238937

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## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the sixty-fifth annual general meeting of the company will be held at 12.30 pm on Wednesday 22nd June 1994 at 171 Victoria Street, London SW1:

To receive the directors' report and accounts for the year 1993/94.

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 B J Pritchard Secretary*
*171 Victoria Street, London SW1E 5NN*
*18th May 1994*

The report and accounts are sent to all members, but only the members holding Deferred Ordinary Shares are entitled to attend and vote at this meeting.

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.

## OFFICERS AND PROFESSIONAL ADVISERS

| | |
|---|---|
| **Secretary** | B J Pritchard ACIS |
| **Chief accountant** | R M Haigh BSc, FCA |
| **Legal adviser** | T F Neville |
| **Auditors** | Price Waterhouse |
| **Solicitors** | Lovell White Durrant |
| **Bankers** | National Westminster Bank Plc |
| **Registered office and Transfer office** | 171 Victoria Street London SW1E 5NN |

**Registered in England No. 238937**

## BOARD OF DIRECTORS

**S Hampson** MA
Chairman and Chief Executive since 1993. Deputy Chairman from 1989-1993. Director of Research and Expansion 1986-1992. Member of the Board since 1986. Joined the Partnership 1982. Civil Service (Department of Trade) 1969-1982. Age 47.

**D E Young** BA
Deputy Chairman since 1993 and Finance Director from 1987 when he joined the Board. Previously Managing Director Peter Jones. Joined the Partnership 1982. Civil Service (Ministry of Defence) 1963-1982. Age 52.

**I D Alexander** BA
Director of Personnel since 1992. Member of the Board since 1990. Previously Chief Registrar. Joined the Partnership 1987. Civil Service (Department of Health and Social Security) 1971-1987. Age 44.

**I R Bassett** *
Senior Systems Analyst since 1972. Member of the Board since 1973. Joined the Partnership 1968. Employed in banking 1961-1968. Age 56.

**D L Felwick**
Director of Trading (Food) since 1991, when he joined the Board. Previously Director of Selling (Waitrose). Joined the Partnership 1982. Royal Air Force 1962-1982. Age 49.

**K J Green***
Assistant Registrar, John Lewis since 1988. Member of the Board since 1993. Joined the Partnership 1973. Age 38.

**S C May** MA
General Inspector since 1992. Previously Director of Personnel since 1978 when he joined the Board. Joined the Partnership 1961. Age 56.

**C L Mayhew** MSc
Director of Research and Expansion since 1993 when he joined the Board. Joined the Partnership 1992. Previous senior appointments with Thomas Cook Travel, British Airways and Shandwick. Age 40.

**B A O'Callaghan**
Director of Trading (Department Stores) since 1990 when he joined the Board. Previously Director of Selling (Department Stores). Joined the Partnership 1967. Bourne & Hollingsworth 1961-1967. Age 51.

**D S Ramsey** *
Operations Manager Waitrose since 1969. Member of the Board 1976-1987, 1989-1990 and since 1991. Joined the Partnership 1956. Age 54.

**A Slater** MA*
Chief Registrar since 1992. Member of the Board 1992-1993 and since 1994. Previously Assistant Director of Trading (Department Stores). Joined the Partnership 1984. Civil Service (Ministry of Agriculture Fisheries and Food) 1973-1984. Age 41.

**D A Stevens** *
Partners' Counsellor since 1989. Previously Chief Registrar. Member of the Board since 1982. Joined the Partnership 1958. Age 54.

* *Under the Constitution of the John Lewis Partnership five of the directors hold office by annual election of the Partnership's Central Council*

## SUMMARY OF RESULTS FOR THE YEAR ENDED 29TH JANUARY 1994

| **Turnover and profits** | *1994* | *1993* |
|---|---|---|
| | *£m* | *£m* |
| Turnover | 2,420.0 | 2,357.3 |
| Trading profit | 116.5 | 95.8 |
| Interest | 23.3 | 24.4 |
| Profit before Partnership bonus and taxation | 93.2 | 71.4 |
| Taxation | 16.2 | 9.0 |
| Preference dividends | .2 | .2 |
| Balance available for profit sharing and retention in the business | 76.8 | 62.2 |
| Partnership bonus | 34.5 | 28.2 |
| Retained in the business for development | 42.3 | 34.0 |
| Capital employed - Net assets employed at the year end | 808.5 | 781.3 |
| Numbers employed - Employees (weighted for part timers) | 29,800 | 30,000 |
| Number of shops | | |
| Department stores | 22 | 22 |
| Supermarkets | 108 | 102 |

