total gross property assets, are carried in the accounts at their 1988 valuation, which was carried out by external valuers, depreciated as appropriate.
Included in land and buildings at 31 January 1999 is land valued at £64.9m (£63.9m) which is not subject to depreciation. At 31 January 1999 land and buildings would have been included at the following amounts, if they had not been revalued:

	1999 £m	1998 £m
Cost	169.8	166.8
Accumulated depreciation	(29.2)	(27.4)
	140.6	139.4

6 Debtors

	1999 £m	1998 £m
Amounts falling due within one year:		
Corporation tax	9.6	–
Other debtors	1.0	1.5
Prepayments and accrued income	0.8	0.2
	11.4	1.7

7 Creditors

	1999 £m	1998 £m
Amounts falling due within one year:		
Loans	4.4	4.1
Corporation tax	4.9	3.1
Other creditors	0.4	0.3
	9.7	7.5

	1999 £m	1998 £m
Amounts falling due after more than one year:		
Due between 1 and 2 years		
– Loans	4.7	4.4
Due between 2 and 5 years		
– Loans	–	4.7
	4.7	9.1

Included within creditors is a loan balance of £9.1m (£13.2m) in respect of an assignment of certain rental income to a third party. This arrangement has been reflected in these accounts as a financing transaction.

8 Share capital

	1999 £m	1998 £m
Equity		
Authorised, issued and fully paid Ordinary Shares of £1 each	25.7	25.7

NOTES TO THE ACCOUNTS *continued*

9 Reserves

	Share premium £m	*Revaluation reserve £m*	*Profit and loss account £m*	*Total reserves £m*
At 31 January 1998	*1.2*	*206.8*	*257.9*	*465.9*
Profit for the financial year	–	–	*2.8*	*2.8*
Transfers	–	*(2.5)*	*2.5*	–
Revaluation surplus	–	*6.7*	–	*6.7*
At 31 January 1999	*1.2*	*211.0*	*263.2*	*475.4*

10 Reconciliation of movements in shareholders' funds

	1999 £m	*1998 £m*
Profit for the financial year	*2.8*	*5.3*
Revaluation surplus	*6.7*	*17.0*
Net addition to shareholders' funds	*9.5*	*22.3*
Opening shareholders' funds	*491.6*	*469.3*
Closing shareholders' funds	*501.1*	*491.6*

11 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. All staff engaged in the service of the company are employees of John Lewis plc. No charges were made for their services.

12 Commitments

At 31 January 1999 contracts had been placed for future capital expenditure of £1.1m (£0.3m), which have not been provided for in these accounts.

13 Lease commitments

Rents of land and buildings for the next financial year on operating leases expiring:

Within 1 year	*0.1*	*0.1*
Between 1 and 5 years	*0.1*	*0.1*
Over 5 years	*3.3*	*3.3*

NOTES TO THE ACCOUNTS *continued*

14 Cash flow statement

A consolidated cash flow statement has been included in the accounts of the parent company which include the accounts of John Lewis Properties plc. Accordingly, as permitted by FRS1, no cash flow statement is presented in these accounts.

15 Related party transactions

Transactions with other companies within the group are not disclosed as the company has taken advantage of the exemption available under Financial Reporting Standard 8 'Related Party Disclosures' as the accounts of John Lewis plc and John Lewis Partnership plc, in which the company is consolidated, are publicly available.

16 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, 171 Victoria Street, London SW1E 5NN.

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 the 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, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

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.

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

We have audited the financial statements of John Lewis Properties plc set out on pages 5 to 11 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Report & Accounts, including as described above the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. 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 transactions is not disclosed.

We read the other information contained in the Report & Accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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 presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 January 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors

1 Embankment Place
London WC2N 6NN
29 April 1999