

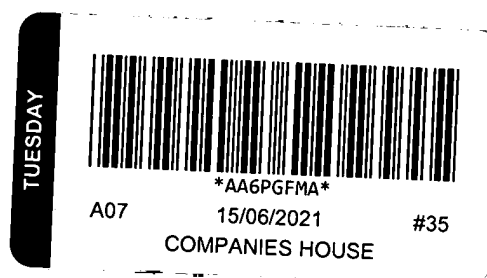
# JOHN LEWIS PROPERTIES PLC

Company number: 00303301

Financial Statements for the year ended 30 January 2021

## Contents

Company information	2
Strategic report	3
Directors' report	6
Statement of comprehensive income	8
Balance sheet	9
Statement of changes in equity	10
Notes to the financial statements	11
Statement of Directors' responsibilities	24
Independent auditor's report to the members of John Lewis Properties plc	25



# **JOHN LEWIS PROPERTIES PLC**

Company number: 00303301

## **Company information**

Company number: 00303301

Directors: Sharon White  
Bérangère Michel  
Christopher Harris

Company Secretary: Peter Simpson

Registered office: 171 Victoria Street, London, SW1E 5NN

Independent auditor: KPMG LLP  
15 Canada Square  
London  
E14 5GL

# JOHN LEWIS PROPERTIES PLC

## Strategic report for the year ended 30 January 2021

### Review of the business and future developments

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

John Lewis Properties plc's revenue at £30.0m was £0.8m lower than last year. The Company's revenue is rental income based on market valuations. Due to a decline in the market value of department store properties, rental income in the year fell.

Operating profit before exceptional items increased by £16.8m to an operating profit of £9.8m, predominantly as a result of smaller impairment charges compared to the prior year.

The prior year net exceptional income of £30.6m included an impairment reversal of £12.6m and profit on disposal of £18.0m in relation to the sale of a parcel of land belonging to our Waitrose Farm in the Leckford Estate, which was considered exceptional due to the size of the transaction and the proportion of land being sold.

There were no exceptional items recorded in the current year and as such profit for the year decreased by £18.9m (-96.9%) to £0.6m increasing net assets to £1,013.3m (0.1%), and the fair value of investment property is estimated to be £775.6m, down 6.1% from £825.6m 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 framework of the John Lewis Partnership plc's arrangements. The principal financial risks to which the Partnership is exposed relate to the capital structure and long-term funding of the Partnership and also to the markets and counterparties the Partnership is exposed as part of its operations. These risks can be summarised as: capital and long-term funding risk, liquidity risk, interest rate risk, foreign currency risk, credit risk and energy risk. Details of the Partnership's financial risk management policies are included in note 7 of the Partnership's Annual Report and Accounts.

### Principal risks and uncertainties

The principal risks and uncertainties facing the Company are in line with John Lewis Partnership plc. The risks that are most relevant to John Lewis Properties plc are: liquidity and external 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 in the Strategic Report in the Partnership's Annual Report and Accounts. Further information is presented on pages 49 to 57 of the Partnership's Annual Report and Accounts.

# JOHN LEWIS PROPERTIES PLC

## Strategic report for the year ended 30 January 2021 (continued)

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

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

The Company's ultimate parent company is John Lewis Partnership plc ('the Partnership'), which is owned in Trust for the benefit of its members, the Partners employed in the Partnership. Whilst being Directors of John Lewis Properties plc, and having acted in a way they consider is most likely to promote the success of the Company, the Directors on the Board are also members of the Partnership's Senior Leadership Team which manages the Partnership's business as part of the Partnership's governance structure. In carrying out their duties, the Directors had in mind the Principles of the Partnership set out in the Partnership's Constitution (available online at [www.johnlewispartnership.co.uk](http://www.johnlewispartnership.co.uk)).

