

233 462

THE JOHN LEWIS PARTNERSHIP

The Partnership's purpose is to secure the fairest possible sharing among all those who work in it of all the advantages of ownership. John Lewis Partnership plc and John Lewis plc have modest issues of preference stock. Payment of dividends upon these stocks is naturally the first claim upon the Partnership's profits but the whole of the balance of profit is available to be shared among its permanent employees, i.e. the members of the Partnership, and for reserves. The equity and control of John Lewis Partnership plc, and hence of the Partnership, are held in trust by John Lewis Partnership Trust Limited for the benefit of the employees. One of the principal duties of the Trust Company under the terms of its irrevocable Settlement is to secure the appointment of directors to the Board of John Lewis Partnership plc in accordance with the Partnership's Constitution. The Constitution requires the appointment to the Board of the Chairman and Deputy Chairman of the Trust Company and of five other directors on the nomination of the Chairman together with five other directors nominated annually by the Central Council, which itself represents the Partnership's 38,000 members. The Board of John Lewis Partnership plc thus constituted directs the Partnership's business on behalf of its members.



028 *A5KVYGH* 219
COMPANIES HOUSE 20/05/99

SUMMARY

OF RESULTS

FOR THE YEAR ENDED 30 JANUARY 1999

	1999 £m	1998 £m
Turnover (including VAT)	3,517.6	3,460.1
Trading profit	220.0	271.7
Exceptional operating income	33.5	-
Total operating profit	253.5	271.7
Interest	(16.6)	(21.4)
Profit before Partnership bonus and taxation	236.9	250.3
Taxation	(46.8)	(49.9)
Dividends	(0.3)	(0.3)
Balance available for profit sharing and retention in the business	189.8	200.1
Partnership bonus	(88.9)	(97.7)
Retained in the business for development	100.9	102.4
Net assets employed at the year end	1,301.2	1,193.2
Average number of employees (weighted for part-timers)	34,100	33,300
Number of shops – Department stores	23	23
– Supermarkets	117	117

24.5.99
11

FIVE YEAR RECORD

YEARS ENDED JANUARY

	1999 £m	1998* £m	1997 £m	1996 £m	1995 £m
Turnover (including VAT)	3,517.6	3,460.1	3,160.5	2,815.7	2,575.5
Profit before pension costs	267.5	300.7	262.3	195.4	159.4
Pension costs	(47.5)	(29.0)	(23.4)	(22.6)	(18.0)
Exceptional operating income	33.5	—	—	—	—
Interest	(16.6)	(21.4)	(21.8)	(22.8)	(24.5)
Profit before Partnership bonus and taxation	236.9	250.3	217.1	150.0	116.9
Taxation	(46.8)	(49.9)	(45.2)	(28.6)	(22.5)
Dividends	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Net profit available for profit sharing and retention in the business	189.8	200.1	171.6	121.1	94.1
Partnership bonus	(88.9)	(97.7)	(81.7)	(57.0)	(43.1)
As a percentage of ranking pay	19	22	20	15	12
Retained in the business	100.9	102.4	89.9	64.1	51.0
Net assets employed	1,301.2	1,193.2	1,060.4	950.0	859.8
Pay	467.4	442.1	402.3	371.3	351.8
Average number of employees including part-time employees	46,800 19,800	45,300 18,800	43,700 17,800	41,100 16,300	39,600 15,200

* 53 week year

CHAIRMAN'S STATEMENT

Partnership sales were just over £3.5bn, an increase of 2%, (52 weeks against 53 weeks). Profit before Partnership Bonus and taxation fell by 5% to £237m. However, this total included two non-recurring items – the benefit of a £33.5m refund for VAT and a £5m transfer from profits to the fund we are setting up to celebrate the Golden Jubilee of the Second Trust Settlement (under which Spedan Lewis transferred ownership of the business irrevocably to Partners). In contrast, both this and future years are affected by an actuarial valuation of the pension fund, which has prompted a significant rise in pension costs charged to profit.

On a like-for-like basis profit fell 17%. £101m of profit after taxation was retained in the business, leaving £89m to be distributed to Partners by way of bonus at 19% of pay.

Department store sales were level with last year; in common with other retailers, sales became harder to achieve as the year progressed. The manufacturing units were hard hit, with a 6% decrease in sales. The division's gross margin slipped fractionally, and, with costs outstripping sales, trading profit decreased.

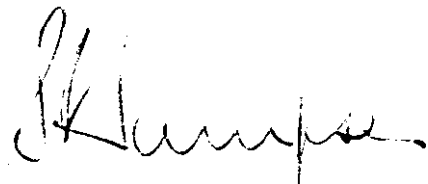
The Waitrose sales increase was 3%, There was no increase in the number of supermarkets (Billericay opened but we closed Chelmsford), but we improved our share of the market. Despite moving the gross margin ahead slightly, rises in costs meant that the trading profit for the division fell by 18% to £61m.

Capital spending increased from £155m to £183m. The net interest charge fell once again, and interest cover increased from 13 times to 15 times. Year-end gearing remained at 14%.

After the year end, new department stores at Bluewater and Glasgow were opened in March, and attention now turns to the relocation of our Southampton department store next year followed by the opening of Solihull in 2001. Waitrose opened a new branch at Gloucester Road in April and aims to open five further branches and relocate one this year.

After 12 weeks of the current trading year, sales are almost level in department stores and 5% ahead in Waitrose. The outlook for non-food retailing remains very hard to call, both in relation to the level of confidence in the market and also whether the approach to the new millennium will exert an influence on spending patterns. The profits of both divisions will be affected by the costs of opening new branches and by the completion of year 2000 computer work. The challenge will be to offset such exceptional costs with a tight focus on underlying profit.

