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REPORT & ACCOUNTS

2000

JOHN LEWIS plc

CONTENTS

Further information about the Partnership can be obtained on application to the Press Office,

John Lewis Partnership,
171 Victoria Street,
London SW1E 5NN
Telephone: 020 7592 6220
www.johnlewis.co.uk

THE JOHN LEWIS PARTNERSHIP

The Partnership's purpose is to secure the fairest possible sharing among all those who work in it of all the advantages of ownership. John Lewis Partnership plc and John Lewis plc have modest issues of preference stock. Payment of dividends upon these stocks is naturally the first claim upon the Partnership's profits but the whole of the balance of profit is available to be shared among its permanent employees, i.e. the members of the Partnership, and for reserves. The equity and control of John Lewis Partnership plc, and hence of the Partnership, are held in trust by John Lewis Partnership Trust Limited for the benefit of the employees. One of the principal duties of the Trust Company under the terms of two irrevocable Settlements is to secure the appointment of directors to the Board of John Lewis Partnership plc in accordance with the Partnership's Constitution. The Constitution requires the appointment to the Board of the Chairman and Deputy Chairman of the Trust Company and of five other directors on the nomination of the Chairman together with five other directors nominated annually by the Central Council, which itself represents the Partnership's 40,000 members. The Board of John Lewis Partnership plc thus constituted directs the Partnership's business on behalf of its members.

SUMMARY
OF RESULTS
FOR THE YEAR ENDED 29 JANUARY 2000

	2000 £m	1999 £m
Turnover (including VAT)	3,747.6	3,517.6
Trading profit	214.0	220.0
Exceptional operating income	–	33.5
Total operating profit	214.0	253.5
Interest	(19.3)	(16.6)
Profit before Partnership bonus and taxation	194.7	236.9
Taxation	(33.4)	(46.8)
Dividends	(0.3)	(0.3)
Balance available for profit sharing and retention in the business	161.0	189.8
Partnership bonus	(77.8)	(88.9)
Retained in the business for development	83.2	100.9
Net assets employed at the year end	1,429.0	1,301.2
Average number of employees (weighted for part-timers)	35,600	34,100
Number of shops – Department stores	25	23
– Supermarkets	121	117

FIVE YEAR
RECORD
YEARS ENDED JANUARY

	2000 £m	1999 £m	1998* £m	1997 £m	1996 £m
Turnover (including VAT)	3,747.6	3,517.6	3,460.1	3,160.5	2,815.7
Profit before pension costs	263.7	267.5	300.7	262.3	195.4
Pension costs	(49.7)	(47.5)	(29.0)	(23.4)	(22.6)
Exceptional operating income	–	33.5	–	–	–
Interest	(19.3)	(16.6)	(21.4)	(21.8)	(22.8)
Profit before Partnership bonus and taxation	194.7	236.9	250.3	217.1	150.0
Taxation	(33.4)	(46.8)	(49.9)	(45.2)	(28.6)
Dividends	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Net profit available for profit sharing and retention in the business	161.0	189.8	200.1	171.6	121.1
Partnership bonus	(77.8)	(88.9)	(97.7)	(81.7)	(57.0)
As a percentage of ranking pay	*15*	*19*	*22*	*20*	*15*
Retained in the business	83.2	100.9	102.4	89.9	64.1
Net assets employed	1,429.0	1,301.2	1,193.2	1,060.4	950.0
Pay	508.1	467.4	442.1	402.3	371.3
Average number of employees	49,000	46,800	45,300	43,700	41,100
including part-time employees	20,800	19,800	18,800	17,800	16,300

* 53 week year

CHAIRMAN'S STATEMENT

Partnership sales rose to £3.7bn, an increase of 7%. Profit before Partnership Bonus and taxation fell by 18% to £195m. However, the prior year included two non-recurring items – the benefit of a £33.5m refund for VAT and a £5m transfer from profits to the Golden Jubilee Trust. On a like-for-like basis profit fell 7%. £83m of profit after taxation was retained in the business, leaving £78m to be distributed to Partners by way of bonus at 15% of pay.

The department store sales increase was 7%, with our new department stores at Bluewater and Glasgow, which opened in March 1999, accounting for almost all of this increase. The manufacturing units were again hard hit, with a 23% decrease in sales. The division's gross margin slipped fractionally, and, with extra costs in the year, trading profit decreased by 9% to £150m.

The Waitrose sales increase was 7%. Six new supermarkets (including one re-location) opened in the year, and we again gained market share. Gross margin moved ahead slightly, but rises in costs ahead of sales trimmed the increase in trading profit for the division to 5% bringing it to £64m.

Capital spending decreased slightly from £183m to £171m. The net interest charge increased, with interest cover falling from 15 times to 11 times. Year-end gearing decreased from 14% to 13%.

Since the year-end, we have announced the acquisition of eleven supermarkets from Somerfield plc which we expect to re-open after re-fitting between May and July. In addition we plan to open six new Waitrose supermarkets in the course of the year. For department stores the re-location of our Southampton branch will be the highlight of the year, to be followed by the new Solihull store due to open next year. We are also now embarked on a five-year refurbishment programme for Peter Jones and have major work in hand in our Liverpool and Nottingham stores.

After 11 weeks of the current trading year, sales are 11% ahead in department stores and 10% in Waitrose. The economic outlook for this year is more promising than at the same time last year but, once again, in our own case there are some hefty one-off costs to be absorbed. I am confident, however, that the trading offer of both divisions means that they are well placed to achieve continuing advances in their respective sectors.

SIR STUART HAMPSON CHAIRMAN
20 APRIL 2000

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DIRECTORS
AND ADVISERS

DIRECTORS

SIR STUART HAMPSON
Chairman

DAVID YOUNG
Deputy Chairman

IAN ALEXANDER

NIGEL WREFORD-BROWN

DUDLEY CLOAKE

DAVID FELWICK

LUKE MAYHEW

OFFICERS AND ADVISERS

COMPANY SECRETARY
BRIAN PRITCHARD ACIS

DIRECTOR OF FINANCIAL CONTROL
ROS HAIGH FCA

DIRECTOR OF LEGAL SERVICES
TERRY NEVILLE

AUDITORS
PRICEWATERHOUSECOOPERS

SOLICITORS
LOVELLS

BANKERS
NATIONAL WESTMINSTER BANK PLC

REGISTERED OFFICE
171 VICTORIA STREET LONDON SW1E 5NN
Registered in England No. 233462

TRANSFER OFFICE
IRG plc BOURNE HOUSE
34 BECKENHAM ROAD BECKENHAM
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DIRECTORS' REPORT

Directors

The directors of the company at the date of this report are listed on page 6. John Carpenter and Brian O'Callaghan, who were in office as directors on 30 January 1999, resigned on 24 December 1999 and 28 January 2000, respectively. All other directors served throughout the period under review.