These Principles are consistent with the requirements of Section 172(1) in that they say how the Partnership - including the Company - should operate and how it should conduct its relationships with Partners (both as the Company's members and as employees of John Lewis plc assigned to work for the Company), customers, suppliers and other stakeholders and the communities in which it operates. Further information on decision-making and engagement with stakeholders in the Partnership can be found in the Partnership's Annual Report and Accounts available at [www.johnlewispartnership.co.uk](http://www.johnlewispartnership.co.uk)

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

#### *Decision making at the Board*

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

#### *Stakeholders*

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

#### *Long-term sustainability*

We aim to make sufficient profit to sustain the Company's commercial vitality. This is balanced against the needs of our customers, Partners and other stakeholders and the community to ensure we are conducting all our business relationships with integrity. The long-term sustainability of the Partnership is at the forefront of decision-making, particularly in response to the challenging conditions in retail over the past three years and those facing the Company and its stakeholders as a result of the Covid-19 pandemic.

# JOHN LEWIS PROPERTIES PLC

## Strategic report for the year ended 30 January 2021 (continued)

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

#### *Partners*

The Directors engage with Partners in many different ways, including regular dialogue, summaries of Partner opinion prepared by the independent Democratic Vitality team, vlogs, podcast and email updates, the Partnership's intranet and through the independent Gazette, and the effective and innovative use of opinion tools. Further information on the engagement methods in the Partnership, which are used by the Company's Directors are in the Partnership's Annual Report available at [www.johnlewispartnership.co.uk](http://www.johnlewispartnership.co.uk).

#### *Customers*

The Partnership's customer research team is the voice of the customer, understanding how customers and potential customers think and feel. They gather their experiences and expectations through surveys, face-to-face research, customer feedback to Partners and contact centres and external data sources. Regular customer reports are produced for management and are regularly shared with Directors, and provide insight into the future property needs of the Partnership companies.

#### *Producers and suppliers*

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

#### *Financial stakeholders*

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

#### *Community and environment*

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

#### *Business Conduct*

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

#### *Acting fairly as between the Company's owners*

The Company forms part of a group which is held in Trust for the benefit of both its current and future Partners, and their interests are at the forefront of Board decision-making.

Approved by the Directors and signed on behalf of the Board



Bérange Michel  
Director  
21 May 2021

# JOHN LEWIS PROPERTIES PLC

## Directors' report for the year ended 30 January 2021

The Directors present their report and the audited financial statements for the year ended 30 January 2021.

### Principal activity

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

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

### Directors and Company Secretary

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

Sharon White (Chairman, appointed 4 February 2020)  
Sir Charlie Mayfield (Chairman, resigned 4 February 2020)  
Patrick Lewis (resigned 31 December 2020)  
Bérangère Michel (appointed 1 January 2021)  
Christopher Harris  
Peter Simpson (Company Secretary)

### Results and dividends

The Company's profit before taxation for the year ended 30 January 2021 is £6.2m (2020: £21.6m). The share capital of the Company is wholly owned by John Lewis plc. The Directors do not recommend the payment of a dividend (2020: £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 2017 guarantee, which was amended in May 2020 as part of the 2019 triennial valuation, John Lewis Properties plc entered into a 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 term of the Deed to 31 March 2037. The principal undertaking is that John Lewis Properties plc must maintain a minimum adjusted net asset value of at least £800m, or £760m if the adjusted net asset value falls below £800m as a result of a reduction in the valuation of properties, until January 2027, after which point the required minimum net asset value falls by £50m annually.

As at 30 January 2021, John Lewis properties plc adjusted net asset value fell to £741.8m due a reduction in the valuation of properties. To increase the net asset value to the £760m required minimum, additional property or properties will be transferred into the Company during the next financial year.

### 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 24.

# JOHN LEWIS PROPERTIES PLC

## Directors' report for the year ended 30 January 2021 (continued)

### Directors' interests

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

### Going concern

The Directors have concluded that it is appropriate to adopt the going concern basis, having undertaken a rigorous assessment of the financial forecasts with specific consideration to the Company in the context of the current Covid-19 pandemic in the UK (see the Partnership's Annual Report and Accounts, pages 125 to 128). Consequently, the Directors have concluded that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

### Section 172(1)

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

### Directors' and Officers' liability insurance

The Directors and key managers (Officers) of the Company are beneficiaries of Directors' and Officers' liability insurance providing cover for claims made, subject to certain limitations and exclusions, which is purchased and maintained throughout the year by the Partnership. The Partnership also provides an indemnity for the benefit of each Trustee of the Partnership's Pension Fund, in respect of liabilities that may attach to them in their capacity as a Trustee. As a former Trustee of the Partnership's Pension Fund, Patrick Lewis, a former Director of the Company, has the benefit of this indemnity in relation to his term as Trustee from August 2009 to September 2015.