SIR STUART HAMPSON CHAIRMAN
29 APRIL 1999

A handwritten signature in dark ink, appearing to read 'Stuart Hampson', written in a cursive style.

DIRECTORS

AND ADVISERS

DIRECTORS

SIR STUART HAMPSON

Chairman

DAVID YOUNG

Deputy Chairman

IAN ALEXANDER

NIGEL WREFORD-BROWN

JOHN CARPENTER

DUDLEY CLOAKE

DAVID FELWICK

LUKE MAYHEW

BRIAN O'CALLAGHAN

OFFICERS AND 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. 233462

DIRECTORS'

REPORT

Directors

The directors of the company at the date of this report are listed on page 6. All served throughout the period under review.

Principal activity

The company controls the businesses listed on page 30 comprising 25 department stores, 118 Waitrose supermarkets (including 2 new department stores and 1 Waitrose supermarket which opened after the year end) and ancillary manufacturing activities.

Employees

The company is the principal trading subsidiary of John Lewis Partnership plc, the latter being the principal holding company under trusts set up in 1929 and 1950 to implement the Constitution of the John Lewis Partnership. Among other things, those trusts and the Constitution provide employees of this company annually with a share of all the profits of the business in proportion to the pay of each individual; the Constitution also provides for their constant and effective involvement in its affairs through elected councils and elected membership of the Board of John Lewis Partnership plc. There is full, prompt and regular information on all aspects through extensive weekly journalism, as well as wide ranging communication and exchange of opinion, written and oral, through councils, committees, journalism and immediate management. Detailed explanations of financial results are given at intervals through the year in local units and for the John Lewis Partnership as a whole, including full analysis and council debate on the annual report and accounts of the holding company. John Lewis plc, as the principal trading subsidiary of John Lewis Partnership plc, maintained the Constitution in the course of the year.

The company recruits disabled people for suitable vacancies and provides for such

staff appropriate training and careers. Where disability occurs during the period of employment every effort is made to continue to provide suitable employment with the provision of appropriate training.

Corporate governance

The directors have considered the application of the 'Combined Code'. The company does not have equity shares listed on the London Stock Exchange and the ownership structure and written Constitution of the Partnership do not make it practicable to comply in detail with the 'Combined Code'. The following information is relevant in this context:

The Partnership has since 1929 operated under a Constitution which encourages the widest possible sharing of gain, knowledge and power by all Partners while also prescribing the business's responsibilities to its suppliers, its customers and the community in which it operates. The systems of accountability laid down in the Partnership's Articles, Rules and Regulations conform with the spirit of the 'Combined Code' but are framed to suit the unique democratic ownership structure of the Partnership.

Principal authority in the affairs of the Partnership is divided between the Chairman, the Board of John Lewis Partnership plc (the Central Board) and the elected Central Council. The Central Council nominates five of the twelve members of the Central Board. Elected councils at local branch as well as central level provide regular opportunity for management to be held accountable to Partners; Councils receive regular reports by directors and have an opportunity to follow these up with questions on any subject, whilst an open system of journalism both contributes to this process of accountability and provides the means of sharing information extensively with all Partners.

The Partnership has an Audit Committee, the members of which are the Chairman, the General Inspector and one other Director (not an Executive Director), nominated by the Chairman, currently Ken Temple, the Chief Registrar. It meets at least twice a year. Its purpose is to assist the Board of John Lewis Partnership plc in ensuring that the group's systems provide accurate and up to date information on its financial position, and that the group's published financial statements represent a true and fair reflection of this position. It also ensures that appropriate accounting policies and internal financial controls are in place. The external auditors attend its meetings, as does the Head of Internal Audit.

Year 2000

The Partnership has a detailed plan in place to ensure that its computer systems are able to function effectively in the year 2000 and thereafter. It is expected that work on converting the group's computer software to deal with the year 2000 date change will cost £4.1m in total, of which £1.0m was incurred in 1997/98 and £2.4m in 1998/99. The majority of these costs are being charged to the Profit and Loss account as incurred. Work is also well advanced to identify the extent of problems with embedded chips. The cost of the remedial work is expected to be £1.5m, of which £0.4m was incurred in 1998/99. Around £0.3m of the total cost is expected to be capitalised with the remainder charged to the Profit and Loss account as incurred.

In addition to the costs identified above, a number of projects have been brought forward to avoid the need to modify old systems. The total cost of these projects is expected to be £2.2m, of which £1.0m was incurred in 1997/98 and £0.9m in 1998/99. The costs are being capitalised as appropriate.

It is expected that the remaining work on Year 2000 compliance will be completed by the end of August 1999.

While there can be no absolute guarantee that the date change from 1999 to 2000 will not adversely affect the group's operations, and problems may also arise as a result of the inability of third parties to manage the problem, work is proceeding to plan and progress is reviewed on a monthly basis at a senior level. Contingency plans are also being developed to safeguard business continuity.

European Monetary Union

The Partnership has formed a steering group and a number of working groups to identify the issues which might be faced in connection with EMU. This work is at a relatively early stage and until matters become more clear an estimate of likely costs cannot be prepared.

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. The group's trade creditors as at 30 January 1999 were equivalent to 22 days of purchases during the year ended on that date.

Directors' remuneration

The Partnership does not pay directors' fees but all members of the Board are paid a full-time salary for their role within the business, determined in accordance with the Partnership's pay policy. This requires salaries to be in line with market rates. Performance is recognised in enhanced pay and by individual bonuses, not against pre-set criteria, for exceptional contributions. There are no annual incentive bonuses or long term bonus schemes related to individual or company performance.

The Partnership's pay policy respects the confidentiality of individual rates of pay, but all Partners can request details of the range of pay applying to their own post.