Principal activity

The company controls the businesses listed on page 37 comprising 25 department stores, 123 Waitrose supermarkets (including 2 which opened after the year end) and ancillary manufacturing activities.

Employees

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 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, as the principal trading subsidiary of John Lewis Partnership plc, maintained the Constitution in the course of the year.

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.

Corporate governance

The directors have considered the application of the 'Combined Code'. The company does not have equity shares listed on the London Stock Exchange and the ownership structure and written Constitution of the Partnership do not make it practicable to comply in detail with the 'Combined Code'. The following information is relevant in this context:

The Partnership has since 1929 operated under a Constitution which encourages the widest possible sharing of profit, knowledge and power by all Partners while also prescribing the business's responsibilities to its suppliers, its customers and the community in which it operates. The systems of accountability laid down in the Partnership's Principles, Rules and Regulations conform with the spirit of the 'Combined Code' but are framed to suit the unique democratic ownership structure of the Partnership.

Principal authority in the affairs of the Partnership is divided between the Chairman, the Board of John Lewis Partnership plc (the Central Board) and the elected Central Council. The Central Council nominates five of the twelve members of the Central Board. Elected councils at local branch as well as central level provide regular opportunity for management to be held accountable to Partners; Councils receive regular reports by

DIRECTORS'
REPORT CONTINUED

directors and have an opportunity to follow these up with questions on any subject, whilst an open system of journalism both contributes to this process of accountability and provides the means of sharing information extensively with all Partners.

The Partnership has an Audit Committee, the members of which are the Chairman, the General Inspector and one other Director (not an Executive Director), nominated by the Chairman, currently Ken Temple, the Chief Registrar. It meets at least twice a year. Its purpose is to assist the Board of John Lewis Partnership plc in ensuring that the group's systems provide accurate and up to date information on its financial position, and that the group's published financial statements represent a true and fair reflection of this position. It also ensures that appropriate accounting policies and internal financial controls are in place. The external auditors attend its meetings, as does the Head of Internal Audit.

The directors are reviewing the principles contained in the report 'Internal Control: Guidance for Directors on the Combined Code' (the Turnbull report), and will be considering how the spirit of these proposals may be adopted given the ownership structure and Constitution of the Partnership.

Year 2000
The Partnership has completed its work to ensure that its computer systems are able to function effectively in the year 2000 and thereafter. Work on converting the group's computer software to deal with the year 2000 date change cost £4.5m in total, of which £1.0m was incurred in 1997/98, £2.4m in 1998/99, and £1.1m in 1999/00. The majority of these costs have been charged to the Profit and Loss account as incurred. Work was also required to deal with embedded chips. The cost of the remedial work was £1.4m, of which £0.4m was incurred in 1998/99 and £1.0m in 1999/00. £0.2m of the total cost was capitalised with the remainder charged to the Profit and Loss account as incurred.

In addition to the costs identified above, a number of projects have been brought forward to avoid the need to modify old systems. The total cost of these projects was £2.6m, of which £1.0m was incurred in 1997/98, £0.9m in 1998/99, and £0.7m in 1999/00. The costs are being capitalised, as appropriate.

The Partnership's systems successfully operated into the new millenium and there has been no interruption to the business from internal or external factors related to this period

European Monetary Union
The Partnership has a steering group which is chaired by the Finance Director and includes senior representatives of the two trading divisions and the central IT Group. Good progress has been made in identifying how conversion to the euro would be effected and in clarifying the areas where major business decisions would need to be taken. The group's policy on acquiring new systems is to ensure that they are euro compliant.

Payments to suppliers
The Partnership's policy for the payment of its suppliers is to agree the terms of payment in advance and, provided a supplier fulfils the agreement, to pay promptly in accordance with such terms. The group's trade creditors as at 29 January 2000 were equivalent to 21 days of purchases during the year ended on that date.

Directors' remuneration
The Partnership does not pay directors' fees but all members of the Board are paid a salary for their role within the business, determined in accordance with the

Partnership's pay policy. This requires salaries to be in line with market rates. Performance is recognised in enhanced pay and by individual bonuses, not against pre-set criteria, for exceptional contributions.

There are no annual incentive bonuses or long term bonus schemes related to individual or company performance.

The Partnership's pay policy respects the confidentiality of individual rates of pay, but all Partners can request details of the range of pay applying to their own post.

The salary of the Chairman is decided by the Central Board in response to proposals he and the Partnership's Director of Personnel make based on independent market evidence. The salaries of directors appointed to the Board are decided by the Chairman in consultation with the Deputy Chairman. They are provided with independent market evidence by the Director of Personnel and the Partnership's Pay Research Unit, which is subsequently circulated to the Central Board. Details of directors' emoluments are set out in note 10.

Properties
The group's freehold and long leasehold department store properties were valued by the directors at 31 December 1999 on the basis of existing use value. This valuation has been incorporated in the consolidated balance sheet at 29 January 2000, resulting in a surplus of £44.6m, which has been credited to the revaluation reserve.

The group's supermarket and distribution properties are stated at depreciated historical cost. The directors are satisfied that the current market value of these properties is not materially different from their carrying value, as at 29 January 2000.

Treasury policy and financial risk management
The Board approves the group's treasury and financial risk management policies; senior financial management are responsible for implementing these policies and directly controlling day to day treasury operations.

Interest rate risk
The group's policy is to have a mix of fixed and floating interest rate exposures. Interest rate swaps have, on occasion, been used to move from fixed to floating rates. At the year end one interest rate swap was open, covering borrowings to a value of £4.7m. Total fixed rate financial liabilities were £158.1m, with £64.8m at floating rates, as detailed in note 19.

Liquidity risk
The group's policy is to manage its borrowing requirements in line with a seven year cash forecast, which is produced annually. Committed revolving borrowing facilities of £150m have been renewed in the year and will be available for 5 years. Further borrowing facilities totalling £100m, available for between one and three years, have been arranged since the year end. The Board is satisfied that these arrangements are adequate for the group's needs.

Currency risk
The group's policy is to hedge currency exposures with foreign exchange contracts so as to provide greater certainty on the cost of purchases from abroad. All major currencies are hedged, and at the year end £3.6m of a total £4.4m of liabilities denominated in foreign currency were covered in this way. In addition, £3.7m of commitments under forward orders were also hedged at the year end.

Derivatives and financial instruments
The main types of instrument used are interest rate swaps and forward currency

DIRECTORS'
REPORT CONTINUED

contracts and such transactions are only undertaken, with approved counterparties, where there is an underlying commercial justification. The details of derivatives and other financial instruments required by FRS 13, Derivatives and other Financial Instruments, are shown in notes 16, 19 and 20 to the Accounts.

Acquisition of Somerfield stores
The group's bid to acquire 11 stores from Somerfield plc at a total cost of £104.1m was accepted and became unconditional on 6 March 2000. Title to the stores is being transferred to the Partnership on a phased basis.

