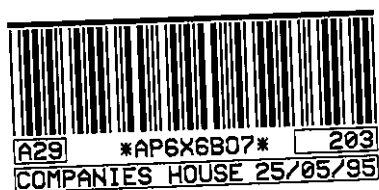


CONTENTS

| | |
|--|----|
| Notice of meeting | 2 |
| Officers and professional advisers | 2 |
| Board of directors | 3 |
| Summary of results | 4 |
| Five year record | 4 |
| Statement by the Chairman | 5 |
| The John Lewis Partnership | 7 |
| Directors' report | 8 |
| Consolidated profit and loss account | 10 |
| Statement of total recognised gains and losses | 10 |
| Consolidated balance sheet | 11 |
| Balance sheet of the company | 12 |
| Consolidated cash flow statement | 13 |
| Notes on the accounts | 14 |
| Directors' responsibilities for financial statements | 23 |
| Report of the auditors | 23 |
| Retail branches | 24 |



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the sixty-sixth annual general meeting of the company will be held at 12.30 pm on 21st June 1995 at 171 Victoria Street, London SW1:

To receive the directors' report and accounts for the year 1994/95.

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
17th May 1995



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. Age 48.

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. Age 53.

I D Alexander BA

Director of Personnel since 1992. Member of the Board since 1990. Previously Chief Registrar. Joined the Partnership 1987. Age 45.

I R Bassett *

Senior Systems Analyst since 1972. Member of the Board since 1973. Joined the Partnership 1968. Age 57.

D L Felwick

Director of Trading (Food) since 1991, when he joined the Board. Previously Director of Selling (Waitrose). Joined the Partnership 1982. Age 50.

K J Green *

Registrar, Jessops since 1994. Assistant Registrar, John Lewis 1988 - 1993. Member of the Board since 1993. Joined the Partnership 1973. Age 39.

S C May MA

General Inspector since 1992. Previously Director of Personnel since 1978 when he joined the Board. Joined the Partnership 1961. Age 57.

C L Mayhew MSc

Director of Research and Expansion since 1993 when he joined the Board. Joined the Partnership 1992. Age 41.

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. Age 52.

D S Ramsey *

Operations Manager Waitrose since 1969. Member of the Board 1976-1987, 1989-1990 and since 1991. Joined the Partnership 1956. Age 55.

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. Age 42.

D A Stevens *

Partners' Counsellor since 1989. Previously Chief Registrar. Member of the Board since 1982. Joined the Partnership 1958. Age 55.

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

JOHN LEWIS PARTNERSHIP plc REPORT AND ACCOUNTS 1995

SUMMARY OF RESULTS FOR THE YEAR ENDED 28TH JANUARY 1995

| | 1995 £m | 1994 £m |
|--|------------|------------|
| Turnover (including VAT) | 2,575.5 | 2,420.0 |
| Trading profit | 141.4 | 116.5 |
| Interest | (24.5) | (23.3) |
| Profit before Partnership bonus and taxation | 116.9 | 93.2 |
| Taxation | (22.5) | (16.2) |
| Preference dividends | (0.2) | (0.2) |
| Balance available for profit sharing and retention in the business | 94.2 | 76.8 |
| Partnership bonus | (43.1) | (34.5) |
| Retained in the business for development | 51.1 | 42.3 |
| Net assets employed at the year end | 861.7 | 808.5 |
| Number of employees (weighted for part-timers) | 30,200 | 29,800 |
| Number of shops – Department stores. | 22 | 22 |
| – Supermarkets | 111 | 108 |

FIVE YEAR RECORD

| | Years ended January | | | | |
|---|---------------------|------------|-------------|------------|------------|
| | 1995 £m | 1994 £m | 1993* £m | 1992 £m | 1991 £m |
| Turnover (including VAT) | 2,575.5 | 2,420.0 | 2,357.3 | 2,280.4 | 2,159.2 |
| Profit before pension costs | 159.4 | 134.1 | 111.9 | 111.4 | 120.4 |
| Pension costs | (18.0) | (17.6) | (16.1) | (11.3) | (10.5) |
| Interest | (24.5) | (23.3) | (24.4) | (22.8) | (18.4) |
| Profit before Partnership bonus and taxation | 116.9 | 93.2 | 71.4 | 77.3 | 91.5 |
| Taxation | (22.5) | (16.2) | (9.0) | (8.3) | (12.6) |
| Dividends | (0.2) | (0.2) | (0.2) | (0.2) | (0.2) |
| Net profit available for profit sharing and retention in the business | 94.2 | 76.8 | 62.2 | 68.8 | 78.7 |
| Partnership bonus | (43.1) | (34.5) | (28.2) | (30.2) | (36.6) |
| As a percentage of ranking pay | 12 | 10 | 8 | 9 | 12 |
| Retained in the business | 51.1 | 42.3 | 34.0 | 38.6 | 42.1 |
| Net assets employed | 861.7 | 808.5 | 781.3 | 747.3 | 707.6 |
| Pay | 351.8 | 335.3 | 338.4 | 323.6 | 298.7 |
| Number of employees | 39,600 | 38,800 | 39,300 | 40,200 | 39,800 |
| including part-time employees | 15,200 | 14,700 | 15,000 | 15,400 | 15,200 |