The salary of the Chairman is decided by the Central Board in response to proposals he and the Partnership's Director of Personnel make based on independent market evidence. The salaries of directors appointed to the Board are decided by the Chairman in consultation with the Deputy Chairman. They are provided with independent market evidence by the Director of Personnel and the Partnership's Pay Research Unit, which is subsequently circulated to the Central Board. Details of directors' emoluments are set out in note 10.

Properties

The group's freehold and long leasehold department store properties were valued by the directors at 31 December 1998 on the basis of existing use value. This valuation has been incorporated in the consolidated balance sheet at 30 January 1999, resulting in a surplus of £7.1m, which has been credited to the revaluation reserve.

The group's supermarket and distribution properties are stated at depreciated historical cost. The directors are satisfied that the current market value of these properties is not materially different from their carrying value, as at 30 January 1999.

Use of profits

Preference dividends absorbed £89,250 and a final dividend of £200,000 has been proposed on the Ordinary Shares leaving £100,900,000 to be transferred to reserves.

Review of the business

A review of the business and of future developments is included in the Chairman's statement.

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.

Substantial shareholdings

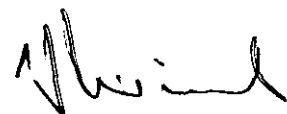
As at 29 April 1999 the company has been notified of the following interests in its preference shares, these interests being recorded in the register maintained under the provisions of Section 211 of the Companies Act 1985.

5% First Cumulative Preference	% of Class
John Lewis Partnership plc	81.0%
Prudential Client (MSS)	
Nominees Limited	7.5%
Vidacos Nominees Ltd	3.7%

7% Cumulative Preference	% of Class
John Lewis Partnership plc	75.6%
Cleaning Tokens Limited	5.5%
J H M MacGowan	3.6%

Charitable donations

The group donated £1,497,000 for charitable purposes during the year but made no political donations.



FOR AND BY ORDER OF THE BOARD
BRIAN PRITCHARD SECRETARY
29 APRIL 1999

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JANUARY 1999

Notes		1999 £m	1998 £m
2	Turnover	3,517.6	3,460.1
	Value added tax	(349.6)	(342.7)
		3,168.0	3,117.4
	Cost of sales	(2,162.9)	(2,130.7)
	Gross profit	1,005.1	986.7
	Selling and distribution costs	(646.2)	(613.5)
3	Administrative expenses (including exceptional item of £5.0m)	(91.4)	(72.5)
4	Pension costs	(47.5)	(29.0)
2	Trading profit	220.0	271.7
3	Exceptional operating income	33.5	–
	Total operating profit	253.5	271.7
5	Net interest payable	(16.6)	(21.4)
	Profit before Partnership bonus and taxation	236.9	250.3
	Partnership bonus	(88.9)	(97.7)
6	Profit on ordinary activities before taxation	148.0	152.6
7	Tax on profit on ordinary activities	(46.8)	(49.9)
8	Profit for the financial year	101.2	102.7
9	Dividends – including non equity interests	(0.3)	(0.3)
18	Profit retained	100.9	102.4

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Profit for the financial year	101.2	102.7
18	Unrealised surplus on revaluation of department store properties	7.1	30.4
	Total recognised gains and losses for the year	108.3	133.1

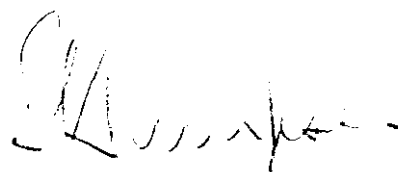
There is no material difference between reported profits and profits on a historical cost basis for the company or the group.

CONSOLIDATED BALANCE SHEET

AS AT 30 JANUARY 1999

Notes		1999 £m	1998 £m
	Fixed assets		
12	Tangible assets	1,341.7	1,234.6
	Current assets		
14	Stocks	266.3	259.4
15	Debtors	310.5	290.0
	Cash at bank and in hand	36.9	58.7
		613.7	608.1
	Creditors		
16	Amounts falling due within one year	(498.3)	(486.9)
	Net current assets	115.4	121.2
	Total assets less current liabilities	1,457.1	1,355.8
	Creditors		
16	Amounts falling due after more than one year	(155.9)	(162.6)
	Net assets	1,301.2	1,193.2
	Capital and reserves		
17	Called up share capital – equity	6.8	6.8
	– non equity	2.2	2.2
	Total share capital	9.0	9.0
18	Share premium account	1.9	1.9
18	Revaluation reserve	207.2	205.2
18	Other reserves	1.4	1.4
18	Profit and loss account	1,081.7	975.7
	Total shareholders' funds (including non equity interests)	1,301.2	1,193.2

APPROVED BY THE BOARD ON 29 APRIL 1999
SIR STUART HAMPSON

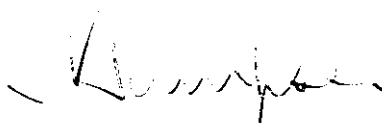


BALANCE SHEET

OF THE COMPANY

AS AT 30 JANUARY 1999

Notes		1999 £m	1998 £m
12	Tangible assets	427.3	360.7
13	Investments in subsidiary undertakings	378.0	362.2
		<u>805.3</u>	<u>722.9</u>
	Current assets		
14	Stocks	180.3	164.3
15	Debtors	273.7	258.4
	Cash at bank and in hand	16.3	42.0
		<u>470.3</u>	<u>464.7</u>
	Creditors		
16	Amounts falling due within one year	(556.6)	(554.4)
	Net current liabilities	<u>(86.3)</u>	<u>(89.7)</u>
	Total assets less current liabilities	<u>719.0</u>	<u>633.2</u>
	Creditors		
16	Amounts falling due after more than one year	(150.0)	(150.0)
	Net assets	<u>569.0</u>	<u>483.2</u>
	Capital and reserves		
17	Called up share capital – equity	6.8	6.8
	– non equity	2.2	2.2
	Total share capital	<u>9.0</u>	<u>9.0</u>
18	Share premium account	1.9	1.9
18	Revaluation reserve	27.6	27.2
18	Profit and loss account	530.5	445.1
	Total shareholders' funds (including non equity interests)	<u>569.0</u>	<u>483.2</u>



