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John Lewis plc

Report and accounts 1987

John Lewis plc

Report and accounts 1987

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Summary of results for the year ended 31st January 1987

Turnover and profits		1986 £000	1987 £000
	Turnover	1,369,593	1,568,373
	Trading profit including income from investment	85,664	109,088
	Interest	3,542	3,705
	Taxation	21,651	23,903
	Dividends	815	590
	Balance available for sharing and retention in the business	59,656	80,890
	Partnership bonus	30,525	42,181
	Retained in the business to offset inflation	4,900	4,100
	Retained in the business for development	24,231	34,609
Capital employed	Net assets employed at the year end	361,553	399,168
Numbers employed	Employees (weighted for part-timers)	25,500	26,500
Number of shops	Department stores	21	21
	Supermarkets	80	83

Five year record

	Years ended January				
	1983 £000	1984 £000	1985 £000	1986 £000	1987 £000
Turnover	922,203	1,072,063	1,206,223	1,369,593	1,568,373
Profit after payment of interest	44,593	66,583	74,539	93,616	118,642
Pension costs	5,750	7,741	8,758	11,494	13,259
Taxation	5,058	8,500	13,694	21,651	23,903
Dividends	490	1,490	690	815	590
Net profit available for profit sharing and retention in the business	33,295	48,852	51,397	59,656	80,890
Partnership bonus	17,077	25,378	25,713	30,525	42,181
As a percentage of pay	16	21	19	20	24
Retained for use in the business	16,218	23,474	25,684	29,131	38,709
	33,295	48,852	51,397	59,656	80,890
Net assets employed	283,264	306,738	332,422	361,553	399,168
Pay	115,625	129,740	146,321	164,202	189,410
Number of employees including part-time employees	28,200 9,100	29,500 9,600	30,900 10,100	32,300 10,900	34,100 11,900

John Lewis plc

Statement by the chairman Mr P T Lewis

The John Lewis Partnership has traditionally worked its passage in a current of physical expansion, not of the sudden kind that takes over established businesses at the price of confusing its own, but with the steadier addition of new units or enlargements where it has established proficiency and a reputation. The number of individuals engaged in the Partnership's enterprises has doubled in twenty-five years, and now exceeds 30,000. The selling area of our department stores has also doubled since 1967, and that of Waitrose has doubled in little more than ten years.

In the pipeline are two additional new department stores, one in Kingston and the other in Aberdeen. These are considerable enterprises on their own account. A good-sized mature department store employs a thousand people, and John Lewis Oxford Street nearly three thousand. In Watford the Partnership is building afresh on a new site to double the size of its present department store. In Edinburgh work is afoot to increase the selling area by 50%. These are, ~~of course~~, examples of expansion made necessary by success and the bursting densities of trade. On the edge of High Wycombe beside the M40 the Partnership is planning the construction of a new form of department store for a full range of home furnishings, addressed to car-borne shoppers and taking advantage of an entirely new structure and unrestricted space to try out new techniques. If this is as successful as we hope it may have important implications for our future. The policy of gradual growth in the number of Waitrose supermarkets continues. We added three last year, and intend to add another three this.

The cost of growth and refurbishment in 1986-87 was ~~entirely~~ ^{almost} covered by the level of the year's depreciation and retentions (£57m.). A good part of the cost of the Partnership's expansion over the next five years can be expected to be comfortably covered in a similar fashion from cash flow, but some additional borrowing will be required, and the Partnership took steps last year to secure the base for that in a Eurosterling loan of £50m. Even with this new loan the Partnership still remains very lightly borrowed. This in turn is the result of making good profits and ploughing enough of them back into the business year by year.

If your company has been in profitable business of a similar kind, and even on the same site, for 50 or 100 years and means to continue, the trick, of course, is to recognise correctly the changes of real value as they come along amidst the brasher nine-day wonders. Not always easy. With new questions being asked almost daily by young retailers and new technology, complacency would be the last ~~comfort~~, but it is comforting none the less to check the record. ^{refuge}

Without proportionate addition of property assets our sales and hence our sales densities have increased year by year in real terms

and in a discriminating market. In our department stores and in Waitrose the Partnership's record has been consistent over a remarkably long period, which is very encouraging in the hurly burly of heightened competition.

