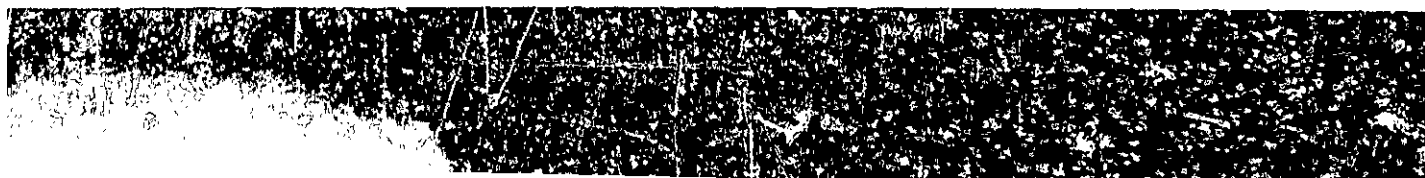


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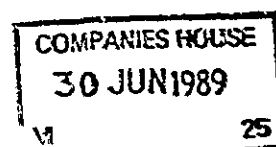
John Lewis plc

Report and accounts 1989



Report and accounts 1989

Contents	Notice of meeting	2
	Board of directors	3
	Summary of results	4
	Five year record	4
	Statement by the Chairman	5
	Directors' report	6
	Consolidated profit and loss account	7
	Consolidated balance sheet	8
	Balance sheet of the company	9
	Statement of source and use of funds	10
	Notes on the accounts	11
	Report of the auditors	21
	Retail branches	22



Notice of annual general meeting

Notice is hereby given that the sixty-first annual general meeting of the company will be held at 12.15 pm on Wednesday 14th June 1989 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 1988/89.

2. As special business, to consider the following motion to be proposed as a Special Resolution:

"That the Articles of Association of the Company be, and they are hereby, altered as follows:

Article 95. By deleting this Article and substituting therefor the following new Article:

95. (A) A Director may hold any other office or place of profit under the Company except that of Auditor in conjunction with the office of Director and may act by himself or through his firm in a professional capacity to the Company, and in any such case on such terms as to remuneration and otherwise as the Directors may arrange. Any such remuneration shall be in addition to any remuneration provided for by any other Article. No Director shall be disqualified by his office from entering into any contract, arrangement, transaction or proposal with the Company either in regard to such other office or place of profit or as vendor, purchaser or otherwise. Subject to the provisions of the Statutes and save as therein provided no such contract, arrangement, transaction or proposal entered into by or on behalf of the Company in which any Director or person connected with him is in any way interested, whether directly or indirectly, shall be avoided, nor shall any Director who enters into any such contract, arrangement, transaction or proposal or who is so interested be liable to account to the Company for any profit realised by any such contract, arrangement, transaction or proposal by reason of such Director holding that office or of the fiduciary relation thereby established but the nature of his interest shall be disclosed by him in accordance with the provisions of the Statutes.

(B) Save as herein provided, a Director shall not vote in respect of any contract, arrangement, transaction or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

(C) A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:

- (i) the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its

subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;

(iv) any contract, arrangement, transaction or other proposal concerning any other company in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever provided that he is not the holder of or beneficially interested in 1% or more of any class of the equity share capital of such company (or of a third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed for the purpose of this Article to be a material interest in all circumstances);

(v) any contract, arrangement, transaction or other proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme under which he may benefit and which either relates to both employees and Directors of the Company or has been approved by or is subject to and conditional upon approval by the Board of Inland Revenue for taxation purposes; and does not accord to any director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates; and

(vi) any contract, arrangement, transaction or proposal concerning the adoption, modification or operation of any scheme for enabling employees including full time Executive Directors of the Company and/or any subsidiary to acquire shares of the Company or any arrangement for the benefit of employees of the Company or any of its subsidiaries under which the Director benefits in a similar manner to employees.

(D) A Director shall not vote or be counted in the quorum on any resolution concerning his own appointment as the holder of any office or place of profit with the Company or any company in which the Company is interested including fixing or varying the terms of his appointment or the termination thereof.