* 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

Profit before Partnership Bonus and taxation moved above £100m for the first time since 1989/90 and at £117m was 25% ahead of last year. Against a relatively subdued economic background, that is a most pleasing result and just the sort of recovery we have been working to achieve. It has allowed the Board, after making prudent retentions for the future, to declare a profit share in the form of Partnership Bonus at 12% of pay.

Partnership sales at £2,576m were 6¹/₂% up on last year. In our department store division sales were 6% ahead - a very creditable outcome given that there was no increase in space and that inflation was negligible in the goods we sell. After a strong first half, the increase in interest rates in September (the first for four years) slowed progress, but a powerful Christmas and Clearance rounded the year off on a high note. Although we have not added to our trading floor-space, much progress has been achieved in improved use of technology and distribution efficiencies, and these show through in higher sales per Partner as well as in better cost ratios.

For Waitrose the sales pattern was the reverse of that for department stores, with a first half increase of 4% followed by 10% in the second half. With low inflation, this was a significant increase and meant Waitrose was recapturing market share. Three major factors contributed to this lift in sales. Firstly, we were progressively installing point-of-sale scanning throughout the division and, at the same time, introducing a number of changes into existing branches; these included widening the assortment, particularly of non-foods, elements of refurbishment and signage and the introduction of third party credit. The programme has been completed since the year-end with the conversion of the last branch during March. Secondly, following the change in the law, Waitrose began trading on

Sundays from the beginning of September in about twenty of the larger branches and almost all Waitrose shops were also open on the two Sundays before Christmas. The results have been sufficiently encouraging for us to bring forward plans to extend Sunday trading to a further group of about twenty branches. The third factor was that, apart from Abingdon in the first half, the opening of new branches was concentrated into the second half year, with new shops at Beckenham, Southend and Finchley and relocation of our existing branches at Godalming and Henley. Trading in the early weeks of these branches has been uniformly encouraging and well up to our expectations. Southend deserves special mention: it is a new supercentre format, double the size of a modern standard Waitrose and incorporating a wide range of non-food drawn from the department store assortment, with an emphasis on Jonelle merchandise; it also incorporates a petrol station, post office and pharmacy and a customer restaurant. Work is now in hand on a second "Food & Home" store in Salisbury, expected to open in early 1997.

Trading profit for the department store division at £112m showed a splendid 26% increase on the previous year. We again received substantial rates rebates relating to prior years, but as the amount was similar to that in 1993, the percentage lift in profit is a fair reflection of underlying progress. In a fiercely competitive environment, the buying teams did very well indeed to hold gross margin without any weakening of our reputation for offering outstanding value. Our straightforward and constant commitment to being "never knowingly undersold" continues to contrast starkly with the confusing and intermittent bargain claims of some High Street competitors, and I believe this remains a great source of strength for the Partnership. A major contribution to profit

STATEMENT BY THE CHAIRMAN *continued*

growth was very tight control of costs, reflecting in part the fruit of investment in systems designed to reduce overhead and distribution costs. The manufacturing units form part of the department store division, and there were particularly pleasing profit increases on the textiles' side at Stead McAlpin, Herbert Parkinson and J H Birtwistle.

The Waitrose divisional profit of £29m showed a more modest improvement of 7%, in line with sales growth. It is, however, of real significance that the decline in Waitrose profit has now been halted. One-off costs associated with scanning and the change to regional composite distribution, which is also now substantially complete, took a toll on profitability, although gross margin was again held.

