

John Lewis plc

Report and accounts 1988

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John Lewis plc

Report and accounts 1988

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Notice of annual general meeting

Notice is hereby given that the sixtieth annual general meeting of the company will be held at 12.15 pm on Thursday the 16th day of June 1988 in the Auditorium on the fourth floor at 4 Old Cavendish Street London for the following purposes:

1. To receive the directors' report and accounts for the year 1987/88.
2. To consider the re-election of retiring directors.
3. To consider the re-appointment of the auditors.
4. To consider the remuneration of the auditors.

By order of the board
B E Dickinson *Secretary*

4 Old Cavendish Street
London W1A 1EX
11th May 1988

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.

Board of directors

Chairman P T Lewis MA

Deputy chairman J S Sadler CBE MA

I A J Anderson

W N Wreford-Brown

P Falconer PA

L H Fletcher BA

J B Foster

S Hampson MA

G P K Miller MA

B A O'Callaghan

D J Rawlings BSc

Secretary Betty E Dickinson FCIS

Chief accountant T M Phillips BSc (Econ), FCA

Auditors Price Waterhouse

Solicitors Clifford Chance

Bankers National Westminster Bank PLC

**Registered office
and Transfer office** 4 Old Cavendish Street
London W1A 1EX

Summary of results for the year ended 30th January 1988

Turnover and profits

| | 1987 £000 | 1988 £000 |
|--|--------------|--------------|
| Turnover | 1,568,373 | 1,724,834 |
| Trading profit | 109,088 | 126,278 |
| Interest | 3,705 | 4,971 |
| Taxation | 23,903 | 27,556 |
| Dividends | 590 | 540 |
| Balance available for profit sharing and retention in the business | 80,890 | 93,211 |
| Partnership bonus | 42,181 | 46,222 |
| Retained in the business to offset inflation | 4,300 | 5,400 |
| Retained in the business for development | 34,609 | 41,589 |
| Capital employed | | |
| Net assets employed at the year end | 399,168 | 546,053 |
| Numbers employed | | |
| Employees (weighted for part-timers) | 26,600 | 27,800 |
| Number of shops | | |
| Department stores | 21 | 21 |
| Supermarkets | 82 | 84 |

Five year record

| | Year ended January | | | | |
|---|--------------------|--------------|--------------|--------------|--------------|
| | 1984 £000 | 1985 £000 | 1986 £000 | 1987 £000 | 1988 £000 |
| Turnover | 1,072,063 | 1,206,223 | 1,369,593 | 1,568,373 | 1,724,834 |
| Profit after payment of interest | 583 | 74,539 | 93,616 | 118,642 | 135,961 |
| Pension costs | 1,741 | 8,758 | 11,494 | 13,259 | 14,654 |
| Taxation | 8,500 | 13,694 | 21,651 | 23,903 | 27,556 |
| Dividends | 1,490 | 690 | 815 | 590 | 540 |
| Net profit available for profit sharing and retention in the business | 48,852 | 51,377 | 59,656 | 80,890 | 93,211 |
| Partnership bonus | 25,378 | 25,713 | 30,525 | 42,181 | 46,222 |
| As a percentage of ranking pay | 21 | 19 | 20 | 24 | 24 |
| Retained for use in the business | 23,474 | 25,664 | 29,131 | 38,709 | 46,989 |
| Net assets employed | 306,738 | 332,422 | 361,553 | 399,168 | 546,053 |
| Pay | 129,740 | 146,321 | 164,202 | 189,410 | 209,348 |
| Number of employees including part-time employees | 29,500 | 30,900 | 32,300 | 34,100 | 35,800 |
| | 9,600 | 10,100 | 10,900 | 11,900 | 12,800 |

Statement by the chairman Mr P T Lewis

The John Lewis Partnership has in employment over 35,000 Partners and temporary employees (5% more than last year). Annual sales exceed £1.7 billion (10% up). Pre-tax profit for 1987/88 was £121 million (7% of turnover and 15% up). £47 million of profit was retained and total cash flow generated was £68 million. The balance sheet was further strengthened at the end of the year, reflecting the £100 million increase in the value of our properties following a full independent survey. Long-term borrowing at the year end was £56 million, or 10% of capital employed. That is a brief resume of a sizeable and healthy business.

We have 21 department stores. Their sales in 1987 rose by 10% to £906 million. At the year's end we had 84 Waitrose supermarkets. Their sales also increased by 10% to £797 million. In both cases, if account is taken of the 53-week year in 1986 the rate of sales increase was about 12% p.a. There were no additions in the course of the year to the number of our department stores. Waitrose closed one branch and opened three new ones.

These sales performances demonstrate real growth after adjustment for inflation and are better than national retail comparison in food and in merchandise sold in our department stores. The Partnership has, therefore, further increased its share of United Kingdom retail business.

All profit not retained (or absorbed by Corporation Tax) is distributed among members of the Partnership in proportion to their commercial earnings. The success of the Partnership's trading in 1987 led to a record distribution of £46 million in Partnership Bonus at the rate of 24% of pay. The consistency of

the Partnership's performance and the workings of its system have been such that over the past ten years Partnership Bonus has averaged virtually 20% of full commercial pay – to which, of course, it is wholly additional.