## FIVE YEAR RECORD

*Years ended January*

| | *1994* | *1993** | *1992* | *1991* | *1990* |
|---|---|---|---|---|---|
| | *£m* | *£m* | *£m* | *£m* | *£m* |
| Turnover | 2,420.0 | 2,357.3 | 2,280.4 | 2,159.2 | 2,046.3 |
| Profit before pension costs | 134.1 | 111.9 | 111.4 | 120.4 | 133.1 |
| Pension costs | 17.6 | 16.1 | 11.3 | 10.5 | 9.4 |
| Interest | 23.3 | 24.4 | 22.8 | 18.4 | 13.6 |
| Profit before Partnership bonus and taxation | 93.2 | 71.4 | 77.3 | 91.5 | 110.1 |
| Taxation | 16.2 | 9.0 | 8.3 | 12.6 | 21.0 |
| Dividends | .2 | .2 | .2 | .2 | .2 |
| Net profit available for profit sharing and retention in the business | 76.8 | 62.2 | 68.8 | 78.7 | 88.9 |
| Partnership bonus | 34.5 | 28.2 | 30.2 | 36.6 | 41.3 |
| As a percentage of ranking pay | 10 | 8 | 9 | 12 | 17 |
| Retained in the business | 42.3 | 34.0 | 38.6 | 42.1 | 66.2 |
| | 76.8 | 62.2 | 68.8 | 78.7 | 107.5 |
| Net assets employed | 808.5 | 781.3 | 747.3 | 707.6 | 662.2 |
| Pay | 335.3 | 338.4 | 323.6 | 298 | 266.6 |
| Number of employees | 38,800 | [illegible] | [illegible] | [illegible] | 38,800 |
| including part time employees | 14,700 | [illegible] | 15,400 | 15,200 | 14,400 |

* 53 week year

The five year record has been restated as if FRS3 'Reporting Financial Performance' had been applicable throughout the period covered by the summary.

## STATEMENT BY THE CHAIRMAN

After four years of declining profit, it is very pleasing to be able to report a 31% lift in profit before Partnership bonus and taxation last year. A sizeable contribution was made by rates rebates totalling about £10 million, of which about £7 million relates to over-payments in prior years. Adjusting for this, the increase in profits is 16%, still a very creditable outcome and all the more so as in great part the improvement reflects the considerable efforts of Partners to improve our business and not simply the economy at last moving out of the trough of recession.

Partnership sales last year reached £2,420 million, an increase of 3% on the year before. 1992-93 was, however, a 53 week year and adjusting for that the increase is almost 5%.

The department store division increased its sales by £64 million to £1,270 million. A strong second half year led to this 5% increase (7% on a like-for-like basis), with a valuable contribution coming from the central London branches. It is also noteworthy that sales were quite evenly spread across the buying groups. The wholesale and manufacturing units included in the above figures showed a slight decrease in turnover after a 7% increase the year before.

Sales in Waitrose were £1 million lower than the previous year at £1,150 million, but were just under 2% ahead when adjusted for the extra week. Again, the second half year was better than the first half, with the benefit of contributions from new branches. Illegal Sunday trading continued to take its toll, but the Partnership has refused to join our competitors in ignoring the law of the land. It was a sharp disappointment that Parliament narrowly decided in favour of allowing large shops to trade for six hours on Sunday in future. The Bill has not yet completed its passage through both Houses, but the new law is expected to be in place later this summer. We have always made it plain that, if the law changed, we should be ready with a competitive response, and plans are well advanced for a number of Waitrose supermarkets to open on Sundays when it is legal for them to do so.

The department stores held their gross margin, and tight control of costs resulted in an outstanding increase in trading profit. Waitrose's progress continues to be held back by the one off costs of new distribution arrangements and the introduction of scanning. With flat sales a drop in trading profit was an inevitable and expected consequence.

Partnership trading profit for the year was £117 million, a 22% increase. Interest charges were just over £1 million less than last year, and this lifts the increase in profit before Partnership bonus and taxation to 31%. Capital allowances in excess of depreciation were at a similar level to the previous year, and the tax charge accordingly rises from £9 million to £16 million, in line with the increase in profits.

Capital expenditure was £107 million against £95 million. Retentions of £42 million and depreciation of £53 million financed most of this expenditure, and average net borrowings in fact fell by £5 million to £233 million. Year end gearing (borrowing as a percentage of share capital and reserves) was 31%.

## STATEMENT BY THE CHAIRMAN *continued*

The new department store at Cheadle is now under construction and is planned to open in the second half of 1995. We have also recently announced the relocation of our department store in Bristol; the move is to a new regional shopping centre on the northern edge of the city, due to open in 1997. Waitrose opened five new supermarkets last year — at Petersfield, Holloway Road (north London), Bishops Stortford, Bury St Edmunds and Stroud — and has opened at Abingdon since the year-end, bringing the total number of branches to 108. A further three new branches are planned for this year at Beckenham, Southend and North Finchley, together with relocations at Henley and Godalming. The introduction of scanning will be completed in 90 branches this year, and the opening of a warehouse for chilled products at Bracknell in the autumn will largely complete the new distribution arrangements.