Use of profits
Preference dividends absorbed £127,500 and a final dividend of £200,000 has been proposed on the Ordinary Shares leaving £83,200,000 to be transferred to reserves.

Review of the business
A review of the business and of future developments is included in the Chairman's statement.

Directors' interests
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.

There were no contracts 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.

Registrars
In October 1999 the Company appointed IRG plc as Registrar for its preference stock. Their address is given on page 6 of these accounts.

Substantial shareholdings
As at 20 April 2000 the company has been notified of the following interests in its preference shares, these interests being recorded in the register maintained under the provisions of Section 211 of the Companies Act 1985.

5% First Cumulative Preference	% of Class
John Lewis Partnership plc	81.0%
Prudential Client (MSS) Nominees Limited	7.5%
Vidacos Nominees Ltd	3.7%

7% Cumulative Preference	% of Class
John Lewis Partnership plc	75.6%
Cleaning Tokens Limited	5.5%
J H M MacGowan	3.6%

Charitable donations
The group donated £1,421,000 (1998/99 – £1,497,000) for charitable purposes during the year but made no political donations.

FOR AND BY ORDER OF THE BOARD
BRIAN PRITCHARD SECRETARY
20 APRIL 2000

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 29 JANUARY 2000

Notes		2000 £m	1999 £m
2	Turnover	3,747.6	3,517.6
	Value added tax	(373.4)	(349.6)
		3,374.2	3,168.0
	Cost of sales	(2,303.1)	(2,162.9)
	Gross profit	1,071.1	1,005.1
	Selling and distribution costs	(705.0)	(646.2)
3	Administrative expenses (1999 includes exceptional item of £5.0m)	(102.4)	(91.4)
4	Pension costs	(49.7)	(47.5)
2	**Trading profit**	214.0	220.0
3	Exceptional operating income	–	33.5
	Total operating profit	214.0	253.5
5	Net interest payable	(19.3)	(16.6)
	Profit before Partnership bonus and taxation	194.7	236.9
	Partnership bonus	(77.8)	(88.9)
6	**Profit on ordinary activities before taxation**	116.9	148.0
7	Tax on profit on ordinary activities	(33.4)	(46.8)
8	**Profit for the financial year**	83.5	101.2
9	Dividends – including non equity interests	(0.3)	(0.3)
22	**Profit retained**	83.2	100.9

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Profit for the financial year	83.5	101.2
22	Unrealised surplus on revaluation of department store properties	44.6	7.1
	Total recognised gains and losses for the year	128.1	108.3

There is no material difference between reported profits and profits on a historical cost basis for the company or the group.

CONSOLIDATED BALANCE SHEET

AS AT 29 JANUARY 2000

Notes		2000 £m	1999 £m
	Fixed assets		
12	Tangible assets	1,473.9	1,341.7
	Current assets		
14	Stocks	274.6	266.3
15	Debtors	313.7	310.5
	Cash at bank and in hand	36.3	36.9
		624.6	613.7
	Creditors		
17	Amounts falling due within one year	(498.2)	(482.5)
	Net current assets	126.4	131.2
	Total assets less current liabilities	1,600.3	1,472.9
	Creditors		
17	Amounts falling due after more than one year	(150.0)	(155.9)
18	**Provisions for liabilities and charges**	(21.3)	(15.8)
	Net assets	1,429.0	1,301.2
	Capital and reserves		
21	Called up share capital – equity	6.8	6.8
	– non equity	2.2	2.2
	Total share capital	9.0	9.0
22	Share premium account	1.9	1.9
22	Revaluation reserve	249.2	207.2
22	Other reserves	1.4	1.4
22	Profit and loss account	1,167.5	1,081.7
	Total shareholders' funds (including non equity interests)	1,429.0	1,301.2

APPROVED BY THE BOARD ON 20 APRIL 2000

SIR STUART HAMPSON

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BALANCE SHEET
OF THE COMPANY
AS AT 29 JANUARY 2000

Notes		2000 £m	1999 £m
	Fixed Assets		
12	Tangible assets	481.6	427.3
13	Investments in subsidiary undertakings	429.8	378.0
		911.4	805.3
	Current assets		
14	Stocks	181.0	180.3
15	Debtors	273.6	273.7
	Cash at bank and in hand	12.6	16.3
		467.2	470.3
	Creditors		
17	Amounts falling due within one year	(547.9)	(540.8)
	Net current liabilities	(80.7)	(70.5)
	Total assets less current liabilities	830.7	734.8
	Creditors		
17	Amounts falling due after more than one year	(150.0)	(150.0)
18	Provisions for liabilities and charges	(20.0)	(15.8)
	Net assets	660.7	569.0
	Capital and reserves		
21	Called up share capital – equity	6.8	6.8
	– non equity	2.2	2.2
	Total share capital	9.0	9.0
22	Share premium account	1.9	1.9
22	Revaluation reserve	52.1	27.6
22	Profit and loss account	597.7	530.5
	Total shareholders' funds (including non equity interests)	660.7	569.0

APPROVED BY THE BOARD ON 20 APRIL 2000
SIR STUART HAMPSON

CONSOLIDATED
CASH FLOW STATEMENT

FOR THE YEAR ENDED 29 JANUARY 2000

Notes		2000 £m	1999 £m
24	Net cash inflow from operating activities	230.7	223.1
	Returns on investments and servicing of finance		
	Interest received	1.0	2.6
	Interest paid	(19.6)	(19.5)
	Interest element of finance lease rental payments	(0.3)	(0.3)
	Preference dividends paid	(0.1)	(0.1)
	Net cash outflow from returns on investments and servicing of finance	(19.0)	(17.3)
	Taxation	(53.1)	(46.0)
	Capital expenditure and financial investment		
	Purchases of tangible fixed assets	(170.6)	(182.9)
	Proceeds of sales of tangible fixed assets	2.7	9.7
	Net cash outflow from capital expenditure and financial investment	(167.9)	(173.2)
	Equity dividends paid	(0.2)	(0.2)
	Net cash outflow before liquid resources and financing	(9.5)	(13.6)
	Management of liquid resources (Short term loans/deposits)	2.0	44.8
	Financing		
	Loan repayments	(4.4)	(4.1)
	Capital element of finance lease rental payments	(2.3)	(2.2)
	Net cash outflow from financing	(6.7)	(6.3)
	(Decrease)/increase in cash in the year	(14.2)	24.9

NOTES
TO THE ACCOUNTS

1 ACCOUNTING POLICIES

Accounting convention and basis of consolidation
The consolidated profit and loss account and balance sheet include the accounts of the company and all its subsidiary undertakings. The accounts are prepared under the historical cost convention, with the exception of certain land and buildings which are included at their revalued amounts, and in accordance with applicable accounting standards.

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

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

Pension costs
The cost of providing retirement benefits is recognised in the profit and loss account so as to spread it over employees' working lives. The contributions are assessed in accordance with the advice of a qualified actuary. Any funding surpluses or deficits are amortised over the average remaining employees' service life.