The Partnership's capital expenditure in 1987 on additional land and buildings, fixtures and fittings amounted to £81 million. That was mainly funded out of the Partnership's cash flow and without, therefore, recourse to significant additional borrowing. This position will change, however, over the next few years as the Partnership's expansion will call for a higher level of borrowing.

In the autumn of 1988 we expect to open at High Wycombe a new department store specialising in our furnishing and leisure assortments and setting a new standard of convenience for our car-borne customers. The next full-line department store will be in Aberdeen in 1989. Since the start of the current year Waitrose has already closed two older branches and opened two new ones. Two further new branches of Waitrose are expected to open later in the year. The Partnership weaves and prints many of its own furnishing fabrics at Herbert Parkinson and Stead McAlpin. We have been very pleased to strengthen this important element in our business by the acquisition since the year's end of the textile business of J. H. Birtwistle & Company Limited, one of the best-known producers of grey cloth in the country.

The new trading year 1988/89 has started reasonably well. Sales in department stores and in Waitrose after 11 weeks are ahead by 9% and 12% respectively. Whether the particularly strong growth in profit shown in recent years will be repeated it is too early to say, but the signs are quite promising.

Directors' report for the year ended 30th January 1988

| | |
|------------------------|--|
| Directors | The directors of the company are as listed on page 3. Mr B C G Hutchings resigned on 2nd April 1987 and Mr L H Fletcher was appointed on 23rd April 1987. |
| Employees | <p>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 its 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 fully maintained that constitution in the course of the year.</p> <p>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.</p> |
| Principal activity | The company controls the businesses listed on page 22, comprising 21 department stores, 84 Whitrose supermarkets and ancillary manufacturing activities. |
| Properties | The Partnership's freehold and leasehold properties have been revalued by Hillier Parker during the financial year and these values have been brought into the accounts as at 30th January 1988. Certain recently constructed properties and leaseholds subject to early rent reviews have been retained in the accounts at cost. The valuation resulted in a surplus of £100 million over the book values of the properties as reduced by accumulated depreciation. The surplus has been added to reserves. |
| Acquisition | Since the end of the financial year the company has acquired J H Birtwistle & Company Limited, a textile company based in Lancashire. |
| Use of profits | Preference dividends absorbed £90,000 and an interim dividend of £450,000 has been paid on the Ordinary Shares leaving £46,989,000 to be added to reserves. |
| Review of the business | A review of the business and of future developments is included in the chairman's statement. |
| Inflation | <p>The directors consider it appropriate to reflect the effect of inflation in the accounts by setting aside a separate sum each year as a retention.</p> <p>The retention is based on the effect of inflation on working capital requirements and the replacement cost of fixtures and fittings as explained in Notes 1 and 18 to the accounts.</p> |
| Directors' interests | <p>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.</p> <p>The following further personal interests in John Lewis Partnership plc 7½% Cumulative Preference Stock at 1st February 1987 and 30th January 1988 have been registered: Mr G P K Miller £1,200.</p> <p>There were no contracts subsisting 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.</p> |
| Charitable donations | <p>The group donated £651,000 for charitable purposes during the year but made no political donations.</p> <p>For and by order of the board B E Dickinson <i>Secretary</i> 21st April 1988</p> |

John Lewis plc

Consolidated profit and loss account for the year ended 30th January 1988

Notes

| | | 1988 £000 | 1987 £000 |
|----|---|--------------|--------------|
| 2 | Turnover | 1,724,834 | 1,568,373 |
| | Value added tax | 146,628 | 132,687 |
| | | 1,578,206 | 1,435,686 |
| | Cost of sales | 1,128,559 | 1,032,509 |
| | Gross profit | 449,647 | 403,177 |
| | Selling and distribution costs | 283,898 | 259,025 |
| | Administrative costs | 24,817 | 21,805 |
| 4 | Pension costs | 14,654 | 13,259 |
| | Trading profit | 126,278 | 109,088 |
| 3 | Interest | 4,971 | 3,705 |
| 5 | Profit before Partnership bonus and taxation | 121,307 | 105,383 |
| | Partnership bonus | 46,222 | 42,181 |
| | Profit on ordinary activities before taxation | 75,085 | 63,202 |
| 7 | Tax on profit on ordinary activities | 27,556 | 23,903 |
| 8 | Profit for the financial year | 47,529 | 39,299 |
| 9 | Dividends | 540 | 590 |
| 18 | Profit retained to offset inflation | 5,400 | 4,100 |
| 17 | Profit retained for development | 41,589 | 34,609 |