Capital expenditure for the year was ahead of 1993 at £121m (£107m). Retentions of £51m and depreciation of £57m covered most of this, but average net borrowings increased to £276m. The net interest charge rose in consequence by about £1m, but interest cover improved to nearly six times and year-end gearing at 25% was lower than January 1994 (31%). In the course of the year we negotiated a five-year revolving credit facility for £140m, replacing a previous facility which had been due to expire in June 1995.

Plans for the current year include new Waitrose supermarkets at Monmouth and Reading and the relocation of our Cirencester branch. A number of extensions to existing branches are also being undertaken.

Our new department store to the south of Manchester at Cheadle is well advanced and is due to open in October. It will fill a long-felt gap in our coverage of the United Kingdom. We continue to pursue other possibilities to take our distinctive style of trading to parts of the country where the Partnership is unrepresented and which, therefore, offer good scope for sales and profit growth based on our well-tried formula.

After eleven weeks of the current trading year, department store sales are up 4% and Waitrose by 13%. As the year progresses Waitrose will face higher corresponding figures from last year, but I am most encouraged by progress to date. For department stores, all the evidence is of a cautious consumer, and the prospect of further increases in interest rates does not look likely to make life any easier. Nonetheless, I am confident that we will be able to bear down further on costs, both in the branches and in our head offices, and that we should be able to keep our profit moving ahead again this year.

S Hampson
Chairman
20th April 1995

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 34,000 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 Press Office, John Lewis Partnership, 171 Victoria Street, London SW1E 5NN. Telephone: 0171 - 828 1000 extension 6222.

DIRECTORS' REPORT FOR THE YEAR ENDED 28TH JANUARY 1995

Directors

The directors of the company at the date of this report are listed on page 3. Mr A Slater was appointed a director on 3rd March 1994. All other directors served throughout the period under review.

Principal activity

The company controls, through John Lewis plc, the businesses listed on page 24, comprising 22 department stores, 111 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 1994 on the basis of open market value for existing use. This valuation has been incorporated in the group balance sheet at 28th January 1995, resulting in a surplus of £2.1m 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 28th January 1995.

DIRECTORS' REPORT FOR THE YEAR ENDED 28TH JANUARY 1995 *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 21st July 1994.

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 £189,659 leaving £51,080,000 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 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 £700,000 for charitable purposes during the year but made no political donations.

For and by order of the Board
B J Pritchard Secretary
20th April 1995



**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
28TH JANUARY 1995**

| Notes | 1995 £m | 1994 £m |
|--|---------------|---------------|
| 2 Turnover | 2,575.5 | 2,420.0 |
| Value added tax | (253.1) | (236.1) |
| | <hr/> 2,322.4 | <hr/> 2,183.9 |
| Cost of sales | (1,619.3) | (1,527.0) |
| | <hr/> 703.1 | <hr/> 656.9 |
| Gross profit | | |
| Selling and distribution costs | (483.8) | (462.2) |
| Administrative costs | (59.9) | (60.6) |
| 3 Pension costs | (18.0) | (17.6) |
| | <hr/> 141.4 | <hr/> 116.5 |
| 2 Trading Profit | | |
| 4 Net interest payable | (24.5) | (23.3) |
| | <hr/> 116.9 | <hr/> 93.2 |
| Profit before Partnership bonus and taxation | | |
| Partnership bonus | (43.1) | (34.5) |
| | <hr/> 73.8 | <hr/> 58.7 |
| 5 Profit on ordinary activities before taxation | | |
| 6 Tax on profit on ordinary activities | (22.5) | (16.2) |
| | <hr/> 51.3 | <hr/> 42.5 |
| 7 Profit for the financial year | | |
| 8 Dividends – non equity interests | (0.2) | (0.2) |
| | <hr/> 51.1 | <hr/> 42.3 |
| 17 Profit retained | | |

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

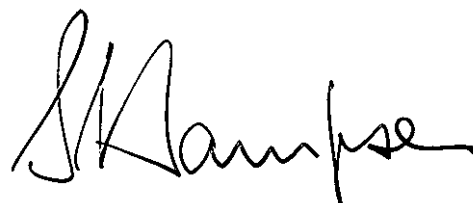
| | | | |
|----|--|------------|------------|
| | Profit for the financial year | 51.3 | 42.5 |
| 17 | Unrealised surplus on revaluation of department store properties | 2.1 | 2.1 |
| | Reversal of prior years' revaluation surplus on supermarket and other properties | – | (17.2) |
| | Total recognised gains and losses for the year | <hr/> 53.4 | <hr/> 27.4 |