Property valuation
The valuations, which are performed annually and principally relate to department store properties, are made on the basis that each property is regarded as available for existing use in the open market. The surplus or deficit arising on the revaluation of properties is taken to the revaluation reserve. Supermarket and distribution properties are carried at depreciated historical cost.

Depreciation
No depreciation is charged on freehold land, leasehold land with over 100 years to expiry, and assets in the course of construction. Depreciation is calculated for all other assets in equal annual instalments at the following rates:

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

Leased assets
Assets used by the group which have been funded through finance leases are capitalised and the resulting lease obligations are included in creditors. Rentals payable under operating leases are charged to the profit and loss account as incurred.

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

Goodwill
Prior to February 1998 goodwill arising on the acquisition of subsidiaries was written off to reserves at the time of acquisition. Goodwill on future acquisitions will be capitalised, as appropriate, and amortised in accordance with the requirements of FRS 10.

NOTES
TO THE ACCOUNTS
CONTINUED

1 ACCOUNTING POLICIES (CONTINUED)

Financial instruments
The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign currency exchange rates and interest rates. Derivative instruments used by the Group are primarily interest rate swaps and forward currency contracts. Amounts payable or receivable in respect of interest rate swaps are recognised as adjustments to net interest income over the period of the contract. Forward currency contracts are accounted for as hedges, with the instrument's impact on profit deferred until the underlying transaction is recognised in the profit and loss account.

Foreign currencies
Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Foreign currency assets and liabilities held at the year-end are translated at year-end exchange rates or the exchange rate of a related forward exchange contract where appropriate. The resulting exchange gain or loss is dealt with in the profit and loss account.

2 DIVISIONAL ANALYSIS OF TURNOVER AND TRADING PROFIT

	Turnover		Trading profit	
	2000 £m	1999 £m	2000 £m	1999 £m
Department stores	**1,894.6**	1,789.6	**149.9**	164.1
Supermarkets	**1,853.0**	1,728.0	**64.1**	60.9
Exceptional charge	–	–	–	(5.0)
	3,747.6	3,517.6	214.0	220.0

The Partnership is principally engaged in the business of retailing in department stores and supermarkets, and also operates some ancillary manufacturing and farming activities. The business is carried on in the United Kingdom and turnover derives almost entirely from that source. Turnover and trading profit derive from continuing operations, there having been no material discontinued operations or acquisitions in the year.

3 EXCEPTIONAL ITEMS

Included within administrative expenses for the prior year is a charge of £5.0m in respect of the cost of establishing the Golden Jubilee Trust.

Exceptional operating income for the prior year represents £33.5m received in respect of VAT overpaid on sales of earlier accounting periods following the Court of Appeal decision in a case brought by Littlewoods Home Shopping. The decision clarified how VAT should be calculated on retail sales, amending previous interpretation. The overpayment was repaid in full following the acceptance of the Court of Appeal decision by the tax authorities.

4 PENSION COSTS

The principal pension scheme operated by the Partnership is a defined benefit scheme, providing benefits based on final pensionable pay. The assets of this scheme are held in a separate, trustee administered fund.

The fund was last valued by consulting actuaries as at 31 March 1998, using the projected unit method. The assumption which has the most significant effect on the results of the valuation is the relative rate of return on the investments of the fund compared with increases in pay and pensions. It was assumed for this purpose that on average, the annual return on investments would exceed increases in pay and pensions by 2.25% and 4.25% respectively. The market value of the assets of the fund as at 31 March 1998 was £864m. The actuarial valuation of these assets showed that they were sufficient to cover 92% of the benefits which had accrued to members.

The actuaries have recommended a normal future contribution rate of 8.6% of total pay, together with an additional 1.2% of total pay in respect of the past-service deficit arising from the actuarial valuation. The pension charge for the year, calculated according to the provisions of SSAP 24, was equivalent to 9.5% (9.9%) of total pay and amounted to £48.4m (£46.4m), including notional interest of £nil (£1.9m) on the pension charge accrued in the consolidated balance sheet. The next actuarial valuation of the fund will take place as at 31 March 2001.

As explained in note 10, there is also a senior pension scheme which provides additional benefits to certain members of senior management. The actuaries have recommended a normal future contribution rate of 5% or 16.2% of total pay, depending on the level of benefits provided, together with an additional 7.4% of total pay for both categories of membership, in respect of the past-service deficit arising from the actuarial valuation. The funding rates were therefore 12.4% or 23.6%, depending on the level of benefits provided. The charge for the year was £1.1m (£1.0m). Provision has also been made for certain unfunded benefits, amounting to £0.2m (£0.1m). Both of these amounts are included in the total pension cost of £49.7m (£47.5m).

5 NET INTEREST PAYABLE

	2000 £m	1999 £m
Interest payable:		
On bank loans, overdrafts and other loans repayable within 5 years	4.5	3.3
On finance leases	0.2	0.3
On loans repayable in more than 5 years	15.6	15.6
Interest receivable (for 1999 includes £1.1m relating to exceptional operating income)	(1.0)	(2.6)
	19.3	16.6

NOTES
TO THE ACCOUNTS
CONTINUED

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2000 £m	1999 £m
Profit on ordinary activities before taxation is stated after charging the following:		
Staff costs:		
Wages and salaries	508.1	467.4
Social security costs	39.7	39.1
Partnership bonus	69.2	80.4
Employers' national insurance on Partnership bonus	8.6	8.5
Pension costs	49.7	47.5
Depreciation – owned assets	79.0	70.9
– assets held under finance leases	1.3	2.3
Auditors' remuneration – audit of group	0.4	0.4
– audit of company (included in the above)	0.2	0.2
Operating lease rentals – land and buildings	44.2	41.0
– other	0.4	0.5

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

Corporation tax based on the profit for the year	33.5	46.1
Corporation tax – previous years	0.3	–
Deferred tax	(0.4)	0.7
	33.4	46.8

The tax charge is based on a corporation tax rate of 30% (31%) and has been reduced by £7.3m (£6.3m) as a result of capital allowances in excess of depreciation.

Total taxation deferred and unprovided in respect of all capital allowances in excess of depreciation amounts to £98.2m (£90.9m) based on corporation tax at 30% (31%).

No provision has been made in these accounts for the liability to taxation of £41.8m (£33.1m) on capital gains, which would arise if properties were to be sold at the amounts at which they have been revalued and included in these accounts.

8 PROFIT FOR THE FINANCIAL YEAR

As permitted by Section 230 of the Companies Act 1985, John Lewis Partnership plc has not presented its own profit and loss account. The profit dealt with in the accounts of the company amounted to £67.2m (£85.4m).

