

John Lewis plc

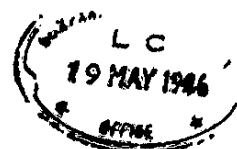
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Report and accounts 1986

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Notice of annual general meeting

Notice is hereby given that the fifty-eighth annual general meeting of the company will be held at 12.15 pm on Thursday the 19th day of June 1986 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 1985/86.
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 B Dickinson Secretary
4 Old Cavendish Street
London W1A 1HX
7th May 1986

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.

John Lewis plc

Board of directors

Chairman P T Lewis MA

Deputy chairman J S Sadler CBE MA

I A J Anderson

W N Wharford-Brown

P Falconer MA

J B Foster

D Gorsky MA

B C G Hutchings

H Legg

G P K Miller MA

S J G Neal MA

D J Rawlings MA

Secretary Betty B Dickinson FCA

Chief accountant T M Phillips MA (ACMA), FCA

Auditors Price Waterhouse

Solicitors Clifford-Turner

Bankers National Westminster Bank PLC

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

Summary of results for the year ended 25th January 1986

| Turnover and profits | | 1985 £000 | 1986 £000 |
|---|--------------------------------------|--------------|--------------|
| Turnover | | 1,206,223 | 1,369,593 |
| Trading profit including income from investment | | 69,636 | 85,664 |
| Interest | | 3,855 | 3,542 |
| Taxation | | 13,694 | 21,651 |
| Dividends | | 690 | 815 |
| Balance available for sharing and retention in the business | | 51,397 | 59,656 |
| Partnership bonus | | 25,713 | 30,525 |
| Retained in the business to offset inflation | | 5,300 | 4,900 |
| Retained in the business for development | | 20,384 | 24,231 |
| Capital employed | Net assets employed at the year end | 332,422 | 361,553 |
| Numbers employed | Employees (weighted for part-timers) | 24,600 | 25,500 |
| Number of shops | Department stores | 21 | 21 |
| | Supermarkets | 77 | 80 |

Five year record

| | Years ended January | | | | |
|---|---------------------|--------------|--------------|--------------|--------------|
| | 1982 £000 | 1983 £000 | 1984 £000 | 1985 £000 | 1986 £000 |
| Turnover | 810,074 | 922,203 | 1,072,063 | 1,206,223 | 1,369,593 |
| Profit after payment of interest | 40,683 | 44,593 | 66,583 | 74,539 | 93,616 |
| Pension costs | 4,915 | 5,750 | 7,741 | 8,758 | 11,494 |
| Taxation | 49 | 5,068 | 8,500 | 13,694 | 21,651 |
| Dividends | 490 | 490 | 1,490 | 690 | 815 |
| Net profit available for profit sharing and retention in the business | 35,229 | 33,295 | 48,852 | 51,397 | 59,656 |
| Partnership bonus | 15,673 | 17,077 | 25,378 | 25,713 | 30,525 |
| As a percentage of pay | 16 | 16 | 21 | 19 | 20 |
| Retained for use in the business | 19,556 | 16,218 | 23,474 | 25,684 | 29,131 |
| | 35,229 | 33,295 | 48,852 | 51,397 | 59,656 |
| Net assets employed | 265,993 | 283,264 | 306,738 | 332,422 | 361,553 |
| Pay | 103,382 | 115,625 | 129,740 | 146,321 | 164,202 |
| Number of employees including part-time employees | 27,200 | 28,200 | 29,500 | 30,900 | 32,300 |
| | 8,800 | 9,100 | 9,600 | 10,100 | 10,900 |

Statement by the chairman Mr P T Lewis

The Partnership's total sales increased by £163 million (13%) to £1,370 million. Department stores and supermarkets each contributed £80 million of the increase. Sales of manufacturing and other units increased by £2.6 million to £17 million. The sales increases for Waitrose and our department stores, after making due allowance for increases in retail space, comfortably exceeded comparable national percentages. It was indeed another very successful year for the Partnership's business.

The Partnership in its 21 department stores is continuing a policy of improving and where appropriate enlarging, and sometimes completely rebuilding, its city centre shops. Where opportunity serves, the Partnership acquires new businesses of similar kind, as most recently, for example, in the case of Bonds of Norwich, and the Welwyn department store. No out of town retailing in this country can compare for diversity, character and quality with modernised city centres, properly served by car parking and public transport. It is to be hoped that the planning authorities will do their utmost on the widest possible social grounds to encourage lively and rewarding inner city investments.