(E) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employments with the Company or any company in which the Company is interested, such proposals may be divided and considered in relation to each Director separately and in such cases each of the Directors concerned (if not debarred from voting under paragraph (C)(iv) of this Article) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

Notice of annual general meeting continued

(F) If any question shall arise at any meeting as to the materiality of a Director's interest or as to the entitlement of any Director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the Chairman of the meeting and his ruling in relation to any other Director shall be final and conclusive except in a case where the nature or extent of the interests of the Director concerned have not been fully disclosed.

(G) Subject to the provisions of the Statutes the Company may by Ordinary Resolution suspend or relax the provisions of this Article to any extent or ratify any transaction not duly authorised by reason of a contravention of this Article."

3. To consider the re-election of retiring directors.
4. To consider the re-appointment of the auditors.
5. To consider the remuneration of the auditors.

By order of the board 4 Old Cavendish Street
B E Dickinson *Secretary* London W1A 1EX
10th May 1989

A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the company, but a proxy who is not a member has only the rights conferred by section 372(2) and section 373(2) of the Companies Act, 1985. To be effective, a proxy form must reach the company's registered office not later than forty-eight hours before the time for holding the meeting. For the convenience of members a form of proxy is enclosed.

Board of directors

Chairman	P T Lewis MA
Deputy chairman	J S Sadler CBE, MA
	I A J Anderson J B Foster
	W N Wreford-Brown S Hampson MA
	D R Cloake BSc (Econ) G P K Miller MA
	P Falconer BA B A O'Callaghan
	L H Fletcher BA D J Rawlings BSc

Secretary	Betty E Dickinson FCS
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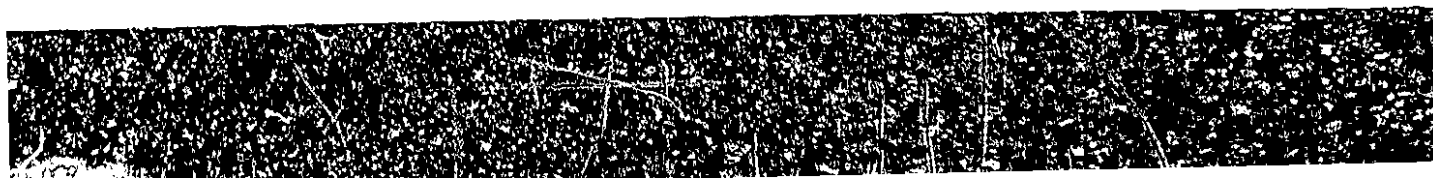
Chief accountant	T M Phillips BSc (Econ), FCA
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Auditors	Price Waterhouse
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Solicitors	Clifford Chance
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Bankers	National Westminster Bank PLC
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Registered office and Transfer office	4 Old Cavendish Street London W1A 1EX
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John Lewis plc

Summary of results for the year ended 28th January 1989

Turnover and profits		1988 £000	1989 £000
Turnover		1,724,834	1,917,682
Trading profit		126,278	139,449
Interest		4,971	7,947
Taxation		27,536	26,537
Dividends		540	290
Balance available for profit sharing and retention in the business		93,211	104,675
Partnership bonus		46,222	47,405
Retained in the business to offset inflation		5,400	5,200
Retained in the business for development		41,589	52,070
Capital employed	Net assets employed at the year end	546,053	592,037
Numbers employed	Employees (weighted for part-timers)	27,800	29,000
Number of shops	Department stores	21	22
	Supermarkets	84	85

Five year record

	Years ended January				
	1985 £000	1986 £000	1987 £000	1988 £000	1989 £000
Turnover	1,206,223	1,369,593	1,568,373	1,724,834	1,917,682
Profit after payment of interest	74,539	93,616	118,642	135,961	148,211
Pension costs	8,758	11,494	13,259	14,654	16,709
Taxation	13,694	21,651	23,903	27,556	26,537
Dividends	690	815	590	540	290
Net profit available for profit sharing and retention in the business	51,397	59,656	80,890	93,211	104,675
Partnership bonus	25,713	26,525	42,181	46,222	47,405
As a percentage of ranking pay	19	20	24	24	22
Retained for use in the business	25,684	29,131	38,709	46,989	57,270
	51,397	59,656	80,890	93,211	104,675
Net assets employed	332,422	361,553	399,168	546,053	592,037
Pay	146,321	164,202	189,410	209,348	238,652
Number of employees	30,900	32,300	34,100	35,800	37,900
including part-time employees	10,100	10,900	11,900	12,800	13,900

Statement by the Chairman Mr P T Lewis

Total sales of the John Lewis Partnership in 1988/89 increased by 11% to £1,918 million. Department stores sales increased by 10% to £1 billion, and Waitrose sales increased by 11% to £885 million. Excluding new openings, department store sales increased by 9% and Waitrose by 7%.