APPROVED BY THE BOARD ON 29 APRIL 1999
SIR STUART HAMPSON

CONSOLIDATED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JANUARY 1999

Notes	1999 £m	1998 £m
20 Net cash inflow from operating activities	223.1	170.5
Returns on investments and servicing of finance		
Interest received	2.6	7.2
Interest paid	(19.5)	(27.8)
Interest element of finance lease rental payments	(0.3)	(0.5)
Preference dividends paid	(0.1)	(0.1)
Net cash outflow from returns on investments and servicing of finance	(17.3)	(21.2)
Taxation	(46.0)	(42.6)
Capital expenditure and financial investment		
Purchases of tangible fixed assets	(182.9)	(154.5)
Proceeds of sales of tangible fixed assets	9.7	2.5
Proceeds of sale of call option	-	49.3
Net cash outflow from capital expenditure and financial investment	(173.2)	(102.7)
Equity dividends paid	(0.2)	(0.2)
Net cash (outflow)/inflow before liquid resources and financing	(13.6)	3.8
Management of liquid resources (Short term loans/deposits)	44.8	28.7
Financing		
Repayment of 10¾% Bonds, 1998	-	(100.0)
Loan repayments	(4.1)	(3.7)
Capital element of finance lease rental payments	(2.2)	(2.5)
Net cash outflow from financing	(6.3)	(106.2)
(Increase)/decrease in cash in the year	24.9	(73.7)

NOTES

TO THE ACCOUNTS

I ACCOUNTING POLICIES

Accounting convention and basis of consolidation

The consolidated profit and loss account and balance sheet include the accounts of the company and all its subsidiary undertakings. 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 applicable accounting standards.

Turnover

Turnover is the amount receivable by the group for goods and services supplied to customers, including VAT.

Stock valuation

Stock is stated at the lower of cost, which is generally computed on the basis of selling price less the appropriate trading margin, and net realisable value.

Pension costs

The cost of providing retirement benefits is recognised in the profit and loss account so as to spread it over employees' working lives. The contributions are assessed in accordance with the advice of a qualified actuary. Any funding surpluses or deficits are amortised over the average remaining employees' service life.

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. Supermarket and 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

Assets used by the group which have been funded through finance leases are capitalised and the resulting lease obligations are included in creditors. 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.

Goodwill

Prior to February 1998 goodwill arising on the acquisition of subsidiaries was written off to reserves at the time of acquisition. Goodwill on future acquisitions will be capitalised, as appropriate, and amortised in accordance with the requirements of FRS 10.

2 DIVISIONAL ANALYSIS OF TURNOVER AND TRADING PROFIT

	Turnover		Trading profit	
	1999 £m	1998 £m	1999 £m	1998 £m
Department stores	1,789.6	1,788.2	164.1	197.2
Supermarkets	1,728.0	1,671.9	60.9	74.5
Exceptional charge	-	-	(5.0)	-
	3,517.6	3,460.1	220.0	271.7

The Partnership is principally engaged in the business of retailing in department stores and supermarkets, and also operates some ancillary manufacturing and farming activities. The business is carried on in the United Kingdom and turnover derives almost entirely from that source. Turnover and trading profit derive from continuing operations, there having been no material discontinued operations or acquisitions in the year.

3 EXCEPTIONAL ITEMS

Included within administrative expenses is a charge of £5.0m in respect of the cost of establishing the Golden Jubilee Trust.

Exceptional operating income represents £33.5m received in respect of VAT overpaid on sales of earlier accounting periods following the Court of Appeal decision in a case brought by Littlewoods Home Shopping. The decision clarified how VAT should be calculated on retail sales, amending previous interpretation. The overpayment was repaid in full following the acceptance of the Court of Appeal decision by the tax authorities.

4 PENSION COSTS

The principal pension scheme operated by the Partnership is a defined benefit scheme, providing benefits based on final pensionable pay. The assets of this scheme are held in a separate, trustee administered fund.

The fund was last valued by consulting actuaries as at 31 March 1998, using the projected unit method. The assumption which has the most significant effect on the results of the valuation is the relative rate of return on the investments of the fund compared with increases in pay and pensions. It was assumed for this purpose that on average, the annual return on investments would exceed increases in pay and pensions by 2.25% and 4.25% respectively. The market value of the assets of the fund as at 31 March 1998 was £864m. The actuarial valuation of these assets showed that they were sufficient to cover 92% of the benefits which had accrued to members.

The actuaries have recommended a normal future contribution rate of 8.6% of total pay, together with an additional 1.2% of total pay in respect of the past-service deficit arising from the actuarial valuation. The pension charge for the year, calculated according to the provisions of SSAP 24, was equivalent to 9.9% (6.3%) of total pay and amounted to £46.4m (£28.0m), including notional interest of £1.9m (£0.4m) on the pension charge accrued in the consolidated balance sheet. The next actuarial valuation of the fund will take place as at 31 March 2001.

As explained in note 10, there is also a senior pension scheme which provides additional benefits to certain members of senior management. The actuaries have recommended a funding rate of 12.4% or 23.6% of total pay, depending on the level of benefits provided. The charge for the year was £1.0m (£0.9m). Provision has also been made for certain unfunded benefits, amounting to £0.1m (£0.1m). Both of these amounts are included in the total pension cost of £47.5m (£29.0m).

