

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services Act 1986.

Panmure Gordon, which is regulated by the Securities and Futures Authority Limited, is acting only for Fortnum & Mason plc and is not advising any other person in connection with the Rights Issue described in this document and will not be responsible to anyone other than Fortnum & Mason plc for providing the protections afforded to customers of Panmure Gordon nor for providing advice in relation to the Rights Issue.

The Directors, whose names appear in paragraph 1 of Part VI, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

If you have sold or otherwise transferred all your Ordinary Stock Units in Fortnum & Mason plc (other than "ex-rights"), please forward this document, together with the enclosed form of proxy and any Provisional Allotment Letter you receive, as soon as practicable to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Overseas shareholders and any person (including, without limitation, any nominee or trustee) who has a contractual or legal obligation to forward this document to a jurisdiction outside the United Kingdom should read paragraph 5 of Part II of this document.

## **FORTNUM & MASON PLC**

*(Registered in England No. 84909)*

### **Proposed Acquisition and Redevelopment of 185-186 Piccadilly**

### **Proposed conversion and sub-division of existing Ordinary Stock Units into Ordinary Shares**

### **Proposed 1 for 8 Rights Issue of New Ordinary Shares (in sub-divided form) at £5.00 per share**

### **Preliminary Announcement of Results for the 52 weeks ended 13th July, 1996**

Copies of this document, which comprises a prospectus relating to Fortnum & Mason plc in accordance with the listing rules of the London Stock Exchange made under section 142 of the Financial Services Act 1986, have been delivered to the Registrar of Companies in England and Wales for registration as required by section 149 of that Act.

Application has been made to the London Stock Exchange for the Sub-divided Ordinary Shares of 5p each arising from the proposed conversion and sub-division of the Company's share capital to be admitted to the Official List in substitution for the existing Ordinary Stock Units of £1 each. Application has also been made to the London Stock Exchange for the New Ordinary Shares to be issued pursuant to the Rights Issue to be admitted to the Official List. It is expected that listing of all these Ordinary Shares, nil paid in the case of the New Ordinary Shares, will become effective and that dealings will commence at the commencement of business on 10th October, 1996. Accordingly, dealings in the existing Ordinary Stock Units would cease at that time.

Notice of an Extraordinary General Meeting of Fortnum & Mason plc, to be held at 10.05 a.m. on 9th October, 1996, is set out at the end of this document. To be valid, forms of proxy should be completed and returned to the Company's registrars, Lloyds Bank Registrars, The Causeway, Worthing, West Sussex BN99 6DB in accordance with the instructions printed on it as soon as practicable and, in any event, so as to be received not later than 10.05 a.m. on 7th October, 1996.

This document should be retained pending receipt of a Provisional Allotment Letter which is expected to be posted on 9th October, 1996. **The latest time for acceptance, payment in full and registration of renunciation under the Rights Issue is expected to be 3.00 p.m. on 31st October, 1996.** The procedure for acceptance and payment and registration of renunciation is set out in Part II of this document.



## DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

"Acquisition"	the acquisition of the New Property pursuant to the Acquisition Agreements
"Acquisition Agreements"	the agreements between Fortnum & Mason and the Hospital and Ensign respectively relating to the acquisition of the New Property as described in Part I and paragraph 6 of Part VI of this document
"Act"	the Companies Act 1985, as amended
"Board" or "Directors"	the Directors of the Company, whose names appear on page 4 of this document
"Cumulative Preference Stock Units"	4.9 (net) per cent. cumulative preference stock units of £1 each in the capital of the Company
"Cumulative Preference Stockholders"	the holder(s) of Cumulative Preference Stock
"Ensign"	Ensign Trust Limited and MNOPF
"Existing Store"	the Company's existing store at 181-184 Piccadilly, London W1A 1ER, 22-27 Duke Street and 41-47 Jermyn Street
"Extraordinary General Meeting"	the Extraordinary General Meeting of the Company convened for 10.05 a.m. on 9th October, 1996 pursuant to the notice set out on pages 35 and 36 of this document
"Fortnum & Mason" or the "Company"	Fortnum & Mason plc
"Hospital"	The Bethlem and Maudsley NHS Trust
"London Stock Exchange"	London Stock Exchange Limited
"MNOPF"	MNOPF Trustees Limited
"New Ordinary Shares"	the new Ordinary Shares to be issued pursuant to the Rights Issue
"New Property"	185-186 Piccadilly, London W1, as further described in Part I of this document
"Official List"	the Official List of the London Stock Exchange
"Ordinary Shares"	Ordinary Shares of 5p each in the Company
"Ordinary Stock Units"	the existing Ordinary Stock Units of £1 each in the capital of the Company
"Panmure Gordon"	Panmure Gordon & Co. Limited
"Provisional Allotment Letter"	the renounceable provisional allotment letter in respect of New Ordinary Shares to be sent to Qualifying Shareholders
"Qualifying Shareholder(s)"	Ordinary Stock Unit holder(s) on the register of members of Fortnum & Mason on the Record Date
"Record Date"	close of business on 1st October, 1996
"Redevelopment"	the redevelopment of the Site as described in Part I of this document
"Rights Issue"	the proposed issue to Qualifying Shareholders of up to 1,062,500 New Ordinary Shares by way of rights at the Rights Issue Price as described in this document
"Rights Issue Price"	£5.00 per New Ordinary Share
"Shareholder(s)"	the holder(s) of Ordinary Stock Units or Ordinary Shares as the context may require
"Site"	the Existing Store together with the New Property
"Sub-divided Ordinary Shares"	the 8,500,000 Ordinary Shares arising on the Sub-division
"Sub-division"	the proposed conversion and sub-division of the Ordinary Stock Units into Sub-divided Ordinary Shares described in this document
"Underwriting Agreement"	the agreement dated 12th September, 1996 between the Company and Panmure Gordon as described in paragraph 6 of Part VI of this document
"Wittington"	Wittington Investments Limited