The latest of our department stores to be almost completely rebuilt and very much enlarged has been H&M of Reading, which is now an outstanding building as well as retail enterprise, already beginning to fulfil the high hopes planned on it. The Partnership has been grateful to Sir Hugh Casson for advice on the new building's striking elevations. More modest extensions have been completed at Jessops in Nottingham and we hope shortly to embark on the extension of John Lewis, Edinburgh, one of the Partnership's most successful shops and on the complete rebuilding of Brewins of Watford in larger premises.

There are at present 80 Waitrose supermarkets. Two new ones were opened in the course of the trading year, one at Fisher and the other in Saffron Walden, and a third more recently, since the year ended, in Dorchester. The highly successful opening of these new

enterprises confirms our belief that Waitrose has an enviable reputation regardless of its modest size in the company of the giants. Here too attention has long been paid to the design of premises, as well, of course, as of other matters, and I pay tribute to the Partnership's Design Consultants, Robin and Lucienne Day, who have contributed so much to the Partnership's visual understanding and achievements over the past 20 years.

Trading profit rose 23% higher than in 1984/5 reaching £86 million, helped a little by improvements in gross margin. Large financial investments in new systems and technology, wisely made, pave the way for gains in productivity, but those gains are only secured by the good work of individuals day in day out. The Partnership has secured benefits of that kind.

It would be curious if the Partnership's co-operative shareownership, democratic style and profit sharing were not a significant influence in this. In 1985/6 the Partnership distributed £30 million of profit in Partnership Bonus among its 28,000 Partners at the rate of 20% of earnings, as full-blooded an example as you could look for of participation and profit-sharing.

At the year-end the Partnership's companies were lightly borrowed (7% of share capital and reserves) with very adequate borrowing capacity for any likely future development. John Lewis plc tapped this capacity in March with a £50 million Eurosterling 20-year Bond issue, at 10 1/4%. The Partnership was thus one of the first UK companies into this unsecured loan market, reflecting its high standing.

While retained profits and depreciation of £46 million were sufficient to pay for all the year's capital expenditure, the Partnership has a considerable programme of building development in the years ahead.

The prospects for the retail trade in 1986 look promising. The Partnership will pursue current policies, and I can see no reason why the year should not bring adequate profit and further growth.

Directors' report for the year ended 25th January 1986

| | | | | | | | | | | |
|------------------------|--|-------|------|------|--|---|---|--------------|-------|-------|
| Directors | The directors of the company are as listed on page 3. On 5th September 1985 Mr P P Thomas resigned from the board and Mr W N Wreford-Brown was appointed a director on the same date. | | | | | | | | | |
| 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, 80 Whitrose supermarkets and ancillary manufacturing activities. | | | | | | | | | |
| Use of profits | Preference dividends absorbed £90,000 and an interim dividend of £725,000 has been paid on the Ordinary Shares leaving £29,131,000 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 effects of inflation on working capital requirements and the replacement cost of fixtures and fittings as explained in Notes 1 and 19 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 27th January 1985 and 25th January 1986 have been registered:</p> <table><tr><td></td><td>1986</td><td>1985</td></tr><tr><td></td><td>£</td><td>£</td></tr><tr><td>G P K Miller</td><td>1,200</td><td>1,200</td></tr></table> | | 1986 | 1985 | | £ | £ | G P K Miller | 1,200 | 1,200 |
| | 1986 | 1985 | | | | | | | | |
| | £ | £ | | | | | | | | |
| G P K Miller | 1,200 | 1,200 | | | | | | | | |
| Charitable donations | <p>The group donated £485,000 for charitable purposes during the year but made no political donations.</p> <p>For and by order of the board B E Dickinson Secretary 17th April 1986</p> | | | | | | | | | |