The Partnership's trading profit rose 10% to £139 million and pre-tax profit rose 8½% to £131 million.

The distribution of profit to Partners in cash for 1988/89 was £47.4 million, an increase of £1.2 million on the previous year's record figure of £46.2 million. The distribution was at the rate of 22% of earnings for the year (24% 1987/88). This means Partnership Bonus has averaged almost 20% over the past ten years.

The Partnership spent £136 million on new developments in 1988. In addition to the £26 million depreciation taken in the accounts, the Partnership retained a net profit of £57 million. Average net borrowings through the year were £80 million at an average interest rate of 10¼%. Although borrowings were about half as much again as in the previous year, they were still relatively low for the size of the Partnership's business. On 31st January 1989 we issued £100 million 10½% Bonds repayable in 2014. One of the main reasons for doing this was to increase the proportion of our borrowings at a fixed rate of interest over a good period of time.

Expansion of business and employment continues. The number of full-time equivalent employees in the Partnership increased by 4%. The total head count at the year's end, full-time, part-time and temporary employees, numbered approximately 38,000. We opened a new department store in October 1988 concentrating on the Partnership's furnishings and leisure assortments, just outside High Wycombe. Waitrose opened three new supermarkets in 1988, at Richmond, West Byfleet and Sunningdale (and closed two, in Chiswick and Gloucester Road, Kensington). These new developments have been accompanied by investment in our existing business, as for example by the recent 40% increase in the size of John Lewis Edinburgh, one of the Partnership's most successful branches, and some substantial developments in warehousing and distribution to match the growth of transactions.

We will open a new department store in Aberdeen before the end of October 1989. Further ahead, the building of a new department store on the bank of the Thames at Kingston is proceeding satisfactorily, as are plans for a move of our

department store in Watford, and we have entered into an agreement to build a new department store in Glasgow. Waitrose expect to open three more supermarkets in 1989 in New Malden, Maidenhead and Bath and have plans to open a further twenty or so over the next few years.

The Partnership has manufacturing businesses involved in several sections of its department store merchandise. In textiles we weave and print much of our own furnishing fabrics. The weaves are produced by Herbert Parkinson Limited at Darwen, and the prints by Stead McAlpin & Company Limited at Carlisle. We were fortunate last year to have the opportunity to strengthen our capacity in this area by the acquisition of J H Birtwistle & Company Limited, a leading company in the production of fine grey cloth. Their sales are included for the first time.

We shall be occupying in the autumn new office premises in Central London, near Westminster Cathedral. This will be the first time for many years the Partnership's central management has been housed together in a single building. The move will give John Lewis Oxford Street some badly needed administrative space and a little additional selling area. Other office premises nearby will no longer be needed.

It is noteworthy that in 1988/89 expenses rose faster than sales for the first time for several years, particularly towards the end of the year, heralding the end of a conspicuously prosperous period for the retail trade. A breakdown of the inflation statistics gives one reason. The Retail Price Index is generally quoted at 7½% - the all items figure, but the January year on year rise in the price of both food and our department store merchandise was about 4½%. This can be compared with inflation in national wage rates of about 8%.

I suspect that present Government measures may work quite strongly to dampen demand as 1989 progresses and that one way or another the Government will bear down on consumer spending and retail sales. For this reason, while our endeavour to improve our standards of shopkeeping and all other aspects of our business will be unaffected, and while we shall pursue our programme of expansion and maintain our record for creating employment, I shall be surprised if 1989 is not one of those years when the profit dips.

Sales at the moment, after 10 weeks of the new trading year, are running about 9% ahead of 1988/89.