5 NET INTEREST PAYABLE

	1999 £m	1998 £m
Interest payable:		
On bank loans, overdrafts and other loans repayable within 5 years	3.3	12.0
On finance leases	0.3	0.5
On all other loans	15.6	15.9
Interest receivable (for 1999 includes £1.1m relating to exceptional operating income)	(2.6)	(7.0)
	16.6	21.4

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1999 £m	1998 £m
Profit on ordinary activities before taxation is stated after charging the following:		
Staff costs:		
Wages and salaries	467.4	442.1
Social security costs	39.1	36.3
Partnership bonus	80.4	88.4
Employer's national insurance on Partnership bonus	8.5	9.3
Pension costs	47.5	29.0
Depreciation – owned assets	70.9	67.4
– assets held under finance leases	2.3	2.4
Auditors' remuneration – audit of group	0.4	0.4
– audit of company (included in the above)	0.2	0.2
Operating lease rentals – land and buildings	41.0	39.5
– other	0.5	1.2

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

Corporation tax based on the profit for the year	46.1	47.5
Deferred tax	0.7	2.4
	46.8	49.9

The tax charge is based on a corporation tax rate of 31% (31%) and has been reduced by £6.3m (£2.8m) as a result of capital allowances in excess of depreciation.

Total taxation deferred and unprovided in respect of all capital allowances in excess of depreciation amounts to £90.9m (£84.6m) based on corporation tax at 31% (31%).

No provision has been made in these accounts for the liability to taxation of £33.1m (£20.2m) 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.

8 PROFIT FOR THE FINANCIAL YEAR

As permitted by Section 230 of the Companies Act 1985, John Lewis Partnership plc has not presented its own profit and loss account. The profit dealt with in the accounts of the company amounted to £85.4m (£78.0m).

9 DIVIDENDS

	1999 £m	1998 £m
Non equity interests		
5% First Cumulative Preference Stock and 7% Cumulative Preference Stock	0.1	0.1
Equity interests		
Ordinary shares	0.2	0.2

The ordinary shares are all held by the parent company John Lewis Partnership plc which is registered in England

10 DIRECTORS' EMOLUMENTS

	1999 £000	1998 £000
Directors' remuneration including Partnership bonus of 19% (22%)	2,534	2,334

The emoluments of the Chairman, who was also the highest paid director, were £466,000 (£435,000), including Partnership bonus of £72,000 (£76,000). The Chairman's aggregate pension entitlement from the age of 60 accrued at the end of the year was £199,000 per annum (£168,000 per annum), with a further temporary pension, payable from the age of 60 until the State pension starts, of £1,000 per annum (£1,000 per annum). The transfer value of the increase in accrued entitlement, including temporary pension, during the year was £372,000 (£315,000).

Excluding pension fund contributions but including Partnership bonus, the emoluments of the individual directors, excluding the Chairman, who served on the Board during any part of the year, were as follows:

	1999	1998		1999	1998
£100,001 - £150,000	1	1	£250,001 - £300,000	2	1
£150,001 - £200,000	2	2	£300,001 - £350,001	2	3
£200,001 - £250,000	-	1	£350,001 - £400,000	1	-

The Chairman's contract of employment provides for a notice period of one year. Contracts for all other directors provide for six months' notice.

10 DIRECTORS' EMOLUMENTS CONTINUED

All members of the Board qualify for the annual distribution of profit in Partnership bonus, paid at the same percentage of pay as for any Partner in employment on 31 January. They are also entitled to a car for their personal use, or its cash equivalent, and benefit from private medical insurance paid by the Partnership.

All directors belong to the group's non-contributory pension scheme. The Chairman and seven directors who joined the Partnership before 1989 also belong to a senior pension scheme which provides additional benefits intended to produce a total pension worth two-thirds of pensionable pay on retirement at age 60, after at least 20 or 30 years' service, depending on the level of benefit. The Inland Revenue introduced a ceiling on tax-exempt pension benefits in 1989. The group has given an undertaking that one director who is affected by this ceiling will have his pension made up to the same level as other directors benefiting from the senior pension scheme. The obligation is unfunded but, in line with group policy, provision has been made for this liability.

The annual pension entitlements from the age of 60, accrued at the end of the year for individual directors, excluding the Chairman, who served on the Board during any part of the year, and the prior year amounts for the same individuals, were as follows:

	1999	1998		1999	1998
£0 - £50,000	1	1	£100,001 - £150,000	2	2
£50,001 - £100,000	4	4	£150,001 - £200,000	1	1

The aggregate pension entitlement at the end of the year for all directors, excluding the Chairman, who served on the Board during any part of the year, and the prior year amount for the same individuals, was £805,000 per annum (£666,000 per annum). The increase in accrued pension reflects the combined effect of a further year's service and of an increase in pay during the year. In addition, most of the directors are entitled to temporary pensions payable from the age 60 until their State pension starts. The amounts of these temporary pensions are all less than the State pensions they expect to receive. The aggregate entitlement to temporary pensions was £8,000 per annum (£9,000 per annum). The transfer value of the aggregate increase in accrued entitlement, including temporary pensions, during the year was £1,882,000.