9 DIVIDENDS

	2000 £m	1999 £m
Non equity interests		
5% First Cumulative Preference Stock		
and 7% Cumulative Preference Stock	0.1	0.1
Equity interests		
Ordinary shares	0.2	0.2

The ordinary shares are all held by the parent company John Lewis Partnership plc which is registered in England

10 DIRECTORS' EMOLUMENTS

	2000 £000	1999 £000
Directors' remuneration including Partnership bonus of 15% (19%)	2,625	2,534

The emoluments of the Chairman, who was also the highest paid director, were £485,000 (£466,000), including Partnership bonus of £62,000 (£72,000). The Chairman's aggregate pension entitlement from the age of 60 accrued at the end of the year was £230,000 per annum (£199,000 per annum), with a further temporary pension, payable from the age of 60 until the State pension starts, of £1,000 per annum (£1,000 per annum). The transfer value of the increase in accrued entitlement, including temporary pension, during the year was £418,000 (£372,000).

Excluding pension fund contributions but including Partnership bonus, the emoluments of the individual directors, excluding the Chairman, who served on the Board during any part of the year, were as follows:

	2000	1999		2000	1999
£100,001 - £150,000	1	1	£250,001 - £300,000	1	2
£150,001 - £200,000	2	2	£300,001 - £350,000	2	2
£200,001 - £250,000	–	–	£350,001 - £400,000	2	1

In addition, one director is being paid £409,000 as compensation for loss of office; he is also receiving his regular pay and other associated benefits during six months' long leave, together with accrued holiday pay on leaving the Partnership, the estimated cost of which is covered by a further provision of £237,000 in these accounts (£nil).

The Chairman's contract of employment provides for a notice period of one year. Contracts for all other directors provide for six months' notice.

NOTES
TO THE ACCOUNTS
CONTINUED

10 DIRECTORS' EMOLUMENTS (CONTINUED)

All members of the Board qualify for the annual distribution of profit in Partnership bonus, paid at the same percentage of pay as for any Partner in employment on 31 January. They are also entitled to a car for their personal use, or its cash equivalent, and benefit from private medical insurance paid by the Partnership.

All directors belong to the group's non-contributory pension scheme. The Chairman and seven directors who joined the Partnership before 1989 also belong to a senior pension scheme which provides additional benefits intended to produce a total pension worth two-thirds of pensionable pay on retirement at age 60, after at least 20 or 30 years' service, depending on the level of benefit. The Inland Revenue introduced a ceiling on tax-exempt pension benefits in 1989. The group has given an undertaking that one director who is affected by this ceiling will have his pension made up to the same level as other directors benefiting from the senior pension scheme. The obligation is unfunded but, in line with group policy, provision has been made for this liability.

The annual pension entitlements from the age of 60, accrued at the end of the year for individual directors, excluding the Chairman, who served on the Board during any part of the year, and the prior year amounts for the same individuals, were as follows:

	2000	1999		2000	1999
£0 - £50,000	–	1	£150,001 - £200,000	2	1
£50,001 - £100,000	5	4	£200,001 - £250,000	1	–
£100,001 - £150,000	–	2			

The aggregate pension entitlement at the end of the year for all directors, excluding the Chairman, who served on the Board during any part of the year, and the prior year amount for the same individuals, was £915,000 per annum (£805,000 per annum). The increase in accrued pension reflects the combined effect of a further year's service and of an increase in pay during the year. In addition, most of the directors are entitled to temporary pensions payable from the age 60 until their State pension starts. The amounts of these temporary pensions are all less than the State pensions they expect to receive. The aggregate entitlement to temporary pensions was £8,000 per annum (£8,000 per annum). The transfer value of the aggregate increase in accrued entitlement, including temporary pensions, during the year was £1,600,000.

11 EMPLOYEES

During the year the average number of employees of the group, all of whom were employed in the UK, was as follows:

	2000	1999
Department stores	24,000	22,900
Supermarkets	23,300	22,300
Other	1,700	1,600
	49,000	46,800

12 TANGIBLE FIXED ASSETS

Consolidated	Land and buildings £m	Fixtures and fittings £m	Payments on account and assets in course of construction £m	Total £m
Cost or valuation				
At 30 January 1999	1,108.9	615.9	119.0	1,843.8
Additions at cost	13.5	37.9	119.2	170.6
Transfers	109.4	51.1	(160.5)	–
Disposals	(1.6)	(25.3)	(0.1)	(27.0)
Revaluation adjustments	38.6	–	–	38.6
At 29 January 2000	1,268.8	679.6	77.6	2,026.0
At cost	675.7	679.6	77.6	1,432.9
At valuation 1988	21.1	–	–	21.1
At valuation 2000	572.0	–	–	572.0
At 29 January 2000	1,268.8	679.6	77.6	2,026.0
Depreciation				
At 30 January 1999	117.7	384.4	–	502.1
Charges for the year	24.4	55.9	–	80.3
Disposals	(0.9)	(23.4)	–	(24.3)
Revaluation adjustments	(6.0)	–	–	(6.0)
At 29 January 2000	135.2	416.9	–	552.1
Net book values at 30 January 1999	991.2	231.5	119.0	1,341.7
Net book values at 29 January 2000	1,133.6	262.7	77.6	1,473.9

	2000 £m	1999 £m
Land and buildings at cost or valuation:		
Freehold property	744.8	684.5
Leasehold property, 50 years or more unexpired	428.7	332.8
Leasehold property, less than 50 years unexpired	95.3	91.6
	1,268.8	1,108.9

NOTES
TO THE ACCOUNTS
CONTINUED

12 TANGIBLE FIXED ASSETS (CONTINUED)

In 1988 Hillier Parker, chartered surveyors, valued most of the Partnership's freehold and long leasehold properties. This valuation was on the basis of existing use value. At 31 December 1999, the directors, after consultation with Hillier Parker, revalued the Partnership's department store properties on the same basis, and this valuation has been incorporated into the accounts as at 29 January 2000. The £44.6m surplus arising from this revaluation has been credited to revaluation reserve.

All supermarket and distribution properties are stated at depreciated historical cost.

Certain amenity properties, which represent less than 2% of the Partnership's total property assets, are carried in the accounts at their 1988 valuation, which was carried out by external valuers, depreciated as appropriate.

Included in land and buildings at 29 January 2000 is land valued at £229.4m, which is not subject to depreciation. At 29 January 2000 land and buildings would have been included at the following amounts, if they had not been revalued:

	2000 £m	1999 £m
Cost	1,064.4	943.7
Accumulated depreciation	(180.8)	(159.7)
	883.6	784.0

The gross cost of assets held under finance leases is £12.3m (£12.3m) with accumulated depreciation in respect of those assets of £11.9m (£10.6m).