### Independent auditor

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

### Disclosure of information to the auditor

Each of the persons who are Directors at the date of approval of this report confirms that:

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

Approved by the Directors and signed on behalf of the Board



Bérange Michel  
Director  
21 May 2021

# JOHN LEWIS PROPERTIES PLC

## Statement of comprehensive income for the year ended 30 January 2021

<i>Notes</i>	<b>2021<sup>1</sup></b> <b>£m</b>	<b>2020</b> <b>£m</b>
<b>Revenue</b>		
Rent receivable	<b>30.0</b>	30.8
Rent payable	<b>(0.7)</b>	(0.9)
9 Other operating income	<b>5.9</b>	4.6
Administrative expenses	<b>(26.2)</b>	(54.2)
2 Profit on disposal of property	<b>0.8</b>	12.7
3 <b>Operating profit/(loss) before exceptional items</b>	<b>9.8</b>	(7.0)
4 Exceptional items	-	30.6
<b>Operating profit</b>	<b>9.8</b>	23.6
5 Finance costs	<b>(3.6)</b>	(2.0)
<b>Profit before tax</b>	<b>6.2</b>	21.6
6 Taxation	<b>(5.6)</b>	(2.1)
<b>Profit for the financial year</b>	<b>0.6</b>	19.5

<sup>1</sup> 53 week year.

The accompanying notes are an integral part of these financial statements.

# JOHN LEWIS PROPERTIES PLC

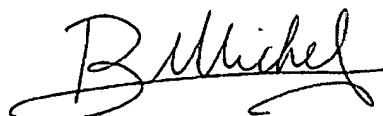
## Balance sheet as at 30 January 2021

Notes		2021 £m	2020 £m
	<b>Non-current assets</b>		
7	Investment properties	570.5	602.6
8	Right-of-use-assets	35.9	27.7
9	Investment in JLP Scottish Partnership	72.6	57.3
10	Trade and other receivables	1.4	1.5
		<b>680.4</b>	<b>689.1</b>
	<b>Current assets</b>		
10	Trade and other receivables	0.1	6.5
11	Assets held for sale	-	0.5
	Amounts due from fellow group undertakings	442.7	430.0
		<b>442.8</b>	<b>437.0</b>
	<b>Total assets</b>	<b>1,123.2</b>	<b>1,126.1</b>
	<b>Current liabilities</b>		
12	Trade and other payables	(0.3)	(9.1)
	Current tax payable	-	(5.9)
13	Lease liabilities	(0.8)	(0.6)
		<b>(1.1)</b>	<b>(15.6)</b>
	<b>Non-current liabilities</b>		
13	Lease liabilities	(47.8)	(36.9)
6	Deferred tax liability	(61.0)	(60.9)
		<b>(108.8)</b>	<b>(97.8)</b>
	<b>Total liabilities</b>	<b>(109.9)</b>	<b>(113.4)</b>
	<b>Net assets</b>	<b>1,013.3</b>	<b>1,012.7</b>
	<b>Equity</b>		
14	Share capital	25.7	25.7
	Share premium account	1.2	1.2
	Retained earnings	986.4	985.8
	<b>Total equity</b>	<b>1,013.3</b>	<b>1,012.7</b>

The accompanying notes are an integral part of these financial statements.

Registered Company number: 00303301

The financial statements on pages 8 to 23 were approved by the Board of Directors on 21 May 2021 and signed on their behalf by Bérange Michel



Bérange Michel  
Director  
21 May 2021

## JOHN LEWIS PROPERTIES PLC

### Statement of changes in equity for the year ended 30 January 2021

	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
Balance as at 26 January 2019	25.7	1.2	966.1	993.0
Adjustment on initial application of IFRS 16 <sup>1</sup>	-	-	0.2	0.2
Adjusted balance at 27 January 2019	25.7	1.2	966.3	993.2
Profit for the year	-	-	19.5	19.5
Balance as at 25 January 2020	25.7	1.2	985.8	1,012.7
Profit for the year	-	-	0.6	0.6
<b>Balance as at 30 January 2021</b>	<b>25.7</b>	<b>1.2</b>	<b>986.4</b>	<b>1,013.3</b>

<sup>1</sup> The Company initially applied IFRS 16 at 27 January 2019, using the modified retrospective approach. Under this approach, comparative information was not restated and the cumulative effect of applying IFRS 16 was recognised in retained earnings at the date of initial application which was 27 January 2019.