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## EXPECTED TIMETABLE

	1996
Record Date for entitlement to the Rights Issue	close of business on 1st October
Latest time and date for receipt of Forms of Proxy	10.05 a.m. on 7th October
<b>Extraordinary General Meeting</b>	<b>10.05 a.m. on 9th October</b>
Provisional Allotment Letters posted	9th October
Commencement of dealings in Sub-divided Ordinary Shares and New Ordinary Shares, nil paid	10th October
Latest time and date for splitting, nil paid	3.00 p.m. on 29th October
<b>Latest time and date for acceptance, payment in full and registration of renunciation</b>	<b>3.00 p.m. on 31st October</b>
Definitive share certificates for Sub-divided Ordinary Shares and New Ordinary Shares posted by	6th November

## PART I

### Chairman's letter

# FORTNUM & MASON PLC

(Registered in England No. 84909)

#### *Directors:*

Garry H Weston\* (*Chairman*)  
W G Galen Weston\* (*Vice Chairman*)  
G W Artindale  
Mrs C H W Dalglish\*  
G V Hamilton  
Mrs J R Khayat\*  
J G Lithiby\*  
W Monaghan\*  
(\*non-executive directors)

#### *Registered Office:*

181 Piccadilly  
London  
W1A 1ER

12th September, 1996

*To holders of Ordinary Stock Units and, for information only, to holders of Cumulative Preference Stock Units.*

Dear Shareholder,

### **Property Acquisition and Redevelopment, Rights Issue, conversion and sub-division of Ordinary Stock Units into Ordinary Shares and Preliminary Announcement of Results**

#### **Introduction**

It was announced today that Fortnum & Mason has conditionally agreed to acquire the leasehold premises at 185-186 Piccadilly, which are adjacent to its Existing Store at 181-184 Piccadilly, for £3.3 million. Planning consent has been granted for the Redevelopment of the New Property and Existing Store, so as to combine the two into a single store. The Directors expect that the Company will incur costs, estimated at approximately £8.4 million, to complete this Redevelopment and to fit out the enlarged premises. Thus a total outlay of some £11.7 million will be incurred. Fortnum & Mason will be meeting these costs from existing resources and also from the proceeds of a 1 for 8 Rights Issue to raise some £5.1 million, net of expenses.

The Company's Ordinary Stock Units were most recently traded on 31st May, 1996 at £124.75 per unit. With a view primarily to increasing the liquidity in the Company's securities, it is proposed that each existing Ordinary Stock Unit of £1 be converted and sub-divided into twenty Ordinary Shares of 5p each.

Due to their size, the Acquisition and Redevelopment are conditional on Shareholder approval. The purpose of this document, which also sets out the preliminary announcement of audited results for the 52 weeks ended 13th July, 1996, is to give you details of and the background to the proposals referred to above and to recommend that you vote in favour of the resolutions required

to implement them at the Extraordinary General Meeting of the Company convened for 9th October, 1996. It also sets out the procedures to be followed by Qualifying Shareholders in connection with the Rights Issue.