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

CONSOLIDATED BALANCE SHEET AS AT 28TH JANUARY 1995

| Notes | 1995 £m | 1994 £m |
|---|------------|------------|
| Fixed Assets | | |
| 11 Tangible assets | 1,002.5 | 941.8 |
| Current assets | | |
| 13 Stocks | 213.5 | 194.7 |
| 14 Debtors | 255.2 | 199.2 |
| Cash at bank and in hand | 2.7 | 20.2 |
| | 471.4 | 414.1 |
| Creditors | | |
| 15 Amounts falling due within one year | (354.9) | (297.4) |
| Net current assets | 116.5 | 116.7 |
| Total assets less current liabilities | 1,119.0 | 1,058.5 |
| Creditors | | |
| 15 Amounts falling due after more than one year | (257.3) | (250.0) |
| Net assets | 861.7 | 808.5 |
| Capital and reserves | | |
| 16 Called up share capital – equity | 0.6 | 0.6 |
| – non equity | 5.2 | 5.2 |
| Minority interest in subsidiary (non equity) | 0.5 | 0.5 |
| 17 Revaluation reserve | 132.2 | 134.9 |
| 17 Other reserves | 5.4 | 5.4 |
| 17 Profit and loss account - accumulated profit | 717.8 | 661.9 |
| Total shareholders' funds | 861.7 | 808.5 |

Approved by the Board on 20th April 1995
S Hampson



JOHN LEWIS PARTNERSHIP plc REPORT AND ACCOUNTS 1995

BALANCE SHEET AS AT 28TH JANUARY 1995

| Notes | | 1995 | 1994 |
|-------|--|-------|-------|
| | | £m | £m |
| | Fixed Assets | | |
| 12 | Investments | 14.9 | 14.9 |
| | Current assets and liabilities | | |
| | Debtors | 0.2 | 0.1 |
| | Creditors | (0.2) | (0.2) |
| | Net current liabilities | — | (0.1) |
| | Net assets | 14.9 | 14.8 |
| | Capital and reserves | | |
| 16 | Called up share capital — equity | 0.6 | 0.6 |
| | — non-equity | 5.2 | 5.2 |
| 17 | Other reserves | 4.0 | 4.0 |
| 17 | Profit and loss account - accumulated profit | 5.1 | 5.0 |
| | Total shareholders' funds | 14.9 | 14.8 |

Approved by the Board on 20th April 1995
S Hampson

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED
28TH JANUARY 1995**

| Notes | 1995 £m | 1994 £m |
|--|----------------|----------------|
| 19 Net cash inflow from operating activities | 166.0 | 134.3 |
| Returns on investments and servicing of finance | | |
| Interest received | 4.4 | 2.8 |
| Interest paid | (28.2) | (26.5) |
| Interest element of finance lease rental payments | (0.5) | — |
| Dividends paid | (0.2) | (0.2) |
| Net cash outflow from returns on investments and servicing of finance | (24.5) | (23.9) |
| Corporation tax paid | (23.9) | (13.9) |
| Investing activities | | |
| Purchases of tangible fixed assets | (111.0) | (106.5) |
| Sales of tangible fixed assets | 5.5 | 2.8 |
| Purchase of call option | (38.5) | — |
| Net cash outflow from investing activities | (144.0) | (103.7) |
| Net cash outflow before financing | (26.4) | (7.2) |
| Financing | | |
| Repayment of debentures | — | (6.1) |
| Capital element of finance leases repaid | (1.5) | — |
| 20 Net cash outflow from financing | (1.5) | (6.1) |
| 21 Decrease in cash and cash equivalents | (27.9) | (13.3) |

NOTES ON 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 valuation, 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, or 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. Department store additions are carried at cost until they reach full trading potential. The surplus or deficit arising on the revaluation of properties is taken to revaluation reserve. Supermarket and distribution properties are carried at depreciated historical cost.

Depreciation

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

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 payment in the foreseeable future.

Goodwill

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

2 Divisional analysis of turnover and trading profit

| | <i>Turnover</i> | | <i>Trading Profit</i> | |
|-------------------|-----------------|----------------|-----------------------|--------------|
| | <i>1995</i> | <i>1994</i> | <i>1995</i> | <i>1994</i> |
| | <i>£m</i> | <i>£m</i> | <i>£m</i> | <i>£m</i> |
| Department stores | 1,346.5 | 1,269.8 | 112.4 | 89.5 |
| Supermarkets | 1,229.0 | 1,150.2 | 29.0 | 27.0 |
| | <u>2,575.5</u> | <u>2,420.0</u> | <u>141.4</u> | <u>116.5</u> |

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 almost entirely from that source. Turnover and trading profit derive from continuing operations, there having been no discontinued operations or material acquisitions in the year.