The accounts also include a revaluation of our department store properties this year. This review was carried out in house, with advice from external surveyors, and has resulted in only minor adjustments to the balance sheet. In the case of Waitrose supermarkets and distribution properties, we have decided to revert to depreciated historical cost, and this means eliminating a small element of the revaluation reserve. Unlike other supermarket groups, we have not needed to make any major adjustment either to carrying values or to our accounting policies; we have always depreciated our buildings at conservative rates and we have eschewed the policy seen elsewhere of rolling up interest costs on new developments into the balance sheet.

After 11 weeks of the current trading year department store sales stand 8% ahead of last year and Waitrose sales are 2% ahead. This is an encouraging start for the department stores, and I detect little sign so far of any holding back by customers because of the direct and indirect tax increases in the pipeline following the two budgets of 1993. The evidence on the housing market remains rather mixed but, if recovery here were to become firmly established, it would plainly be excellent news for our department store business with its strength in furnishings in the widest sense. In Waitrose there are encouraging signs from branches where scanning has been installed and selling floor changes carried out; by this time next year, with this process virtually complete and the new distribution arrangements in place, Waitrose will be in a good position to push its profits ahead again.

**S Hampson**
*Chairman*
*21st April 1994*

# 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 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. 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 33,000 members. The board of John Lewis Partnership plc thus constituted directs the Partnership's business on behalf of its members.

The Constitution also provides for the constant and effective involvement of employees (Partners) in the Partnership's affairs. 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.

Further information about the Partnership can be obtained on application to Information Services, John Lewis Partnership, 171 Victoria Street, London SW1E 5NN. Telephone: 071 828 1000 extension 6222.

# DIRECTORS' REPORT FOR THE YEAR ENDED 29TH JANUARY 1994

## Directors

The directors of the company at the date of this report are listed on page 3.
Mr P T Lewis resigned as Chairman and as a director on 1st February 1993, on which day Mr S Hampson became Chairman.
Mr C L Mayhew was appointed a director on 1st February 1993, Miss K J Green was appointed a director on 27th May 1993 and Mr R Adlington resigned on 19th January 1994. Mr A Slater resigned on 27th May 1993 and was reappointed on 3rd March 1994.

## Principal activity

The company controls, through John Lewis plc, the businesses listed on page 24, comprising 22 department stores, 108 Waitrose supermarkets and ancillary manufacturing activities.

## Corporate Governance

The Directors have considered the application of the Cadbury Committee's 'Code of Best Practice' The Company does not, of course, have equity shares listed on the Stock Exchange and the ownership structure and written Constitution of the Partnership do not make it practicable to comply in detail with the 'Cadbury Code'. The following information is relevant in this context.
The John Lewis Partnership is beneficially owned by its employees (Partners), who are the equivalent of shareholders in a conventional company.
The Partnership has since 1929 operated under a Constitution which encourages the widest possible sharing of gain, knowledge and power by all Partners whilst 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 Articles, Rules and Regulations conform with the spirit of the Code of Best Practice 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 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.
A booklet containing details of how these systems operate is obtainable from the Company Secretary.

## Properties

The Partnership's freehold and long leasehold department store properties were valued by the directors at 31st December 1993 on the basis of open market value for existing use. This valuation has been incorporated in the group balance sheet at 29th January 1994, resulting in a surplus of £2.1 m, which has been credited to the revaluation reserve.
The group's supermarket and distribution properties have in prior years been carried at a combination of revalued amounts and cost. The directors have determined that it would be more appropriate to carry these assets at depreciated historical cost as from 29th January 1994. As a result of this decision the revaluation surplus relating to the group's supermarket and distribution properties has been eliminated from reserves. The directors are satisfied that the current market value of these properties is not materially different from their carrying value, as at 29th January 1994.

# DIRECTORS' REPORT FOR THE YEAR ENDED 29TH JANUARY 1994 continued

**Purchase of shares**

At an Extraordinary General Meeting held on 9th February 1984, the company was authorised to purchase up to £100,000 nominal of the 7½% Cumulative Preference Stock and up to £4,350,000 nominal of the 5% Cumulative Preference Stock. This authority has been renewed at subsequent meetings, the last of which was held on 11th February 1993.

The Board considers that these stocks have become a relatively inefficient form of fixed interest finance and that it would be advantageous to the company to acquire some of them.

**Use of profits**

Preference dividends absorbed £190,876 leaving £42,334,000 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.

**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 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.

**Charitable donations**

The group donated £680,000 for charitable purposes during the year but made no political donations.