John Lewis plc

Consolidated profit and loss account for the year ended 25th January 1986

| Notes | | 1986 £000 | 1985 £000 |
|-------|---|--------------|--------------|
| 2 | Turnover | 1,369,593 | 1,206,223 |
| | Value added tax | 115,642 | 102,045 |
| | | 1,253,951 | 1,104,178 |
| | Cost of sales | 910,187 | 807,228 |
| | Gross profit | 343,764 | 296,950 |
| | Selling and distribution costs | 227,694 | 201,749 |
| | Administrative costs | 18,972 | 17,167 |
| 3 | Other operating income | (15) | (348) |
| 5 | Pension costs | 11,494 | 8,758 |
| | Trading profit | 85,619 | 69,524 |
| 12 | Income from investment | (45) | (112) |
| 4 | Interest | 3,542 | 3,855 |
| 6 | Profit before Partnership bonus and taxation | 82,122 | 68,781 |
| | Partnership bonus | 30,525 | 25,713 |
| | Profit on ordinary activities before taxation | 51,597 | 40,098 |
| 8 | Tax on profit on ordinary activities | 21,651 | 13,694 |
| 9 | Profit for the financial year | 29,946 | 26,574 |
| 10 | Dividends | 815 | 600 |
| 19 | Profit retained to offset inflation | 4,900 | 5,900 |
| | Profit retained for development | 24,231 | 20,384 |

John Lewis plc

Consolidated balance sheet as at 25th January 1986

| Notes | | 1986 £000 | 1985 £000 |
|-------|--|----------------|----------------|
| | Fixed assets | | |
| 11 | Tangible assets | 336,965 | 314,055 |
| 12 | Investment in affiliated company | 1,883 | 2,092 |
| | | 338,848 | 316,147 |
| | Current assets | | |
| 14 | Stocks | 113,789 | 104,941 |
| 15 | Debtors | 97,484 | 84,467 |
| | Investment - tax certificates of deposit | 7,052 | 878 |
| | Cash at bank and in hand | 21,516 | 13,046 |
| | | 239,841 | 203,332 |
| | Creditors | | |
| 16 | Amounts falling due within one year | 198,124 | 155,880 |
| | Net current assets | 41,717 | 47,452 |
| | Total assets less current liabilities | 380,565 | 363,629 |
| | Creditors | | |
| 16 | Amounts falling due after more than one year | 19,012 | 31,287 |
| | Net assets | 361,553 | 332,422 |
| | Capital and reserves | | |
| 17 | Called up share capital | 9,000 | 9,000 |
| 18 | Share premium account | 4,371 | 4,371 |
| 18 | Revaluation reserve | 79,416 | 80,429 |
| 18 | Other reserves - capital | 1,365 | 1,365 |
| 18 | Profit and loss account - accumulated profit | 267,401 | 237,257 |
| | Total capital employed | 361,553 | 332,422 |

Approved by the Board on 17th April 1986.

P T Lewis
J S Sadler

P T Lewis

J S Sadler

John Lewis plc

Balance sheet as at 25th January 1986

| Notes | | 1986 £000 | 1985 £000 |
|-------|--|----------------|----------------|
| | Fixed assets | | |
| 11 | Tangible assets | 65,907 | 60,851 |
| 13 | Investments in subsidiaries | 90,474 | 92,895 |
| 12 | Investment in affiliated company | 1,883 | 2,092 |
| | | 158,264 | 155,838 |
| | Current assets | | |
| 14 | Stocks | 56,971 | 52,544 |
| 15 | Debtors | 68,760 | 57,085 |
| | Investment - tax certificate of deposit | 7,052 | 878 |
| | Cash at bank and in hand | 18,602 | 8,384 |
| | | 146,385 | 118,891 |
| | Creditors | | |
| 16 | Amounts falling due within one year | 186,898 | 158,888 |
| | Net current liabilities | 40,513 | 38,794 |
| | Total assets less current liabilities | 117,756 | 119,044 |
| | Creditors | | |
| 16 | Amounts falling due after more than one year | 10,000 | 22,000 |
| | Net assets | 107,756 | 97,044 |
| | Capital and reserves | | |
| 17 | Called up share capital | 9,000 | 9,000 |
| 18 | Share premium account | 4,371 | 4,371 |
| 18 | Revaluation reserve | 2,017 | 2,133 |
| 18 | Profit and loss account - accumulated profit | 92,368 | 81,540 |
| | Total capital employed | 107,756 | 97,044 |

Approved by the Board on 17th April 1986.