John Lewis plc

Consolidated balance sheet as at 30th January 1988

| Notes | | 1988 £000 | 1987 £000 |
|-------|--|----------------|----------------|
| | Fixed assets | | |
| 10 | Tangible assets | 539,223 | 382,016 |
| 11 | Investment in affiliated company | 2,395 | 2,093 |
| | | 541,618 | 384,109 |
| | Current assets | | |
| 13 | Stocks | 142,718 | 131,660 |
| 14 | Debtors | 119,837 | 110,000 |
| | Investments – short term deposits | 12,703 | 13,500 |
| | Cash at bank and in hand | 5,691 | 12,887 |
| | | 280,949 | 268,047 |
| | Creditors | | |
| 15 | Amounts falling due within one year | 220,073 | 196,672 |
| | Net current assets | 60,876 | 71,375 |
| | Total assets less current liabilities | 602,494 | 455,484 |
| | Creditors | | |
| 15 | Amounts falling due after more than one year | 56,441 | 56,316 |
| | Net assets | 546,053 | 399,168 |
| | Capital and reserves | | |
| 16 | Called up share capital | 9,000 | 9,000 |
| 17 | Share premium account | 3,277 | 3,277 |
| 17 | Revaluation reserve | 176,497 | 78,380 |
| 17 | Other reserves – capital | 1,365 | 1,365 |
| 17 | Profit and loss account – accumulated profit | 355,914 | 307,146 |
| | Total capital employed | 546,053 | 399,168 |

Approved by the Board on 21st April 1988.

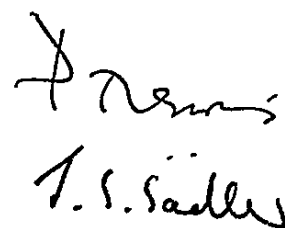
P T Lewis
J S Sadler

P T Lewis
J S Sadler

Balance sheet as at 30th January 1988

| Notes | | 1988 £000 | 1987 £000 |
|-------|--|----------------|----------------|
| | Fixed assets | | |
| 10 | Tangible assets | 119,680 | 89,866 |
| 12 | Investments in subsidiaries | 130,728 | 110,514 |
| 11 | Investment in affiliated company | 2,395 | 2,093 |
| | | 252,803 | 202,473 |
| | Current assets | | |
| 13 | Stocks | 79,238 | 73,652 |
| 14 | Debtors | 83,241 | 75,909 |
| | Investments – short term deposits | 12,703 | 13,500 |
| | Cash at bank and in hand | 633 | 8,460 |
| | | 175,815 | 171,521 |
| | Creditors | | |
| 15 | Amounts falling due within one year | 229,027 | 200,911 |
| | Net current liabilities | 53,212 | 29,390 |
| | Total assets less current liabilities | 199,591 | 173,083 |
| | Creditors | | |
| 15 | Amounts falling due after more than one year | 50,153 | 50,000 |
| | Net assets | 149,438 | 123,083 |
| | Capital and reserves | | |
| 16 | Called up share capital | 9,000 | 9,000 |
| 17 | Share premium account | 3,277 | 3,277 |
| 17 | Revaluation reserve | 6,245 | 1,901 |
| 17 | Profit and loss account – accumulated profit | 130,916 | 108,905 |
| | Total capital employed | 149,438 | 123,083 |

Approved by the Board on 21st April 1988.

P T Lewis
J S Sadler


Statement of source and use of funds

Source of funds

| | Years ended January | | | | |
|---|---------------------|---------------|----------------|----------------|----------------|
| | 1984 £000 | 1985 £000 | 1986 £000 | 1987 £000 | 1988 £000 |
| Arising from trading: | | | | | |
| Profit before Partnership bonus and taxation | 58,842 | 65,781 | 82,122 | 105,383 | 121,307 |
| Adjustment for items not involving a movement of funds: | | | | | |
| Depreciation | 12,851 | 14,489 | 15,772 | 18,129 | 20,919 |
| Profit on sale of fixed assets | (1,051) | (248) | (15) | — | (1,810) |
| Funds from other sources: | 70,642 | 80,022 | 97,879 | 123,512 | 140,416 |
| Proceeds from sale of fixed assets | 3,688 | 2,567 | 2,129 | 965 | 4,607 |
| Loans | — | — | — | 50,000 | — |
| Total inflow | 74,330 | 82,589 | 100,008 | 174,477 | 145,023 |

Use of funds

| | | | | | |
|---|---------------|---------------|---------------|----------------|-----------------|
| Additions to land and buildings | 17,708 | 14,692 | 20,022 | 38,399 | 53,818 |
| Additions to fixtures and fittings | 18,108 | 20,195 | 20,774 | 25,746 | 27,209 |
| Acquisition of subsidiary | 6,540 | — | — | — | — |
| Repayment of loans and debentures | 10,874 | 3,438 | 5,162 | 19,823 | 322 |
| Expenses of Eurosterling bond issue | — | — | — | 1,094 | — |
| Corporation tax paid | 4,746 | 5,633 | 5,146 | 29,360 | 26,440 |
| Dividends paid | 490 | 1,490 | 690 | 860 | 590 |
| Partnership bonus | 17,025 | 25,322 | 25,755 | 30,511 | 42,176 |
| Increase/(decrease) in working capital: | 75,491 | 70,770 | 77,549 | 145,793 | 150,555 |
| Stocks | 7,108 | 10,147 | 8,848 | 17,871 | 11,058 |
| Debtors | 8,696 | 6,336 | 13,017 | 12,516 | 9,837 |
| Creditors | (26,466) | (11,940) | (14,050) | 478 | (9,227) |
| Total outflow | 64,829 | 75,313 | 85,364 | 176,658 | 162,223 |
| Net inflow/(outflow) | 9,501 | 7,276 | 14,644 | (2,181) | (17,200) |
| Increase/(decrease) in cash and deposits | 5,491 | 7,276 | 14,644 | (2,181) | (7,993) |
| (Increase)/decrease in bank overdraft | 4,010 | — | — | — | (9,207) |

Notes on the accounts

1 Accounting policies

The consolidated profit and loss account and balance sheet include the accounts of the company and all subsidiaries.