*For and by order of the Board B J Pritchard Secretary*
*21st April 1994*

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 29TH JANUARY 1994

| Notes | | *1994* | *1993* |
|---|---|---|---|
| | | *£m* | *£m* |
| 2 | **Turnover** | *2,420.0* | *2,357.3* |
| | Value added tax | *236.1* | *226.9* |
| | | *2,183.9* | *2,130.4* |
| | Cost of sales | *1,527.0* | *1,493.4* |
| | **Gross profit** | *656.9* | *637.0* |
| | Selling and distribution costs | *462.2* | *465.4* |
| | Administrative costs | *60.6* | *59.7* |
| 3 | Pension costs | *17.6* | *16.1* |
| | **Trading Profit** | *116.5* | *95.8* |
| 4 | Interest | *23.3* | *24.4* |
| | **Profit before Partnership bonus and taxation** | *93.2* | *71.4* |
| | Partnership bonus | *34.5* | *28.2* |
| 5 | **Profit on ordinary activities before taxation** | *58.7* | *43.2* |
| 6 | Tax on profit on ordinary activities | *16.2* | *9.0* |
| 7 | **Profit for the financial year** | *42.5* | *34.2* |
| 8 | Dividends | *.2* | *.2* |
| 17 | **Profit retained** | *42.3* | *34.0* |

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

| | | | |
|---|---|---|---|
| | **Profit for the financial year** | *42.5* | *34.2* |
| 17 | Unrealised surplus on revaluation of department store properties | *2.1* | |
| 17 | Reversal of prior years' revaluation surplus on supermarket and other properties | *(17.2)* | |
| | **Total recognised gains and losses for the year** | *27.4* | *34.2* |

There is no material difference between reported profits and profits on a historical cost basis.

# CONSOLIDATED BALANCE SHEET AS AT 29TH JANUARY 1994

| Notes | | 1994 £m | 1993 £m |
|---|---|---|---|
| | **Fixed Assets** | | |
| 11 | Tangible assets | 941.8 | 905.9 |
| | **Current assets** | | |
| 13 | Stocks | 194.7 | 182.2 |
| 14 | Debtors | 199.2 | 176.1 |
| | Investments - short term deposits | — | .6 |
| | Cash at bank and in hand | 20.2 | 32.9 |
| | | 414.1 | 391.8 |
| | **Creditors** | | |
| 15 | Amounts falling due within one year | 297.4 | 265.3 |
| | **Net current assets** | 116.7 | 126.5 |
| | **Total assets less current liabilities** | 1,058.5 | 1,032.4 |
| | **Creditors** | | |
| 15 | Amounts falling due after more than one year | 250.0 | 251.1 |
| | **Net assets** | 808.5 | 781.3 |
| | **Capital and reserves** | | |
| 16 | Called up share capital | 5.8 | 5.8 |
| | Minority interest in subsidiary | .5 | .5 |
| 17 | Revaluation reserve | 134.9 | 134.6 |
| 17 | Other reserves | 5.4 | 5.4 |
| 17 | Profit and loss account - accumulated profit | 661.9 | 615.0 |
| | **Total capital employed** | 808.5 | 781.3 |

*Approved by the Board on 21st April 1994*
*S Hampson*

## BALANCE SHEET AS AT 29TH JANUARY 1994

| Notes | | *1994* | *1993* |
|---|---|---|---|
| | | *£m* | *£m* |
| | **Fixed Assets** | | |
| 12 | Investments | *14.9* | *14.9* |
| | **Current assets and liabilities** | | |
| | Debtors | *.1* | *.1* |
| | Creditors | *.2* | *.2* |
| | **Net current liabilities** | *.1* | *.1* |
| | **Net assets** | *14.8* | *14.8* |
| | **Capital and reserves** | | |
| 16 | Called up share capital | *5.8* | *5.8* |
| 17 | Other reserves | *4.0* | *4.0* |
| 17 | Profit and loss account - accumulated profit | *5.0* | *5.0* |
| | **Total capital employed** | *14.8* | *14.8* |

*Approved by the Board on 21st April 1994*
*S Hampson*

# CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 29TH JANUARY 1994

| Notes | | 1994 £m | 1993 £m |
|---|---|---|---|
| 19 | **Net cash inflow from operating activities** | 134.3 | 102.3 |
| | **Returns on investments and servicing of finance** | | |
| | Interest received | 2.8 | 1.8 |
| | Interest paid | (26.5) | (25.7) |
| | Dividends paid | (.2) | (.2) |
| | **Net cash outflow from returns on investments and servicing of finance** | (23.9) | (24.1) |
| | **Corporation tax paid** | (13.9) | (14.5) |
| | **Investing activities** | | |
| | Purchases of tangible fixed assets | (106.5) | (94.6) |
| | Sales of tangible fixed assets | 2.8 | 1.8 |
| | **Net cash outflow from investing activities** | (103.7) | (92.8) |
| | **Net cash outflow before financing** | (7.2) | (29.1) |
| | **Financing** | | |
| | Repayment of Debentures | (6.1) | |
| | Issue of 10¾% Bonds 1998 (including premium) | – | 101.6 |
| | Expenses of issue | – | (1.9) |
| 20 | **Net cash inflow/(outflow) from financing** | (6.1) | 99.7 |
| 21 | **Increase/(decrease) in cash and cash equivalents** | (13.3) | 70.6 |

# NOTES ON THE ACCOUNTS

## 1 Accounting policies

The consolidated profit and loss account and balance sheet include the accounts of the company and all its subsidiary undertakings and have been prepared in accordance with applicable accounting standards.