Annual sales in 1986-7 increased by 14.2%, or nearly £200m., to £1.5 billion — ~~in real terms~~ some of that growth was due to an extra week's trading and the addition of three new supermarkets. Excluding these two factors, the Partnership's sales increase of 11% compared with the 8% or 9% quoted nationally for comparable retailers.

Trading profit rose by 26% (56% higher than in 1984-85), illustrating the prosperity of retail trade over the last two or three years.

Net interest payable varied little. Average net borrowing was about £7m. higher but much of the additional interest was offset by a reduction of about 1½% in average interest rates.

A reduction in the rate of Corporation Tax from 40.8% to 35.8% helped to mitigate the increase in taxation which otherwise would have flowed from increased profits, but like many other companies we are paying now levels of Corporation Tax far above what we were accustomed to pay even a few years ago.

For the first time the Partnership's annual pre-tax profits exceeded £100m., and justified a high level of Partnership Bonus.

One of the John Lewis Partnership's principal pioneering achievements has been its complete distribution annually of final net profit among those who work in the business. The concept remains almost unique on this scale, but it has proved over nearly sixty years to be an elegant and prudent arrangement by which earnings can be directly related to profit. Partnership Bonus was distributed this year at the rate of 24% of pay. The scale of this Bonus (£42m.) and the rate of distribution, averaging 20% over the past five years, are, ~~of course~~, exceptional and have established standards we would not have anticipated ten years ago.

We were interested and obviously pleased to see a recent study by the London School of Economics confirm independently what we have always known privately, namely that the Partnership's basic rates of pay are fully competitive and that the Bonus therefore puts total earnings on average ahead of the market.

We may not repeat as large an increase in profit next year as we have seen in 1986-7, but prospects for the retail trade nationally still look quite promising, and as long as that remains the case I do not doubt the Partnership will continue to take its share of growth and with it to have another reasonably profitable result. After 10 weeks of the new trading year sales are ● % ahead of 1986.

John Lewis plc

Directors' report for the year ended 31st January 1987

Directors	The directors of the company are as listed on page 3. Mr D Gorsky, Mr H Legg and Mr S J G Neal resigned from the board on 10th July 1986 and Mr S Hampson and Mr B A O'Callaghan were appointed directors on the same date. 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, 83 Waitrose supermarkets and ancillary manufacturing activities.
Borrowings	In May 1986 the company issued £50,000,000 10¼% Eurosterling Bonds repayable in 2006. In November 1986, John Lewis Properties plc repaid the 5½% and 6¼% Mortgage Debenture Stocks 1984-89 and, in December 1986, the 10% Mortgage Debenture Stock 1991-96.
Use of profits	Preference dividends absorbed £90,000 and an interim dividend of £500,000 has been paid on the Ordinary Shares leaving £38,709,000 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 25th January 1986 and 31st January 1987 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	The group donated £569,000 for charitable purposes during the year but made no political donations.

For and by order of the board
B E Dickinson *Secretary*
23rd April 1987

John Lewis plc

Consolidated profit and loss account for the year ended 31st January 1987

Notes		1987 £000	1986 £000
2	Turnover	1,368,373	1,300,593
	Value added tax	132,687	115,612
		1,435,686	1,253,951
	Cost of sales	1,032,509	910,187
	Gross profit	403,177	343,764
	Selling and distribution costs	259,025	227,600
	Administrative costs	21,805	18,257
4	Pension costs	13,259	11,494
		109,088	85,619
	Trading profit	—	(45)
11	Income from investment	3,705	3,542
3	Interest	—	—
5	Profit before Partnership bonus and taxation	105,383	82,122
	Partnership bonus	42,181	30,525
	Profit on ordinary activities before taxation	63,202	51,597
7	Tax on profit on ordinary activities	23,903	21,651
8	Profit for the financial year	39,299	29,946
9	Dividends	590	815
18	Profit retained to offset inflation	4,100	1,900
17	Profit retained for development	34,609	24,241