P T Lewis
J S Sadler

P. T. Lewis
J. S. Sadler

19 MAY 1986
OFFICE

Statement of source and use of funds

| Source of funds | Years ended January | | | | |
|---|---------------------|--------------|--------------|--------------|--------------|
| | 1982 £000 | 1983 £000 | 1984 £000 | 1985 £000 | 1986 £000 |
| Arising from trading: | | | | | |
| Profit before Partnership bonus and taxation | 35,768 | 38,843 | 58,842 | 65,781 | 82,122 |
| Adjustment for items not involving a movement of funds: | | | | | |
| Depreciation | 10,600 | 12,405 | 12,851 | 14,489 | 15,772 |
| Profit on sale of fixed assets | (3,610) | (638) | (1,051) | (248) | (15) |
| Funds from other sources: | 42,758 | 50,610 | 70,642 | 80,022 | 97,879 |
| Proceeds from sale of fixed assets | 4,600 | 2,268 | 3,688 | 2,567 | 2,129 |
| Bank loans | 1,000 | 3,000 | — | — | — |
| Total inflow | 52,368 | 56,878 | 74,330 | 82,589 | 100,008 |
| Use of funds | | | | | |
| Additions to land and buildings | 18,470 | 13,016 | 17,708 | 14,692 | 20,023 |
| Additions to fixtures and fittings | 12,982 | 13,624 | 18,108 | 20,195 | 20,774 |
| Acquisition of subsidiary | — | 953 | 6,540 | — | — |
| Repayment of loans and debentures | 443 | 144 | 10,874 | 3,438 | 5,162 |
| Corporation tax paid | 2,382 | (702) | 4,746 | 5,438 | 5,146 |
| Dividends paid | 430 | 490 | 490 | 1,490 | 890 |
| Partnership bonus | 12,641 | 15,715 | 17,025 | 25,322 | 25,755 |
| Increase/(decrease) in working capital: | 47,348 | 43,240 | 75,491 | 70,770 | 77,549 |
| Stocks | 9,617 | 2,395 | 7,108 | 10,147 | 8,848 |
| Debtors | 3,239 | 7,899 | 3,696 | 6,336 | 13,017 |
| Creditors | 3,588 | (6,049) | (26,466) | (11,940) | (14,050) |
| Total outflow | 63,792 | 47,485 | 64,829 | 75,313 | 85,364 |
| Net inflow/(outflow) | (11,434) | 8,393 | 9,501 | 7,276 | 14,644 |
| Increase/(decrease) in cash and deposits | (1,586) | 139 | 5,491 | 7,276 | 14,644 |
| (Increase)/decrease in bank overdraft | (9,848) | 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 effects 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 selling 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 buildings and long (over 100 years) leaseholds | - 1% to 4% |
| Other leaseholds | - over the remaining period of the lease |
| Furniture 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 effects 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 Other operating income

| | 1986 | 1985 |
|------------------------------|------|------|
| | £000 | £000 |
| Profit on sale of properties | 15 | 243 |

4 Interest

| | | |
|--|---------|---------|
| Interest payable: | | |
| On bank loans, overdrafts and other loans repayable within 5 years | 4,707 | 3,663 |
| On all other loans | 775 | 2,239 |
| Interest receivable | (1,940) | (2,049) |
| | 3,542 | 3,853 |

5 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 pay sheet. The rate of contribution was 7% in 1985/86.

Notes on the accounts continued

| | | 1986 £000 | 1985 £000 |
|--|--|------------------|------------------|
| 6 Profit before Partnership bonus and taxation | Profit before Partnership bonus and taxation is stated after charging the following: | | |
| | Staff costs excluding Partnership bonus: | | |
| | Pay | 164,202 | 146,321 |
| | Social security costs | 15,870 | 15,404 |
| | Other pension costs | 11,494 | 8,758 |
| | Depreciation | 15,772 | 14,489 |
| | Auditors' remuneration | 201 | 184 |
| | Rental of land and buildings | 9,976 | 8,855 |
| 7 Directors and employees | Directors' remuneration including pension fund contributions and Partnership bonus of 20% (19%) was as follows: | 1986 £000 | 1985 £000 |
| | Remuneration as managers | 936 | 827 |
| | Pensions to past directors | 1 | 11 |
| | Including 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: | | |
| | Chairman | 1986 £106,077 | 1985 £105,472 |
| | after a waiver of: | £20,943 | £19,873 |
| | Other directors: | Number | Number |
| | £10,001 - £15,000 | — | 1 |
| | £15,001 - £20,000 | 1 | — |
| | £25,001 - £30,000 | 1 | — |
| | £40,001 - £45,000 | 1 | 1 |
| | £45,001 - £50,000 | — | 4 |
| | £50,001 - £55,000 | 2 | — |
| | £55,001 - £60,000 | 1 | 3 |
| | £60,001 - £65,000 | 1 | — |
| | £65,001 - £70,000 | 1 | — |
| | £70,001 - £75,000 | — | 2 |
| | £75,001 - £80,000 | — | 1 |
| | £85,001 - £90,000 | 4 | — |
| | 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: | Number | Number |
| | £30,001 - £35,000 | 50 | 18 |
| | £35,001 - £40,000 | 23 | 16 |
| | £40,001 - £45,000 | 12 | 5 |
| | £45,001 - £50,000 | 6 | 1 |
| | £50,001 - £55,000 | 1 | — |
| | £70,001 - £75,000 | — | 1 |
| | £85,001 - £90,000 | 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 | 19,000 | 18,500 |
| | Supermarkets | 12,400 | 11,300 |
| | Other | 900 | 900 |