11 EMPLOYEES

During the year the average number of employees of the group, all of whom were employed in the UK, was as follows:

	1999	1998
Department stores	22,900	22,500
Supermarkets	22,300	21,300
Other	1,600	1,500
	46,800	45,300

12 TANGIBLE FIXED ASSETS

Consolidated	Land and buildings £m	Fixtures and fittings £m	Payments on account and assets in course of construction £m	Total £m
Cost or valuation				
At 31 January 1998	1058.4	556.4	68.5	1,683.3
Additions at cost	10.1	42.8	130.0	182.9
Transfers	50.7	28.7	(79.4)	—
Disposals	(11.2)	(12.0)	(0.1)	(23.3)
Revaluation adjustments	0.9	—	—	0.9
At 30 January 1999	1,108.9	615.9	119.0	1,843.8
At cost	585.7	615.9	119.0	1,320.6
At valuation 1988	21.1	—	—	21.1
At valuation 1999	502.1	—	—	502.1
At 30 January 1999	1,108.9	615.9	119.0	1,843.8
Depreciation				
At 31 January 1998	104.5	344.2	—	448.7
Charges for the year	22.0	51.2	—	73.2
Disposals	(2.6)	(11.0)	—	(13.6)
Revaluation adjustments	(6.2)	—	—	(6.2)
At 30 January 1999	117.7	384.4	—	502.1
Net book values at 31 January 1998	953.9	212.2	68.5	1,234.6
Net book values at 30 January 1999	991.2	231.5	119.0	1,341.7
			1999 £m	1998 £m
Land and buildings at cost or valuation:				
Freehold property			684.5	657.0
Leasehold property, 50 years or more unexpired			332.8	317.7
Leasehold property, less than 50 years unexpired			91.6	83.7
			1,108.9	1,058.4

12 TANGIBLE FIXED ASSETS (CONTINUED)

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 30 January 1999. The £7.1m surplus arising from this revaluation has been credited to revaluation reserve.

All supermarket and distribution properties are stated at depreciated historical cost.

Certain amenity properties, which represent less than 2% of the Partnership's total 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 30 January 1999 is land valued at £215.3m, which is not subject to depreciation. At 30 January 1999 land and buildings would have been included at the following amounts, if they had not been revalued:

	1999 £m	1998 £m
Cost	943.7	893.0
Accumulated depreciation	(159.7)	(144.3)
	784.0	748.7

The gross cost of assets held under finance leases is £12.3m (£12.3m) with accumulated depreciation in respect of those assets of £10.6m (£8.3m).

12 TANGIBLE FIXED ASSETS (CONTINUED)

Company	Land and buildings £m	Fixtures and fittings £m	Payments on account and assets in course of construction £m	Total £m
Cost or valuation				
At 31 January 1998	228.1	262.9	50.8	541.8
Additions at cost	4.8	29.0	69.7	103.5
Group transfers	–	0.7	–	0.7
Transfers	20.8	21.8	(42.6)	–
Disposals	(8.9)	(8.6)	(0.3)	(17.8)
Revaluation adjustments	(2.1)	–	–	(2.1)
At 30 January 1999	242.7	305.8	77.6	626.1
At cost	49.6	305.8	77.6	432.1
At valuation 1988	0.1	–	–	0.1
At valuation 1999	193.0	–	–	193.0
At 30 January 1999	242.7	305.8	77.6	626.1
Depreciation				
At 31 January 1998	8.8	172.3	–	181.1
Charges for the year	3.7	24.0	–	27.7
Transfers	–	0.5	–	0.5
Disposals	(0.3)	(7.7)	–	(8.0)
Revaluation adjustments	(2.5)	–	–	(2.5)
At 30 January 1999	9.7	189.1	–	198.8
Net book values at 31 January 1998	219.3	90.6	50.8	360.7
Net book values at 30 January 1999	233.0	116.7	77.6	427.3
Land and buildings at cost or valuation:				
Freehold property			51.1	51.1
Leasehold property, 50 years or more unexpired			172.9	160.0
Leasehold property, less than 50 years unexpired			18.7	17.0
			242.7	228.1

I2 TANGIBLE FIXED ASSETS (CONTINUED)

Included in land and buildings at 30 January 1999 is land valued at £9.6m, which is not subject to depreciation. At 30 January 1999 land and buildings would have been included at the following amounts, if they had not been revalued:

	1999 £m	1998 £m
Cost	270.3	252.4
Accumulated depreciation	(30.2)	(28.2)
	240.1	224.2

I3 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Company	Shares in group companies £m	Loan to group companies £m	Total £m
At 31 January 1998	53.9	308.3	362.2
Movements	–	14.5	14.5
Dividend receivable	–	1.3	1.3
At 30 January 1999	53.9	324.1	378.0

I4 STOCKS

	1999 £m	1998 £m
Consolidated		
Raw materials and work-in-progress	10.4	12.0
Finished goods and goods for resale	255.9	247.4
	266.3	259.4
Company		
Raw materials and work-in-progress	2.9	0.6
Finished goods and goods for resale	177.4	163.7
	180.3	164.3

15 DEBTORS

Consolidated	1999 £m	1998 £m
Amounts falling due within one year:		
Trade debtors	200.6	195.7
Other debtors	33.8	20.4
Prepayments and accrued income	15.5	14.3
	249.9	230.4
Amounts falling due after more than one year:		
Trade debtors	55.9	54.1
Deferred tax	4.7	5.5
	310.5	290.0
Company		
Amounts falling due within one year:		
Trade debtors	30.4	49.7
Amounts owed by group companies	160.5	136.1
Other debtors	15.8	7.4
Prepayments and accrued income	8.2	8.1
	214.9	201.3
Amounts falling due after more than one year:		
Trade debtors	55.9	54.1
Deferred tax	2.9	3.0
	273.7	258.4

16 CREDITORS

Consolidated	1999 £m	1998 £m
Amounts falling due within one year:		
Bank overdraft	52.0	53.9
Trade creditors:	163.6	154.9
Holding company	2.1	2.1
Other creditors	42.5	36.9
Obligations under finance leases	1.7	1.6
Loans	4.4	4.1
Corporation tax	46.6	46.6
Other taxation and social security	56.0	64.5
Pension fund accrual	15.8	16.3
Accruals and deferred income	32.8	17.4
Proposed dividend	0.2	0.2
Partnership bonus	80.6	88.4
	498.3	486.9
Amounts falling due after more than one year:		
Due between 1 and 2 years		
– Obligations under finance leases	1.2	2.3
– Loans	4.7	4.4
Due between 2 and 5 years		
– Obligations under finance leases	–	1.2
– Loans	–	4.7
Due other than by instalments after 5 years		
– 10¼% Bonds, 2006	50.0	50.0
– 10½% Bonds, 2014	100.0	100.0
	155.9	162.6