The accompanying notes are an integral part of these financial statements.

# JOHN LEWIS PROPERTIES PLC

## Notes to the financial statements

### 1. Accounting policies

#### Accounting convention and basis of preparation

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

FRS 101 sets out a reduced disclosure framework for a “qualifying entity” as defined in the standard, which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of International Financial Reporting Standards (IFRS). The Company is a qualifying entity for the purposes of FRS 101.

The disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows:

- The requirements of IAS 7 to present a cash flow statement;
- The requirements of paragraph 17 of IAS 24, Related Party Disclosures, to disclose information related to key management personnel, and the requirements of IAS 24 to disclose related party transactions between two or more members of a group for wholly owned subsidiaries;
- The requirements of IFRS 7 Financial Instruments: Disclosures;
- The requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- The requirements of paragraphs 30 and 31 of IAS 8 to disclose information assessing the possible impact of new standards issued but which are not yet effective;
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets; and
- The requirements of paragraph 52, 58, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.

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

The financial year is the 53 weeks ended 30 January 2021 (prior year: 52 weeks ended 25 January 2020).

# JOHN LEWIS PROPERTIES PLC

## Notes to the financial statements (continued)

### 1. Accounting policies (continued)

#### Going concern

In determining the appropriate basis of preparation of the financial statements for the year ended 30 January 2021, the Directors are required to consider whether the Company can continue in operational existence for a period of at least 12 months from the approval of the financial statements. The Directors have concluded that it is appropriate to adopt the going concern basis, having undertaken a rigorous assessment of the financial forecasts with specific consideration to the Company in the context of the current Covid-19 pandemic in the UK.

The Company is part of a wider group ('the Group'), of which John Lewis plc is the parent company, and the Company's ability to operate as a going concern is directly linked to the Group's position. The Board of John Lewis plc undertook an assessment of the ability of the Group to continue in operation and meet its liabilities as they fall due over a period not less than 12 months from the date of signing the Group accounts. A further assessment was made to cover the period to January 2023 which also covers the 12 month period from the date that the Company's accounts are signed. The assessment included a base forecast and a downside case which represents an increasingly severe but plausible scenario. The impact of the downside adjustments has been reviewed against the Group's projected cash position and financial covenants. Should these occur, mitigating actions would be required to ensure that the Group remains liquid and financially viable. The downside modelled has a significant adverse impact on sales, margin and cash flow. In response, the Directors have identified available mitigations in the going concern assessment period, all within management's control, to reduce costs and optimise the Group's cash flow, liquidity and covenant headroom. The majority of these mitigations would only be triggered in the event of the downside scenario materialising. This assessment was made available to the Directors of the Company who have considered it in their assessment.

As at 30 January 2021, the Company had total assets less current liabilities of £1.1bn and net assets of £1.0bn. The Directors expect that the Company will continue to generate sufficient Inter-Group rental income to cover its expenses. Rental income is dependent on the liquidity of the John Lewis Partnership as a whole which as at 30 January 2021 was £2.0bn, made up of cash and cash equivalents, short term investments and undrawn committed credit facilities of £500m. The John Lewis Partnership liquidity position has not changed significantly since the balance sheet date.

Consequently, the Directors of the Company have concluded that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

#### Amendments to accounting standards

The following standards, amendments and interpretations were applicable for the period beginning 26 January 2020, and were adopted by the Company for the year ended 30 January 2021 and have not had a significant impact on the Company's profit for the year, equity or disclosures:

- Amendments to References to Conceptual Framework in IFRS Standards
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 3: Business Combinations
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- Amendments to IFRS 16: COVID-19 Related Rent Concessions

# JOHN LEWIS PROPERTIES PLC

## 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

Other assets are held at cost.