John Lewis plc

Notes on the accounts continued

| | | | | |
|----|--------------------------------------|---|--------|--------|
| 8 | Tax on profit on ordinary activities | | 1986 | 1985 |
| | | | £000 | £000 |
| | | Corporation tax based on the profit for the year: | 21,833 | 13,976 |
| | | Group relief | 8 | 8 |
| | | Corporation tax - previous years | (190) | (290) |
| | | | 21,651 | 13,694 |
| | | The tax charge is based on a corporation tax rate of 40.8% (45.8%). | | |
| | | The amount charge for the year has been reduced by: | | |
| | | Capital allowances in excess of depreciation | 386 | 5,064 |
| | | Stock relief | — | 736 |
| | | | 386 | 5,820 |
| | | Total taxation deferred in respect of capital allowances in excess of depreciation amounts to £58,996,000 (£58,613,000) at the rates ruling when the allowances were claimed. | | |
| | | No provision has been made in these accounts for the liability to taxation of £27,278,000 (£27,395,000) 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. | | |
| 9 | Profit for the financial year | | 1986 | 1985 |
| | | | £000 | £000 |
| | | Dealt with in the accounts of John Lewis plc | 11,527 | 30,191 |
| | | Retained by subsidiaries | 18,419 | 16,183 |
| | | | 29,946 | 46,374 |
| | | As permitted by Section 228 of the Companies Act 1985, John Lewis plc has not presented its own profit and loss account. | | |
| 10 | Dividends | 5% (now 3½% plus tax credit) First Cumulative Preference Stock | 53 | 53 |
| | | 7% (now 4.9% plus tax credit) Cumulative Preference Stock | 37 | 37 |
| | | Ordinary Shares | 725 | 600 |
| | | | 815 | 690 |
| | | | | |

Notes on the accounts continued

| 11 Tangible assets | Consolidated | Land and Buildings | Fixtures and Fittings | Payments on account and assets in course of construction | Total |
|--------------------|---|--------------------|-----------------------|--|---------|
| | | £000 | £000 | £000 | £000 |
| | Cost or valuation | | | | |
| | At 26th January 1985 | 266,008 | 109,632 | 8,931 | 384,571 |
| | Additions at cost | 7,555 | 18,155 | 15,086 | 40,796 |
| | Transfers | 10,161 | 1,586 | (11,747) | — |
| | Disposals | (193) | (4,714) | (241) | (5,148) |
| | At 25th January 1986 | 283,531 | 124,659 | 12,029 | 420,219 |
| | At cost | 138,329 | 124,659 | 12,029 | 275,017 |
| | At valuation 1974 | 2,583 | — | — | 2,583 |
| | At valuation 1980 | 142,619 | — | — | 142,619 |
| | | 283,531 | 124,659 | 12,029 | 420,219 |
| | Depreciation | | | | |
| | At 26th January 1985 | 19,058 | 51,458 | — | 70,516 |
| | Charged for the year | 4,498 | 11,274 | — | 15,772 |
| | On disposals | (53) | (2,981) | — | (3,034) |
| | At 25th January 1986 | 23,503 | 59,751 | — | 83,254 |
| | Net book values at 26th January 1985 | 246,950 | 58,171 | 8,931 | 314,056 |
| | Net book values at 25th January 1986 | 260,028 | 64,908 | 12,029 | 336,965 |
| | | | | 1986 | 1985 |
| | | | | £000 | £000 |
| | Land and buildings at cost or valuation: | | | | |
| | Freehold property | | | 132,204 | 118,793 |
| | Leasehold property, 50 years or more unexpired | | | 125,347 | 124,455 |
| | Leasehold property, less than 50 years unexpired | | | 25,980 | 22,780 |
| | | | | 283,531 | 266,028 |
| | Included in land and buildings at 25th January 1986 is land valued at £45,790,000, which is not subject to depreciation. | | | | |
| | If they had not been retained, land and buildings at 25th January 1986 would have been included at the following amounts: | | | | |
| | | | | £000 | £000 |
| | Cost | | | 206,231 | 188,420 |
| | Accumulated depreciation | | | 25,408 | 21,701 |
| | | | | 180,823 | 166,719 |