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.

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 employee service life.

The accounts are prepared under the historical cost convention, with the exception of certain land and buildings which are included at valuation.

The valuations, which principally relate to department store properties, were made on the basis that each property was regarded as available for existing use in the open market. Department store additions are carried at cost until they reach full trading potential. The surplus arising on the revaluation of properties is credited to revaluation reserve.

Supermarket and distribution properties are carried at depreciated historical cost. This represents a change of accounting policy over prior years when certain of these properties were included in the accounts at valuation.

No depreciation is charged on freehold and long (over 100 years) leasehold land. 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 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.

## 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 and farming activities. The business is carried on in the United Kingdom and the turnover derives mainly from that source. Turnover and operating profit derive from continuing operations, there having been no discontinued operations or material acquisitions in the year.

## 3 Pension Fund

The principal pension scheme operated by the Partnership is a defined benefits 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 31st March 1992, 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 2.5% and 5% respectively. The market value of the assets of the fund as at 31st March 1992 was £352m. The valuation showed that the assets were sufficient to cover 114% of the benefits which had accrued to members. On the recommendation of the actuaries no company contributions will be made to the scheme until April 1994.

The actuaries have recommended a normal future contribution rate of 7.2% of total pay.

## NOTES ON THE ACCOUNTS *continued*

### 3 Pension Fund *(continued)*

For a number of years the charge will be reduced to take into account the past-service surplus. The pension charge for the year, calculated according to the provisions of SSAP 24, was equivalent to 5.3% (4.8%) of total pay and amounted to £17.6m (£16.1m), including notional interest of £2.9m on the pension charge accrued in the consolidated balance sheet.

### 4 Interest

| | *1994* | *1993* |
|---|---|---|
| | *£m* | *£m* |
| Interest payable: | | |
| On bank loans, overdrafts and other loans repayable within 5 years | *10.8* | *2.8* |
| On all other loans | *15.6* | *23.[illegible]* |
| Interest receivable | *(3.1)* | *(1.9)* |
| | *23.3* | *24.4* |

### 5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging the following:

| | | |
|---|---|---|
| Staff costs: | | |
| Pay | *335.3* | *338.4* |
| Social security costs | *30.3* | *30.7* |
| Partnership bonus | *31.0* | *25.3* |
| Employer's national insurance on Partnership bonus | *3.5* | *2.9* |
| Other pension costs | *17.6* | *16.1* |
| Depreciation | *52.7* | *48.6* |
| Auditors' remuneration | *.5* | *.5* |
| Operating lease rental of land and buildings | *32.6* | *30.6* |

### 6 Tax on profit on ordinary activities

| | | |
|---|---|---|
| Corporation tax based on the profit for the year | *23.7* | *16.[illegible]* |
| Corporation tax - previous years | *(1.7)* | *(2.2)* |
| Deferred tax | *(5.8)* | *([illegible].3)* |
| | *16.2* | *9.0* |

The tax charge is based on a corporation tax rate of 33% (33%) and has been reduced by £5.8m (£6.0m) as a result of capital allowances in excess of depreciation.

Total taxation deferred and unprovided in respect of capital allowances in excess of depreciation amounts to £76.9m (£71.1m) based on corporation tax at 33%.

No provision has been made in these accounts for the liability to taxation of £6.9m (nil) 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.

## NOTES ON THE ACCOUNTS *continued*

### 7 Profit for the financial year

| Dealt with in the accounts of: | 1994 £m | 1993 £m |
|---|---|---|
| John Lewis Partnership plc | .2 | .3 |
| Subsidiaries | 42.3 | 33.9 |
| | 42.5 | 34.2 |

As permitted by Section 230 of the Companies Act 1985, John Lewis Partnership plc has not presented its own profit and loss account.

### 8 Dividends

| | 1994 | 1993 |
|---|---|---|
| 7½% (now 5¼% plus tax credit) Cumulative Preference Stock and 5% (now 3½% plus tax credit) Cumulative Preference Stock | .2 | .2 |

### 9 Directors' emoluments

| Directors' remuneration including pension fund contributions and Partnership bonus of 10% (8%) was as follows: | £000 | £000 |
|---|---|---|
| Remuneration as managers | 1,664 | 1,735 |
| Pensions to past directors | 7 | 7 |