12 TANGIBLE FIXED ASSETS (CONTINUED)

Company	Land and buildings £m	Fixtures and fittings £m	Payments on account and assets in course of construction £m	Total £m
Cost or valuation				
At 30 January 1999	242.7	305.8	77.6	626.1
Additions at cost	2.5	27.0	35.4	64.9
Transfers	64.3	24.4	(88.7)	–
Disposals	–	(17.9)	(0.1)	(18.0)
Revaluation adjustments	21.8	–	–	21.8
At 29 January 2000	331.3	339.3	24.2	694.8
At cost	86.5	339.3	24.2	450.0
At valuation 1988	0.1	–	–	0.1
At valuation 2000	244.7	–	–	244.7
At 29 January 2000	331.3	339.3	24.2	694.8
Depreciation				
At 30 January 1999	9.7	189.1	–	198.8
Charges for the year	4.6	29.2	–	33.8
Disposals	–	(16.7)	–	(16.7)
Revaluation adjustments	(2.7)	–	–	(2.7)
At 29 January 2000	11.6	201.6	–	213.2
Net book values at 30 January 1999	233.0	116.7	77.6	427.3
Net book values at 29 January 2000	319.7	137.7	24.2	481.6

Land and buildings at cost or valuation:		
Freehold property	52.1	51.1
Leasehold property, 50 years or more unexpired	258.7	172.9
Leasehold property, less than 50 years unexpired	20.5	18.7
	331.3	242.7

NOTES
TO THE ACCOUNTS
CONTINUED

12 TANGIBLE FIXED ASSETS (CONTINUED)

Included in land and buildings at 29 January 2000 is land valued at £13.1m, which is not subject to depreciation. At 29 January 2000 land and buildings would have been included at the following amounts, if they had not been revalued:

	2000 £m	1999 £m
Cost	337.0	270.3
Accumulated depreciation	(34.7)	(30.2)
	302.3	240.1

13 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Company	Shares in group companies £m	Loan to group companies £m	Total £m
At 30 January 1999	53.9	324.1	378.0
Movements	–	50.4	50.4
Dividend receivable	–	1.4	1.4
At 29 January 2000	53.9	375.9	429.8

14 STOCKS

	2000 £m	1999 £m
Consolidated		
Raw materials and work-in-progress	10.7	10.4
Finished goods and goods for resale	263.9	255.9
	274.6	266.3
Company		
Raw materials and work-in-progress	2.8	2.9
Finished goods and goods for resale	178.2	177.4
	181.0	180.3

15 DEBTORS

Consolidated	2000 £m	1999 £m
Amounts falling due within one year:		
Trade debtors	186.5	186.1
Other debtors	33.7	33.8
Prepayments and accrued income	17.8	15.5
	238.0	235.4
Amounts falling due after more than one year:		
Trade debtors	70.6	70.4
Deferred tax	5.1	4.7
	313.7	310.5

Company	2000 £m	1999 £m
Amounts falling due within one year:		
Trade debtors	179.9	176.4
Other debtors	8.3	15.8
Prepayments and accrued income	11.7	8.2
	199.9	200.4
Amounts falling due after more than one year:		
Trade debtors	70.6	70.4
Deferred tax	3.1	2.9
	273.6	273.7

NOTES
TO THE ACCOUNTS
CONTINUED

16 ANALYSIS OF FINANCIAL ASSETS

The currency and interest rate exposure of the group's financial assets is as set out below. Short term debtors are excluded from this analysis.

Interest rate and currency analysis	Floating rate £m	Non interest bearing £m	Total £m
Sterling	99.4	5.5	104.9
US dollar	0.7	–	0.7
Other	1.3	–	1.3
At 29 January 2000	101.4	5.5	106.9
Sterling	99.3	4.1	103.4
US dollar	1.7	–	1.7
Other	2.2	–	2.2
At 30 January 1999	103.2	4.1	107.3

Sterling floating rate assets include £70.6m (£70.4m) of trade debtors repayable in more than one year. The remaining floating rate assets are bank balances at interest rates linked to LIBOR. Non interest bearing balances relate to cash floats, primarily held in the stores.

17 CREDITORS

Consolidated	2000 £m	1999 £m
Amounts falling due within one year:		
Bank overdraft and other borrowings	67.6	52.0
Trade creditors	166.6	163.6
Holding company	2.0	2.1
Other creditors	44.2	31.5
Obligations under finance leases	0.6	1.7
Loans	4.7	4.4
Corporation tax	21.8	46.6
Other taxation and social security	66.4	56.0
Accruals and deferred income	55.0	43.8
Proposed dividend	0.2	0.2
Partnership bonus	69.1	80.6
	498.2	482.5

17 CREDITORS (CONTINUED)

Consolidated	2000 £m	1999 £m
Amounts falling due after more than one year:		
Obligations under finance leases	–	1.2
Loans	–	4.7
10¼% Bonds, 2006	50.0	50.0
10½% Bonds, 2014	100.0	100.0
	150.0	155.9

Trade creditors includes £4.4m of balances denominated in foreign currencies. Of this, £3.6m is covered by forward currency contracts as at the year end.

Company	2000 £m	1999 £m
Amounts falling due within one year:		
Bank overdraft and other borrowings	72.3	54.5
Trade creditors	134.2	121.5
Holding company	1.8	1.8
Owed to group companies	165.1	166.4
Other creditors	18.6	19.1
Corporation tax	9.5	39.1
Other taxation and social security	33.2	27.3
Accruals and deferred income	45.6	32.7
Proposed dividend	0.2	0.2
Partnership bonus	67.4	78.2
	547.9	540.8
Amounts falling due after more than one year:		
Due other than by instalments after 5 years		
10¼% Bonds, 2006	50.0	50.0
10½% Bonds, 2014	100.0	100.0
	150.0	150.0

NOTES
TO THE ACCOUNTS
CONTINUED

18 PROVISIONS FOR LIABILITIES AND CHARGES

Consolidated	Pensions £m	Other £m	Total £m
At 30 January 1999	15.8	–	15.8
Charged to profit and loss account	49.7	4.2	53.9
Utilised	(48.4)	–	(48.4)
At 29 January 2000	17.1	4.2	21.3
Company			
At 30 January 1999	15.8	–	15.8
Charged to profit and loss account	49.7	2.9	52.6
Utilised	(48.4)	–	(48.4)
At 29 January 2000	17.1	2.9	20.0

In accordance with the requirements of FRS 12, Provisions, Contingent Liabilities and Contingent Assets, the pension provision of £15.8m has been reclassified from creditors to provisions and prior year figures have been restated. Further details on pensions are provided in note 4. Other provisions are primarily property related.

19 ANALYSIS OF FINANCIAL LIABILITIES

The currency and interest rate exposure of the group's financial liabilities is as set out below. Short term creditors are excluded from this analysis.

Interest rate and currency analysis	Fixed rate £m	Floating rate £m	Non interest bearing £m	Total £m
All sterling				
At 29 January 2000	158.1	64.8	4.2	227.1
At 30 January 1999	158.4	55.6	–	214.0

Floating rate borrowings are at interest rates linked to LIBOR. The weighted average rate for fixed rate borrowings is 10.2% (10.2%), with a weighted average period to maturity of 10.8 years (11.6 years).