NOTES ON THE ACCOUNTS *continued***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 further company contributions were made to the scheme until April 1994.

The actuaries have recommended a normal future contribution rate of 7.2% of total pay. 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 5.2% (5.3%) of total pay and amounted to £18.0m (£17.6m), including notional interest of £2.6m (£2.9m) on the pension charge accrued in the consolidated balance sheet.

The next actuarial valuation of the fund will take place as at 31st March 1995.

4 Net interest payable

| | 1995 | 1994 |
|--|-------------|-------------|
| | £m | £m |
| Interest payable: | | |
| On bank loans, overdrafts and other loans repayable within 5 years | 12.3 | 10.8 |
| On finance leases | 0.7 | — |
| On all other loans | 15.6 | 15.6 |
| Interest receivable | (4.1) | (3.1) |
| | <u>24.5</u> | <u>23.3</u> |

5 Profit on ordinary activities before taxation

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

Staff costs:

| | | |
|--|-------|-------|
| Wages and salaries | 351.8 | 335.3 |
| Social security costs | 30.3 | 30.3 |
| Partnership bonus | 38.8 | 31.0 |
| Employer's national insurance on Partnership bonus | 4.3 | 3.5 |
| Other pension costs | 18.0 | 17.6 |
| Depreciation — owned assets | 56.0 | 52.7 |
| — assets held under finance leases | 1.1 | — |
| Auditors' remuneration | 0.4 | 0.5 |
| Operating lease rental of land and buildings | 35.6 | 32.6 |

6 Tax on profit on ordinary activities

| | | |
|--|-------------|-------------|
| Corporation tax based on the profit for the year | 20.8 | 23.7 |
| Corporation tax - previous years | (0.5) | (1.7) |
| Deferred tax | 2.2 | (5.8) |
| | <u>22.5</u> | <u>16.2</u> |

The tax charge is based on a corporation tax rate of 33% (33%) and has been reduced by £4.7m (£5.8m) 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 £81.6m (£76.9m) based on corporation tax at 33% (33%).

No provision has been made in these accounts for the liability to taxation of £6.4m (£6.9m) 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**

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 £0.3m (£0.2m).

8 Dividends

| | 1995 | 1994 |
|--|------|------|
| | £m | £m |
| Non equity interests | | |
| 7½% (now 5¼% plus tax credit) Cumulative Preference Stock | | |
| and 5% (now 3½% plus tax credit) Cumulative Preference Stock | 0.2 | 0.2 |

9 Directors' emoluments

| Directors' remuneration including pension fund contributions and Partnership bonus of 12% (10%) was as follows: | £000 | £000 |
|---|-------|-------|
| Remuneration as managers | 1,768 | 1,664 |
| 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:

| | 1995 | 1994 | | 1995 | 1994 |
|-------------------------|----------|----------|---------------------|------|------|
| <i>Chairman</i> | £302,314 | £273,596 | | | |
| <i>Other directors:</i> | | | | | |
| £0 - £5,000 | — | 1 | £125,001 - £130,000 | — | 1 |
| £10,001 - £15,000 | — | 1 | £135,001 - £140,000 | — | 1 |
| £20,001 - £25,000 | — | 1 | £145,001 - £150,000 | 1 | — |
| £25,001 - £30,000 | — | 1 | £155,001 - £160,000 | — | 1 |
| £30,001 - £35,000 | 1 | — | £165,001 - £170,000 | 2 | — |
| £40,001 - £45,000 | 1 | 1 | £180,001 - £185,000 | — | 1 |
| £45,001 - £50,000 | — | 1 | £185,001 - £190,000 | — | 1 |
| £50,001 - £55,000 | 1 | — | £190,001 - £195,000 | — | 1 |
| £70,001 - £75,000 | 1 | — | £200,001 - £205,000 | 2 | — |
| £85,001 - £90,000 | — | 1 | £210,001 - £215,000 | 1 | — |
| £90,001 - £95,000 | 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:

| | | |
|-------------------|--------|--------|
| Department stores | 20,800 | 20,600 |
| Supermarkets | 17,400 | 16,900 |
| Other | 1,400 | 1,300 |
| | 39,600 | 38,800 |