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

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

Rentals receivable, less provision for amortisation of the cost of leased equipment, are credited to profit and loss account over the primary period of each lease so as to give a constant periodic rate of return on the net cash investment in each period, taking into account the effect of taxation.

The accounts are prepared under the historical cost convention with the exception of certain land and buildings which are included at valuations made in 1980 and 1988. The valuations were made on the basis that each property was regarded as available for existing use in the open market. Recent additions are carried at cost until they reach full trading potential. The surplus arising on the revaluation of properties is credited to revaluation reserve.

No depreciation is charged on freehold and long (over 100 years) leasehold land. Depreciation is calculated for all other assets in equal annual instalments so as to write off the book amount of these assets over the expected life. The following rates have been used:

| | |
|---------------------------------------|--|
| Freehold and long leasehold buildings | 1% to 4% |
| Other leaseholds | over the remaining period of the lease |
| Fixtures and fittings | 10% to 33 1/3% |

Leased assets are all held under operating leases and the annual rentals are charged to the profit and loss account.

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

The profit for the year retained in the group is allocated in the consolidated profit and loss account between that part which is required to provide against the effect of inflation on the replacement cost of fixtures and fittings and working capital requirements, and that part which is available for future expansion and development of the group in real terms.

2 Analysis of turnover and profit

The Partnership is principally engaged in the business of retailing in department stores and supermarkets and also operates some ancillary manufacturing activities.

The business is carried on in the United Kingdom and the turnover derives mainly from that source.

3 Interest

| | 1988 | 1987 |
|--|---------|---------|
| Interest payable: | £000 | £000 |
| On bank loans, overdrafts and other loans repayable within 5 years | 935 | 1,397 |
| On all other loans | 5,688 | 4,372 |
| Interest receivable | (1,652) | (2,064) |
| | 4,971 | 3,705 |

4 Contributions to pension funds

The benefits of the pension scheme, privately administered and non-contributory, are funded by a contribution expressed as a percentage of the paysheet. The rate of contribution was 7% (7%).

Notes on the accounts continued

| | | | | |
|---|--|---|----------|----------|
| 5 | Profit before Partnership bonus and taxation | Profit before Partnership bonus and taxation is stated after charging the following: | 1988 | 1987 |
| | | | £000 | £000 |
| | | Staff costs excluding Partnership bonus: | | |
| | | Pay | 209,348 | 189,410 |
| | | Social security costs | 18,944 | 17,151 |
| | | Other pension costs | 14,654 | 13,259 |
| | | Depreciation | 20,919 | 18,129 |
| | | Auditors' remuneration | 255 | 229 |
| | | Rental of land and buildings | 11,686 | 10,553 |
| 6 | Directors and employees | Directors' remuneration including pension fund contributions and Partnership bonus of 24% (24%) was as follows: | 1988 | 1987 |
| | | | £000 | £000 |
| | | Remuneration as managers | 1,163 | 1,073 |
| | | Pensions to past directors | 1 | 1 |
| | | Excluding pension fund contributions but including Partnership bonus, the emoluments of the individual directors, who served on the board during any part of the year, were as follows: | | |
| | | | 1988 | 1987 |
| | | Chairman | £140,429 | £143,029 |
| | | after a waiver of: | £33,497 | £34,152 |
| | | Other directors: | Number | Number |
| | | £10,001 – £15,000 | 1 | — |
| | | £20,001 – £25,000 | — | 1 |
| | | £25,001 – £30,000 | — | 1 |
| | | £30,001 – £35,000 | — | 2 |
| | | £40,001 – £45,000 | — | 1 |
| | | £55,001 – £60,000 | 1 | — |
| | | £60,001 – £65,000 | — | 3 |
| | | £65,001 – £70,000 | 1 | — |
| | | £70,001 – £75,000 | 2 | — |
| | | £75,001 – £80,000 | 1 | 2 |
| | | £80,001 – £85,000 | 2 | — |
| | | £105,001 – £110,000 | — | 2 |
| | | £110,001 – £115,000 | — | 1 |
| | | £115,001 – £120,000 | 1 | — |
| | | £120,001 – £125,000 | 1 | — |
| | | £125,001 – £130,000 | 1 | — |