John Lewis plc

Consolidated balance sheet as at 31st January 1987

Notes		1987 £000	1986 £000
	Fixed assets		
10	Tangible assets	382,016	336,211
11	Investment in affiliated company	2,093	1,881
		384,109	338,092
	Current assets		
13	Stocks	131,660	113,789
14	Debtors	110,000	97,484
	Investments—short term deposits	13,500	7,957
	Cash at bank and in hand	12,887	21,516
		268,047	239,746
	Creditors		
15	Amounts falling due within one year	196,672	198,134
	Net current assets	71,375	41,612
	Total assets less current liabilities	455,484	380,504
	Creditors		
15	Amounts falling due after more than one year	56,316	19,013
	Net assets	399,168	361,491
	Capital and reserves		
16	Called up share capital	9,000	9,000
17	Share premium account	3,277	1,511
17	Revaluation reserve	78,380	79,430
17	Other reserves—capital	1,365	1,865
17	Profit and loss account—accumulated profit	307,146	269,685
	Total capital employed	399,168	361,491

Approved by the Board on 23rd April 1987.

P T Lewis
J S Sadler

P T Lewis
J S Sadler

John Lewis plc

Balance sheet as at 31st January 1987

Notes		1987 £000	1986 £000
	Fixed assets		
10	Tangible assets	89,866	65,207
12	Investments in subsidiaries	110,514	90,474
11	Investment in affiliated company	2,093	1,843
		202,473	158,264
	Current assets		
13	Stocks	73,652	56,971
14	Debtors	75,909	63,760
	Investments - short term deposits	13,500	878
	Cash at bank and in hand	8,460	18,602
		171,521	146,385
	Creditors		
15	Amounts falling due within one year	200,911	186,893
	Net current liabilities	29,390	40,508
	Total assets less current liabilities	173,083	117,756
	Creditors		
15	Amounts falling due after more than one year	50,000	10,000
	Net assets	123,083	107,756
	Capital and reserves		
16	Called up share capital	9,000	9,000
17	Share premium account	3,277	4,371
17	Revaluation reserve	1,901	2,017
17	Profit and loss account - accumulated profit	108,905	92,368
	Total capital employed	123,083	107,756

Approved by the Board on 23rd April 1987.

P T Lewis
J S Sadler

P Lewis
J. S. Sadler



John Lewis plc

Statement of source and use of funds

Source of funds

	Years ended January				
	1983	1984	1985	1986	1987
	£000	£000	£000	£000	£000
Arising from trading:					
Profit before Partnership bonus and taxation	38,843	58,842	65,781	82,122	105,383
Adjustment for items not involving a movement of funds:					
Depreciation	12,405	12,851	14,489	15,772	18,129
Profit on sale of fixed assets	(638)	(1,051)	(248)	(15)	—
	50,610	70,642	80,022	97,879	123,512
Funds from other sources:					
Proceeds from sale of fixed assets	2,268	3,688	2,567	2,129	965
Loans	3,000	—	—	—	50,000
Total inflow	55,878	74,330	82,589	100,008	174,477

Use of funds

Additions to land and buildings	13,016	17,708	14,692	20,022	38,399
Additions to fixtures and fittings	13,624	18,108	20,195	20,774	25,746
Acquisition of subsidiary	953	6,540	—	—	—
Repayment of loans and debentures	144	10,874	3,438	5,162	19,823
Expenses of Eurosterling bond issue	—	—	—	—	1,094
Corporation tax paid	(702)	4,746	5,633	5,146	29,360
Dividends paid	490	490	1,490	690	860
Partnership bonus	15,715	17,025	25,322	25,755	30,511
	43,240	75,491	70,770	77,549	145,793
Increase/(decrease) in working capital:					
Stocks	2,395	7,108	10,147	8,848	17,871
Debtors	7,899	8,696	6,336	13,017	12,516
Creditors	(6,049)	(26,466)	(11,940)	(14,050)	478
Total outflow	47,485	64,829	75,313	85,364	176,658
Net inflow/(outflow)	8,393	9,501	7,276	14,644	(2,181)
Increase/(decrease) in cash and deposits	139	5,491	7,276	14,644	(2,181)
(Increase)/decrease in bank overdraft	8,254	4,010	—	—	—

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 1974 and 1980. 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 net 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 33⅓%

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

	1987	1986
	£000	£000
Interest payable:		
On bank loans, overdrafts and other loans repayable within 5 years	1,397	1,707
On all other loans	4,372	4,372
Interest receivable	(2,064)	(1,940)
	3,705	4,139

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% in 1986-87.