NOTES ON THE ACCOUNTS *continued*

11 Tangible assets

| | <i>Land and buildings £m</i> | <i>Fixtures and fittings £m</i> | <i>Payments on account and assets in course of construction £m</i> | <i>Total £m</i> |
|---|--------------------------------------|---|--|---------------------|
| Cost or valuation | | | | |
| At 29th January 1994 | 747.8 | 387.6 | 69.9 | 1,205.3 |
| Additions at cost | 11.2 | 73.2 | 36.8 | 121.2 |
| Transfers | 58.6 | 4.2 | (62.8) | — |
| Disposals | (2.7) | (13.0) | (1.8) | (17.5) |
| Revaluation adjustments | 0.6 | — | — | 0.6 |
| At 28th January 1995 | 815.5 | 452.0 | 42.1 | 1,309.6 |
| At cost | 401.6 | 452.0 | 42.1 | 895.7 |
| At valuation 1988 | 21.2 | — | — | 21.2 |
| At valuation 1995 | 392.7 | — | — | 392.7 |
| At 28th January 1995 | 815.5 | 452.0 | 42.1 | 1,309.6 |
| Depreciation | | | | |
| At 29th January 1994 | 55.8 | 207.7 | — | 263.5 |
| Charges for the year | 15.3 | 41.8 | — | 57.1 |
| On disposals | (0.6) | (11.4) | — | (12.0) |
| Revaluation adjustments | (1.5) | — | — | (1.5) |
| At 28th January 1995 | 69.0 | 238.1 | — | 307.1 |
| Net book values at 29th January 1994 | 692.0 | 179.9 | 69.9 | 941.8 |
| Net book values at 28th January 1995 | 746.5 | 213.9 | 42.1 | 1,002.5 |

| | <i>1995 £m</i> | <i>1994 £m</i> |
|--|--------------------|--------------------|
| Land and buildings at cost or valuation: | | |
| Freehold property | 487.0 | 426.2 |
| Leasehold property, 50 years or more unexpired | 256.4 | 253.1 |
| Leasehold property, less than 50 years unexpired | 72.1 | 68.5 |
| | 815.5 | 747.8 |

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 1994, 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 28th January 1995. The £2.1m surplus arising from this revaluation has been credited to revaluation reserve.

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

NOTES ON THE ACCOUNTS *continued***11 Tangible assets** *(continued)*

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 28th January 1995 is land valued at £150.6m, which is not subject to depreciation. If they had not been revalued, land and buildings at 28th January 1995 would have been included at the following amounts:

| | 1995 | 1994 |
|--------------------------|--------------|--------------|
| | £m | £m |
| Cost | 712.3 | 642.1 |
| Accumulated depreciation | (98.0) | (85.0) |
| | <u>614.3</u> | <u>557.1</u> |

The gross cost of assets held under finance leases is £10.2m with accumulated depreciation in respect of those assets of £1.1m.

12 Investments

| | <i>Subsidiary</i> | | <i>Other</i> | |
|----------------------|---------------------------------|-------------------------------|---|--------------|
| | <i>Shares in John Lewis plc</i> | <i>Loan to John Lewis plc</i> | <i>Shares in John Lewis Partnership Trust Limited</i> | <i>Total</i> |
| | £m | £m | £m | £m |
| Company | | | | |
| At 29th January 1994 | 13.0 | 1.8 | 0.1 | 14.9 |
| Movements | — | (0.2) | — | (0.2) |
| Dividend receivable | — | 0.2 | — | 0.2 |
| At 28th January 1995 | <u>13.0</u> | <u>1.8</u> | <u>0.1</u> | <u>14.9</u> |

13 Stocks

| | 1995 | 1994 |
|------------------------------------|--------------|--------------|
| | £m | £m |
| Raw materials and work-in-progress | 9.5 | 9.3 |
| Finished goods | 204.0 | 185.4 |
| | <u>213.5</u> | <u>194.7</u> |

14 Debtors

Amounts falling due within one year:

| | | |
|--------------------------------|--------------|--------------|
| Trade debtors | 140.7 | 125.9 |
| Other debtors | 15.8 | 9.6 |
| Prepayments and accrued income | 9.9 | 16.7 |
| Deferred tax | 1.3 | 1.4 |
| | <u>167.7</u> | <u>153.6</u> |

Amounts falling due after more than one year:

| | | |
|---------------|--------------|--------------|
| Trade debtors | 34.5 | 30.4 |
| Other debtors | 39.9 | — |
| Deferred tax | 13.1 | 15.2 |
| | <u>255.2</u> | <u>199.2</u> |