Directors' report for the year ended 28th January 1989

Directors	The directors of the company are as listed on page 3. Mr D R Cloake was appointed a director on 12th May 1988.
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 22 department stores, 85 Waitrose supermarkets and ancillary manufacturing activities.
Acquisition	In April 1988 the company acquired J H Birtwistle & Company Limited, a textile company based in Lancashire.
Borrowings	Since the end of the financial year the Company has issued £100,000,000 10½% Bonds repayable at par in 2014.
Use of profits	Preference dividends absorbed £90,000 and an interim dividend of £200,000 has been paid on the Ordinary Shares leaving £57,270,000 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 19 to the accounts.</p>
Articles of Association	The amendment to the Articles of Association to be proposed at the annual general meeting is designed to bring the Article on directors' interests into line with model articles prescribed by the Government and will, among other things, facilitate the transaction of pensions-related business by the company.
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 31st January 1988 and 28th January 1989 have been registered: Mr G P K Miller £1,200.</p> <p>There were no contracts subsisting during or at the end of the financial year in which the directors were materially interested and which were significant in relation to the company's business.</p>
Charitable donations	<p>The group donated £704,000 for charitable purposes during the year but made no political donations.</p> <p>For and by order of the board P E Dickinson Secretary 20th April 1989</p>

John Lewis plc

Consolidated profit and loss account for the year ended 28th January 1989

Notes		1989 £000	1988 £000
2	Turnover	1,917,682	1,724,834
	Value added tax	163,993	146,628
		1,753,689	1,578,206
	Cost of sales	1,243,397	1,128,559
	Gross profit	510,292	449,647
	Selling and distribution costs	324,893	283,898
	Administrative costs	35,539	26,627
3	Other operating income	(6,298)	(1,810)
4	Pension costs	16,709	14,654
	Trading profit	139,449	126,278
5	Interest	7,947	4,971
6	Profit before Partnership bonus and taxation	131,502	121,307
	Partnership bonus	47,405	46,222
2	Profit on ordinary activities before taxation	84,097	75,085
8	Tax on profit on ordinary activities	26,537	27,556
9	Profit for the financial year	57,560	47,529
10	Dividends	290	540
19	Profit retained to offset inflation	5,200	5,400
18	Profit retained for development	52,070	41,589

John Lewis plc

Consolidated balance sheet as at 28th January 1989

Notes		1989 £000	1988 £000
	Fixed assets		
11	Tangible assets	623,571	532,223
12	Investment in affiliated company	3,086	2,395
		<hr/> 626,657	<hr/> 541,618
	Current assets		
14	Stocks	160,182	142,718
15	Debtors	135,831	119,837
	Investments – short term deposits	—	12,703
	Cash at bank and in hand	2,425	5,691
		<hr/> 298,438	<hr/> 280,949
	Creditors		
16	Amounts falling due within one year	273,709	220,073
	Net current assets	<hr/> 24,529	<hr/> 60,876
	Total assets less current liabilities	<hr/> 651,186	<hr/> 602,494
	Creditors		
16	Amounts falling due after more than one year	59,149	56,441
	Net assets	<hr/> 592,037	<hr/> 546,053
	Capital and reserves		
17	Called up share capital	9,000	9,000
18	Share premium account	3,277	3,277
18	Revaluation reserve	169,227	176,497
18	Other reserves – capital	1,365	1,365
18	Profit and loss account – accumulated profit	409,168	355,914
	Total capital employed	<hr/> 592,037	<hr/> 546,053

Approved by the Board on 20th April 1989.

P T Lewis
J S Sadler

P T Lewis
J S Sadler

John Lewis plc

Balance sheet as at 28th January 1989

Notes		1989 £000	1988 £000
	Fixed assets		
11	Tangible assets	166,988	119,680
13	Investments in subsidiaries	164,440	130,728
12	Investment in affiliated company	3,086	2,395
		334,514	252,803
	Current assets		
14	Stocks	89,303	79,238
15	Debtors	93,920	83,241
	Investments – short term deposits	—	12,703
	Cash at bank and in hand	682	633
		183,905	175,815
	Creditors		
16	Amounts falling due within one year	290,478	229,027
	Net current liabilities	106,573	53,212
	Total assets less current liabilities	227,941	199,591
	Creditors		
16	Amounts falling due after more than one year	52,931	50,153
	Net assets	175,010	149,438
	Capital and reserves		
17	Called up share capital	9,000	9,000
18	Share premium account	3,277	3,277
18	Revaluation reserve	5,255	6,245
18	Profit and loss account – accumulated profit	157,478	130,916
	Total capital employed	175,010	149,438

Approved by the Board on 20th April 1989.