The above analysis of financial liabilities excludes preference share capital, which is detailed in note 21.

19 ANALYSIS OF FINANCIAL LIABILITIES (CONTINUED)

Maturity of financial liabilities	2000 £m	1999 £m
Repayable in one year or less		
Bank overdraft	67.6	52.0
Finance leases	0.6	1.7
Loans	4.7	4.4
Provisions	2.3	–
	75.2	58.1
Repayable between one and two years		
Finance leases	–	1.2
Loans	–	4.7
Provisions	0.4	–
	0.4	5.9
Repayable between two and three years		
Provisions	1.5	–
Repayable in more than five years		
10¼% Bonds 2006	50.0	50.0
10½% Bonds 2014	100.0	100.0
	150.0	150.0
	227.1	214.0

Borrowing facilities

At 29 January 2000 the group had undrawn committed facilities of £150m which expire in 2004 (£145m expiring in 2000). There was also an undrawn overdraft facility of £40m (£40m), renewable on an annual basis. Since the year end additional facilities have been put in place, as detailed in the Directors' Report.

Further information in connection with FRS 13, Derivatives and other Financial Instruments, is given in the Directors' Report on page 9 and 10.

NOTES
TO THE ACCOUNTS
CONTINUED

20 FAIR VALUES OF FINANCIAL INSTRUMENTS

	2000 Book value £m	2000 Fair value £m	1999 Book value £m	1999 Fair value £m
Derivatives				
Interest rate swap	–	0.1	–	0.3
Forward currency contracts				
– to hedge existing creditors	3.6	3.5	–	n/a
– to hedge future purchases	–	–	–	n/a
Assets				
Cash at bank and in hand	36.3	36.3	36.9	36.9
Trade debtors due after one year	70.6	70.6	70.4	70.4
Liabilities				
Short term borrowings	72.9	72.9	64.0	64.0
Long term borrowings	150.0	191.0	150.0	214.8
Provisions	4.2	4.2	–	–
Non equity shares				
Preference shares	2.2	2.0	2.2	2.4

Market values have been used to determine the fair value of derivatives, long term borrowings and preference shares. For other assets and liabilities carrying value represents fair value. Prior year information is not available for forward currency contracts. There are no material exchange rate or other gains or losses recognised in the year or unrecognised as at the year end. Short term debtors and creditors, apart from borrowings and items covered by forward currency contracts, are excluded from this analysis.

21 SHARE CAPITAL

	2000 £m	1999 £m
Authorised, issued and fully paid :		
Equity		
Ordinary shares of £1 each	6.8	6.8
Non equity		
Cumulative Preference Stock of £1 each		
5% First Cumulative Preference Stock	1.5	1.5
7% Cumulative Preference Stock	0.7	0.7
	9.0	9.0

If the preference dividends are in arrears or in the event of winding up, the 5% first cumulative preference stock and the 7% cumulative preference stock have one vote per share. Otherwise, both classes have one vote for every ten shares. The amounts receivable in a winding up would be limited to the amounts paid up, the 5% first cumulative preference stock taking priority over the 7% cumulative preference stock.

22 RESERVES

Consolidated	Profit and loss account £m	Capital reserve £m	Share premium £m	Revaluation reserve £m	Total reserves £m
At 31 January 1999	1,081.7	1.4	1.9	207.2	1,292.2
Profit retained	83.2	–	–	–	83.2
Transfers	2.6	–	–	(2.6)	–
Revaluation surplus	–	–	–	44.6	44.6
At 30 January 2000	1,167.5	1.4	1.9	249.2	1,420.0

The cumulative amount of goodwill written off to reserves is £10.9m (£10.9m).

Company	Profit and loss account £m	Share premium £m	Revaluation reserve £m	Total reserves £m
At 30 January 1999	530.5	1.9	27.6	560.0
Profit retained	67.2	–	–	67.2
Revaluation surplus	–	–	24.5	24.5
At 29 January 2000	597.7	1.9	52.1	651.7

All of the reserves are attributable to equity shareholders.

23 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Consolidated	2000 £m	1999 £m
Profit for the financial year	83.5	101.2
Dividends	(0.3)	(0.3)
	83.2	100.9
Revaluation surplus	44.6	7.1
Net addition to shareholders' funds	127.8	108.0
Opening shareholders' funds	1,301.2	1,193.2
Closing shareholders' funds	1,429.0	1,301.2
Company		
Profit for the financial year	67.5	85.7
Dividends	(0.3)	(0.3)
Revaluation surplus	24.5	0.4
Net addition to shareholders' funds	91.7	85.8
Opening shareholders' funds	569.0	483.2
Closing shareholders' funds	660.7	569.0

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CONTINUED

24 RECONCILIATION OF TRADING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000 £m	1999 £m
Trading profit	**214.0**	220.0
Exceptional operating income	**–**	33.5
Depreciation charged	**80.3**	73.2
Increase in debtors	**(2.8)**	(21.3)
Increase in creditors	**31.1**	22.6
Movement in provisions	**5.5**	(0.5)
Increase in stocks	**(8.3)**	(6.9)
Partnership bonus paid for previous year	**(89.1)**	(97.5)
Net cash inflow from operating activities	**230.7**	223.1

25 RECONCILIATION OF NET CASH FLOW TO NET DEBT

(Decrease)/increase in cash in the year	**(14.2)**	24.9
Cash outflow from decrease in debt and lease financing	**6.7**	6.3
Cash inflow from decrease in liquid resources	**(2.0)**	(44.8)
Movement in debt for the year	**(9.5)**	(13.6)
Opening net debt	**(177.1)**	(163.5)
Closing net debt	**(186.6)**	(177.1)

26 ANALYSIS OF CHANGES IN NET DEBT

	1999 £m	Cash flows £m	Other changes £m	2000 £m
Cash balances	36.9	(0.6)	–	36.3
Overdrafts	(46.5)	(13.6)	–	(60.1)
	(9.6)	(14.2)	–	(23.8)
Debt due within one year	(4.4)	4.4	(4.7)	(4.7)
Debt due after one year	(154.7)	–	4.7	(150.0)
Finance leases	(2.9)	2.3	–	(0.6)
Short term deposits/(loans)	(5.5)	(2.0)	–	(7.5)
Net debt	(177.1)	(9.5)	–	(186.6)

27 COMMITMENTS

At 29 January 2000 contracts had been entered into for future capital expenditure of £133.0m (£38.3m), including £104.1m in respect of the acquisition of 11 stores from Somerfield plc, which have not been provided for in these accounts.

John Lewis plc has entered into bank guarantees in favour of subsidiary companies amounting to £21m.