#### Investment property

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

#### Right-of-use assets

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

#### Impairment

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

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

#### Depreciation

No depreciation is charged on freehold land and assets in the course of construction. Depreciation is calculated for all other assets to write off the cost or valuation, less residual value, on a straight line basis over their expected useful economic life (UEL), at the following rates:

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

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

For right-of-use assets depreciation is calculated on a straight-line basis over the expected useful economic life of the lease. Judgement is applied to estimate the lease UEL. This is done on an individual lease basis and considers the lease terms and the enforceable period of the lease.

# JOHN LEWIS PROPERTIES PLC

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### Lease liabilities – as a lessee

The Company assesses whether a contract is or contains a lease based on whether the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

Under IFRS 16, the Company recognises right-of-use assets and lease liabilities at the lease commencement date. The lease liabilities are initially measured at the present value of the lease payments that are not yet paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses the incremental borrowing rate as the discount rate and this rate is determined on a portfolio basis, in relation to asset type and location.

Lease liabilities are subsequently measured at amortised cost and are increased by the interest charge and decreased by the lease payments made. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a renewal or purchase option is reasonably certain to be exercised or a break clause is reasonably certain not to be exercised.

The Company has elected to apply the exemption for recognising right-of-use assets and lease liabilities on the balance sheet for leases where the underlying asset is of low value. Lease expenses relating to low value assets will be recognised in the income statement on a straight-line basis.

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

#### Lease liabilities – as a lessor

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

#### Taxation

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

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

Deferred tax is calculated at the tax rates that are enacted or substantively enacted at the balance sheet date that are expected to apply to the period when the asset is realised or the liability is settled.

# JOHN LEWIS PROPERTIES PLC

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### **Offsetting**

Balance sheet netting only occurs to the extent that there is the legal ability and intention to settle net. As such, bank overdrafts are presented in current liabilities to the extent that there is no intention to offset with any cash balances.

#### **Trade and other receivables**

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost less an allowance for expected credit losses, using the simplified approach under IFRS 9. Such allowances are based on an individual assessment of each receivable, which is informed by past experience, and are recognised at amounts equal to the losses expected to result from all possible default events over the life of each financial asset.

#### **Investments**

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

#### **Revenue**

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

#### **Critical accounting estimates and key judgements**

Estimates and key judgements are continually evaluated and are based on historical experience and other relevant factors, including management's reasonable expectations of future events.

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

#### *Impairment*

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

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

#### *Depreciation*

Depreciation is recorded to write down non-current assets to their residual values over their useful economic lives (UELs). Management must therefore estimate the appropriate UELs to apply to each class of asset. Changes in the estimated UELs would alter the amount of depreciation charged each year, which could materially impact the carrying value of the assets in question over the long term. UELs are therefore reviewed on an annual basis to ensure that they are in line with policy and that those policies remain appropriate.

# JOHN LEWIS PROPERTIES PLC

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### Critical accounting estimates and key judgements (continued)

##### *Exceptional items*

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

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

No single criterion alone classifies an item as exceptional, and therefore management must exercise judgement when determining whether, on balance, presenting an item as exceptional will help users of the financial statements understand the Company's underlying business performance.

##### *Lease terms*

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

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

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

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

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

# JOHN LEWIS PROPERTIES PLC

## Notes to the financial statements (continued)

### 2. Profit on disposal of properties before exceptional items

	2021 £m	2020 £m
Profit on disposal of properties	0.8	12.7

### 3. Operating profit before exceptional items

	2021 £m	2020 £m
Operating profit before exceptional items is stated after crediting/(charging) the following:		
Operating lease income - land and buildings	30.0	30.8
Operating lease expense - land and buildings <sup>1</sup>	(0.7)	(0.9)
Depreciation <sup>2</sup>	(32.9)	(47.9)
Reversal/ (charge) of impairment on investment	9.5	(9.5)

<sup>1</sup> Since transition to IFRS 16 on 27 January 2019, only lease rentals of variable and contingent rent have been charged to the income statement. Contingent rents are determined based on store revenues.

<sup>2</sup> Included within depreciation are impairment charges of £11.2m (2020: £26.7m).

Auditor's remuneration in the year was £31,499 (2020: £19,011).

### 4. Exceptional items

There were no exceptional items recorded in the current year.

