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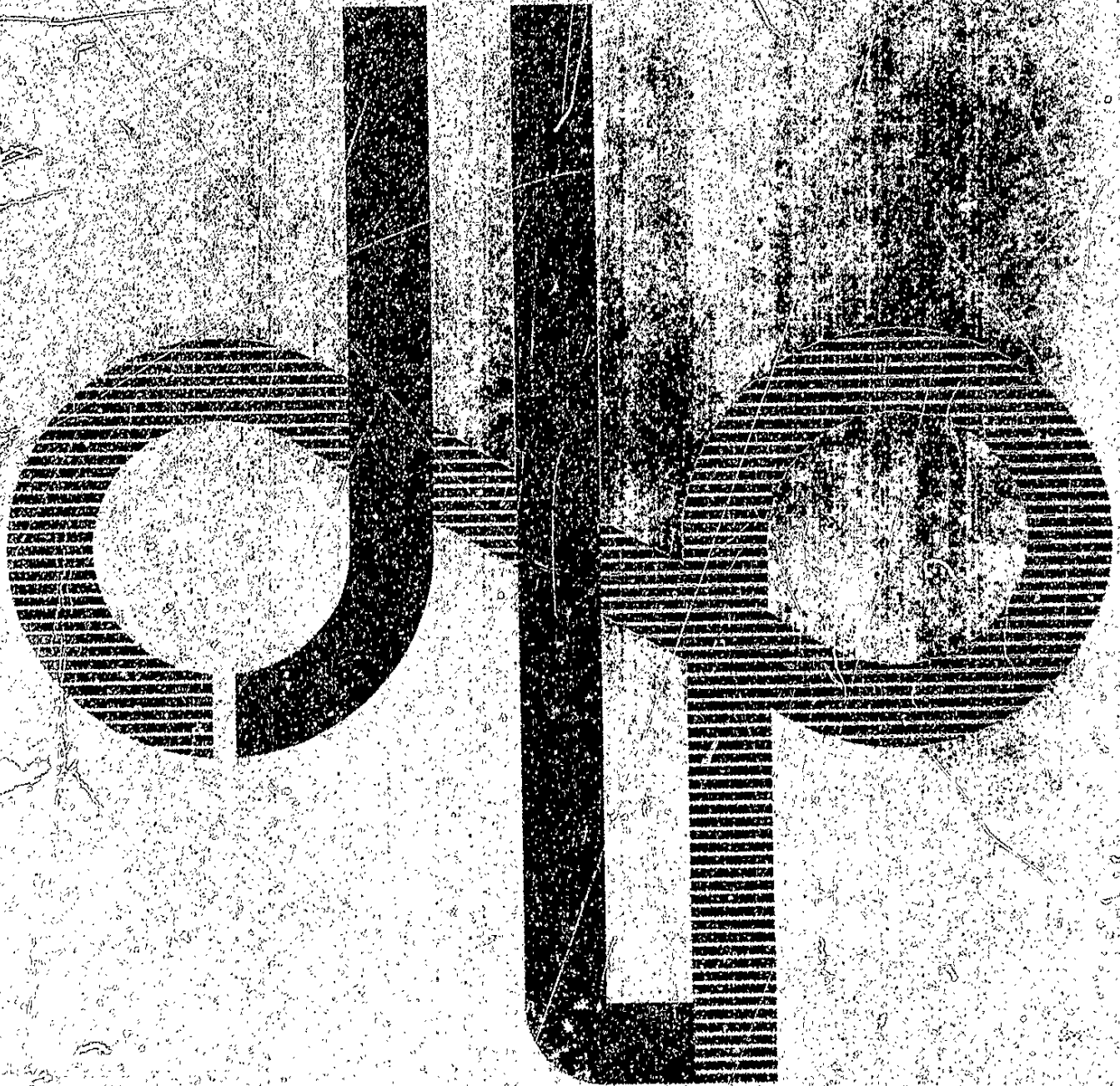
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John Lewis and Company Limited Report & Accounts

1974/75



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Notice of meeting

Notice is hereby given that the forty-seventh annual general meeting of the company will be held at 12.15 p.m. on Wednesday the 4th day of June 1975 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 1974/75.

To consider the re-election of the following retiring directors:

2	Mr T. G. Andrews	6	Mr H. Legg	10	Mr J. Brettingham Smith
3	Mr E. E. Greenhalgh	7	Mr J. P. Matthews	11	Mr P. P. Thomas
4	Mr A. C. S. Hawes	8	Mr S. J. G. Neal	12	Mr F. Valner
5	Mr B. Henry	9	Mr E. H. Price		

13 To consider the remuneration of the auditors.

7th May 1975
4 Old Cavendish Street
London W1A 1EX

By order of the board
B. E. Dickinson
Secretary

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 136(1) and section 137(2) of the Companies Act, 1948. 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 and Company Limited

Board of Directors	Chairman	P. T. Lewis M.A.
	Deputy Chairman	T. G. Andrews M.B.E.
	Directors	E. E. Greenhalgh B.A. A. C. S. Hawes B.A. B. Henry H. Legg J. P. Matthews F.C.A. S. J. G. Neal B.A. E. H. Price B.A. J. Brettingham Smith M.C., B.A. P. P. Thomas M.A. F. Valner M.C.(Cz), D.C.L.(Masaryk)
Secretary		Betty E. Dickinson F.C.I.S.
Chief Accountant		T. M. Phillips B.Sc.(Econ), F.C.A.
Registered Office		4 Old Cavendish Street London W1A 1EX
Transfer Office		Cavendish Road Stevenage SG1 2EH
Auditors		Price Waterhouse & Co 3 Frederick's Place Old Jewry London EC2R 8DB
Bankers		National Westminster Bank Limited

John Lewis and Company Limited

Directors' report for the year ended 25th January 1975

CERTIFIED TRUE COPIES of the only Balance Sheet laid before the Company in General Meeting during the period to which this return relates and the Auditors' report on the same and Directors' report accompanying them.

....., Director.

....., Secretary.