#### **Acquisition and Redevelopment of 185-186 Piccadilly**

The Company is proposing to acquire a 125 year lease over the New Property at 185-186 Piccadilly and to redevelop it so that the Company can extend its current premises. The Acquisition Agreements with Ensign and Hospital provide for the acquisition from Ensign of an interest in the New Property, its Redevelopment and the subsequent grant by Hospital of new 125 year leases over the New Property at 185-186 Piccadilly and the Company's Existing Store at 181-184 Piccadilly. This represents an extension of 15 years to the Company's current lease of the Existing Store. Under the Acquisition Agreements, the Company will pay a total consideration of £3.3 million, £2.55 million being payable to Ensign and £0.75 million being payable to Hospital. A ground rent of 10 per cent. of market rent will be payable on the New Property initially set at £35,000. The peppercorn rent on the Existing Store will remain at £10 per annum.

The Company intends to demolish, but substantially re-instate the frontage of, and rebuild the New Property so as to amalgamate it with its existing premises in order to optimise the trading space available for which planning consent has already been received. The Directors estimate that the building costs will be some £5.8 million, to be incurred by the end of December 1997. In addition, fitting out costs of some £2.6 million are expected to be expended by Spring 1998.

Once the New Property has been acquired and redeveloped, the Company's current trading area will be significantly enhanced. On the assumption that the Acquisition and Redevelopment has been completed, the enlarged and redeveloped Site has been valued at £28.2 million as compared with the current value of the Existing Store of only £19.0 million. This represents an enhancement of some £9.2 million over the current value of the Existing Store and compares with the estimated cost of the Acquisition and Redevelopment of £9.1 million (excluding the fitting out costs of £2.6 million which are also not included in the valuation).

#### **Background to and reasons for the Acquisition, Redevelopment and Rights Issue**

The successful growth in trading at the Company's prestigious Existing Store at 181-184 Piccadilly over recent years has resulted in customer congestion at peak trading times when the store has been reaching full capacity in a number of Fortnum & Mason's key trading areas, particularly the food hall.

The Directors are anxious to continue the Company's successful growth whilst protecting customer goodwill and maintaining the Company's reputation for quality and the character associated with the Fortnum & Mason name.

Fortnum & Mason is a single store situated in a unique location. Since it is surrounded by roads on three sides, the adjacent New Property represents the only direction in which Fortnum & Mason could feasibly expand whilst retaining its location. The Acquisition and Redevelopment therefore represent a unique opportunity to meet the Company's objectives.

The Redevelopment project will result in the Existing Store expanding its current departments into the increased trading space. It is also the Directors' current intention to add related departments that are in keeping with the Company's existing style of trading and that the traditional decor and ambience will, in so far as is practicable, be retained. The Directors believe that by combining the two properties into one, the trading area and especially the food hall, will be significantly enlarged, which, subject to final design, is estimated to be as follows:

	<i>Existing</i> ( <i>'000 sq.ft.</i> )	<i>Enlarged</i> ( <i>'000 sq.ft.</i> )	<i>Increase</i> %
Lower Ground	6	8	33
Ground (food hall)	7	11	43
First Floor	11	15	36
Second Floor	8	11	38
Others	25	25	—
Total Sales Area	57	70	23
Gross Area	141	164	16

Additionally, the Redevelopment is designed to improve access and the efficiency of customer flow, both within the departments and between floors, whilst retaining the high quality of service and customer satisfaction. The Redevelopment will also extend the Company's warehousing and handling facilities, increasing the efficiency of stock flow throughout the store and providing further capacity to meet future sales growth.

The stages and timing of the Redevelopment are being set so as to minimise the disruption to trading, particularly in the key departments at the peak trading periods, such as Christmas. Thus the programme of works aims to minimise any disturbance during the 1996 Christmas period and for the enlarged ground floor to be completed in time for Christmas 1997 trading. The remaining floors are planned to be completed in the Spring of 1998.

The Directors believe that a strong balance sheet and the ready availability of cash resources provide the Company with the flexibility to exploit opportunities so that the Company can continue its success in competing with its much larger competitors. The Rights Issue is designed so that the Company should not need to resort to borrowing during the period of development and therefore will retain the advantages arising from a strong balance sheet.