16 CREDITORS (CONTINUED)

Company	1999 £m	1998 £m
Amounts falling due within one year:		
Bank overdraft	54.5	49.8
Trade creditors	121.5	118.4
Holding company	1.8	1.8
Owed to group companies	166.4	173.7
Other creditors	30.1	21.8
Corporation tax	39.1	29.2
Other taxation and social security	27.3	41.4
Pension fund accrual	15.8	16.3
Accruals and deferred income	21.7	16.0
Proposed dividend	0.2	0.2
Partnership bonus	78.2	85.8
	<u>556.6</u>	<u>554.4</u>
Amounts falling due after more than one year:		
Due other than by instalments after 5 years		
– 10¼% Bonds, 2006	50.0	50.0
– 10½% Bonds, 2014	100.0	100.0
	<u>150.0</u>	<u>150.0</u>

17 SHARE CAPITAL

	1999 £m	1998 £m
Authorised, issued and fully paid :		
Equity		
Ordinary shares of £1 each	6.8	6.8
Non equity		
Cumulative Preference Stock of £1 each		
5% First Cumulative Preference Stock	1.5	1.5
7% Cumulative Preference Stock	0.7	0.7
	9.0	9.0

If the preference dividends are in arrears or in the event of winding up, the 5% first cumulative preference stock and the 7% cumulative preference stock have one vote per share. Otherwise, both classes have one vote for every ten shares. The amounts receivable in a winding up would be limited to the amounts paid up, the 5% first cumulative preference stock taking priority over the 7% cumulative preference stock.

18 RESERVES

	Profit and loss account £m	Capital reserve £m	Share premium £m	Revaluation reserve £m	Total reserves £m
Consolidated					
At 31 January 1998	975.7	1.4	1.9	205.2	1,184.2
Profit retained	100.9	—	—	—	100.9
Transfers	5.1	—	—	(5.1)	—
Revaluation surplus	—	—	—	7.1	7.1
At 30 January 1999	1,081.7	1.4	1.9	207.2	1,292.2

The cumulative amount of goodwill written off to reserves is £10.9m (£10.9m).

	Profit and loss account £m	Share premium £m	Revaluation reserve £m	Total reserves £m
Company				
At 31 January 1998	445.1	1.9	27.2	474.2
Profit retained	85.4	—	—	85.4
Revaluation surplus	—	—	0.4	0.4
At 30 January 1999	530.5	1.9	27.6	560.0

All of the reserves are attributable to equity shareholders.

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Consolidated	1999 £m	1998 £m
Profit for the financial year	101.2	102.7
Dividends	(0.3)	(0.3)
Revaluation surplus	7.1	30.4
Net addition to shareholders' funds	108.0	132.8
Opening shareholders' funds	1,193.2	1,060.4
Closing shareholders' funds	1,301.2	1,193.2
Company		
Profit for the financial year	85.7	78.3
Dividends	(0.3)	(0.3)
Revaluation surplus	0.4	13.4
Net addition to shareholders' funds	85.8	91.4
Opening shareholders' funds	483.2	391.8
Closing shareholders' funds	569.0	483.2

20 RECONCILIATION OF TRADING PROFIT TO NET

CASH INFLOW FROM OPERATING ACTIVITIES

Trading profit	220.0	271.7
Exceptional operating income	33.5	—
Depreciation charged	73.2	69.8
Increase in debtors	(21.3)	(13.8)
Increase/(decrease) in creditors	22.6	(46.6)
Decrease in pension fund accrual	(0.5)	(8.6)
Increase in stocks	(6.9)	(20.3)
Partnership bonus paid for previous year	(97.5)	(81.7)
Net cash inflow from operating activities	223.1	170.5

21 RECONCILIATION OF NET CASH FLOW TO NET DEBT

	1999 £	1998 £m
Increase/(decrease) in cash in the year	24.9	(73.7)
Cash outflow from decrease in debt and lease financing	6.3	106.2
Cash inflow from decrease in liquid resources	(44.8)	(28.7)
Movement in debt for the year	(13.6)	3.8
Opening net debt	(163.5)	(167.3)
Closing net debt	(177.1)	(163.5)

22 ANALYSIS OF CHANGES IN NET DEBT

	1998 £m	Cash flows £m	Other changes £m	1999 £m
Cash balances	19.4	17.5	–	36.9
Overdrafts	(53.9)	7.4	–	(46.5)
	(34.5)	24.9	–	(9.6)
Debt due within one year	(4.1)	4.1	(4.4)	(4.4)
Debt due after one year	(159.1)	–	4.4	(154.7)
Finance leases	(5.1)	2.2	–	(2.9)
Short term deposits/(loans)	39.3	(44.8)	–	(5.5)
Net debt	(163.5)	(13.6)	–	(177.1)

23 COMMITMENTS

At 30 January 1999 contracts had been placed for future capital expenditure of £38.3m (£54.8m), which have not been provided for in these accounts.

John Lewis plc has entered into bank guarantees in favour of subsidiary companies amounting to £15m.