The company's ultimate holding company is John Lewis Partnership Limited. Pages i to viii describe the progress during 1974/75 of the John Lewis Partnership as a whole, its structure and the operation of its system of profit sharing and common ownership. John Lewis and Company Limited is the Partnership's principal trading company and with its subsidiaries controls all the businesses listed on page viii, which include 17 department stores, 2 specialist shops and 54 Waitrose supermarkets. This report refers to the consolidated results of John Lewis and Company Limited and its subsidiaries.

Results for the year

Turnover for the year reached £251 million, of which £159 million was in department stores, £87 million in Waitrose supermarkets and £5 million in wholesale and manufacturing sales. Included in these figures were direct exports of £1,274,000 (1973/74 £899,000) and indirect exports estimated at £1,806,000 (1973/74 £1,306,000).

Trading profit was £17,963,000. The larger part of this profit came from department stores, the contribution from supermarkets being £2,163,000.

Profit sharing was £5,593,000. Within this figure, contributions to the Pensions Funds were £1,717,000 and the Partnership Bonus £3,876,000. In common with all other Partners the directors participate in these benefits; fuller details are given in pages i to viii.

Appropriation of profits

After providing for this profit sharing and for taxation of £2,856,000, profit for the year was £6,979,000. Of this £6,211,000 was dealt with by subsidiaries, which paid £42,000 in dividends to outside preference stockholders and retained £6,169,000

	£000	£000
leaving a balance of		768
from which the following dividends have been paid:		
on 5% (now 3.5% plus tax credit) First Cumulative Preference Stock	53	
on 7% (now 4.9% plus tax credit) Cumulative Preference Stock	37	
on Ordinary Shares (all owned by John Lewis Partnership Limited) interim dividend (1973/74 £350,000)	350	440
	—	—
leaving to be added to the revenue reserves of this company		328

Company reorganisation

During the year the Partnership carried out certain alterations to its capital structure aimed at rationalising the property holding arrangements of the group. As a result of this reorganisation, the Partnership's two principal property owning companies, namely John Lewis Properties Limited and Suburban & Provincial Stores Limited, have in effect been combined. John Lewis Properties Limited now owns four fifths by value of the freehold and long leasehold properties in which the Partnership carries on its business and becomes the group's sole vehicle for issuing mortgage debentures. The reorganisation consisted of the acquisition by John Lewis and Company Limited (John Lewis) of the whole of the £585,300 5 per cent and the £3,000,000 3 per cent Cumulative Preference Stocks in Suburban & Provincial Stores Limited (SPS), most of which was previously held outside the group; the exchange of the £1,602,300 6½ per cent Mortgage Debenture Stock 1993/98 of SPS for a new issue of £2,800 8½ per cent Mortgage Debenture Stock 1993/98 of

John Lewis Properties Limited (Properties) and the redemption of the £383,473 3½ per cent First Mortgage Debenture Stock 1964/92 of SPS. Subsequently, John Lewis transferred the newly acquired preference stocks, together with the £3,400,000 Ordinary Shares in SPS which it already held, to Properties in consideration for the issue of £20,000,000 new Ordinary Shares by the latter company. At the same time, the undertaking and assets of SPS were purchased by Properties at a total consideration equal to the book values thereof. These assets consisted of freehold and leasehold properties (excluding certain properties which SPS has agreed or intends to sell to other parties) and the whole of the issued share capitals of the subsidiaries of SPS, namely Bainbridge & Co Limited, Cole Brothers Limited and George Henry Lee and Company Limited.

Consolidated Balance Sheet

The capital employed increased by £16 million during the year. Additions to reserve included profit retentions of £6.5 million, a surplus of £7.9 million resulting from the revaluation of properties and the difference of £2.3 million between the nominal value and the purchase price of the Suburban & Provincial Stores Limited 3 per cent and 5 per cent Cumulative Preference Stocks.

New medium term bank borrowing totalling £2½ million was taken up during the year and facilities for a further £13 million of borrowing were negotiated, £7½ million of which was drawn in February and March 1975.

Additions to fixed assets of the group during the year totalled £12.2 million on property and fixturing and included £1.9 million for supermarkets, £4.6 million for work on the new department stores at Brent Cross in North London and for Bainbridge in Newcastle and £1.6 million for a warehouse site in West London.

Properties

All the Partnership's properties were revalued in September 1974 and the new values were brought into the accounts with effect from the beginning of the 1974/75 trading year. The valuation resulted in a surplus, after deducting costs, of £7.9 million over the book value of the properties as reduced by accumulated depreciation and this was added to reserve.

Directors

The names of the twelve directors of the company appear on page 2. At the annual general meeting all the directors except the chairman will retire in accordance with the articles of association and, being eligible, offer themselves for re-election. The directors' interests, as recorded in the register kept for that purpose, in shares or debentures of the John Lewis Partnership Limited group are shown on page 12. The directors report that there were no contracts subsisting during or at the end of the financial year in which they were materially interested and which were significant in relation to the company's business.

Other statutory information

The weekly average number of persons employed in 1974/75 was 25,301 (1973/74 24,982) and their aggregate remuneration excluding Partnership Bonus was £33,807,000 (1973/74 £27,663,000). The aggregate of charitable donations made in the year by the group was £61,000 (1973/74 £82,000).

Auditors

The auditors, Price Waterhouse & Co, will be re-appointed in accordance with the provisions of section 159 of the Companies Act 1948.