Notes on the accounts continued

| | | | | |
|-------|--------------------------------------|---|----------------|----------------|
| 6 | Directors and employees (continued) | Emoluments of employees other than directors receiving remuneration of more than £30,000 per annum excluding pension fund contributions but including Partnership bonus were as follows: | 1988 Number | 1987 Number |
| | | £30,001 – £35,000 | 86 | 70 |
| | | £35,001 – £40,000 | 53 | 38 |
| | | £40,001 – £45,000 | 26 | 18 |
| | | £45,001 – £50,000 | 19 | 13 |
| | | £50,001 – £55,000 | 9 | 9 |
| | | £55,001 – £60,000 | 10 | 4 |
| | | £60,001 – £65,000 | 5 | 2 |
| | | £65,001 – £70,000 | 1 | — |
| | | £70,001 – £75,000 | 1 | — |
| | | £75,001 – £80,000 | 1 | — |
| | | £105,001 – £110,000 | — | 1 |
| | | £110,001 – £115,000 | 1 | — |
| | | During the year the average number of employees of the group, all of whom were employed in the UK, was as follows: | | |
| | | Department stores | 20,400 | 19,800 |
| | | Supermarkets | 14,400 | 13,400 |
| | | Other | 1,000 | 900 |
| <hr/> | | | | |
| 7 | Tax on profit on ordinary activities | | 1988 £000 | 1987 £000 |
| | | Corporation tax based on the profit for the year | 28,221 | 24,636 |
| | | Group relief | 8 | 5 |
| | | Corporation tax – previous years | (673) | (738) |
| | | | 27,556 | 23,903 |
| <hr/> | | | | |
| | | The tax charge is based on a corporation tax rate of 35% (35.8%) and has been reduced by £48,000 (£1,011,000 inc. 18) as a result of capital allowances in excess of depreciation. | | |
| | | Total taxation deferred in respect of capital allowances in excess of depreciation amounts to £39,324,000 (£39,359,000) based on corporation tax at 35%. | | |
| | | No provision has been made in these accounts for the liability to taxation of £31,300,000 (£31,928,000) 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. | | |
| <hr/> | | | | |
| 8 | Profit for the financial year | Dealt with in the accounts of John Lewis plc | 22,215 | 17,011 |
| | | Retained by subsidiaries | 25,314 | 22,288 |
| | | | 47,529 | 39,299 |
| <hr/> | | | | |
| | | As permitted by Section 228 of the Companies Act 1985, John Lewis plc has not presented its own profit and loss account. | | |
| <hr/> | | | | |
| 9 | Dividends | 5% (now 3.5% plus tax credit) First Cumulative Preference Stock | 53 | 53 |
| | | 7% (now 4.9% plus tax credit) Cumulative Preference Stock | 37 | 37 |
| | | Ordinary Shares | 450 | 500 |
| | | | 540 | 590 |

Notes on the accounts continued

10 Tangible assets

Consolidated

| | Land and buildings £000 | Fixtures and fittings £000 | Payments on account and assets in course of construction £000 | Total £000 |
|---|----------------------------------|-------------------------------------|--|---------------|
| Cost or valuation | | | | |
| At 31st January 1987 | 300,663 | 145,471 | 33,038 | 479,172 |
| Additions at cost | 9,526 | 24,074 | 47,427 | 81,027 |
| Revaluation adjustment | 84,540 | — | — | 84,540 |
| Transfers | 16,615 | 2,371 | (18,986) | — |
| Disposals | (1,761) | (4,538) | — | (6,299) |
| At 30th January 1988 | 409,583 | 167,378 | 61,479 | 638,440 |
| At cost | 102,444 | 167,378 | 61,479 | 331,301 |
| At valuation 1980 | 1,459 | — | — | 1,459 |
| At valuation 1988 | 305,680 | — | — | 305,680 |
| | 409,583 | 167,378 | 61,479 | 638,440 |
| Depreciation | | | | |
| At 31st January 1987 | 28,538 | 68,618 | — | 97,156 |
| Charge for the year | 5,431 | 15,488 | — | 20,919 |
| On disposals | (19) | (3,483) | — | (3,502) |
| Revaluation adjustment | (15,356) | — | — | (15,356) |
| At 30th January 1988 | 18,594 | 80,623 | — | 99,217 |
| Net book values at 31st January 1987 | 272,125 | 76,853 | 33,038 | 382,016 |
| Net book values at 30th January 1988 | 390,989 | 86,755 | 61,479 | 539,223 |
| Land and buildings at cost or valuation: | | | 1988 | 1987 |
| Freehold property | | | £000 | £000 |
| Leasehold property, 50 years or more unexpired | | | 229,313 | 145,490 |
| Leasehold property, less than 50 years unexpired | | | 149,788 | 126,153 |
| | | | 30,482 | 29,020 |
| | | | 409,583 | 300,663 |
| Included in land and buildings at 30th January 1988 is land valued at £96,319,000, which is not subject to depreciation. | | | | |
| If they had not been revalued, land and buildings at 30th January 1988 would have been included at the following amounts: | | | | |
| Cost | | | | |
| Accumulated depreciation | | | 248,283 | 223,124 |
| | | | 33,791 | 29,371 |
| | | | 214,492 | 193,745 |

The property revaluation in 1988 by Hillier Parker resulted in a surplus of £99,896,000 which has been credited to revaluation reserve.