24 LEASE COMMITMENTS

	1999 Land and Buildings £m	1999 Other £m	1998 Land and Buildings £m	1998 Other £m
Operating leases				
Rentals for the next financial year on operating leases expiring:				
Within 1 year	0.2	0.1	0.5	0.2
Between 1 and 5 years	2.6	0.3	0.5	1.1
Over 5 years	38.2	0.1	38.5	0.1

25 SUBSIDIARY UNDERTAKINGS

Subsidiary companies as at 30 January 1999 were as follows:

John Lewis Properties plc (*Property holding company*)
Waitrose Limited (*Food retailing*)
Findlater Mackie Todd & Co. Limited (*Mail order wines*) (*Subsidiary of Waitrose Limited*)
Stead, McAlpin & Company, Limited (*Textile printing*)
Herbert Parkinson Limited (*Weaving and making up*)
J.H.Birtwistle & Company, Limited (*Textile weaving*)
John Lewis Building Limited (*Building*)
John Lewis Transport Limited (*Vehicle leasing*)
Leckford Estate Limited (*Farming*)
Leckford Mushrooms Limited (*Mushroom growing*)
JLP Insurance Limited (*Insurance*) (*Incorporated and operating in Guernsey*)

The whole of the ordinary share capital of the subsidiaries of John Lewis plc is held within the group. The list excludes non-trading companies which have no material effect on the accounts of the group. Except as noted above, all of these subsidiaries operate wholly or mainly in the United Kingdom and are registered in England.

26 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 Partnership plc, in which the company is consolidated, are publicly available.

27 PARENT COMPANY

John Lewis Partnership plc is the company's immediate and ultimate parent company and prepares consolidated accounts which include the accounts of the company. 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. Both 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 and of the group as at the end of the financial year and of the profit or loss of the group 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 group and for preventing and detecting fraud and other irregularities.

The directors, having made enquiries, consider that the company and the group have 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 plc

We have audited the financial statements of John Lewis plc set out on pages 10 to 30 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 14.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Report & Accounts, including as described on page 31 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 group'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 and of the group as at 30 January 1999 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PRICEWATERHOUSECOOPERS
CHARTERED ACCOUNTANTS
AND REGISTERED AUDITORS

1 EMBANKMENT PLACE
LONDON WC2N 6NN
29 APRIL 1999

PRICEWATERHOUSECOOPERS 

RETAIL

BRANCHES

Department Stores

<i>London</i>	<i>Southern England</i>	<i>Midlands, East Anglia, Northern England and Scotland</i>
John Lewis, Oxford Street	Caleys, Windsor	Bainbridge, Newcastle
John Lewis, Brent Cross	Heelas, Reading	Bonds, Norwich
Peter Jones, Sloane Square	John Lewis, Bluewater	Cole Brothers, Sheffield
	John Lewis, Cribbs Causeway	George Henry Lee, Liverpool
	John Lewis, High Wycombe	Jessop & Son, Nottingham
	John Lewis, Kingston	John Lewis, Aberdeen
	John Lewis, Milton Keynes	John Lewis, Cheadle
	John Lewis, Welwyn	John Lewis, Edinburgh
	Knight & Lee, Southsea	John Lewis, Glasgow
	Trewins, Watford	John Lewis, Peterborough
	Tyrell & Green, Southampton	Robert Sayle, Cambridge

Waitrose Supermarkets

<i>London</i>					
Barner	East Sheen	Gloucester Road	Putney	Swiss Cottage	West Ealing
Brent Cross	Enfield	Harrow Weald	South Harrow	Temple Fortune	Whetstone
Chelsea	Finchley	Holloway Road			
<i>Southern England</i>					
Abingdon	Buckhurst Hill	Epsom	Horsham	Richmond	Tilehurst
Allington Park	Burgess Hill	Esher	Kingston	Ringwood	Wallingford
Andover	Caterham	Fleet	Leighton Buzzard	Romsey	Wantage
Banstead	Caversham	Gillingham	Longfield	Ruislip	Welwyn Garden City
Bath	Chesham	Godalming	Lymington	Salisbury	Westbourne
Beaconsfield	Chichester	Goldsworth Park	Maidenhead	St Albans	Westbury Park
Beckenham	Cirencester	Gosport	Marlborough	Sevenoaks	West Byfleet
Berkhamsted	Cobham	Green Street Green	Marlow	Southend	Weybridge
Billerica	Coulsdon	Harpender	Milton Keynes	Southsea	Windsor
Birch Hill	Cowplain	Havant	New Malden	Stevenage	Winton
Bishop's Stortford	Crowborough	Hayes	Northwood	Stroud	Witney
Brighton	Dibden	Henley	Petersfield	Sunningdale	Wokingham
Bromley	Dorchester	Hertford	Ramsgate	Tenterden	Woodley
Bromley South	Dorking	Horley	Reading	Thame	Yateley
<i>Midlands, East Anglia and Wales</i>					
Blaby	Evington	Huntingdon	Monmouth	Norwich	St Neots
Bury St Edmunds	Four Oaks	Kidderminster	Newark	Peterborough	Saffron Walden
Daventry	Hall Green	Kingsthorpe	Newmarket	St Ives	Stourbridge
Ely					

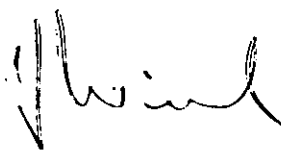
In addition to the shops listed above, the Partnership operates the following businesses
 Stead, McAlpin, Carlisle *Textile Printing*
 Taylor & Penton, Weybridge *Fitted kitchen furniture and bedding*
 J. H. Birtwistle, Haslingden *Textile weaving*,
 Herbert Parkinson, Darwen *Weaving and making up*
 Leckford Estate, Stockbridge *Farming*
 Findlater Mackie Todd, Bracknell *Mail order wines*

NOTICE OF AGM

Notice is hereby given that the seventy-first annual general meeting of the company will be held at 12.20pm 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 final dividend.
- 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 of the company, but a proxy who is not a member has only the rights conferred by Section 372(2) and Section 373(2) of the Companies Act 1985. To be effective, a proxy form must reach the company's registered office not later than forty-eight hours before the time for holding the meeting. For the convenience of members a form of proxy is enclosed.