For and by order of the Board
B. E. Dickinson,
Secretary

13 John Lewis and Company Limited and its Subsidiaries
Consolidated profit and loss account for the year ended 25th January 1975

	Note	1975 £000	1974 £000
Sales	1	251,600	209,387
deduct Value added tax		14,605	11,450
		<u>236,995</u>	<u>197,937</u>
Trading profit	2	17,963	16,513
deduct Interest	3	2,535	1,925
Available for profit: sharing, taxation dividends and reserve		15,428	14,588
deduct Profit sharing			91
Contributed to Life Assurance Fund		1,717	1,404
Contributed to Pensions Funds		3,876	3,733
Partnership Bonus at 13% (15%) of pay		<u>5,593</u>	<u>5,228</u>
Profit before taxation		9,835	9,360
deduct Taxation	4	2,856	2,426
Profit after taxation		6,979	6,934
deduct Dividends payable to outside preference stockholders in subsidiaries		42	88
Attributable to John Lewis and Company Limited		6,937	6,846
of which £6,169,000 (£4,343,000) has been retained by subsidiaries and £768,000 (£2,603,000) has been dealt with in the accounts of John Lewis and Company Limited			
deduct Dividends to members of John Lewis and Company Limited	5	440	440
Balance of trading profit retained		<u>6,497</u>	<u>6,406</u>
Extraordinary Item—surplus retained on acquisition of preference stock in a subsidiary		2,286	
		<u>8,783</u>	<u>6,406</u>

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John Lewis and Company Limited and its Subsidiaries

Consolidated balance sheet as at 25th January 1975

	Note	1975 £000	1974 £000
Capital employed			
Share capital	6	9,000	9,000
Reserves	7	67,700	51,016
		<u>76,700</u>	<u>60,016</u>
Interest of outside stockholders in subsidiaries	8	—	3,572
Loan from the holding company		145	204
Other loans	9	8,287	5,931
Ventures (secured)	10	11,902	12,635
Corporation tax postponed	11	1,159	—
		<u>98,193</u>	<u>82,358</u>
<hr/>			
Employment of capital			
Fixed assets	12	84,127	67,021
Investment	13	31	31
Current assets	14		
Stocks		30,875	24,693
Debtors		18,566	17,069
Bank and cash balances		327	1,815
		<u>49,768</u>	<u>43,577</u>
deduct Current liabilities			
Creditors		25,535	20,027
Bank overdraft		2,094	—
Taxation	15	3,783	4,058
Dividends		395	436
Partnership Bonus		3,926	3,750
		<u>35,733</u>	<u>28,271</u>
Net current assets		<u>14,035</u>	<u>15,306</u>
		<u>98,193</u>	<u>82,358</u>

P. T. Lewis
T. G. Andrews

Directors

John Lewis and Company Limited

Balance sheet as at 25th January 1975

	Note	1975 £000	1974 £000
Capital employed			
Share capital	6	9,000	9,000
Reserves	7	28,592	13,001
		<u>37,592</u>	<u>22,001</u>
Loan from the holding company		145	204
Other loans	9	6,287	5,831
		<u>46,024</u>	<u>28,036</u>
<hr/>			
		55706	
Employment of capital			
		1975 £000	1974 £000
Fixed assets	12	4,847	3,591
Investment in associated company	13	31	31
Interests in subsidiaries	16	50,828	27,604
Current assets	14		
Stocks		10,618	9,303
Debtors		6,220	5,809
Bank and cash balances		85	961
		<u>16,923</u>	<u>16,073</u>
deduct Current liabilities			
Creditors		19,296	14,970
Bank overdraft		3,058	—
Taxation	15	26	244
Dividends		395	395
Partnership Bonus		3,830	3,654
		<u>26,605</u>	<u>19,263</u>
Net current liabilities		(9,682)	(3,190)
		<u>46,024</u>	<u>28,036</u>

P. T. Lewis
T. G. Andrews

Directors

John Lewis and Company Limited and its Subsidiaries

Notes on the accounts

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1 Sales

Turnover is stated at the total amount receivable by the group for goods sold and services provided during the year, but excluding sales within the group. Goods sold on hire purchase are included in full, although the profit is spread over the term of the hiring (see note 14).

		1975 £000	1974 £000
2	Trading profit is stated after charging/ (crediting)		
	Depreciation (See Note 12)	2,923	2,354
	Auditors' remuneration	56	44
	Rental of leased equipment	655	598
	Income from investment	(99)	(150)

3 Interest

Debenture interest
Other interest payable on loans repayable within five years

deduct Interest receivable

1,018	1,031
1,795	950
2,813	1,981
278	56
2,535	1,925

4 Taxation

Corporation tax based on profit for the year
Overprovided in previous years
Group relief payment

3,757	2,625
(907)	199
6	—
2,856	2,426

The tax charge is based on corporation tax at 52%.
In calculating the corporation tax for the year, capital allowances taken into account have exceeded the corresponding depreciation by approximately £3,154,000 (£4,271,000). This has reduced the taxation charge by approximately £1,640,000 (£2,064,000).

5 Dividends

5% (now 3.5% plus tax credit) First Cumulative Preference Stock
7% (now 4.9% plus tax credit) Cumulative Preference Stock
Ordinary Shares

53	53
37	37
350	350
440	440

6 Share capital

Authorised, issued and fully paid:
5% (now 3.5% plus tax credit) First Cumulative Preference Stock
7% (now 4.9% plus tax credit) Cumulative Preference Stock
Ordinary Shares of £1 each

1,500	1,500
750	750
6,750	6,750
9,000	9,000

John Lewis and Company Limited and its Subsidiaries

Notes on the accounts *continued*

7 Reserves

	Total reserves £000	Share premium £000	Other reserves £000
Consolidated			
At 26th January 1974	51,016	4,371	46,645
Surpluses arising on the revaluation of properties	7,901	—	7,901
Surplus on the acquisition of preference stock in Suburban & Provincial Stores Limited	2,286	—	2,286
Retained trading profit for year	6,497	—	6,497
	<u>67,700</u>	<u>4,371</u>	<u>63,329</u>
At 25th January 1975			
Company			
At 26th January 1974	13,001	4,371	8,630
Deficits arising on the revaluation of properties	(97)	—	(97)
Surplus arising from the disposal of investment in subsidiary company	15,360	—	15,360
Retained trading profit for year	328	—	328
	<u>28,592</u>	<u>4,371</u>	<u>24,221</u>
At 25th January 1975			

No provision has been made for the taxation liability which would arise if the properties were disposed of at the values now incorporated in the accounts. At current rates of tax this liability would amount to approximately £4,000,000.