NOTES ON THE ACCOUNTS *continued***14 Debtors** *(continued)*

Other debtors due after more than one year represents a call option, which was purchased for £38.5m on normal commercial terms and which gives John Lewis plc the right to acquire £50 million of John Lewis plc 10 ³/₈% Bonds 1998. It is exercisable at certain dates up to January 1998 at an exercise price that is linked to the net present value of the remaining interest payable on the Bonds. Accordingly, the exercise price reduces during the period up to January 1998, resulting in an increase in the value of the call option. This increase in value is credited to interest receivable on an actuarial basis and is reflected in the carrying amount of the asset, which was £39.9m at 28th January 1995.

15 Creditors

| | 1995 £m | 1994 £m |
|--------------------------------------|--------------|--------------|
| Amounts falling due within one year: | | |
| Bank overdraft | 10.4 | — |
| Trade creditors | 146.5 | 103.0 |
| Other creditors | 12.4 | 14.1 |
| Finance leases | 1.4 | — |
| Corporation tax | 20.5 | 24.1 |
| Other taxation and social security | 64.4 | 58.2 |
| Pension fund accrual | 39.8 | 46.3 |
| Accruals and deferred income | 20.7 | 20.7 |
| Partnership bonus | 38.8 | 31.0 |
| | <u>354.9</u> | <u>297.4</u> |

Amounts falling due after more than one year:

| | | |
|--|--------------|--------------|
| Due between 1 and 2 years | | |
| — Finance leases | 1.5 | — |
| Due between 2 and 5 years | | |
| — 10 ³ / ₈ % Bonds, 1998 | 100.0 | 100.0 |
| — Finance leases | 5.8 | — |
| Due other than by instalments after 5 years | | |
| — 10 ¹ / ₄ % Bonds, 2006 | 50.0 | 50.0 |
| — 10 ¹ / ₂ % Bonds, 2014 | 100.0 | 100.0 |
| | <u>257.3</u> | <u>250.0</u> |

16 Share capital

| | 1995 £m <i>Authorised</i> | 1995 £m <i>Issued and fully paid</i> | 1994 £m <i>Authorised</i> | 1994 £m <i>Issued and fully paid</i> |
|---|---------------------------------|--|---------------------------------|--|
| Equity | | | | |
| Deferred Ordinary Shares of £1 each held by John Lewis Partnership Trust Limited | 0.6 | 0.6 | 0.6 | 0.6 |
| Non equity | | | | |
| Fixed interest Cumulative | | | | |
| Preference Stock held by the public: | | | | |
| 7 ¹ / ₂ % (now 5 ¹ / ₄ % plus tax credit) | 0.6 | 0.5 | 0.6 | 0.5 |
| 5% (now 3 ¹ / ₂ % plus tax credit) | 8.8 | 4.7 | 8.8 | 4.7 |
| | <u>10.0</u> | <u>5.8</u> | <u>10.0</u> | <u>5.8</u> |

NOTES ON THE ACCOUNTS *continued*

17 Reserves

| | <i>Profit and loss account £m</i> | <i>Other reserves</i> | | <i>Revaluation reserve £m</i> | <i>Total reserves £m</i> |
|---|---|-----------------------|--------------------------------------|---------------------------------------|----------------------------------|
| | | <i>Capital £m</i> | <i>Capital redemption £m</i> | | |
| Consolidated | | | | | |
| At 29th January 1994 | 661.9 | 1.4 | 4.0 | 134.9 | 802.2 |
| Profit retained | 51.1 | — | — | — | 51.1 |
| Transfers | 4.8 | — | — | (4.8) | — |
| Revaluation surplus (department stores) | — | — | — | 2.1 | 2.1 |
| At 28th January 1995 | 717.8 | 1.4 | 4.0 | 132.2 | 855.4 |

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

| | <i>Profit and loss account £m</i> | <i>Capital redemption reserve £m</i> | <i>Total reserves £m</i> |
|----------------------|---|--|----------------------------------|
| Company | | | |
| At 29th January 1994 | 5.0 | 4.0 | 9.0 |
| Profit retained | 0.1 | — | 0.1 |
| At 28th January 1995 | 5.1 | 4.0 | 9.1 |

All of the reserves are attributable to equity shareholders.