P T Lewis
J S Sadler

P T Lewis
J S Sadler

John Lewis plc

Statement of source and use of funds

Source of funds	Years ended January				
	1985 £000	1986 £000	1987 £000	1988 £000	1989 £000
Arising from trading:					
Profit before Partnership bonus and taxation	65,781	82,122	105,383	121,307	131,502
Adjustment for items not involving a movement of funds:					
Depreciation	14,489	15,772	18,129	20,919	25,782
Profit on sale of fixed assets	(248)	(15)	—	(1,810)	(6,298)
	80,022	97,879	123,512	140,416	150,986
Funds from other sources:					
Proceeds from sale of fixed assets	2,567	2,129	965	4,607	18,198
Loans	—	—	50,000	—	—
Total inflow	82,589	100,008	174,477	145,023	169,184
Use of funds					
Additions to land and buildings	14,692	20,022	38,399	53,818	77,132
Additions to fixtures and fittings	20,195	20,774	25,746	27,209	41,868
* Acquisition of subsidiary	—	—	—	—	16,592
Repayment of loans and debentures	3,438	5,162	19,823	322	229
Expenses of Eurosterling bond issue	—	—	1,094	—	—
Corporation tax paid	5,633	5,146	29,360	26,440	27,218
Dividends paid	1,490	690	860	590	540
Partnership bonus	25,322	25,755	30,511	42,176	46,131
Purchase of shares in affiliated company	—	—	—	—	500
	70,770	77,549	145,793	150,555	210,210
Increase/(decrease) in working capital:					
Stocks	10,147	8,848	17,871	11,058	14,528
Debtors	6,336	13,017	12,516	9,837	12,923
Creditors	(11,940)	(14,050)	478	(9,227)	(41,597)
Total outflow	75,313	85,364	176,658	162,223	196,064
Net inflow/(outflow)	7,276	14,644	(2,181)	(17,200)	(26,880)
Increase/(decrease) in cash and deposits	7,276	14,644	(2,181)	(7,993)	(16,087)
(Increase)/decrease in loans and bank overdraft	—	—	—	(9,207)	(10,793)

*Net assets of the subsidiary acquired during the year:

	£000
Land and buildings	749
Plant, fixtures and fittings	2,281
Stocks	2,936
Debtors	3,071
Creditors	(3,849)
Cash	118
	<u>5,306</u>

John Lewis plc

Notes on the accounts

1 Accounting policies

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

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

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

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

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

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

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

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

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

Goodwill arising on the acquisition of subsidiaries is written off to reserves at the time of acquisition.

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 Other operating income

	1989	1988
	£000	£000
Profit on sale of properties	6,298	1,430

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% (1988).

5 Interest

Interest payable:		
On bank loans, overdrafts and other loans repayable within 5 years	3,173	955
On all other loans	5,645	5,688
Interest receivable	(871)	(1,652)
	7,947	4,991

Notes on the accounts continued

6 Profit before Partnership bonus and taxation	Profit before Partnership bonus and taxation is stated after charging the following:	1989 £000	1988 £000
	Staff costs excluding Partnership bonus:		
	Pay		
	Social security costs	238,852	209,348
	Other pension costs	21,830	18,944
	Depreciation	16,709	14,654
	Auditors' remuneration	25,782	20,919
	Rental of land and buildings	293	255
		14,762	11,686
7 Directors and employees	Directors' remuneration including pension fund contributions and Partnership bonus of 22% (24%) was as follows:	1989 £000	1988 £000
	Remuneration as managers		
	Pensions to past directors	1,449	1,163
		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:		
	Chairman	1989	1988
	after a waiver of:	£214,539	£140,429
	Other directors:	—	£33,497
	£10,001 – £15,000	Number	Number
	£50,001 – £55,000	—	1
	£55,001 – £60,000	1	—
	£65,001 – £70,000	—	1
	£70,001 – £75,000	—	1
	£75,001 – £80,000	1	2
	£80,001 – £85,000	—	1
	£85,001 – £90,000	2	2
	£90,001 – £95,000	1	—
	£95,001 – £100,000	1	—
	£115,001 – £120,000	2	—
	£120,001 – £125,000	—	1
	£125,001 – £130,000	—	1
	£130,001 – £135,000	—	1
	£145,001 – £150,000	1	—
	£150,001 – £155,000	1	—
		1	—