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:

| | 1994 | 1993 | | 1994 | 1993 |
|---|---|---|---|---|---|
| *Chairman* | 273,596 | £269,491 | | | |
| *Other directors:* | | | | | |
| £0 - £5,000 | 1 | | £125,001 - £130,000 | 1 | |
| £10,001 - £15,000 | 1 | | £135,001 - £140,000 | 1 | |
| £20,001 - £25,000 | 1 | | £155,001 - £160,000 | 1 | 1 |
| £25,001 - £30,000 | 1 | 2 | £170,001 - £175,000 | — | 1 |
| £40,001 - £45,000 | 1 | 1 | £175,001 - £180,000 | — | 1 |
| £45,001 - £50,000 | 1 | 1 | £180,001 - £185,000 | 1 | |
| £80,001 - £85,000 | — | 1 | £185,001 - £190,000 | 1 | 1 |
| £85,001 - £90,000 | 1 | | £190,001 - £195,000 | 1 | |
| £95,001 - £100,000 | — | 1 | £210,001 - £215,000 | — | 1 |
| £105,001 - £110,000 | — | 1 | | | |

### 10 Employees

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

| | 1994 | 1993 |
|---|---|---|
| Department stores | 20,600 | 20,800 |
| Supermarkets | 16,900 | 17,200 |
| Other | 1,300 | 1,300 |
| | 38,800 | 39,300 |

## NOTES ON THE ACCOUNTS *continued*

### 11 Tangible assets

| | *Land and buildings £m* | *Fixtures and fittings £m* | *Payments on account and assets in course of construction £m* | *Total £m* |
|---|---|---|---|---|
| Cost or valuation | | | | |
| At 30th January 1993 | *749.6* | *358.3* | *40.0* | *1,147.9* |
| Additions at cost | *4.0* | *37.8* | *64.7* | *106.5* |
| Transfers | *33.5* | *1.0* | *(34.5)* | – |
| Disposals | *(.8)* | *(9.5)* | *(.3)* | *(10.6)* |
| Revaluation adjustments | *(38.5)* | – | – | *(38.5)* |
| At 29th January 1994 | *747.8* | *387.6* | *69.9* | *1,205.3* |
| At cost | *336.0* | *387.6* | *69.9* | *793.5* |
| At valuation 1988 | *21.2* | – | – | *21.2* |
| At valuation 1994 | *390.6* | – | – | *390.6* |
| | *747.8* | *387.6* | *69.9* | *1,205.3* |
| Depreciation | | | | |
| At 30th January 1993 | *65.4* | *176.6* | – | *242.0* |
| Charges for the year | *13.9* | *38.8* | – | *52.7* |
| On disposals | *(.1)* | *(7.7)* | – | *(7.8)* |
| Revaluation adjustments | *(23.4)* | – | – | *(23.4)* |
| At 29th January 1994 | *55.8* | *207.7* | – | *263.5* |
| Net book values at 30th January 1993 | *684.2* | *181.7* | *40.0* | *905.9* |
| Net book values at 29th January 1994 | *692.0* | *179.9* | *69.9* | *941.8* |

| | *1994 £m* | *1993 £m* |
|---|---|---|
| Land and buildings at cost or valuation: | | |
| Freehold property | *426.2* | *39[illegible].8* |
| Leasehold property, 50 years or more unexpired | *253.1* | *[illegible]90.3* |
| Leasehold property, less than 50 years unexpired | *68.5* | *63.[illegible]* |
| | *747.8* | *749.6* |

In 1988 Hillier Parker, chartered surveyors, valued most of the Partnership's freehold and long leasehold properties. This valuation was on the basis of open market value for existing use. At 31st December 1993, the directors, after consultation with Hillier Parker, revalued the Partnership's department store properties and this valuation has been incorporated into the accounts as at 29th January 1994. The £[illegible]m surplus arising from this revaluation has been credited to revaluation reserve.

The Partnership has changed its accounting policy in respect of its supermarket and distribution properties. In prior years certain of these properties have been included in the balance sheet at valuation, with the remainder accounted for at depreciated historical cost. As at 29th January 1994 all supermarket and distribution properties are stated at depreciated historical cost. No restatement of prior year comparatives has been made as the effect of these changes

## NOTES ON THE ACCOUNTS *continued*

### 11 Tangible assets *(continued)*

on the group's profit and loss account is immaterial. The residual revaluation surplus in respect of those properties which had previously been revalued, amounting to £17.2m, has been eliminated from the revaluation reserve during the current year.