### **The Rights Issue**

Subject to the fulfilment of the conditions referred to below, the Company proposes to offer, by way of rights to Qualifying Shareholders, up to 1,062,500 New Ordinary Shares at £5.00 per share, payable in full on acceptance not later than 3.00 p.m. on 31st October, 1996, on the following basis:

#### **1 New Ordinary Share for every 8 Sub-divided Ordinary Shares**

and so in proportion for any greater or lesser number of Sub-divided Ordinary Shares deemed to have been held on the Record Date as referred to below. The conversion and sub-division of the Ordinary Stock Units into Sub-divided Ordinary Shares is expected to become effective on 10th October, 1996, after the Record Date for the Rights Issue. The entitlement to New Ordinary Shares under the Rights Issue will, however, be based on the number of Sub-divided Ordinary Shares which Qualifying Shareholders would have held had the Sub-division taken place prior to the Record Date.

The New Ordinary Shares will, when fully paid, rank *pari passu* in all respects with the Sub-divided Ordinary Shares arising from the Sub-division except that they will not rank for the second interim dividend in respect of the 52 weeks ended 13th July, 1996 which is equivalent to 3.6p per Sub-divided Ordinary Share. Where necessary, Qualifying Shareholders' entitlements have been rounded down to the nearest whole number of New Ordinary Shares. Any fractional entitlements which would otherwise have arisen will not be allotted. The Rights Issue is subject to the terms and conditions set out in this document and in the Provisional Allotment Letter.

The Rights Issue is conditional upon the passing of the resolutions set out at the end of this document to be proposed at the Extraordinary General Meeting, the Underwriting Agreement

becoming unconditional in all respects and not being terminated in accordance with its terms and the admission of the New Ordinary Shares to the Official List, for which application has been made to the London Stock Exchange.

It is expected that renounceable Provisional Allotment Letters in respect of the New Ordinary Shares will be despatched on 9th October, 1996 and that the New Ordinary Shares will be admitted to the Official List and that dealings, nil paid, will commence on 10th October, 1996.

Further details of the Rights Issue, including the procedures for acceptance and payment and registration of renunciation in respect of rights not taken up, are set out in Part II of this document.

### **Taxation**

Certain information on the current UK taxation of capital gains, stamp duty and stamp duty reserve tax with regard to the Rights Issue and the Sub-division is set out in paragraph 4 of Part II of this document.

**If you are in any doubt as to your tax position, you should consult your professional adviser without delay.**

### **Overseas shareholders**

Information of relevance to Shareholders who have registered addresses in, or are citizens or residents of, countries outside the UK, or who are holding Ordinary Stock Units for the benefit of such persons, is set out in paragraph 5 of Part II of this document.

### **Wittington's intentions in relation to the Rights Issue**

Wittington holds an aggregate of 381,965 Ordinary Stock Units, representing 89.9 per cent. of the Ordinary Stock Units, and has irrevocably undertaken to vote in favour of the resolutions to be proposed at the Extraordinary General Meeting and to take up in full its entitlements under the Rights Issue of 954,912 New Ordinary Shares.

Accordingly, Wittington's entitlement to New Ordinary Shares will not be underwritten. The remainder of the issue has been underwritten by Panmure Gordon.

### **Sub-division of Ordinary Stock Units**

The Board has been delighted to see the continuing rise in the Company's share price over recent years, but considers that it is now appropriate to convert the Ordinary Stock Units into Ordinary Shares and increase the number of Ordinary Shares in issue by sub-dividing the Ordinary Shares. This will have the effect of reducing the price of each share which the Board considers will help to increase the liquidity and marketability of the Company's securities. A sub-division also has the additional benefit of avoiding the relatively high level of lost fractional entitlements that Shareholders might otherwise suffer under the Rights Issue. Therefore, the Board proposes that under the Sub-division each Ordinary Stock Unit will be converted into an ordinary share of £1 and then immediately sub-divided into twenty Sub-divided Ordinary Shares of 5p each.

Holders of Sub-divided Ordinary Shares will carry the same rights, in all respects, as previously attached to the Ordinary Stock Units. Future dividends per share will, however, be adjusted to reflect the Sub-division, and the greater number of shares in issue thereafter. It is expected that the listing of the Sub-divided Ordinary Shares will become effective and that dealings will commence in these shares at the commencement of business on 10th October, 1996 and, accordingly, dealings in the Ordinary Stock Units would cease at that time.

The Sub-divided Ordinary Shares will be in registered form. With effect from the admission of the Sub-divided Ordinary Shares to the Official List becoming effective, share certificates in respect of the Ordinary Stock Units will no longer be valid and will be cancelled. New share certificates in respect of the Sub-divided Ordinary Shares will be issued and are expected to be posted on 6th November, 1996. Qualifying Shareholders who subscribe for New Ordinary Shares under the Rights Issue will receive a single certificate representing their Sub-divided Ordinary Shares and their holding of New Ordinary Shares. No temporary documents of title will be issued. Transfers between 10th October, 1996 and the date of posting of new share certificates will be certified against the register of members if required.