28 LEASE COMMITMENTS

Operating leases Rentals for the next financial year on operating leases expiring:	2000 Land and Buildings £m	2000 Other £m	1999 Land and Buildings £m	1999 Other £m
Within 1 year	0.4	0.3	0.2	0.1
Between 1 and 5 years	3.3	0.3	2.6	0.3
Over 5 years	40.5	0.1	38.2	0.1

29 SUBSIDIARY UNDERTAKINGS

Subsidiary companies as at 29 January 2000 were as follows:

- John Lewis Properties plc *(Property holding company)*
- Waitrose Limited *(Food retailing)*
- Findlater Mackie Todd & Co. Limited *(Mail order goods and export)* *(Subsidiary of Waitrose Limited)*
- Stead, McAlpin & Company, Limited *(Textile printing)*
- Herbert Parkinson Limited *(Weaving and making up)*
- J.H.Birtwistle & Company, Limited *(Textile weaving)*
- John Lewis Building Limited *(Building)*
- John Lewis Transport Limited *(Vehicle leasing)*
- Leckford Estate Limited *(Farming)*
- Leckford Mushrooms Limited *(Mushroom growing)*
- JLP Insurance Limited *(Insurance)* *(Incorporated and operating in Guernsey)*

The whole of the ordinary share capital of the subsidiaries of John Lewis plc is held within the group. The list excludes non-trading companies which have no material effect on the accounts of the group. Except as noted above, all of these subsidiaries operate wholly or mainly in the United Kingdom and are registered in England.

NOTES
TO THE ACCOUNTS
CONTINUED

30 RELATED PARTY TRANSACTIONS

Transactions with other companies within the group are not disclosed as the company has taken advantage of the exemption available under Financial Reporting Standard 8 'Related Party Disclosures' as the accounts of John Lewis Partnership plc, in which the company is consolidated, are publicly available.

31 PARENT COMPANY

John Lewis Partnership plc is the company's immediate and ultimate parent company and prepares consolidated accounts which include the accounts of the company. Ultimate control rests with John Lewis Partnership Trust Limited, which holds the equity of John Lewis Partnership plc in trust for the benefit of the employees. Both of these companies are registered in England.

Copies of these accounts may be obtained from the Company Secretary, John Lewis Partnership, 171 Victoria Street, London SW1E 5NN

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The directors are required by UK company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing the financial statements suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made. Relevant accounting standards have been followed. The directors are responsible for maintaining adequate accounting records, for safeguarding the assets of the group and for preventing and detecting fraud and other irregularities.

The directors, having made enquiries, consider that the company and the group have adequate resources to continue in operational existence for the foreseeable future, and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements.

REPORT OF THE AUDITORS TO THE MEMBERS OF JOHN LEWIS plc

We have audited the financial statements of John Lewis plc set out on pages 11 to 34 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 15 and 16.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Report & Accounts as described on page 35. This includes responsibility for preparing the financial statements, in accordance with United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Report & Accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 29 January 2000 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS
CHARTERED ACCOUNTANTS
AND REGISTERED AUDITORS

1 EMBANKMENT PLACE
LONDON WC2N 6NN
20 APRIL 2000

PRICEWATERHOUSECOOPERS

RETAIL
BRANCHES

Department Stores

London	*Southern England*	*Midlands, East Anglia, Northern England and Scotland*
John Lewis, Oxford Street	Caleys, Windsor	Bainbridge, Newcastle
John Lewis, Brent Cross	Heelas, Reading	Bonds, Norwich
Peter Jones, Sloane Square	John Lewis, Bluewater	Cole Brothers, Sheffield
	John Lewis, Cribbs Causeway	George Henry Lee, Liverpool
	John Lewis, High Wycombe	Jessop & Son, Nottingham
	John Lewis, Kingston	John Lewis, Aberdeen
	John Lewis, Milton Keynes	John Lewis, Cheadle
	John Lewis, Welwyn	John Lewis, Edinburgh
	Knight & Lee, Southsea	John Lewis, Glasgow
	Trewins, Watford	John Lewis, Peterborough
	Tyrrell & Green, Southampton	Robert Sayle, Cambridge

Waitrose Supermarkets

London

Barnet	East Sheen	Gloucester Road	Marylebone	Swiss Cottage	West Ealing
Brent Cross	Enfield	Harrow Weald	Putney	Temple Fortune	Whetstone
Chelsea	Finchley	Holloway Road	South Harrow		

Southern England

Abingdon	Burgess Hill	Fleet	Lymington	Salisbury	Wantage
Allington Park	Caterham	Gillingham	Maidenhead	St Albans	Welwyn Garden City
Andover	Caversham	Godalming	Marlborough	Sevenoaks	Westbourne
Banstead	Chesham	Goldsworth Park	Marlow	South Woodford	Westbury Park
Bath	Chichester	Gosport	Milton Keynes	Southend	West Byfleet
Beaconsfield	Cirencester	Green Street Green	New Malden	Southsea	Weybridge
Beckenham	Cobham	Harpenden	Northwood	Stevenage	Windsor
Berkhamsted	Coulsdon	Havant	Okehampton	Stroud	Winton
Billericay	Cowplain	Henley	Petersfield	Sunningdale	Witney
Birch Hill	Crowborough	Hertford	Ramsgate	Surbiton	Wokingham
Bishop's Stortford	Dibden	Horley	Reading	Tenterden	Woodley
Brighton	Dorchester	Horsham	Richmond	Thame	Yateley
Bromley	Dorking	Kingston	Ringwood	Tilehurst	
Bromley South	Epsom	Leighton Buzzard	Romsey	Twyford	
Buckhurst Hill	Esher	Longfield	Ruislip	Wallingford	

Midlands, East Anglia and Wales

Blaby	Evington	Huntingdon	Monmouth	Norwich	St Neots
Bury St Edmunds	Four Oaks	Kidderminster	Newark	Peterborough	Saffron Walden
Daventry	Great Malvern	Kingsthorpe	Newmarket	St Ives	Stourbridge
Ely	Hall Green				

In addition to the shops listed above, the Partnership operates the following businesses

Stead, McAlpin, Carlisle *Textile Printing*

Taylor & Penton, Weybridge *Fitted kitchen furniture and bedding*

J. H. Birtwistle, Haslingden *Textile weaving,*

Herbert Parkinson, Darwen *Weaving and making up*

Leckford Estate, Stockbridge *Farming*

Findlater Mackie Todd, Bracknell *Mail order goods and export*

NOTICE OF AGM

Notice is hereby given that the seventy-second annual general meeting of the company will be held at 12.20pm on 21 June 2000 at 171 Victoria Street, London SW1E 5NN:

- To receive the directors' report and accounts for the year 1999/00.
- To consider the final dividend.
- To consider the re-election of retiring directors.
- To consider the re-appointment of the auditors.
- To consider the remuneration of the auditors.

BY ORDER OF THE BOARD
BRIAN PRITCHARD SECRETARY
171 VICTORIA STREET, LONDON SW1E 5NN
10 MAY 2000

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.