The prior year net exceptional income of £30.6m included an impairment reversal of £12.6m and profit on disposal of £18.0m in relation to the sale of a parcel of land belonging to our Waitrose Farm in the Leckford Estate, which was considered exceptional due to the size of the transaction and the proportion of land being sold.

### 5. Finance costs

	2021 £m	2020 £m
Lease interest expense	(3.6)	(2.0)

# JOHN LEWIS PROPERTIES PLC

## Notes to the financial statements (continued)

### 6. Taxation

#### 6.1 Analysis of tax charge for the year

	2021 £m	2020 £m
Analysis of tax (charge)/credit:		
Current tax - current year	(6.0)	(5.9)
Current tax - adjustments in respect of previous years	0.5	0.6
Total current tax charge	(5.5)	(5.3)
Deferred tax - current year	8.1	3.8
Deferred tax - changes in tax rate	(7.3)	(0.4)
Deferred tax - adjustments in respect of previous years	(0.9)	(0.2)
Total tax charge	(5.6)	(2.1)

#### 6.2 Factors affecting tax charge in the year

The tax charge for the period is higher (2020: lower) than the standard corporation tax rate of 19.0% (2020: 19.0%). The differences are explained below:

	2021 £m	2020 £m
Profit on ordinary activities before tax	6.2	21.6
Profit before tax multiplied by standard rate of corporation tax in the UK of 19.0% (2020: 19.0%)	(1.2)	(4.1)
Effects of:		
Changes in tax rate	(7.3)	(0.4)
Adjustment to tax in respect of prior years	(0.4)	0.4
Depreciation on assets not qualifying for tax relief	(4.7)	(2.9)
Differences between accounting and tax base for land and buildings	8.0	4.9
Total tax charge	(5.6)	(2.1)
Effective tax rate	90.3%	9.7%

#### 6.3 Deferred tax

Deferred tax is calculated on temporary differences using a tax rate of 19.0%. The movement on the deferred tax account is shown below:

	2021 £m	2020 £m
Opening liability	(60.9)	(64.1)
(Charged)/ credited to statement of comprehensive income	(0.1)	3.2
Closing liability	(61.0)	(60.9)

# JOHN LEWIS PROPERTIES PLC

## Notes to the financial statements (continued)

### 6. Taxation (continued)

#### 6.3 Deferred tax (continued)

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

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

	Accelerated tax depreciation	Capital gains tax on land and buildings	Revaluation of land and buildings	Rollover gains	Other	Total
Deferred tax (liabilities)/assets	£m	£m	£m	£m	£m	£m
At 26 January 2019	(28.0)	(1.8)	(4.8)	(29.5)	-	(64.1)
Credit/(charge) to statement of comprehensive income	0.9	0.9	(1.4)	1.3	1.5	3.2
At 25 January 2020	(27.1)	(0.9)	(6.2)	(28.2)	1.5	(60.9)
(Charge)/credit to statement of comprehensive income	(0.4)	2.9	(1.8)	0.7	(1.5)	(0.1)
At 30 January 2021	(27.5)	2.0	(8.0)	(27.5)	-	(61.0)

The net deferred tax liability at 30 January 2021 was £61.0m (2020: £60.9m). The net deferred tax liability is recoverable after more than one year.

#### 6.4 Factors affecting tax charges in current and future years

The Government announced in the Spring Budget on 3 March 2021 that the rate of corporation tax will increase from April 2023 to 25% for companies with profits over £250,000. As at 30 January 2021 the legislation had not yet been substantively enacted and therefore the tax rate for the purposes of determining the deferred tax recognition rate for assets and liabilities expected to reverse in periods after 1 April 2023 was 19%. The impact of the change is therefore not recognised in these financial statements.

If the corporation tax rate of 25% had been substantively enacted as at 30 January 2021 the deferred tax movement would have been as follows. The impact will be reflected in the financial statements for the year ending 29 January 2022.