18 Reconciliation of movements in shareholders' funds

| | <i>1995 £m</i> | <i>1994 £m</i> |
|-------------------------------|--------------------|--------------------|
| Consolidated | | |
| Profit for the financial year | 51.3 | 42.5 |
| Dividends | (0.2) | (0.2) |
| Revaluation adjustments | 2.1 | (15.1) |
| | 53.2 | 27.2 |
| Opening shareholders' funds | 808.5 | 781.3 |
| Closing shareholders' funds | 861.7 | 808.5 |

NOTES ON THE ACCOUNTS *continued***19 Reconciliation of operating profit to net cash inflow from operating activities**

| | 1995 | 1994 |
|---|--------|--------|
| | £m | £m |
| Trading profit | 141.4 | 116.5 |
| Depreciation charged | 57.1 | 52.7 |
| Increase in debtors | (20.0) | (16.9) |
| Increase in creditors | 47.3 | 5.0 |
| Increase/(decrease) in pension fund accrual | (6.5) | 17.6 |
| Increase in stocks | (18.8) | (12.5) |
| Partnership bonus paid for previous year | (34.5) | (28.1) |
| Cash flow from operating activities | 166.0 | 134.3 |

20 Analysis of changes in financing

| | Share Capital (inc. premium) £m | Bonds, Debenture Loans and Finance Leases £m |
|--|---------------------------------------|---|
| At 30th January 1993 | 5.8 | 256.1 |
| Repayment of debentures | — | (6.1) |
| At 29th January 1994 | 5.8 | 250.0 |
| Inception of finance leases | — | 10.2 |
| Capital element of finance leases repaid | — | (1.5) |
| At 28th January 1995 | 5.8 | 258.7 |

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

| | 1995 | Change in year | 1994 | Change in year | 1993 |
|-----------------------------------|--------|-------------------|------|-------------------|------|
| | £m | £m | £m | £m | £m |
| Cash at bank and in hand | 2.7 | (17.5) | 20.2 | (12.7) | 32.9 |
| Investments — short term deposits | — | — | — | (0.6) | 0.6 |
| Loans and bank overdraft | (10.4) | (10.4) | — | — | — |
| | (7.7) | (27.9) | 20.2 | (13.3) | 33.5 |

22 Commitments

At 28th January 1995, the directors had authorised capital expenditure of £82.4m (£161.5m) of which contracts had been placed for £17.0m (£55.7m).

NOTES ON THE ACCOUNTS *continued*

| 23 Lease commitments | 1995 | 1994 |
|---|------|------|
| | £m | £m |
| Operating leases | | |
| Rentals for the next financial year on leases expiring: | | |
| Within 1 year | 0.1 | 0.2 |
| Between 1 and 5 years | 0.6 | 0.6 |
| Over 5 years | 32.8 | 31.8 |

24 Subsidiary undertakings

Subsidiary companies as at 28th January 1995 were as follows:

John Lewis plc (*Department store retailing*)

Ordinary shares - 100%

5% First Cumulative Preference Stock - 81%

7% Cumulative Preference Stock - 75.6%

Subsidiaries of John Lewis plc:

John Lewis Properties plc (*Property holding company*)

Waitrose Limited (*Food retailing*)

Cavendish Textiles Limited (*Textile design and development*)

Stead, McAlpin & Company, Limited (*Textile printing*)

Herbert Parkinson Limited (*Weaving and making up*)

J.H. Birtwistle & Company Limited (*Spinning and weaving*)

John Lewis Overseas Limited (*Importing*)

John Lewis Building Limited (*Building*)

John Lewis Construction Limited (*Building*)

Leckford Estate Limited (*Farming*)

Leckford Mushrooms Limited (*Mushroom growing*)

Findlater, Mackie, Todd & Co Limited (*Mail order wines*)

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.

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 PARTNERSHIP PLC

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 28th January 1995 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.

Pricewaterhouse
Pricewaterhouse
Chartered Accountants and Registered Auditors
London 20th April 1995

RETAIL BRANCHES

Department Stores

London

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

Southern England

Caleys, Windsor
Heclas, Reading
John Lewis, Bristol
John Lewis, High Wycombe
John Lewis, Kingston
John Lewis, Milton Keynes
John Lewis, Welwyn
Knight & Lee, Southsea
Trewins, Watford
Tyrrell & 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 | Chelsca | Enfield | Holloway Road | Swiss Cottage | West Ealing |
| Brent Cross | East Sheen | Harrow Weald | Kenton | Temple Fortune | Whetstone |

Southern England

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