Notes on the accounts continued

5	Profit before Partnership bonus and taxation	Profit before Partnership bonus and taxation is stated after charging the following:	1987	1986
			£000	£000
		Staff costs excluding Partnership bonus:		
		Pay	189,410	161,302
		Social security costs	17,151	16,570
		Other pension costs	13,259	11,100
		Depreciation	18,129	17,100
		Auditors' remuneration	229	1,000
		Rental of land and buildings	10,553	10,000
<hr/>				
6	Directors and employees	Directors' remuneration including pension fund contributions and Partnership bonus of 24% (20%) was as follows:	1987	1986
			£000	£000
		Remuneration as managers	1,073	936
		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:		
			1987	1986
		Chairman	£143,029	+106,077
		after a waiver of:	£34,129	+20,943
		Other directors:	Number	Number
		£15,001 – £20,000	—	1
		£20,001 – £25,000	1	—
		£25,001 – £30,000	1	1
		£30,001 – £35,000	2	—
		£40,001 – £45,000	1	1
		£50,001 – £55,000	—	2
		£55,001 – £60,000	—	1
		£60,001 – £65,000	3	1
		£65,001 – £70,000	—	1
		£75,001 – £80,000	2	—
		£85,001 – £90,000	—	4
		£105,001 – £110,000	2	—
		£110,001 – £115,000	1	—
		Emoluments of employees other than directors receiving remuneration of more than £50,000 per annum excluding pension fund contributions but including Partnership bonus were as follows:		
			Number	Number
		£30,001 – £35,000	70	50
		£35,001 – £40,000	38	23
		£40,001 – £45,000	18	12
		£45,001 – £50,000	13	6
		£50,001 – £55,000	9	1
		£55,001 – £60,000	4	—
		£60,001 – £65,000	2	—
		£85,001 – £90,000	—	1
		£105,001 – £110,000	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	19,800	19,000
		Supermarkets	13,400	12,500
		Other	900	900

John Lewis plc

Notes on the accounts continued

7	Tax on profit on ordinary activities		1987	1986
			£000	£000
		Corporation tax based on the profit for the year	24,636	21,853
		Group relief	5	8
		Corporation tax—previous years	(738)	(190)
			23,903	21,651
		The tax charge is based on a corporation tax rate of 35.8% (40.8%) and has been increased £1,011,000 (£386,000 reduction) due to depreciation in excess capital allowances.		
		Total taxation deferred in respect of capital allowances in excess of depreciation amounts to £39,359,000 (£40,358,000), based on corporation tax at 35%.		
		No provision has been made in these accounts for the liability to taxation of £31,928,000 (£2,1278,000) 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.		
8	Profit for the financial year	Dealt with in the accounts of John Lewis plc	17,011	11,527
		Retained by subsidiaries	22,288	18,419
			39,299	29,946
		As permitted by Section 228 of the Companies Act 1985, John Lewis plc has not presented its own profit and loss account.		
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	500	525
			590	515

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 25th January 1986	283,531	124,659	12,029	420,219
	Additions at cost	5,004	21,870	37,271	64,145
	Transfers	12,037	4,209	(16,246)	—
	Disposals	(157)	(5,267)	(16)	(5,440)
	At 31st January 1987	300,415	145,471	33,038	478,924
	At cost	155,270	145,471	33,038	333,779
	At valuation 1974	2,583	—	—	2,583
	At valuation 1980	142,562	—	—	142,562
		300,415	145,471	33,038	478,924
	Depreciation				
	At 25th January 1986	23,503	59,751	—	83,254
	Charge for the year	4,854	13,275	—	18,129
	On disposals	(67)	(4,408)	—	(4,475)
	At 31st January 1987	28,290	68,618	—	96,908
	Net book values at 25th January 1986	260,028	64,908	12,029	336,965
	Net book values at 31st January 1987	272,125	76,853	33,038	382,016
				1987 £000	1986 £000
	Land and buildings at cost or valuation:				
	Freehold property			145,242	132,204
	Leasehold property, 50 years or more unexpired			126,153	123,347
	Leasehold property, less than 50 years unexpired			29,020	25,980
				300,415	281,531
	Included in land and buildings at 31st January 1987 is land valued at £43,572,000, which is not subject to depreciation.				
	If they had not been revalued, land and buildings at 31st January 1987 would have been included at the following amounts:				
	Cost			223,124	206,241
	Accumulated depreciation			29,379	35,308
				193,745	170,933