Notes on the accounts continued

10 Tangible assets (continued) Company

| | Land and buildings £000 | Fixtures and fittings £000 | Payments on account and assets in course of construction £000 | Total £000 |
|---|----------------------------------|-------------------------------------|--|---------------|
| Cost or valuation | | | | |
| At 31st January 1987 | 42,574 | 67,565 | 12,714 | 123,853 |
| Additions at cost | 1,454 | 13,800 | 18,461 | 33,715 |
| Revaluation adjustment | 1,014 | — | — | 1,014 |
| Transfers | (125) | 4,498 | (25) | 4,348 |
| Disposals | (3) | (3,589) | — | (3,592) |
| At 30th January 1988 | 45,914 | 82,274 | 31,150 | 159,338 |
| At cost | 659 | 82,274 | 31,150 | 114,083 |
| At valuation 1980 | 600 | — | — | 600 |
| At valuation 1988 | 44,655 | — | — | 44,655 |
| | 45,914 | 82,274 | 31,150 | 159,338 |
| Depreciation | | | | |
| At 31st January 1987 | 3,291 | 30,696 | — | 33,987 |
| Charge for the year | 576 | 8,159 | — | 8,735 |
| Transfers | (29) | 3,293 | — | 3,264 |
| On disposals | (3) | (2,659) | — | (2,662) |
| Revaluation adjustment | (3,666) | — | — | (3,666) |
| At 30th January 1988 | 169 | 39,489 | — | 39,658 |
| Net book values at 31st January 1987 | 40,283 | 36,869 | 12,714 | 89,866 |
| Net book values at 30th January 1988 | 45,745 | 42,785 | 31,150 | 119,680 |
| | | | 1988 £000 | 1987 £000 |
| Land and buildings at cost or valuation: | | | | |
| Freehold property | | | 276 | 48 |
| Leasehold property, 50 years or more unexpired | | | 43,625 | 41,379 |
| Leasehold property, less than 50 years unexpired | | | 2,013 | 2,147 |
| | | | 45,914 | 43,574 |
| Included in land and buildings at 30th January 1988 is land valued at £263,000, which is not subject to depreciation. | | | | |
| If they had not been revalued, land and buildings at 30th January 1988 would have been included at the following amounts: | | | | |
| Cost | | | 42,751 | 41,136 |
| Accumulated depreciation | | | 3,251 | 2,754 |
| | | | 39,500 | 38,382 |

The property revaluation in 1988 by Hillier Parker resulted in a surplus of £4,680,000 which has been credited to revaluation reserve.

John Lewis plc

Notes on the accounts continued

| 11 Investment in affiliated comp | Shares £000 | Loans £000 | Total £000 |
|----------------------------------|----------------|---------------|---------------|
| At 31st January 1987 | 31 | 2,062 | 2,093 |
| Movements | — | 302 | 302 |
| At 30th January 1988 | 31 | 2,364 | 2,395 |

Shares and loans relate to Leckford Estate Limited, a company controlled by its preference shareholders. 100% of the issued and fully paid ordinary shares are owned by the group and are included at cost. The capital and reserves of Leckford Estate Limited at 30th September 1987 were as follows:

| | £ |
|---|--------|
| Ordinary shares of £1 each | 25 |
| 6% (now 4.2% plus tax credit) Preference shares | 75 |
| Reserves | 11,451 |
| | 11,551 |

The loss of Leckford Estate Limited for the year to 30th September 1987 was £145,115 before tax and £103,344 after tax. After the dividend on the preference shares the residual loss of £103,447 reduced reserves to £11,451 to which ordinary shareholders are entitled unless the company goes into liquidation, whereupon they are entitled to 25% of such retained profits. No dividend was paid on the ordinary shares in 1987 (Nil).

| 12 Investments in subsidiaries | Shares in group companies £000 | Loans to group companies £000 | Total £000 |
|--------------------------------|---|--|---------------|
| At 31st January 1987 | 30,917 | 79,597 | 110,514 |
| Movements | — | 16,931 | 16,931 |
| Dividends receivable | — | 3,283 | 3,283 |
| At 30th January 1988 | 30,917 | 99,811 | 130,728 |

Wholly owned subsidiaries of John Lewis plc

John Lewis Properties plc
 Waitrose Limited
 Cavendish Textiles Limited
 Stead, McAlpin & Company Limited
 Herbert Parkinson Limited
 John Lewis Overseas Limited

Wholly owned subsidiary of John Lewis Properties plc

Cole Brothers Limited

The whole of all classes of share capital is held within the group except where otherwise stated. The list excludes companies which have no material effect on the accounts of the group. All of these subsidiaries operate wholly or mainly in the United Kingdom and are registered in England.

The accounts of Waitrose Limited are audited by Kidsons. The share of group turnover and profit on ordinary activities before taxation attributable to Waitrose Limited is 46% (46%) and 23% (28%) respectively.