8 Interest of outside stockholders in subsidiaries	1975 £000	1974 £000
Suburban & Provincial Stores Limited		
* 5% (now 3.5% plus tax credit) Cumulative Preference Stock	—	585
* 3% (now 2.1% plus tax credit) Cumulative Preference Stock	—	2,987
	<u>—</u>	<u>3,572</u>

* See note 16.

9 Other loans	Consolidated		Company	
	1975 £000	1974 £000	1975 £000	1974 £000
Bank loans	8,200	5,700	8,200	5,700
Other loans repayable within five years	87	231	87	131
	<u>8,287</u>	<u>5,931</u>	<u>8,287</u>	<u>5,831</u>

10 Debentures (secured)	1975 £000	1974 £000
John Lewis Properties Limited		
4% Mortgage Debenture Stock, 1971/85 (Redeemable at par)	772	865
5½% Mortgage Debenture Stock, 1984/89 (Redeemable at par)	524	558
6½% Mortgage Debenture Stock, 1984/89 (Redeemable at par)	727	740
10% Mortgage Debenture Stock, 1991/96 (Redeemable at par)	2,908	3,000
9½% Mortgage Debenture Stock, 1992/97 (Redeemable at par)	5,000	5,000
* 8½% Mortgage Debenture Stock, 1993/98 (Redeemable at par)	1,603	—
Suburban & Provincial Stores Limited		
3½% First Mortgage Debenture Stock, 1954/92	—	384
* 6½% Mortgage Debenture Stock, 1993/98	—	1,720
Bainbridge & Co. Limited		
6% First Mortgage Debenture Stock, 1978/83 (Redeemable at par)	368	368
	<u>11,902</u>	<u>12,635</u>

* See note 16.

John Lewis and Company Limited and its Subsidiaries

Notes on the accounts *continued*

18

11 Corporation tax postponed

This represents the reduction in the liability for tax due 1st January 1975 arising from the relief on the increase in stock value granted in the Finance Act 1975.

12 Fixed assets

	Consolidated			
	Land and buildings			Fixtures and fittings
	Freehold	Long leasehold	Short leasehold	
	£000	£000	£000	£000
Net book values at 26th January 1974	24,558	30,186	2,833	9,444
Surplus arising from revaluation	4,902	2,347	728	—
Additions and transfers at cost	2,639	5,847	401	3,342
Disposals at net book value	(75)	—	(8)	(94)
	32,024	38,380	3,954	12,692
Depreciation and amortization				
Charge for the year	338	501	192	1,892
Net book values at 25th January 1975	31,686	37,879	3,762	10,800
At valuation 1965	698	—	—	—
At valuation 1974	28,992	31,285	3,558	—
At cost	2,413	7,095	396	21,736
	32,103	38,380	3,954	21,736
<i>less</i> Accumulated depreciation	417	501	192	10,936
	31,686	37,879	3,762	10,800

	Company			
	Land and buildings			Fixtures and fittings
	Freehold	Long leasehold	Short leasehold	
	£000	£000	£000	£000
Net book values at 26th January 1974	1	166	487	2,937
Surplus arising from revaluation	(625)	171	432	—
Additions and transfers at cost	625	2	4	1,452
Disposals at net book value	—	—	—	(54)
	1	339	923	4,335
Depreciation and amortization				
Charge for the year	1	5	42	703
Net book values at 25th January 1975	—	334	981	3,632
At valuation 1965	—	—	—	—
At valuation 1974	1	337	919	—
At cost	—	2	4	7,116
	1	339	923	7,116
<i>less</i> Accumulated depreciation	1	5	42	3,484
	—	334	881	3,632

The above property valuations were made in September 1974 by Messrs Hillier Parker May and Rowden on the basis that each property was regarded as available in the open market.

No depreciation is charged on freehold or long leasehold land.

A straight line basis of depreciation is used for all other assets and the rate applied is that deemed appropriate to write off the assets (as revalued where applicable) over their useful lives.

John Lewis and Company Limited and its Subsidiaries

Notes on the accounts continued

		1975 £000	1974 £000
13 Investment	Associated company (see page vii) 100% of the issued and fully paid Ordinary Shares in L. G. G. Estate Limited, a company controlled by the preference shareholders, at cost	31	31
That company's profit for the year to 30th September 1974 was £147,568 before tax and £98,175 after tax. After distributions of 6% on the Preference Shares and £66,000 on the Ordinary Shares the balance of profit, £32,172 increased the profits retained to £110,692 to which the Ordinary shareholders are entitled unless the company goes into liquidation whereupon they are entitled to 25% of such retained profits.			

14 Current assets	Stocks are included at the lower of cost or replacement value. Debtors and prepayments include hire purchase debts of £1,379,603 (£2,165,277) after the deduction of £536,631 (£810,268) for unearned profit and £329,445 (£443,295) for unearned service charges and provision for doubtful debts.		
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		Consolidated 1975 £000	1974 £000	Company 1975 £000	1974 £000
15 Current liabilities	Taxation				
	Corporation tax payable 1st January 1976	3,349	2,406	26	—
	Other liabilities	434	1,652	—	244
		<u>3,783</u>	<u>4,058</u>	<u>26</u>	<u>244</u>

The policy of the group is that the benefit of all capital allowances should go into the profits of the year and any tax credit arising from the excess of those allowances over depreciation is not distributed but falls into the general balance taken to reserves.
The depreciation provided has been exceeded by the capital allowances on fixed assets up to the 25th January 1975, giving an accumulated taxation deferment of about £9,215,000 at 52% (£7,410,000 at 52%)

		1975 £000	1974 £000
16 Interests in subsidiaries	Investments at cost, less amounts written off (see page vii)	27,567	10,922
	Current and loan accounts, including proposed dividends—		
	owing from subsidiaries	25,097	18,881
		<u>52,664</u>	<u>29,803</u>
	owing to subsidiaries	1,836	2,199
		<u>50,828</u>	<u>27,604</u>

In order to rationalize the property holding arrangements of the Partnership, the following action was taken this year to reorganise the company structure.
John Lewis and Company Limited acquired the whole of the 5% and 3% Cumulative Preference Stocks in Suburban & Provincial Stores Limited.
The 3½% First Mortgage Debenture Stock of Suburban & Provincial Stores Limited was redeemed at par and the 6½% Mortgage Debenture Stock was exchanged for a new issue of the same nominal amount of 8½% Mortgage Debenture Stock of John Lewis Properties Limited.
John Lewis Properties Limited acquired the whole of the issued share capital of Suburban & Provincial Stores Limited from John Lewis and Company Limited for a consideration of 20 million £1 Ordinary Shares at par. The subsidiaries of Suburban & Provincial Stores Limited became direct subsidiaries of John Lewis Properties Limited.