Notes on the accounts continued

10 Tangible assets (continued)	Company	Land and buildings £000	Fixtures and fittings £000	Payments on accounts and assets in course of construction £000	Total £000
	Cost or valuation				
	At 25th January 1986	38,725	53,987	1,515	94,227
	Additions at cost	90	12,956	11,840	24,886
	Transfers	4,759	3,511	(626)	7,644
	Disposals	—	(2,889)	(15)	(2,904)
	At 31st January 1987	43,574	67,565	12,714	123,853
	At cost	38,232	67,565	12,714	118,511
	At valuation 1980	5,342	—	—	5,342
		43,574	67,565	12,714	123,853
	Depreciation				
	At 25th January 1986	2,725	25,595	—	28,320
	Charge for the year	566	6,825	—	7,391
	Transfers	—	633	—	633
	On disposals	—	(2,357)	—	(2,357)
	At 31st January 1987	3,291	30,696	—	33,987
	Net book values at 25th January 1986	36,000	28,392	1,515	65,907
	Net book values at 31st January 1987	40,283	36,869	12,714	89,866
				1987 £000	1986 £000
	Land and buildings at cost or valuation:				
	Freehold property			48	15
	Leasehold property, 50 years or more unexpired			41,379	36,822
	Leasehold property, less than 50 years unexpired			2,147	1,888
				43,574	38,725
	Included in land and buildings at 31st January 1987 is land valued at £15,000, which is not subject to depreciation.				
	If they had not been revalued, land and buildings at 31st January 1987 would have been included at the following amounts:				
	Cost			11,156	86,287
	Accumulated depreciation			2,754	2,121
				38,382	34,166

Notes on the accounts continued

11 Investment in affiliated company		Shares	Loans	Total
		£000	£000	£000
	At 25th January 1986	31	1,852	1,883
	Movements	—	(210)	(210)
	At 31st January 1987	31	2,062	2,093
	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 1986 were as follows:			
				£
	Ordinary shares of £1 each			25
	6% (now 4.2% plus tax credit) Preference shares			75
	Reserves			114,898
				114,998
	The loss of Leckford Estate Limited for the year to 30th September 1986 was £2,195 before tax and £12,837 after tax. After the dividend on the preference shares the residual loss of £12,840 reduced reserves to £114,898 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 1986 (£45,000).			
12 Investments in subsidiaries		Shares	Loans	Total
		in group companies	to group companies	£000
		£000	£000	
	At 25th January 1986	30,917	59,557	90,474
	Movements	—	17,454	17,454
	Dividends receivable	—	2,586	2,586
	At 31st January 1987	30,917	79,597	110,514
13 Stocks	Consolidated		1987	£000
			£000	£000
	Raw materials and work-in-progress		6,456	6,456
	Finished goods		125,204	131,660
			131,660	131,660
	Company			
	Raw materials and work-in-progress		569	569
	Finished goods		73,083	73,652
			73,652	73,652

Notes on the accounts continued

14 Debtors	Consolidated	1987	1986
		£000	£000
	Amounts falling due within one year:		
	Trade debtors	82,545	75,107
	Other debtors	5,058	4,458
	Prepayments and accrued income	5,409	5,168
	Lease rentals receivable	242	195
		93,254	84,928
	Amounts falling due after more than one year:		
	Trade debtors	16,686	14,155
	Lease rentals receivable	60	311
		16,746	14,466
	Total debtors	110,000	99,484
	Company		
	Amounts falling due within one year:		
	Trade debtors	58,686	49,342
	Other debtors	2,493	2,220
	Prepayments and accrued income	2,753	2,831
		63,932	54,293
	Amounts falling due after more than one year:		
	Trade debtors	11,977	9,467
		75,909	63,760
	Total debtors		