Certain amenity properties, which represent less than 3% 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 29th January 1994 is land valued at £123.2m, which is not subject to depreciation. If they had not been revalued, land and buildings at 29th January 1994 would have been included at the following amounts:

| | 1994 £m | 1993 £m |
|---|---|---|
| Cost | 642.1 | 602.1 |
| Accumulated depreciation | 85.0 | 72.[illegible] |
| | 557.1 | 529.6 |

### 12 Investments

Company

| | Subsidiary: Shares in John Lewis plc £m | Subsidiary: Loan to John Lewis plc £m | Other: Shares in John Lewis Partnership Trust Limited £m | Total £m |
|---|---|---|---|---|
| At 30th January 1993 | 13.0 | 1.8 | .1 | 14.9 |
| Movements | – | (.2) | – | (.2) |
| Dividend receivable | – | .2 | – | .2 |
| At 29th January 1994 | 13.0 | 1.8 | .1 | 14.9 |

### 13 Stocks

| | 1994 £m | 1993 £m |
|---|---|---|
| Raw materials and work in progress | 9.3 | 8.9 |
| Finished goods | 185.4 | 173.3 |
| | 194.7 | 182.2 |

### 14 Debtors

| | 1994 £m | 1993 £m |
|---|---|---|
| Amounts falling due within one year: | | |
| Trade debtors | 125.9 | 116.1 |
| Other debtors | 9.6 | 7.9 |
| Deferred tax | 1.4 | 1.3 |
| Prepayments and accrued income | 16.7 | 13.3 |
| | 153.6 | 138.6 |
| Amounts falling due after more than one year: | | |
| Trade debtors | 30.4 | 28.1 |
| Deferred tax | 15.2 | 9.4 |
| | 199.2 | 176.1 |

## NOTES ON THE ACCOUNTS *continued*

### 15 Creditors

| | 1994 £m | 1993 £m |
|---|---|---|
| Amounts falling due within one year: | | |
| Debenture loans (secured) | – | 5.0 |
| Trade creditors | 103.0 | 102.2 |
| Other creditors | 14.1 | 10.4 |
| Corporation tax | 24.1 | 15.9 |
| Other taxation and social security | 58.2 | 55.9 |
| Pension fund accrual | 46.3 | 28.7 |
| Accruals and deferred income | 20.7 | 22.0 |
| Partnership bonus | 31.0 | 25.2 |
| | 297.4 | 265.3 |
| Amounts falling due after more than one year: | | |
| Due between 2 and 5 years | | |
| 10⅞% Bonds, 1998 | 100.0 | |
| Due by instalments after 5 years | | |
| Debenture loans (secured) | – | 1.1 |
| Due other than by instalments after 5 years | | |
| 10⅞% Bonds, 1998 | – | 100.0 |
| 10¼% Bonds, 2006 | 50.0 | 50.0 |
| 10½% Bonds, 2014 | 100.0 | 100.0 |
| | 250.0 | 251.1 |
| Total of instalment payments due after 5 years | – | 1.1 |
| Debentures (secured on land and buildings) John Lewis Properties plc | | |
| 9¼% Mortgage Debenture Stock, 1992/97 (redeemed 31st March 1993) | – | 5.0 |
| 8¼% Mortgage Debenture Stock, 1993/98 (redeemed 1st November 1993) | – | 1.1 |
| | – | 6.1 |

### 16 Share capital

| | 1994 £m Authorised | 1994 £m Issued and fully paid | 1993 £m Authorised | 1993 £m Issued and fully paid |
|---|---|---|---|---|
| Deferred Ordinary Shares of £1 each held by John Lewis Partnership Trust Limited | .6 | .6 | .6 | .6 |
| Fixed interest Cumulative Preference Stock held by the public: | | | | |
| 7½% (now 5¼% plus tax credit) | .6 | .5 | .6 | .5 |
| 5% (now 3½% plus tax credit) | 8.8 | 4.7 | 8.8 | 4.7 |
| | 10.0 | 5.8 | 10.0 | 5.8 |

## NOTES ON THE ACCOUNTS *continued*

### 17 Reserves

| Consolidated | *Profit and loss account £m* | *Other reserves* *Capital £m* | *Other reserves* *Capital redemption £m* | *Revaluation reserve £m* | *Total reserves £m* |
|---|---|---|---|---|---|
| At 30th January 1993 | *615.0* | *1.4* | *4.0* | *154.6* | *775.0* |
| Profit retained | *42.3* | – | – | – | *42.3* |
| Transfers | *4.6* | – | – | *(4.6)* | – |
| Revaluation surplus (department stores) | – | – | – | *2.1* | *2.1* |
| Write back of revaluation surplus on supermarket and distribution properties | – | – | – | *(17.2)* | *(17.2)* |
| At 29th January 1994 | *661.9* | *1.4* | *4.0* | *134.9* | *802.2* |

The cumulative amount of goodwill written off to reserves is £10.9m (£10.8m).

| Company | *Profit and loss account £m* | *Capital redemption reserve £m* | *Total reserves £m* |
|---|---|---|---|
| At 30th January 1993 and at 29th January 1994 | *5.0* | *4.0* | *9.0* |