17 Commitments	The group has an obligation to rebuild by 1988 certain buildings on the Peter Jones site, one stage of which has been completed.		
	Other existing capital commitments are	14,000	4,000
	Capital expenditure authorised but not contracted for is about	2,300	10,100

	Consolidated 1975 £000	1974 £000	Company 1975 £000	1974 £000
	14,000	4,000	670	537
	2,300	10,100	271	36

John Lewis and Company Limited and its Subsidiaries

Notes on the accounts *continued*

20

		1975 £	1974 £
18 Directors' emoluments	The emoluments of directors, including profit-sharing, charged in the accounts are:		
	Fees	nil	nil
	Remuneration as managers	187,826	162,311
	Pensions	13,310	12,999
	The following emoluments, which exclude pensions funds and life assurance fund contributions, have been charged in the accounts and include those of directors who served on the board for only part of a year.		
	Chairman:	19,946	19,083
	Other Directors:	Number	Number
	£17,501—£20,000	2	—
	£15,001—£17,500	3	2
	£12,501—£15,000	3	4
	£10,001—£12,500	3	2
	£7,501—£10,000	—	1
	£5,001—£7,500	—	1
	£2,501—£5,000	—	1
	Subject to the waiver below Partnership Bonus of 13% for 1974/75 and 15% for 1973/74 is included in the emoluments in the above statement.		
	The following waiver has been made:		
	P. T. Lewis—salary and Partnership Bonus	£2,593	£3,871
19 Employees' emoluments	Other employees receiving more than £10,000 per annum of emoluments excluding pensions funds and life assurance fund contributions but including Partnership Bonus:		
	Scale:	Number	Number
	£17,501—£20,000	1	—
	£15,001—£17,500	—	2
	£12,501—£15,000	4	1
	£10,001—£12,500	11	11
20 Loans to employees	Loans to employees for house purchase and other needs total some £56,000 including one loan to an officer of the company amounting to £2,744.		

Auditors' report to the members of John Lewis and Company Limited

In our opinion, based on our examination and the reports of the auditors of subsidiaries not audited by us, the accounts set out on pages 4 to 11 comply with the Companies Acts 1948 and 1967 and give a true and fair view of the state of affairs at 25th January 1975 and of the profit for the year then ended of the company and of the group after providing for taxation on the basis set out in notes 4 and 15.

London
11th April 1975

Price Waterhouse & Co
Chartered Accountants

Directors' interests in shares or debentures of the John Lewis Partnership Limited group

The following interests in shares at 25th January 1975 have been registered:

	John Lewis Partnership Limited		John Lewis and Company Limited
	7½% Cumulative Preference Stock	5% Cumulative Preference Stock	5% First Cumulative Preference Stock
	£	£	£
T. G. Andrews	—	1,427	300
	—	1,427	300
E. E. Greenhalgh	—	—	—
	—	—	—
A. C. S. Hawes	—	309	—
	—	309	—
B. Henry	—	—	—
	—	—	—
H. Legg	—	1,000	—
	—	1,000	—
P. T. Lewis	—	1,730	—
	—	1,730	—
J. P. Matthews	—	—	—
	—	—	—
S. J. G. Neal	—	—	—
	—	—	—
E. H. Price	—	2,713	—
	—	2,313	—
J. Brettingham Smith	205	3,884	—
	205	3,884	—
P. P. Thomas	—	—	—
	—	—	—
F. Valner	—	912	—
	—	912	—

All the directors, as employees of John Lewis and Company Limited, are interested in the 612,000 Deferred Ordinary Shares in John Lewis Partnership Limited which are held in trust for the benefit of employees of John Lewis and Company Limited and of certain other companies.

Comparative figures quoted show interests at 26th January 1974 or in the cases of directors elected during the year their interests when they became directors.

The John Lewis Partnership

22

AT A GLANCE

	1974/75	1973/74
Sales	£251,600,000	209,387,000
Employees (Partners)	25,300	25,000
including part-time employees	8,100	7,300
Trading profit	£17,950,000	16,537,000
Net profit retained in the business after tax	£6,507,000	6,447,000
Partnership Bonus (Employees' additional earnings distributed annually out of profit, on the direction of the Partnership's equity trustees, in lieu of all ordinary dividends)	£3,876,000	3,733,000
% of annual pay	13	15
Medium and long term borrowings	£20,189,000	18,566,000
Total net assets employed at year end	£98,534,000	82,629,000



The John Lewis Partnership

Chairman's statement

Partnership Bonus

The business of the John Lewis Partnership belongs to those who work in it—the whole of the equity in John Lewis Partnership Limited being held in trust for that purpose. The profit that remains, after the payment of interest on loans and fixed preference dividends and after providing proper reserves, is distributed as Partnership Bonus among all those who work in the business in proportion to their year's pay. In 1974 the profit of John Lewis Partnership Limited was such that Partnership Bonus amounted to £3,876,000, a modest rise over 1973 (£3,733,000), and was distributed at the rate of 13% of pay (1973—15%). The reduction in the percentage rate of Partnership Bonus followed a small increase in numbers due to the expansion of Waitrose and a substantial increase in the pay roll due to higher pay rates.

Profit on the year's trading retained in the business and transferred to reserves totalled £6,507,000 (1973/74 £6,447,000). Together these two figures, profit of £6.5 million for reinvestment and profit of £3.88 million for Partnership Bonus, represent a satisfactory outcome in the circumstances. The circumstances, however, were not favourable. There was no real increase in the volume of this country's retail trade and costs rose enormously.