Notes on the accounts continued

| | | | | |
|----|---------|---|--------------|--------------|
| 13 | Stocks | Consolidated | 1988 £000 | 1987 £000 |
| | | Raw materials and work-in-progress | 6,689 | 6,456 |
| | | Finished goods | 136,029 | 125,204 |
| | | | 142,718 | 131,660 |
| | | Company | | |
| | | Raw materials and work-in-progress | 591 | 569 |
| | | Finished goods | 78,647 | 73,083 |
| | | | 79,238 | 73,652 |
| 14 | Debtors | Consolidated | 1988 £000 | 1987 £000 |
| | | Amounts falling due within one year: | | |
| | | Trade debtors | 90,682 | 82,545 |
| | | Other debtors | 4,749 | 5,058 |
| | | Prepayments and accrued income | 5,625 | 5,409 |
| | | Lease rentals receivable | 138 | 242 |
| | | | 101,194 | 93,254 |
| | | Amounts falling due after more than one year: | | |
| | | Trade debtors | 18,643 | 16,686 |
| | | Lease rentals receivable | — | 60 |
| | | | 18,643 | 16,746 |
| | | Total debtors | 119,837 | 110,000 |
| | | Company | | |
| | | Amounts falling due within one year: | | |
| | | Trade debtors | 64,356 | 58,686 |
| | | Other debtors | 2,228 | 2,493 |
| | | Prepayments and accrued income | 3,052 | 2,753 |
| | | | 69,636 | 63,932 |
| | | Amounts falling due after more than one year: | | |
| | | Trade debtors | 13,605 | 11,977 |
| | | Total debtors | 83,241 | 75,909 |

John Lewis plc

Notes on the accounts continued

| 15 Creditors | Consolidated | 1988 £000 | 1987 £000 |
|--------------|--|--------------|--------------|
| | Amounts falling due within one year: | | |
| | Bank overdraft | 9,207 | — |
| | Trade creditors | 68,304 | 66,441 |
| | Holding company | 1,054 | 952 |
| | Other creditors | 12,458 | 9,829 |
| | Corporation tax | 28,614 | 27,498 |
| | Other taxation and social security | 37,918 | 34,985 |
| | Accruals and deferred income | 15,844 | 14,289 |
| | Proposed dividend | 450 | 500 |
| | Partnership bonus | 46,224 | 42,178 |
| | | 220,073 | 196,672 |
| | Amounts falling due after more than one year: | | |
| | Due by instalments after 5 years | | |
| | — Debenture loans | 1,228 | 1,248 |
| | Due other than by instalments after 5 years | | |
| | — Debenture loans | 5,000 | 5,000 |
| | — Eurosterling bonds | 50,000 | 50,000 |
| | Other creditors | 213 | 68 |
| | | 56,441 | 56,316 |
| | Total of instalment payments due after 5 years | 1,128 | 1,148 |
| | Debentures (secured on land and buildings) | | |
| | John Lewis Properties plc | | |
| | 9¼% Mortgage Debenture Stock, 1992/97 | 5,000 | 5,000 |
| | 8¼% Mortgage Debenture Stock, 1993/98 | 1,228 | 1,248 |
| | | 6,228 | 6,248 |

Notes on the accounts continued

| 15 | Creditors (continued) | Company | 1988 | 1987 |
|----|-----------------------|---|---------|---------|
| | | | £000 | £000 |
| | | Amounts falling due within one year: | | |
| | | Bank overdraft | 6,900 | — |
| | | Trade creditors | 56,875 | 56,721 |
| | | Holding company | 1,054 | 952 |
| | | Owed to group companies | 68,362 | 57,654 |
| | | Other creditors | 8,722 | 5,338 |
| | | Corporation tax | 9,812 | 8,437 |
| | | Other taxation and social security | 24,007 | 21,592 |
| | | Accruals and deferred income | 7,598 | 7,927 |
| | | Proposed dividend | 450 | 500 |
| | | Partnership bonus | 45,247 | 41,290 |
| | | | 229,027 | 200,911 |
| | | Amounts falling due after more than one year: | | |
| | | Due other than by instalments after 5 years | | |
| | | — Eurosterling bonds | 50,000 | 50,000 |
| | | Other creditors | 153 | — |
| | | | 50,153 | 50,000 |
| | | The Eurosterling bonds carry an interest rate of 10¼% and are repayable at par in 2006. | | |
| 16 | Share capital | Authorised, issued and fully paid: | | |
| | | 5% (now 3.5% plus tax credit) First Cumulative Preference Stock | 1,500 | 1,500 |
| | | 7% (now 4.9% plus tax credit) Cumulative Preference Stock | 750 | 750 |
| | | Ordinary Shares of £1 each | 6,750 | 6,750 |
| | | | 9,000 | 9,000 |