### 18 Reconciliation of movements in shareholders' funds

| | *1994 £m* | *1993 £m* |
|---|---|---|
| Consolidated | | |
| Profit for the financial year | *42.5* | *34.2* |
| Dividends | *(.2)* | *(.2)* |
| Revaluation adjustments | *(15.1)* | |
| | *27.2* | *34.0* |
| Opening shareholders' funds | *781.3* | *747.3* |
| Closing shareholders' funds | *808.5* | *781.3* |
| Company | | |
| Profit for the financial year | *.2* | *.3* |
| Dividends | *(.2)* | *(.2)* |
| | – | *.1* |
| Opening shareholders' funds | *14.8* | *14.7* |
| Closing shareholders' funds | *14.8* | *14.8* |

## NOTES ON THE ACCOUNTS *continued*

### 19 Reconciliation of operating profit to net cash inflow from operating activities

| | *1994* | *1993* |
|---|---|---|
| | *£m* | *£m* |
| Trading profit | *116.5* | *95.8* |
| Depreciation charged | *52.7* | *48.6* |
| (Increase)/decrease in debtors | *(16.9)* | *3.2* |
| Increase/(decrease) in creditors | *5.0* | *(23.7)* |
| Increase in pension fund accrual | *17.6* | *16.1* |
| Increase in stocks | *(12.5)* | *(7.5)* |
| Partnership bonus paid for previous year | *(28.1)* | *(30.2)* |
| Cash flow from operating activities | *134.3* | *102.3* |

### 20 Analysis of changes in financing

| | *Share Capital (inc. premium)* | *Bonds and Debenture Loans* |
|---|---|---|
| | *£m* | *£m* |
| As at 25th January 1992 | *5.8* | *156.1* |
| Issue of $10\frac{3}{8}\%$ Bonds, 1998 (excluding premium) | – | *100.0* |
| At 30th January 1993 | *5.8* | *256.1* |
| Repayment of Debentures | – | *(6.1)* |
| At 29th January 1994 | *5.8* | *250.0* |

### 21 Analysis of cash and cash equivalents as shown in the balance sheet

| | *1994* | *Change in year* | *1993* | *Change in year* | *1992* |
|---|---|---|---|---|---|
| | *£m* | *£m* | *£m* | *£m* | *£m* |
| Cash at bank and in hand | *20.2* | *(12.7)* | *32.9* | *20.4* | *12.5* |
| Investments – short term deposits | – | *(.6)* | *.6* | *.2* | *.4* |
| Loans and bank overdraft | – | – | – | *50.0* | *(50.0)* |
| | *20.2* | *(13.3)* | *33.5* | *70.6* | *(37.1)* |

### 22 Commitments

At 29th January 1994, the directors had authorised capital expenditure of £161.5m (£104.1m) of which contracts had been placed for £55.7 m (£10.1m).

### 23 Lease commitments

| | *1994* | *1993* |
|---|---|---|
| | *£m* | *£m* |
| Rentals of land and buildings for the next financial year on leases expiring: | | |
| Within 1 year | *.2* | *.2* |
| Between 1 and 5 years | *.6* | *.4* |
| Over 5 years | *31.8* | *30.6* |

NOTES ON THE ACCOUNTS *continued*

## 24 Subsidiary undertakings

Subsidiary companies as at 29th January 1994 were as follows:

**John Lewis plc**

Ordinary shares - 100%

5% First Cumulative Preference Stock - 81%

7% Cumulative Preference Stock - 75.6%

**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

John Lewis Building Limited

John Lewis Construction Limited

Leckford Estate Limited

Leckford Mushrooms Limited

Findlater, Mackie, Todd & Co Limited

The whole of the ordinary share capital is held within the group. The list excludes non trading 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.

## 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.

## REPORT OF THE AUDITORS

We have audited the financial statements of John Lewis Partnership plc set out on pages 10 to 22 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 page 14.

### Respective responsibilities of directors and auditors

As described above the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### 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 company'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 the 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 29th January 1994 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.

Price Waterhouse

*Price Waterhouse*
*Chartered Accountants and Registered Auditors*
*London 21st April 1994*

# RETAIL BRANCHES

## Department Stores

*London*

John Lewis, Oxford Street
John Lewis, Brent Cross
Peter Jones, Sloane Square

*Southern England*

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

*Midlands, East Anglia*
*Northern England and Scotland*

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

## Waitrose Supermarkets

*London*

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

*Southern England*

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

*Midlands and East Anglia*

| | | | | | |
|---|---|---|---|---|---|
| Blaby | Ely | Hall Green | Kingsthorpe | Saffron Walden | Stourbridge |
| Bury St Edmunds | Evington | Huntingdon | Newmarket | St Ives | |
| Daventry | Four Oaks | Kidderminster | Peterborough | St Neots | |

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

Stead, McAlpin, Carlisle *(Textile Printing)*
J H Birtwistle, Haslingden *(Spinning and weaving)*
Herbert Parkinson, Darwen *(Weaving and making up)*
Findlater, Mackie, Todd, London *(Mail order wines)*
Taylor & Penton, Weybridge *(Fitted kitchen furniture and bedding)*
Leckford Estate, Stockbridge *(Farming)*