John Lewis plc

Notes on the accounts continued

7	Directors and employees (continued)	Emoluments of employees other than directors receiving remuneration of more than £30,000 per annum excluding pension fund contributions but including Partnership bonus were as follows:	1989	1988
			Number	Number
		£30,001 – £35,000	129	86
		£35,001 – £40,000	58	53
		£40,001 – £45,000	37	26
		£45,001 – £50,000	27	19
		£50,001 – £55,000	16	9
		£55,001 – £60,000	13	10
		£60,001 – £65,000	7	5
		£65,001 – £70,000	8	1
		£70,001 – £75,000	3	1
		£75,001 – £80,000	1	1
		£90,001 – £95,000	2	—
		£110,001 – £115,000	—	1
		£120,001 – £125,000	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	21,300	20,400
		Supermarkets	15,500	14,400
		Other	1,100	1,000
8	Tax on profit on ordinary activities		1989	1988
			£000	£000
		Corporation tax based on the profit for the year	27,284	28,221
		Group relief	6	8
		Corporation tax – previous years	(753)	(673)
			26,537	27,556
		The tax charge is based on a corporation tax rate of 35% (35%) and has been reduced by £2,192,000 (£48,000) as a result of capital allowances in excess of depreciation.		
		Total taxation deferred in respect of capital allowances in excess of depreciation amounts to £42,017,000 (£39,324,000) based on corporation tax at 35%.		
		No provision has been made in these accounts for the liability to taxation of £18,200,000 (£31,300,000) 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	Dealt with in the accounts of John Lewis plc	25,852	22,215
		Retained by subsidiaries	31,698	25,314
			57,550	47,529
		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 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	200	450
			290	540

Notes on the accounts continued

11 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 30th January 1988	409,583	167,378	61,479	638,440
	Acquisition	946	5,212	—	6,158
	Additions at cost	9,869	37,512	71,619	119,000
	Transfers	49,217	6,148	(55,365)	—
	Disposals	(11,381)	(7,478)	(301)	(19,160)
	At 28th January 1989	458,234	208,772	77,432	744,438
	At cost	180,169	208,772	77,432	466,373
	At valuation 1980	1,725	—	—	1,725
	At valuation 1988	276,340	—	—	276,340
		458,234	208,772	77,432	744,438
	Depreciation				
	At 30th January 1988	18,594	80,623	—	99,217
	Acquisition	197	2,931	—	3,128
	Charge for the year	7,128	18,654	—	25,782
	On disposals	(1,127)	(6,133)	—	(7,260)
	At 28th January 1989	24,792	96,075	—	120,867
	Net book values at 30th January 1988	390,989	86,755	61,479	539,223
	Net book values at 28th January 1989	433,442	112,697	77,432	623,571
				1989 £000	1988 £000
	Land and buildings at cost or valuation:				
	Freehold property			253,882	229,313
	Leasehold property, 50 years or more unexpired			170,069	149,788
	Leasehold property, less than 50 years unexpired			34,283	30,482
				458,234	409,583
	Included in land and buildings at 28th January 1989 is land valued at £97,966,000, which is not subject to depreciation.				
	If they had not been revalued, land and buildings at 28th January 1989 would have been included at the following amounts:				
	Cost			301,793	248,283
	Accumulated depreciation			37,578	33,791
				264,215	214,492