### **Current Trading and Future Prospects**

The full text of the Preliminary announcement of audited results for the 52 weeks ended 13th July, 1996 is set out in Part IV.

For the 52 weeks ended 13th July, 1996 pre-tax profits have increased from £2.9 million (excluding exceptional items) to £3.2 million and sales have increased from £30.2 million to £32.0 million. Earnings per share have risen from 451p (excluding exceptional items) to 491p, an increase of 9 per cent.

The results for the 52 weeks ended 13th July, 1996 and the satisfactory trading position of the Company leads your Directors to declare a second interim dividend of 72p (net) per Stock Unit which will provide total dividends for the full year of 158p (net) per Stock Unit, an increase of 10 per cent.

Current trading is satisfactory, and with the U.K. economy improving the outlook remains positive. If the proposed major extension to the Existing Store is approved there will inevitably be some short term disruption to trading and to operating profits, as well as reduced interest income. That your Board is proposing such an extension reflects its confidence in the potential for the profitable development of our Piccadilly operations.

### **Extraordinary General Meeting**

You will find set out at the end of this document a notice of an Extraordinary General Meeting to be held at 10.05 a.m. on 9th October, 1996. At that meeting, resolutions will be proposed:

- (a) to authorise the Acquisition of the New Property;
- (b) to increase the authorised share capital from £750,000 to £812,500 by the creation of 1,250,000 new Ordinary Shares of 5p each and to authorise the Directors to allot 4,250,000 Ordinary Shares;
- (c) to authorise the conversion of the Ordinary Stock Units into ordinary shares of £1 each and the subsequent sub-division of such shares into Ordinary Shares of 5p each; and
- (d) to disapply the statutory pre-emption rights in relation to the Company's authorised share capital.

The authority to allot Ordinary Shares referred to in paragraph (b) above relates to the allotment of the New Ordinary Shares comprised in the Rights Issue and, thereafter, an amount of Ordinary Shares equivalent to one-third of the Company's issued share capital as enlarged by the Rights Issue.

### **Action to be taken**

A Form of Proxy for use in connection with the Extraordinary General Meeting is enclosed with this document. Shareholders are requested to complete this in accordance with the instructions thereon and return it to the Company's registrars, Lloyds Bank Registrars, The Causeway, Worthing, West Sussex BN99 6DA as soon as practicable and, in any event, so as to be received not later than 10.05 a.m. on 7th October, 1996. Completion and return of a Form of Proxy will not preclude Shareholders from attending the Extraordinary General Meeting and voting in person if they so wish.



**Further Information**

Your attention is drawn to the further information set out in Parts II to VI of this document.

**Recommendation**

The Directors, who have been advised by Panmure Gordon, consider the Acquisition and the Redevelopment, the Sub-division and the Rights Issue to be in the best interests of the Company and its shareholders as a whole. In providing its advice, Panmure Gordon has taken into account the Directors' commercial assessment of the Acquisition and the Redevelopment. The Directors consider that the value to the Company of the Acquisition and the Redevelopment justifies the price paid for it. The Directors also consider the increase in authorised share capital and the authorisation of the Directors to allot and issue the increased share capital to be in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend you to vote in favour of the resolutions set out in the notice of Extraordinary General Meeting at the end of this document, as they intend to do so in respect of their own beneficial holdings of 600 Ordinary Stock Units.

Yours sincerely,

**Garry H Weston**  
*Chairman*

## PART II

### Further details of the Rights Issue

#### 1. Terms and conditions of the Rights Issue

Subject, *inter alia*, to the passing of the resolutions set out in the notice of the Extraordinary General Meeting on pages 35 and 36 of this document, Fortnum & Mason will offer up to 1,062,500 New Ordinary Shares at £5.00 per share by way of rights to Qualifying Shareholders on the basis of:

##### 1 New Ordinary Share for every 8 Sub-divided Ordinary Shares

and so in proportion for any greater or lesser number of Sub-divided Ordinary Shares deemed to have been held on the Record Date, being the number of Sub-divided Ordinary Shares which Qualifying Shareholders would have held had the Sub-division taken place prior to the Record Date. Where necessary, Shareholders' entitlements have been rounded down to the nearest whole number of New Ordinary Shares. Any fractional entitlements which would otherwise have arisen will not be allotted.

The New Ordinary Shares will, when fully paid, rank *pari passu* in all respects with the Sub-divided Ordinary Shares arising from the Sub-division except that they will not rank for the second interim dividend in respect of the 52 weeks ended 13th July, 1996, which is equivalent to 3.6p per Sub-divided Ordinary Share.