Notes on the accounts continued

| 11 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 26th January 1985 | 38,904 | 45,634 | — | 84,538 |
| | Additions at cost | 284 | 10,536 | 1,052 | 11,872 |
| | Transfers | (463) | (12) | 463 | (12) |
| | Disposals | — | (2,171) | — | (2,171) |
| | At 25th January 1986 | 38,725 | 53,987 | 1,515 | 94,227 |
| | At cost | 33,383 | 53,987 | 1,515 | 88,885 |
| | At valuation 1980 | 5,342 | — | — | 5,342 |
| | | 38,725 | 53,987 | 1,515 | 94,227 |
| | Depreciation | | | | |
| | At 26th January 1985 | 2,171 | 21,116 | — | 23,287 |
| | Charge for the year | 554 | 5,341 | — | 5,895 |
| | Transfers | — | (5) | — | (5) |
| | On disposals | — | (1,257) | — | (1,257) |
| | At 25th January 1986 | 2,725 | 25,595 | — | 28,320 |
| | Net book values at 26th January 1985 | 36,733 | 24,118 | — | 60,851 |
| | Net book values at 25th January 1986 | 36,000 | 28,392 | 1,515 | 65,907 |
| | | | | 1986 £000 | 1985 £000 |
| | Land and buildings at cost or valuation: | | | | |
| | Freehold property | | | 15 | 15 |
| | Leasehold property, 50 years or more unexpired | | | 36,822 | 37,096 |
| | Leasehold property, less than 50 years unexpired | | | 1,868 | 1,793 |
| | | | | 38,725 | 38,904 |
| | Included in land and buildings at 25th January 1986 is land valued at £15,000, which is not subject to depreciation. | | | | |
| | If they had not been revalued, land and buildings at 25th January 1986 would have been included at the following amounts: | | | | |
| | | | | £000 | £000 |
| | Cost | | | 36,287 | 36,466 |
| | Accumulated depreciation | | | 2,125 | 1,668 |
| | | | | 34,162 | 34,778 |

Notes on the accounts continued

| 12 Investment in affiliated company | | Shares | Loans | Total |
|--|------------------------------------|---------------------------|--------------------------|---------|
| | | £000 | £000 | £000 |
| | At 26th January 1985 | 31 | 2,061 | 2,092 |
| | Movements | — | (209) | (209) |
| | At 25th January 1986 | 31 | 1,852 | 1,883 |
| 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 1985 were as follows: | | | | |
| | | | | £ |
| Ordinary shares of £1 each | | | | 25 |
| 6% (now 4.2% plus tax credit) Preference shares | | | | 75 |
| Reserves | | | | 127,738 |
| | | | | 127,838 |
| The profit of Leckford Estate Limited for the year to 30th September 1985 was £72,879 before tax and £45,161 after tax. After distributions of 6% on the preference shares and £45,000 on the ordinary shares the balance of profit, £158, increased reserves to £127,738 to which ordinary shareholders are entitled unless the company goes into liquidation, whereupon they are entitled to 25% of such retained profits. | | | | |
| 13 Investments in subsidiaries | | Shares in group companies | Loans to group companies | Total |
| | | £000 | £000 | £000 |
| | At 26th January 1985 | 30,925 | 61,970 | 92,895 |
| | Movements | (8) | (5,464) | (5,472) |
| | Dividends receivable | — | 3,051 | 3,051 |
| | At 25th January 1986 | 30,917 | 59,557 | 90,474 |
| 14 Stocks | Consolidated | | 1986 | 1985 |
| | | | £000 | £000 |
| | Raw materials and work-in-progress | | 6,327 | 5,892 |
| | Finished goods | | 107,462 | 99,049 |
| | | | 113,789 | 104,941 |
| Company | | | | |
| | | | | |
| | Raw materials and work-in-progress | | 866 | 775 |
| | Finished goods | | 56,105 | 51,769 |
| | | | 56,971 | 52,544 |