Notes on the accounts continued

11 Tangible assets (continued)	Company	Land and buildings £000	Fixtures and fittings £000	Payments on account and assets in course of construction £000	Total £000
	Cost or valuation				
	At 30th January 1988	45,914	82,274	31,150	159,338
	Additions at cost	4,000	25,422	30,849	60,271
	Transfers	15,186	2,898	(16,014)	2,070
	Disposals	(1,077)	(5,167)	—	(6,244)
	At 28th January 1989	64,023	105,427	45,985	215,435
	At cost	19,708	105,427	45,985	171,120
	At valuation 1980	600	—	—	600
	At valuation 1988	43,715	—	—	43,715
		64,023	105,427	45,985	215,435
	Depreciation				
	At 30th January 1988	169	39,489	—	39,658
	Charge for the year	845	10,089	—	10,934
	Transfers	—	1,980	—	1,980
	On disposals	(125)	(4,000)	—	(4,125)
	At 28th January 1989	889	47,558	—	48,447
	Net book values at 30th January 1988	45,745	42,785	31,150	119,680
	Net book values at 28th January 1989	63,134	57,869	45,985	166,988
				1989 £000	1988 £000
	Land and buildings at cost or valuation:				
	Freehold property			9,077	276
	Leasehold property, 50 years or more unexpired			53,746	43,625
	Leasehold property, less than 50 years unexpired			1,200	2,913
				64,023	45,814
	Included in land and buildings at 28th January 1989 is land valued at £3,906,000, which is not subject to depreciation.				
	If they had not been revalued, land and buildings at 28th January 1989 would have been included at the following amounts:				
	Cost			61,517	42,751
	Accumulated depreciation			3,638	8,251
				57,879	39,500

Notes on the accounts continued

12 Investment in affiliated company	Shares £000	Loans £000	Total £000
At 30th January 1988	31	2,364	2,395
Movements	500	191	691
At 28th January 1989	531	2,555	3,086

Shares and loans relate to Leckford Estate Limited, a company controlled by its preference shareholders. The whole of the issued ordinary share capital is owned by John Lewis plc. The Company made a loss in the year to 30th September 1988 of £8,382 before tax and £25,370 after tax. No dividend was paid on the ordinary shares in 1988 (Nil). The capital and reserves of Leckford Estate Limited at 30th September 1988 were as follows:

	£
Ordinary shares of £1 each	25
6% (now 4.2% plus tax credit) Preference shares	75
Deferred ordinary shares of £1 each	500,000
Reserves	(13,922)
	486,178

13 Investments in subsidiaries	Shares in group companies £000	Loans to group companies £000	Total £000
At 30th January 1988	30,917	99,811	130,728
Movements	16,592	11,398	27,990
Dividends receivable	—	5,722	5,722
At 28th January 1989	47,509	116,931	164,440

Wholly owned subsidiaries of John Lewis plc

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

Wholly owned subsidiary of John Lewis Properties plc

Cole Brothers Limited

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

The accounts of Waitrose Limited are audited by Kidsons. The share of group turnover and profit on ordinary activities before taxation attributable to Waitrose Limited is 46% (46%) and 26% (23%) respectively.

John Lewis plc

Notes on the accounts continued

14	Stocks	Consolidated	1989 £000	1988 £000
		Raw materials and work-in-progress	8,570	6,689
		Finished goods	151,612	136,029
			160,182	142,718
		Company		
		Raw materials and work-in-progress	659	591
		Finished goods	88,644	78,647
			89,303	79,238
15	Debtors	Consolidated		
		Amounts falling due within one year:		
		Trade debtors	104,906	90,682
		Other debtors	3,501	4,749
		Prepayments and accrued income	7,016	5,625
		Lease rentals receivable	—	138
			115,423	101,194
		Amounts falling due after more than one year:		
		Trade debtors	20,408	18,643
		Total debtors	135,831	119,837
		Company		
		Amounts falling due within one year:		
		Trade debtors	72,855	64,356
		Other debtors	2,193	2,228
		Prepayments and accrued income	3,865	3,052
			78,853	69,636
		Amounts falling due after more than one year:		
		Trade debtors	15,067	13,605
		Total debtors	93,920	83,241