Finance

During the year we carried out certain alterations to the Partnership's capital structure to simplify administration and financing. Previously John Lewis Properties Limited and Suburban & Provincial Stores Limited were the two principal property owning subsidiary companies. Now these two subsidiaries have merged and John Lewis Properties Limited owns nearly all the Partnership's department store properties and can in future be expected to be the group's sole vehicle for issuing mortgage debentures. Stock market conditions have been such that new debenture issues have been virtually impossible and the Partnership has, therefore, recently arranged facilities for up to £20 million in medium term loans to help finance its expansion programme.

Turnover

The Partnership's sales increased by £42 million to £251 million—an increase of 20% over 1973/74. The increase was divided almost equally between the department stores and Waitrose supermarkets, sales in the seventeen department stores increasing by nearly 15% to £159 million, and sales in Waitrose supermarkets by nearly 31% to £87 million. Sales of the manufacturing and wholesale units were up by 25% to nearly £5 million.

The department store figures benefited from a full year's trading in the Partnership's new department store in Edinburgh which was opened in August 1973.

John Lewis, Edinburgh, has quickly proved outstandingly successful. Apart from this there was no major addition to department store selling space. In the early part of the year trading was hampered by the consequences of the miners' strike and reasonably buoyant conditions in the retail trade as a whole did not return until the autumn. Sales rose by no more than 8% in the first half year but by 20% in the second half which included successful Christmas trading and an unusually lively January to complete the trading year. Even so, the volume of trade in our department stores was certainly low in the first half of the year and only marginally up in the second.

Four new Waitrose supermarkets were opened bringing the total number to fifty-four. Three of these were opened in the autumn and one in the spring. The wholesale and manufacturing units, generally speaking, had a reasonable year.

Profit

Despite the difficulties, however, the Partnership achieved an increase in trading profit of £1,413,000 (or +8.5%) to £17,950,000. The contribution from Waitrose was £2,163,000 (1973—£2,054,000). Department stores contribute the larger part of the trading profit and in 1974 the department store profit rose nearly 10% but fell as a percentage of sales. It is hardly, of course, surprising that profit margins should be squeezed in a year of no real increase in the volume of retail trade and probably the most rapid rise in operating costs in anyone's memory.

Higher interest charges were also payable, partly because of the higher level of borrowing needed during the year, very largely due to inflation in the cost of building and stocks, but also as a result of higher rates of interest.

The increase in cost in servicing the Partnership's capital under this heading was over £600,000 (from £1,925,000 to £2,535,000). Similarly there is an increase in the assessment of corporation tax, due to the increase in taxable profit, to the higher rate of corporation tax and to lower capital allowances. The increase in tax shown in the accounts is £424,000 from £2,426,000 to £2,850,000. After adjustments are made for overprovisions relating to previous years, the true increase in taxation from one year to another is of the order of £2,000,000.

£1.2 million of last year's corporation tax assessment has been postponed following the Government's promise to relieve companies of some corporation tax in this way. This does help to meet the inflationary increase in the cost of stocks.

The final outcome of profit, therefore, was £12,100,000 (after interest, tax and dividends, but before profit sharing and reserves). This does not of course include the surplus shown on revaluing our properties, nor does it include the surplus

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Chairman's statement continued

recorded on the repurchase of preference shares in a subsidiary.

The normal contribution to the Pensions funds absorbed £1,717,000, leaving £10,383,000 to be divided between the Partnership's reserves and Partnership Bonus (1973 £10,180,000).

Pensions

The Partnership's pension scheme (privately administered and non-contributory) was introduced in 1941. We revised it in the course of the year to provide substantially improved benefits from the beginning of February 1975. The cost of this new scheme will be such that the Partnership's annual contribution to the fund will be nearly double the previous rate, that is 10% of the Partnership's pay roll as opposed to just over 5%. The Partnership pays some additional pensions out of profits to cover years of service before the fund began, to supplement the pensions of some who retired before the fund was fully mature and, when this is agreed from time to time, to adjust pensions already granted to changes in cost of living. The annual cost of such additional pensions was about £308,000 at the end of January 1975.

Development

Net expenditure on land development and fixtures during the year totalled £12 million including £4.6 million on work on the new department stores at Brent Cross and in Newcastle, £1.9 million for new Waitrose supermarkets and £1.6 million for a warehouse site in West London. Construction of the

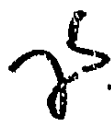
new shopping centre at Brent Cross has fallen behind schedule but in other respects the work is progressing satisfactorily and the Partnership's new shop is expected to be ready for trading in the spring of 1976. The building work in Eldon Square, Newcastle, into which the Bainbridge department store will transfer in due course is likewise delayed but is expected to be ready in the autumn of 1976. Waitrose expect to open two new supermarkets in 1975 and have at present firm plans for six further supermarkets in the following years. Major extensions are also planned for some of our existing supermarkets

Current Year

The Partnership is in an exceptionally strong position in both its department stores and Waitrose supermarkets to meet any likely demand from customers this year. At the date of this review the sales for our department stores are running 19.4% above the level of a year ago, and the sales in Waitrose are similarly 34.5% higher, although I should be surprised if these relatively high levels were maintained for the remainder of the year. The overriding concern will be how far we can earn the formidable sums now required for the minimum level of development and expansion and at the same time create a good level of Partnership Bonus. I should say that it may be more difficult than at any time in the past twenty years.