Notes on the accounts continued

| 17 Reserves | Consolidated | Share premium | Revaluation reserve | Other reserves — capital | Profit and loss account | Total reserves |
|----------------------|---|---------------|---------------------|--------------------------|-------------------------|----------------|
| | | £000 | £000 | £000 | £000 | £000 |
| | At 31st January 1987 | 3,277 | 78,380 | 1,365 | 307,146 | 390,168 |
| | Profit retained to offset inflation | — | — | — | 5,400 | 5,400 |
| | Profit retained for development | — | — | — | 41,589 | 41,589 |
| | Surplus on revaluation of properties | — | 99,896 | — | — | 99,896 |
| | Transfers | — | (1,779) | — | 1,779 | — |
| | At 30th January 1988 | 3,277 | 176,497 | 1,365 | 355,914 | 537,053 |
| | Company | | Share premium | Revaluation reserve | Profit and loss account | Total reserves |
| | | | £000 | £000 | £000 | £000 |
| | At 31st January 1987 | | 3,277 | 1,901 | 108,905 | 114,083 |
| | Profit retained for development | | — | — | 21,675 | 21,675 |
| | Surplus on revaluation of properties | | — | 4,680 | — | 4,680 |
| | Transfers | | — | (336) | 336 | — |
| | At 30th January 1988 | | 3,277 | 6,245 | 130,916 | 140,438 |
| 18 Inflation | | | | | 1988 | 1987 |
| | | | | | £000 | £000 |
| | Profit retained to offset inflation relates to: | | | | | |
| | Depreciation of fixtures and fittings | | | | 3,900 | 4,100 |
| | Working capital | | | | 1,500 | — |
| | | | | | 5,400 | 4,100 |
| | The working capital adjustment is calculated on the basis of appropriate indices, published by the Central Statistical Office, applied to the values of stock, debtors and creditors in the preceding year. | | | | | |
| 19 Commitments | At 30th January 1988 the directors had authorised capital expenditure of £158,118,000 (£172,914,000) of which contracts had been placed for £84,880,000 (£124,293,000). | | | | | |
| 20 Lease commitments | Rentals on land and buildings for the next financial year on leases expiring: | | | | | |
| | Within 1 year | | | | 23 | 175 |
| | Between 1 and 2 years | | | | 106 | 342 |
| | Between 2 and 5 years | | | | 219 | 274 |
| | Over 5 years | | | | 12,495 | 11,130 |

John Lewis plc

Report of the auditors

We have audited the financial statements of John Lewis plc set out on pages 7 to 20 in accordance with approved Auditing Standards. In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30th January 1988 and of the profit and source and use of funds of the group for the year then ended and comply with the Companies Act 1985.

Price Waterhouse
Chartered Accountants
London

21st April 1988

John Lewis plc

Retail branches

Department stores

London

John Lewis, Oxford Street
Peter Jones, Sloane Square
Jones Brothers, Holloway
Pratts, Streatham
John Lewis, Brent Cross

Southern England

Heelas, Reading
John Lewis, Milton Keynes
Tyrrell and Green, Southampton
Knight & Lee, Southsea
Caleys, Windsor
Trewin Brothers, Watford
John Lewis, Bristol
John Lewis, Welwyn

Midlands, East Anglia, Northern England and Scotland

Jessop & Son, Nottingham
Robert Sayle, Cambridge
John Lewis, Peterborough
Bonds, Norwich
Cole Brothers, Sheffield
George Henry Lee, Liverpool
Bainbridge, Newcastle
John Lewis, Edinburgh

Waitrose supermarkets

London

| | | | |
|-------------|--------------|---------------|----------------|
| Barnet | East Sheen | Kensington | Temple Fortune |
| Brent Cross | Enfield | Kenton | West Ealing |
| Chelsea | Harrow Weald | Swiss Cottage | Whetstone |

Southern England

| | | | | |
|----------------|-------------|---------------|---------------|-----------|
| Allington Park | Coulsdon | Green Street | Northwood | Weybridge |
| Andover | Cowplain | Green | Ramsgate | Windsor |
| Banstead | Crowborough | Harpenden | Richmond | Winton |
| Beaconsfield | Dibden | Havant | Romsey | Witney |
| Berkhamsted | Dorchester | Hayes | Sevenoaks | Wokingham |
| Birch Hill | Dorking | Henley | St Albans | Woodley |
| Brighton | Epsom | Hertford | Slough | |
| Bromley | Esher | Horley | Southsea | |
| Camberham | Fleet | Leighton | Stevenage | |
| Caversham | Godalming | Buzzard | Tilehurst | |
| Chesham | Goldsworth | Lymington | Wallingford | |
| Chichester | Park | Marlborough | Wantage | |
| Clarendon | Gosport | Marlow | Westbourne | |
| Cobham | | Milton Keynes | Westbury Park | |

Midlands

| | | | |
|----------|-----------|---------------|-------------|
| Blaby | Evington | Hall Green | Kingsthorpe |
| Daventry | Four Oaks | Kidderminster | Stourbridge |

East Anglia

| | | |
|----------------|--------------|----------------|
| Buckhurst Hill | Newmarket | Saffron Walden |
| Huntingdon | Peterborough | St Neots |

In addition to the shops listed above, the Partnership has businesses engaged in wholesale and export trade in textiles, and in manufacturing of which much of the production is sold through its retail branches.