Notes on the accounts continued

| 15 Debtors | Consolidated | 1986 | 1985 |
|------------|---|--------|--------|
| | | £000 | £000 |
| | Amounts falling due within one year: | | |
| | Trade debtors | 73,107 | 64,888 |
| | Other debtors | 4,458 | 4,491 |
| | Prepayments and accrued income | 5,238 | 4,060 |
| | Lease rentals receivable | 195 | 218 |
| | | 82,998 | 73,657 |
| | Amounts falling due after more than one year: | | |
| | Trade debtors | 14,175 | 10,303 |
| | Lease rentals receivable | 311 | 507 |
| | | 14,486 | 10,810 |
| | Total debtors | 97,484 | 84,467 |
| | Company | | |
| | Amounts falling due within one year: | | |
| | Trade debtors | 49,242 | 44,271 |
| | Other debtors | 2,270 | 1,712 |
| | Prepayments and accrued income | 2,881 | 2,156 |
| | | 54,393 | 48,139 |
| | Amounts falling due after more than one year: | | |
| | Trade debtors | 9,167 | 6,946 |
| | Total debtors | 63,760 | 57,085 |

Notes on the accounts continued

| 16 Creditors | Consolidated | 1986 £000 | 1985 £000 |
|--------------|--|--------------|--------------|
| | Amounts falling due within one year: | | |
| | Trade creditors | 78,869 | 71,752 |
| | Other creditors | 9,079 | 9,299 |
| | Holding company | 841 | 677 |
| | Taxation and social security | 62,524 | 40,254 |
| | Accruals and deferred income | 8,533 | 7,296 |
| | Debenture loans (secured) | — | 189 |
| | Bank loans and overdrafts | 7,000 | — |
| | Proposed dividend | 770 | 645 |
| | Partnership bonus | 30,508 | 25,738 |
| | | 198,124 | 155,850 |
| | Amounts falling due after more than one year: | | |
| | Debenture loans | | |
| | — within 2 to 5 years | 650 | 716 |
| | Bank loans | | |
| | — within 2 to 5 years | 10,000 | 7,000 |
| | Due by instalment after 5 years | | |
| | — Debenture loans | 3,322 | 3,438 |
| | — Bank loans | — | 15,000 |
| | Due other than by instalments after 5 years | | |
| | — Debenture loans | 5,000 | 5,000 |
| | Other creditors | 40 | 33 |
| | | 19,012 | 31,207 |
| | Total of instalment payments due after 5 years | 2,922 | 5,038 |
| | Debentures (secured on land and buildings) | | |
| | John Lewis Properties plc | | |
| | 1% Mortgage Debenture Stock, 1971/85 | — | 189 |
| | 5½% Mortgage Debenture Stock, 1984/89 | 264 | 283 |
| | 6¼% Mortgage Debenture Stock, 1984/89 | 386 | 433 |
| | 10% Mortgage Debenture Stock, 1991/96 | 2,070 | 2,136 |
| | 9¼% Mortgage Debenture Stock, 1992/97 | 5,000 | 5,000 |
| | 8¼% Mortgage Debenture Stock, 1993/98 | 1,252 | 1,303 |
| | | 8,972 | 9,343 |

Notes on the accounts continued

| 16 Creditors (continued) | Company | 1986 | 1985 |
|--------------------------|--|---------|---------|
| | | £000 | £000 |
| | Amounts falling due within one year: | | |
| | Trade creditors | 67,326 | 61,561 |
| | Other creditors | 4,963 | 5,747 |
| | Holding company | 841 | 669 |
| | Taxation and social security | 25,009 | 15,669 |
| | Accruals and deferred income | 2,972 | 2,893 |
| | Bank loans and overdrafts | 7,000 | — |
| | Proposed dividend | 770 | 645 |
| | Partnership bonus | 29,874 | 25,197 |
| | Owed to group companies | 48,138 | 43,304 |
| | | 186,893 | 155,685 |
| | Amounts falling due after more than one year: | | |
| | Bank loans | | |
| | — within 2 to 5 years | 10,000 | 7,000 |
| | Due by instalment after 5 years | | |
| | — Bank loans | — | 15,000 |
| | | 10,000 | 22,000 |
| | Total of instalment payments due after 5 years | — | 5,000 |
| | Bank loans are repayable mainly by instalments up to 1991 at varying rates of interest based on London inter-bank offered rates. | | |
| 17 Share capital | | 1986 | 1985 |
| | | £000 | £000 |
| | 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