Notes on the accounts continued

16 Creditors	Consolidated	1989 £000	1988 £000
	Amounts falling due within one year:		
	Loans and bank overdraft	20,000	9,207
	Trade creditors	102,199	68,304
	Holding company	1,339	1,054
	Other creditors	17,985	12,458
	Corporation tax	27,933	28,614
	Other taxation and social security	40,581	37,918
	Accruals and deferred income	16,174	15,844
	Proposed dividend	200	450
	Partnership bonus	47,493	46,224
		273,909	220,073
	Amounts falling due after more than one year:		
	Due by instalments after 5 years		
	– Debenture loans	1,190	1,228
	Due other than by instalments after 5 years		
	– Debenture loans	5,000	5,000
	– Eurosterling bonds	50,000	50,000
	Other creditors	2,959	213
		59,149	56,441
	Total of instalment payments due after 5 years	1,090	1,128
	Debentures (secured on land and buildings)		
	John Lewis Properties plc		
	9¼% Mortgage Debenture Stock, 1992/97	5,000	5,000
	8¼% Mortgage Debenture Stock, 1993/98	1,190	1,228
		6,190	6,228

John Lewis plc

Notes on the accounts continued

16 Creditors (continued)	Company	1989 £000	1988 £000
	Amounts falling due within one year:		
	Loans and bank overdraft	23,551	6,900
	Trade creditors	90,057	56,875
	Holding company	1,339	1,054
	Owed to group companies	73,925	68,362
	Other creditors	11,285	8,722
	Corporation tax	8,527	9,812
	Other taxation and social security	26,052	24,007
	Accruals and deferred income	9,074	7,598
	Proposed dividend	200	450
	Partnership bonus	46,468	45,247
		290,478	229,027
	Amounts falling due after more than one year:		
	Due other than by instalments after 5 years		
	– Eurosterling bonds	50,000	50,000
	Other creditors	2,931	153
		52,931	50,153
	The Eurosterling bonds carry an interest rate of 10¼% and are repayable at par in 2006.		
17 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

Notes on the accounts continued

18 Reserves

Consolidated	Share premium £000	Revaluation reserve £000	Other reserves — capital £000	Profit and loss account £000	Total reserves £000
At 30th January 1988	3,277	176,497	1,365	355,914	537,053
Profit retained to offset inflation	—	—	—	5,200	5,200
Profit retained for development	—	—	—	52,070	52,070
Goodwill arising on acquisition of subsidiary	—	—	—	(11,286)	(11,286)
Transfers	—	(7,270)	—	7,270	—
At 28th January 1989	3,277	169,227	1,365	409,168	583,037

Company	Share premium £000	Revaluation reserve £000	Profit and loss account £000	Total reserves £000
At 30th January 1988	3,277	6,245	130,916	140,438
Profit retained for development	—	—	25,572	25,572
Transfers	—	(990)	990	—
At 28th January 1989	3,277	5,255	157,478	166,010

19 Inflation

	1989 £000	1988 £000
Profit retained to offset inflation relates to:		
Depreciation of fixtures and fittings	4,500	3,900
Working capital	700	1,500
	5,200	5,400

The working capital adjustment is calculated on the basis of appropriate indices, published by the Government Statistical Service, applied to the values of stock, debtors and creditors in the preceding year.

20 Commitments

At 28th January 1989 the directors had authorised capital expenditure of £139,594,000 (£158,119,000) of which contracts had been placed for £59,439,000 (£64,860,000).

21 Lease commitments

Rentals on land and buildings for the next financial year on leases expiring:		
Within 1 year	140	23
Between 1 and 2 years	884	106
Between 2 and 5 years	276	219
Over 5 years	19,235	12,495

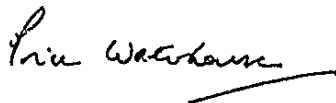
John Lewis plc

Report of the auditors

We have audited the financial statements of John Lewis plc set out on pages 7 to 20 in accordance with approved Auditing Standards. In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 28th January 1989 and of the profit and source and use of funds of the group for the year then ended and comply with the Companies Act 1985.

Price Waterhouse
Chartered Accountants
London

20th April 1989

A handwritten signature in cursive script, appearing to read "Price Waterhouse", with a horizontal line drawn underneath it.

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

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

Midlands, East Anglia, Northern England and Scotland

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

Waitrose supermarkets

London

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

Southern England

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

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.