The Rights Issue is conditional upon the approval of Shareholders at the Extraordinary General Meeting to be held on 9th October, 1996, the Underwriting Agreement becoming unconditional in all respects and not being terminated in accordance with its terms and the admission of the New Ordinary Shares to the Official List not later than 10th October, 1996 (or such later date as Panmure Gordon and the Company may agree, being not later than 10.00 a.m. on 17th October, 1996).

Application has been made to the London Stock Exchange for the New Ordinary Shares to be admitted to the Official List. Admission is expected to become effective and dealings in the New Ordinary Shares to commence, nil paid, on 10th October, 1996.

#### 2. Acceptance and payment, dealing and registration for the Rights Issue

##### (a) Provisional allotment and nil paid rights

Provided that (i) the resolutions set out in the notice of the Extraordinary General Meeting are duly passed, (ii) permission has been granted (subject to the publication of the relevant notice under Rule 7.1 of the Listing Rules of the London Stock Exchange) for the admission of the New Ordinary Shares to the Official List ("Admission") and (iii) the conditions in the Underwriting Agreement are satisfied or waived (subject to Admission) and the Underwriting Agreement is not terminated, the Directors will, on 9th October, 1996, provisionally allot the New Ordinary Shares conditional upon Admission and payment of the Rights Issue Price and, save as described in paragraph 5 below, despatch Provisional Allotment Letters by post to the Qualifying Shareholders entitled thereto, at their own risk. Such Provisional Allotment Letters will represent the right to subscribe for the New Ordinary Shares referred to therein and, once renounced by the Shareholders originally entitled thereto, will become negotiable bearer documents. The Provisional Allotment Letters will, *inter alia*, set out the holding of Sub-divided Ordinary Shares on which the Qualifying Shareholder's entitlement has been based and the aggregate number of New Ordinary Shares which have been provisionally allotted to the Qualifying Shareholder.

The allotment and issue of the New Ordinary Shares will be made upon and subject to the terms and conditions set out in this document and in the Provisional Allotment Letters.

##### (b) Dealings

Dealings in the New Ordinary Shares, nil paid, are expected to commence on 10th October, 1996 and dealings, fully paid, are expected to commence on 1st November, 1996.

A transfer of such rights, nil paid, can be made without payment of the Rights Issue Price by delivery of a duly renounced Provisional Allotment Letter to the transferee by no later than 3.00 p.m. on 31st October, 1996. Paragraph (e) below contains full instructions for renunciation and splitting of Provisional Allotment Letters.

Where a provisional allotment of New Ordinary Shares has been accepted and paid for in accordance with the provisions of paragraph 2(c) below, the Provisional Allotment Letter, with the receipt at the foot thereof

duly completed, will be returned to the person making the payment who, unless he is the original allottee, must have completed the paying agent's box at the foot thereof.

Definitive share certificates in respect of the New Ordinary Shares are expected to be despatched on 6th November, 1996. After 31st October, 1996, and pending the issue of share certificates, instruments of transfer will be certified by Lloyds Bank Registrars against lodgement of fully paid provisional allotment letters, or where renunciation has been duly registered, against the renunciation receipt (Form Z) bearing the stamp of Lloyds Bank Registrars.

*(c) Acceptance and payment by Qualifying Shareholders and renouncees*

The Provisional Allotment Letter will set out the procedure to follow if Qualifying Shareholders wish to dispose (whether before or after payment of the Rights Issue Price) of any New Ordinary Shares or their rights to subscribe for such shares. It will also contain details of the procedure for acceptance payment, splitting and registration of renunciation.

Persons wishing to subscribe for all or some of the New Ordinary Shares to which they are entitled should lodge the Provisional Allotment Letter, together with the appropriate remittance, by post or by hand with Lloyds Bank Registrars, The Causeway, Worthing, West Sussex BN99 6DA, or by hand only, during normal business hours with Lloyds Bank Registrars, Antholin House, 71 Queen Street, London EC4N 1SL, in either case so as to arrive not later than 3.00 p.m. on the specified date, which is expected to be 31st October, 1996. A first class reply-paid envelope will be enclosed for the purpose of lodging the Provisional Allotment Letter by post.