	2021 £m
Opening liability	(60.9)
Charged to statement of comprehensive income	(18.0)
Closing liability	(78.9)

# JOHN LEWIS PROPERTIES PLC

## Notes to the financial statements (continued)

### 7. Investment properties

	Land and buildings £m	Total £m
<b>Cost</b>		
At 25 January 2020	792.1	792.1
Additions	2.2	2.2
Disposals	(3.3)	(3.3)
<b>At 30 January 2021</b>	<b>791.0</b>	<b>791.0</b>
<b>Accumulated depreciation</b>		
At 25 January 2020	(189.5)	(189.5)
Charge for the year <sup>1</sup>	(31.1)	(31.1)
Disposals	0.1	0.1
<b>At 30 January 2021</b>	<b>(220.5)</b>	<b>(220.5)</b>
Net book value at 25 January 2020	602.6	602.6
<b>Net book value at 30 January 2021</b>	<b>570.5</b>	<b>570.5</b>

<sup>1</sup> For the year ended 30 January 2021 this includes a net impairment charge of £11.3m (2020: £5.1m release) to land and buildings.

In accordance with IAS 36, the Company reviews its property investment for impairment at least annually or whenever events or circumstances indicate that the value on the balance sheet may not be recoverable. Following the impairment review, the Company recognised a net impairment charge to land and buildings in the year of £11.3m (2020: net £5.1m release).

The fair value of investment property is estimated to be £775.6m (2020: £825.6m). The valuation basis used excludes John Lewis Partnership plc from being a potential tenant of the property (2020: valuation basis used excludes John Lewis Partnership plc as a potential tenant of the property).

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

	2021 £m
Within one year	(30.0)
Later than one year and less than five years	(90.4)
After five years	(1,504.6)
	2021 £m
Later than five years and less than ten years	(152.4)
Later than 10 years and less than 25 years	(443.3)
Later than 25 years and less than 50 years	(478.2)
After 50 years	(430.7)

# JOHN LEWIS PROPERTIES PLC

## Notes to the financial statements (continued)

### 8. Right-of-use assets

	Land and buildings £m	Total £m
<b>Cost</b>		
At 25 January 2020	38.4	38.4
Additions	10.8	10.8
Disposals	(0.9)	(0.9)
<b>At 30 January 2021</b>	<b>48.3</b>	<b>48.3</b>
<b>Accumulated depreciation</b>		
At 25 January 2020	(10.7)	(10.7)
Charge for the year <sup>1</sup>	(1.8)	(1.8)
Disposals	0.1	0.1
<b>At 30 January 2021</b>	<b>(12.4)</b>	<b>(12.4)</b>
Net book value at 25 January 2020	27.7	27.7
<b>Net book value at 30 January 2021</b>	<b>35.9</b>	<b>35.9</b>

<sup>1</sup> For the year ended 30 January 2021 this includes a net impairment release of £0.1m (2020: £9.0m charge).

In accordance with IAS 36, the Company reviews its right-of-use assets for impairment at least annually or whenever events or circumstances indicate that the value on the balance sheet may not be recoverable. Following the impairment review, the Company recognised a net impairment release to land and buildings in the year of £0.1m (2020: £9.0m charge).

### 9. Investments in JLP Scottish Partnership

	£m
At 26 January 2019	44.6
Additions	52.3
Disposals	(30.1)
Impairment charge	(9.5)
<b>At 25 January 2020</b>	<b>57.3</b>
Additions	5.8
Impairment reversal	9.5
<b>At 30 January 2021</b>	<b>72.6</b>

In accordance with IAS 36, the Company reviews its investment in JLP Scottish Partnership for impairment at least annually or whenever events or circumstances indicate that the value on the balance sheet may not be recoverable. Following the impairment review, the Company recognised an impairment reversal in the year of £9.5m (2020: £9.5m charge).

John Lewis Properties plc has a 42% (2020: 40%) 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 £5.9m (2020: £4.6m).

# JOHN LEWIS PROPERTIES PLC

## Notes to the financial statements (continued)

### 10. Trade and other receivables

	2021 £m	2020 £m
Due in less than one year:		
Other receivables	-	0.2
Other taxation	0.1	6.3
	0.1	6.5
Due in greater than one year:		
Prepayments	1.4	1.5
	1.4	1.5

Trade receivables are non-interest bearing and generally on credit terms of less than 90 days. Concentrations of credit risk are considered to be very limited. The carrying amount of trade and other receivables approximates to fair value and is denominated in Sterling. As of 30 January 2021 the Company had no impaired trade and other receivables and there were no amounts overdue (2020: £nil).