London
10th April 1975

P.T. Lewis



The John Lewis Partnership

Ten year record

Turnover and profit		65/66	66/67	67/68	68/69	69/70	70/71	71/72	72/73	73/74	74/75
		In thousands of pounds									
Turnover	Department stores etc	52,590	55,462	61,323	70,523	78,449	85,284	98,046	118,933	138,982	159,541
	Supermarkets	8,973	10,810	13,523	16,773	22,713	29,395	39,347	50,453	66,459	87,084
	Wholesale and manufacturing etc	1,897	2,711	2,719	2,802	2,476	2,199	2,329	3,108	3,946	4,975
		63,460	68,983	77,565	90,098	103,638	116,878	139,722	172,494	209,387	251,600
	<i>deduct</i>										
	Value added tax	—	—	—	—	—	—	—	—	11,450	14,605
		63,460	68,983	77,565	90,098	103,638	116,878	139,722	172,494	197,937	236,995
Gross Profit		18,308	20,211	22,682	25,603	29,230	32,955	40,720	50,162	58,345	69,185
Trading Profit		4,549	5,135	6,016	6,890	7,435	8,251	10,942	15,084	16,537	17,950
Profit after payment of interest		3,902	4,444	5,410	6,367	6,694	7,313	9,782	13,705	14,612	15,415
	Taxation (including adjustments of previous years)	419	905	992	1,221	1,694	1,494	1,857	1,320	2,426	2,850
	less income tax on dividends deducted and retained	225	73	—	—	—	—	—	—	—	—
	Net taxation	194	832	992	1,221	1,694	1,494	1,857	1,320	2,426	2,850
	Preference dividends	605	646	679	722	763	761	749	737	511	465
Balance for profit sharing and reserves		3,103	2,966	3,739	4,424	4,237	5,058	7,176	11,648	11,675	12,100
Use of balance											
	Contributed to Pensions and Life Assurance Funds	522	700	866	957	857	1,425	1,370	2,265	1,495	1,717
	Partnership Bonus	1,450	1,240	1,936	2,262	1,714	1,693	2,679	3,897	3,733	3,876
	As a percentage of pay	15	12	18	18	12	11	15	18	15	16
	Addition to reserves	1,131	1,026	937	1,205	1,666	1,940	3,127	5,486	6,447	6,507

The John Lewis Partnership

Pay, amenities and profit sharing

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	65/66	66/67	67/68	68/69	69/70	70/71	71/72	72/73	73/74	74/75
Average number of workers (weighted for part-time workers)	15,400	15,550	15,400	16,200	17,200	17,600	18,500	19,800	20,900	21,100

In thousands of pounds

Total pay	10,746	11,670	12,095	13,660	15,697	17,190	19,710	23,588	27,663	33,807
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Sick pay	196	222	233	260	365	340	401	502	571	732	
Partnership discount	349	361	371	411	485	524	591	734	830	967	
Supplementary pensions	82	86	89	106	115	118	162	164	289	308	
Grants	29	35	34	35	42	40	55	63	69	78	
Family allowances	11	13	15	14	13	13	10	3	—	—	
Dining room subsidies	142	169	178	196	254	296	332	391	590	804	
Other amenities, subsidies to clubs and societies etc	188	175	191	211	247	256	237	254	280	390	
	997	1,061	1,111	1,233	1,521	1,587	1,788	2,111	2,629	3,279	
Contributed to Pensions Funds	ordinary	405	435	600	687	801	868	1,003	1,190	1,404	1,717
	special	99	248	248	248	—	496	298	994	—	—
Contributed to Life Assurance Fund	17	17	18	22	56	61	69	81	91	—	
	1,519	1,761	1,977	2,190	2,378	3,012	3,158	4,376	4,124	4,996	
Partnership Bonus	1,450	1,240	1,936	2,262	1,714	1,693	2,679	3,897	3,733	3,876	
as a percentage of pay	15	12	18	18	12	11	15	18	15	13	
	2,969	3,001	3,913	4,452	4,092	4,705	5,837	8,273	7,857	8,872	

27 The John Lewis Partnership

Source and use of funds

65/66 66/67 67/68 68/69 69/70 70/71 71/72 72/73 73/74 74/75

In thousands of pounds

Source of funds

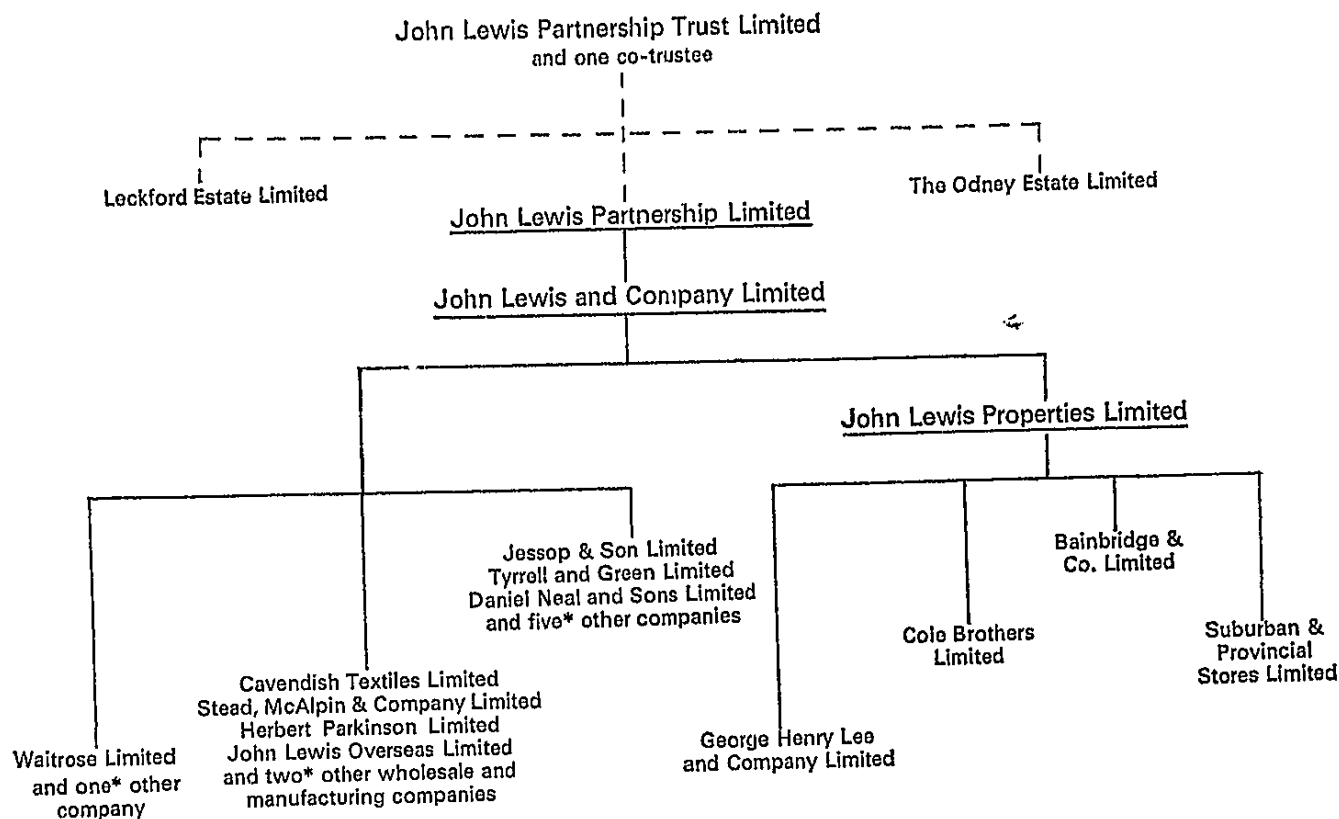
Stock issued for Partnership Bonus	532	702	595	925	872	—	—	—	—	—
Net Profits retained	1,150	1,102	1,003	1,312	1,675	1,949	3,103	5,529	7,021	6,507
Depreciation—Revenue charge against profits	851	928	1,434	1,111	1,273	1,349	1,428	1,740	2,354	2,923
Borrowings	699	—	250	444	733	2,224	1,162	3,665	—	4,584
Temporary use of tax reserves	19	149	296	84	381	—	413	(263)	547	802
	3,251	2,881	3,578	3,876	4,934	5,522	6,106	10,671	9,922	14,816