The Company reserves the right (but shall not be obliged) with the agreement of Panmure Gordon to accept (i) Provisional Allotment Letters and accompanying remittances for the full amount payable which are received through the post not later than 10.00 a.m. on the day following the latest date for acceptance (the cover bearing a legible postmark dated not later than 3.00 p.m. on the latest date for acceptance); and (ii) applications in respect of which a remittance is received prior to 3.00 p.m. on the latest date for acceptance from an authorised person (as defined in the Financial Services Act 1986) specifying the New Ordinary Shares concerned and undertaking to lodge the relevant Provisional Allotment Letter in due course. The Company also reserves the right (in its sole discretion) to treat a Provisional Allotment Letter as valid and binding on the person by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required.

All payments must be made by cheque or banker's draft drawn in sterling on a bank or building society in the UK, the Channel Islands or the Isle of Man which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by either of those companies and must bear the appropriate sorting code in the top right hand corner. Cheques and banker's drafts for the full amount payable should be made payable to "Lloyds Bank Plc – a/c Fortnum & Mason" and crossed "a/c payee only". No interest will be allowed on payments made before they are due. Return of the Provisional Allotment Letter with the appropriate remittance will constitute a warranty that the remittance will be honoured on first presentation. The Company may elect not to treat as valid any acceptance in respect of which a remittance is notified to it or its agent as not having been so honoured. The Company also reserves the right to have cheques and banker's drafts presented for payment on receipt and to instruct Lloyds Bank Plc to seek special clearance of cheques to allow the Company to obtain full value for all remittances at the earliest opportunity.

It is a term of the Rights Issue that, to ensure compliance with the Money Laundering Regulations 1993, Lloyds Bank Plc may require verification of identity from any person lodging a Provisional Allotment Letter (an "applicant"). Return of a Provisional Allotment Letter with the appropriate remittance will constitute a warranty from the applicant that the Money Laundering Regulations 1993 will not be breached by the acceptance of the remittance and an undertaking from the applicant to provide verification of identity reasonably satisfactory to Lloyds Bank Plc if so requested. Failure to provide satisfactory evidence of identity if requested to do so may result in a delay in the return of a receipted fully paid Provisional Allotment Letter and the despatch of a definitive share certificate in respect of New Ordinary Shares. If within a reasonable period of time following a request for verification of identity, but in any event not later than 3.00 p.m. on 31st October, 1996, Lloyds Bank Plc has not received evidence satisfactory to it as aforesaid, the Company may (at its absolute discretion) either elect not to treat as valid the relevant

acceptance or to terminate the contract of allotment, in which event the moneys payable or paid in respect of the acceptance (to the extent provided) will be returned (without interest) to the account of the drawee bank from which such sums were originally debited (but in each case without prejudice to any rights the Company may have to take proceedings to recover in respect of loss or damage suffered or incurred by it as a result of the failure of the applicant to produce satisfactory evidence as aforesaid).

Payments should ideally be made by a cheque drawn on the applicant's own account. In any other case (for example if payment is made with a cheque drawn by a third party, a building society cheque or a banker's draft), applicants should:

- (i) write their name, address and date of birth on the back of the cheque or banker's draft;
- (ii) if a building society cheque or banker's draft is used, ask the building society or bank to endorse on the cheque the name and account number of the person whose building society or bank account is being debited; and
- (iii) if the application is being made by the applicant as agent for one or more persons, indicate on the Provisional Allotment Letter whether the applicant is a UK or EU regulated person or institution (for example, a bank or stockbroker) and specify the applicant's status. If an applicant is not a UK or EU regulated person or institution, please contact Lloyds Bank Registrars (tel 01903 702767).

If the Provisional Allotment Letter is delivered by hand, the person making payment should ensure that he has with him evidence of identity bearing his photograph (for example, a full valid passport).

Neither the Company nor Panmure Gordon shall be responsible for, nor have any liability for loss or damage (whether actual or alleged) arising from, the election by the Company to treat an acceptance in respect of New Ordinary Shares lodged by any applicant as invalid or to terminate the contract of allotment as a result of Lloyds Bank Plc not having received evidence as to the identity of the persons lodging the relevant Provisional Allotment Letter reasonably satisfactory to it within a reasonable period of time of Lloyds Bank Plc having requested such information.

All enquiries in connection with the Provisional Allotment Letter should be addressed to Lloyds Bank Registrars, The Causeway, Worthing, West Sussex BN99 6DA.

*(d) Registration in the name of Qualifying Shareholders*

A Qualifying Shareholder entitled to a provisional allotment of New Ordinary Shares who wishes to have all such shares registered in his name must accept such allotment and make payment for the New Ordinary Shares in accordance with the provisions set out in the Provisional Allotment Letter, but need not take any further action.