Notes on the accounts continued

15 Creditors	Consolidated	1987 £000	1986 £000
	Amounts falling due within one year:		
	Bank loans and overdrafts	—	7,000
	Trade creditors	66,441	75,869
	Holding company	952	841
	Other creditors	9,829	2,079
	Taxation and social security	62,483	62,524
	Accruals and deferred income	14,289	8,513
	Proposed dividend	500	770
	Partnership bonus	42,178	30,508
		196,672	198,124
	Amounts falling due after more than one year:		
	Debenture loans		
	— within 2 to 5 years	—	650
	Bank loans		
	— within 2 to 5 years	—	10,000
	Due by instalment after 5 years		
	— Debenture loans	1,248	3,322
	Due other than by instalments after 5 years		
	— Debenture loans	5,000	5,000
	Eurosterling bonds	50,000	—
	Other creditors	68	40
		56,316	19,012
	Total of instalment payments due after 5 years	1,148	2,922
	Debentures (secured on land and buildings)		
	John Lewis Properties plc		
	5½% Mortgage Debenture Stock, 1984-89	—	704
	6¼% Mortgage Debenture Stock, 1984-89	—	586
	10% Mortgage Debenture Stock, 1991-96	—	2,152
	9¼% Mortgage Debenture Stock, 1992-97	5,000	5,000
	8¼% Mortgage Debenture Stock, 1993-98	1,248	1,248
		6,248	8,690

John Lewis plc

Notes on the accounts continued

15 Creditors (continued)	Company	1987	1986
		£000	£000
	Amounts falling due within one year:		
	Bank loans and overdrafts	—	1,000
	Trade creditors	56,721	67,136
	Holding company	952	841
	Owed to group companies	57,654	18,138
	Other creditors	5,838	1,963
	Taxation and social security	30,029	23,000
	Accruals and deferred income	7,927	2,772
	Proposed dividend	500	770
	Partnership bonus	41,290	22,874
		200,911	180,894
	Amounts falling due after more than one year:		
	Bank loans		
	— within 2 to 5 years	—	10,000
	Due other than by instalments after 5 years		
	— Eurosterling bonds	50,000	
		50,000	10,000
	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 25th January 1986	4,371	79,416	1,365	267,401	352,553
	Profit retained to offset inflation	—	—	—	4,100	4,100
	Profit retained for development	—	—	—	34,609	34,609
	Expenses of Eurosterling bond issue	(1,094)	—	—	—	(1,094)
	Transfers	—	(1,036)	—	1,036	—
	At 31st January 1987	3,277	78,380	1,365	307,146	390,168
	Company		Share premium	Revaluation reserve	Profit and loss account	Total reserves
			£000	£000	£000	£000
	At 25th January 1986		4,371	2,017	92,368	98,756
	Profit retained for development		—	—	16,421	16,421
	Expenses of Eurosterling bond issue		(1,094)	—	—	(1,094)
	Transfers		—	(116)	116	—
	At 31st January 1987		3,277	1,901	108,905	114,083
18 Inflation	Profit retained to offset inflation relates to:				1987	1986
					£000	£000
	Depreciation of fixtures and fittings				4,100	1,000
	Working capital				—	—
					4,100	1,000
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. The application of these indices has shown that no adjustment is required for 1987.						
19 Commitments	At 31st January 1987 the directors had authorised capital expenditure of £72,914,000 (£65,200,000) of which contracts had been placed for £24,293,000 (£20,300,000).					
20 Lease commitments	Rentals on land and buildings for the next financial year on leases expiring:					
	Within 1 year				175	175
	Between 1 and 2 years				342	174
	Between 2 and 5 years				274	175
	Over 5 years				11,130	10,152

John Lewis plc

Report of the auditors

We have audited the financial statements of John Lewis plc set out on pages 7 to 22 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 31st January 1987 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

Price Waterhouse
Chartered Accountants
London

23rd April 1987

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	Chiswick	Harrow Weald	Swiss Cottage
Brent Cross	East Sheen	Kensington	Temple Fortune
Chelsea	Enfield	Kenton	Whetstone

Southern England

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

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.

Subsidiary companies as at 31st January 1987

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. The list excludes companies which have no material effect on the accounts of the group. The ultimate holding company is John Lewis Partnership plc which is incorporated in England. 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% (1986) and 28% (1985) respectively.