The Company recognises loss allowances for expected credit losses (ECLs) within administrative expenses in the income statement. As at 30 January 2021, trade and other receivables of £nil (2020: £nil) were partially or fully impaired.

### 11. Assets held for sale

At 25 January 2020, two property assets were recorded as held for sale with a total carrying value of £0.5m. Both of these properties were sold during the year. There were no properties recorded as held for sale as at 30 January 2021.

### 12. Trade and other payables

	2021 £m	2020 £m
Current:		
Other payables	(0.1)	(0.4)
Other taxation	-	(8.3)
Deferred income	(0.2)	(0.4)
	(0.3)	(9.1)

### 13. Lease liabilities

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

	2021 £m	2020 £m
Depreciation charge for right-of-use assets (excluding impairment) (see note 8)	(1.8)	(1.7)
Interest expense on lease liabilities (see note 5)	(3.6)	(2.0)
Expense relating to variable lease payments not included in lease liabilities	(0.7)	(0.9)
Total cash outflow for leases comprising interest and capital payments	(2.7)	(2.7)
Additions to right-of-use assets (see note 8)	10.8	0.4
Carrying amount of right-of-use assets (see note 8)	35.9	27.7
Carrying amount of lease liabilities – current	(0.8)	(0.6)
Carrying amount of lease liabilities – non-current	(47.8)	(36.9)

Lease liabilities falling due after more than five years are £44.5m (2020:£33.7m).

# JOHN LEWIS PROPERTIES PLC

## Notes to the financial statements (continued)

### 14. Share capital

	2021 £m	2020 £m
Equity:		
Authorised and issued ordinary shares 25,700,000 shares of £1 each	25.7	25.7

### 15. Directors and employees

The Directors are full time executives of John Lewis plc and no part of their remuneration relates to services to this Company. The Company had no employees during the year (2020: £nil). All staff engaged in the service of the Company are employees of John Lewis plc. No charges were made for their services (2020: £nil).

### 16. Parent Company and qualifying undertakings

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

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

### 17. Subsequent events

On 24 March 2021, John Lewis announced that eight shops are proposed for closure and would not reopen alongside the rest of our estate. Of these eight shops, two are leaseholds held by John Lewis Properties plc; these are Basingstoke and Sheffield, the remaining six properties are held by John Lewis plc. For the leasehold properties, negotiations with landlords to exit the leases are ongoing and at this stage it is not possible to estimate any financial liability arising. Across the two shops, £24.2m in respect of PPE assets remains on the balance sheet after consideration of the 20/21 impairment provision.

## JOHN LEWIS PROPERTIES PLC

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

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

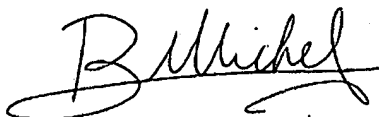
Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

By order of the Board:



Bérangère Michel  
Director  
21 May 2021  
171 Victoria Street, London, SW1E 5NN



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

### **Opinion**

We have audited the financial statements of John Lewis Properties Plc ("the company") for the year ended 30 January 2021 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 January 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

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

### **Fraud and breaches of laws and regulations – ability to detect**

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the Audit and Risk Committee, internal audit, legal counsel and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, Audit and Risk Committee and Remuneration Committee meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we performed procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as impairment assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because there is limited perceived pressure on management to achieve an expected revenue target and limited opportunity to commit fraud.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior management, manual journals posted irregularly by users and unusual opposing entries.
- Assessing significant accounting estimates for bias.

#### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through our discussion with the directors, and other management (as required by auditing standards, and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

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

### **Fraud and breaches of laws and regulations – ability to detect (continued)**

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect; health and safety, fraud bribery and corruption, and environmental protection legislation, recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We discussed with the Audit and Risk Committee matters related to actual or suspected breaches of laws and regulations, for which disclosure is not necessary, and considered any implications for our audit.

#### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### **Strategic report and Directors' Report**

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

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

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

### **Matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.



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

### **Directors' responsibilities**

As explained more fully in their statement set out on page 24, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

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

**Michael Maloney (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL  
21 May 2021