Use of funds

Net Expenditure on	Land and buildings	1,106	455	864	1,107	2,126	2,493	3,555	5,971	4,610	8,810
	Fixtures and fittings	1,172	677	850	2,014	2,111	1,538	1,262	2,130	3,578	3,248
Purchase/redemption of preference stock		14	22	17	29	13	26	543	—	156	1,286
Repayment of loans and debentures		134	403	497	152	993	123	1,518	752	665	877
Goodwill		58	—	—	—	—	—	—	—	—	—
Additional working capital		767	1,324	1,350	574	(309)	1,342	(772)	1,818	913	595
		3,251	2,881	3,578	3,876	4,934	5,522	6,106	10,671	9,922	14,816

Structure and Operation of the John Lewis Partnership

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All the companies in the above chart are incorporated in Great Britain, and the chart shows the ultimate holding company of the group, John Lewis Partnership Limited, and other holding companies and subsidiaries. John Lewis Partnership Limited holds, directly or indirectly as indicated in the chart, all the equity shares of the two other public companies (distinguished by underlining) and all the shares of the remaining subsidiaries.

At 25th January 1975, the following preference stocks were held within the group:

by John Lewis Partnership Limited
0.03 per cent of 5 per cent First Cumulative Preference Stock in John Lewis and Company Limited
0.29 per cent of 7 per cent Cumulative Preference Stock in John Lewis and Company Limited

by John Lewis Properties Limited
100 per cent of 3 per cent and 5 per cent Cumulative Preference Stock in Suburban & Provincial Stores Limited

*The assets and profits of the companies indicated by asterisks are in every case well below 5 per cent of the group totals: three of these companies are now dormant.

The John Lewis Partnership is based upon two irrevocable Settlements in Trusts, of which the purpose is to secure the fairest possible sharing by all the workers in it of all of the advantages of ownership. The principal Trustee of these Settlements is the company which stands at the head of the Partnership, John Lewis Partnership Trust Limited. Its board consists of the Chairman of the Partnership, Mr P. T. Lewis, the Deputy Chairman, Mr T. G. Andrews, and the three elected Trustees of the Partnership's Constitution, who at the date of this report were Mrs M. Cheetham, Miss C. M. Petrie, and Mr E. H. Price. It controls the Partnership's business through the board of John Lewis Partnership Limited, whose directors are the Chairman and Deputy Chairman and up to five others

nominated by the Chairman together with five Partners nominated annually by the elected Central Council, which represents the Partnership's 25,000 workers. The Partnership's three public companies have issued debenture and preference stocks, most of which are held outside the Partnership. The due payment of interest and dividends upon these stocks is the first claim upon the whole profits of the Partnership and the whole of the balance of profits is available for reserves and to be shared among the workers.

Further information about the Partnership can be obtained on application to Information Services, John Lewis Partnership, Oxford Street, W1A 1EX. Telephone: 01-637 3434 extension 6221.

Businesses of the John Lewis Partnership

Department Stores, etc

London

John Lewis, Oxford Street
Peter Jones, Sloane Square
John Barnes, Finchley Road
Jones Brothers, Holloway
Bon Marché, Brixton
Pratts, Streatham

Southern England

Heelas, Reading
Tyrrell and Green, Southampton
Knight & Lee, Southsea
Caleys, Windsor
Trewin Brothers, Watford
Daniel Neal, Bournemouth
Daniel Neal, Cheltenham

Midland and Northern England and Scotland

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

Waitrose Supermarkets

London

Barnet
Chiswick
East Sheen
Hounslow

Kensington
Kenton
Temple Fortune
Whetstone

Southern England

Allington Park
Andover
Banstead
Berkhamsted
Brighton
Canford Heath
Chesham
Cirencester
Coulston
Cowplain
Crowborough
Dorking
Dunstable
Epsom
Fleet
Godalming
Gosport
Hayes
Henley

Horley
Leighton Buzzard
Lymington
Marlow
Romsey
Slough
Southchurch
Staines
Tilehurst
Wallingford
Wantage
Watford
Westbourne
Westbury Park
Weybridge
Witney
Wokingham
Woodley

Midlands

Blaby
Daventry
Evington
Four Oaks
Hall Green

Kidderminster
Kingsthorpe
Sheldon
Washwood Heath

In addition to these shops 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.