| 18 Reserves | Consolidated | Share premium | Revaluation reserve | Other reserves – capital | Profit and loss account | Total reserves |
|---|---|---------------|---------------------|--------------------------|-------------------------|----------------|
| | | £000 | £000 | £000 | £000 | £000 |
| | At 26th January 1985 | 4,371 | 80,429 | 1,365 | 237,257 | 323,422 |
| | Profit retained to offset inflation | — | — | — | 4,900 | 4,900 |
| | Profit retained for development | — | — | — | 24,231 | 24,231 |
| | Transfers | — | (1,013) | — | 1,013 | — |
| | At 25th January 1986 | 4,371 | 79,416 | 1,365 | 267,401 | 352,553 |
| | Company | | Share premium | Revaluation reserve | Profit and loss account | Total reserves |
| | | | £000 | £000 | £000 | £000 |
| | At 26th January 1985 | | 4,371 | 2,133 | 81,540 | 88,044 |
| | Profit retained for development | | — | — | 10,712 | 10,712 |
| | Transfers | | — | (116) | 116 | — |
| | At 25th January 1986 | | 4,371 | 2,017 | 92,368 | 98,756 |
| 19 Inflation | Profit retained to offset inflation relates to: | | | | 1986 | 1985 |
| | | | | | £000 | £000 |
| | | | | | 4,000 | 4,000 |
| | Depreciation of fixtures and fittings | | | | 3,300 | 2,900 |
| | Stocks | | | | 2,300 | 1,900 |
| | Debtors | | | | 9,600 | 8,300 |
| | Less creditors | | | | (4,700) | (3,000) |
| | | | | | 4,900 | 5,300 |
| The working capital adjustments are 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. | | | | | | |
| 20 Commitments | At 26th January 1985 the directors had authorised capital expenditure of £38,600,000 (£35,600,000) of which contracts had been placed for £7,500,000 (£10,600,000). | | | | | |
| 21 Lease commitments | Rental on land and buildings for the next financial year on leases expiring: | | | | £000 | £000 |
| | | | | | 66 | 52 |
| | Within 1 year | | | | 191 | 5 |
| | Between 1 and 2 years | | | | 422 | 214 |
| | Between 2 and 5 years | | | | 10,365 | 9,435 |
| | Over 5 years | | | | | |

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 25th January 1986 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

17th April 1986

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
Trowin Brothers, Watford
John Lewis, Bristol
John Lewis, Walswyn

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 | Kensington | Temple Fortune |
| Brent Cross | East Sheen | Kenton | Whetstone |
| Chelsea | Enfield | Swiss Cottage | |

Southern England

| | | | | |
|----------------|-------------|---------------|---------------|-----------|
| Allington Park | Coulsdon | Green Street | Ramsgate | Windsor |
| Andover | Cowplain | Green | Romsey | Winton |
| Banstead | Crowborough | Harpender | Sevenoaks | Witney |
| Beaconsfield | Dibden | Havant | St Albans | Wokingham |
| Berkhamsted | Dorchester | Hayes | Slough | Woodley |
| Birch Hill | Dorking | Henley | Southsea | |
| Brighton | Epsom | Hertford | Stevenage | |
| Bromley | Essex | Horley | Tilehurst | |
| 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 | Brington | Hall Green | Kingsthorpe |
| Daventry | Four Oaks | Kidderminster | Stourbridge |

East Anglia

| | | | |
|------------|-----------|--------------|----------------|
| Huntingdon | Newmarket | Peterborough | Saffron Walden |
|------------|-----------|--------------|----------------|

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 25th January 1986

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
Bonds (Norwich) Limited
John Lewis (Walswyn) 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% (46%) and 30% (31%) respectively.