*(e) Renunciation and splitting*

A Qualifying Shareholder entitled to a provisional allotment of New Ordinary Shares who wishes to transfer all the New Ordinary Shares comprised in a Provisional Allotment Letter must complete and sign Form X on such letter and deliver the entire letter to the transferee or to the broker or bank who acted for such Qualifying Shareholder in the transaction. Once a Provisional Allotment Letter has been renounced, the letter will become a negotiable instrument in bearer form. The latest time and date for registration of renunciation is currently expected to be 3.00 p.m. on 31st October, 1996.

If a Qualifying Shareholder wishes to have only some of such New Ordinary Shares registered in his name and to transfer the remainder, or to transfer all the New Ordinary Shares but to different persons, the Provisional Allotment Letter may be split, for which purpose the Qualifying Shareholder must also complete and sign Form X on such letter. The letter must then be lodged by post or by hand with Lloyds Bank Registrars, Antholin House, 71 Queen Street, London EC4N 1SL not later than the date specified, which is currently expected to be 3.00 p.m. on 29th October, 1996 (if nil paid), to be cancelled and exchanged for the split letters required. The number of split letters required and the number of New Ordinary Shares to be comprised in each should be stated in a covering letter. Form X on the split letters will be marked "original duly renounced" before issue.

*(f) Registration in names of persons other than Qualifying Shareholders*

A renounee or his agent(s) must complete Form Y on the Provisional Allotment Letter and lodge the entire letter by post or by hand with Lloyds Bank Registrars, The Causeway, Worthing, West Sussex BN99 6DA, not later than the date specified, which is currently expected to be 3.00 p.m. on 31st October, 1996. After registration, the New Ordinary Shares will be transferable by written instruments of transfer in the usual common form. Registration cannot be effected unless the letter is fully paid.

*(g) Share certificates*

Definitive share certificates are expected to be despatched by post by 6th November, 1996. Following the despatch of definitive share certificates, Provisional Allotment Letters shall not be valid for any purpose whatsoever.

*(h) Posting*

All documents and remittances sent by post to or by the allottees or their renounees (or their agents, as appropriate) will be sent at the risk of such persons.

### **3. Rights not taken up**

Qualifying Shareholders who do not wish to take up their entitlement under the Rights Issue need not take any action. If payment in full (whether by the provisional allottee or any person in whose favour the rights have been renounced) is not received, at the address stated above by 3.00 p.m. on the date specified, which is currently expected to be 31st October, 1996 or such later time as may be permitted under paragraph 2(c) above, in accordance with the procedure laid down for acceptance and payment then the provisional allotment will be deemed to have been declined and will lapse. Panmure Gordon will use their reasonable endeavours as agent for the Company to procure subscribers for a number of New Ordinary Shares equal to the number of New Ordinary Shares not taken up (or deemed not to be taken up) by not later than 3.00 p.m. on the second business day following the latest time and date for acceptance and payment, if an amount at least equal to the aggregate of the Rights Issue Price and the expenses of procuring such subscribers (including commissions, brokerage and VAT if applicable) can be obtained. If subscribers are procured on such basis the New Ordinary Shares will be allotted to such subscribers and any net proceeds (after deduction of the Rights Issue Price and such expenses) will be paid by cheque (without interest) to the provisional allottees originally entitled thereto and whose rights have not been taken up (or have been deemed not to have been taken up) pro rata to their lapsed provisional allotments, save that no payment will be made of amounts of less than £3.00, which amounts will be aggregated and paid to the Company for its own benefit. Cheques for amounts due (if any) will be sent by post, at the risk of the persons entitled thereto, to the first named or sole Qualifying Shareholder at his registered address.

If at any time after 3.00 p.m. on the latest date for acceptance and payment, Panmure Gordon considers that it is unlikely that subscribers can be procured for New Ordinary Shares on the basis described above, Panmure Gordon may decide not to endeavour to procure subscribers for such New Ordinary Shares on such basis. If subscribers for the New Ordinary Shares not taken up cannot be procured on the basis described above, Panmure Gordon will themselves subscribe or procure subscribers for such New Ordinary Shares at the Rights Issue Price.

Neither the Company, nor Panmure Gordon or any person responsible for procuring subscribers or seeking to procure such subscribers shall be responsible or have any liability whatsoever for any loss or damage (actual or alleged) arising from any insufficiency or alleged insufficiency of any price at which any subscribers for New Ordinary Shares may be procured or the terms or timing of any such sales or subscription or any decision not to endeavour to procure subscribers.

### **4. United Kingdom taxation**

The following paragraphs are intended only as a general guide to the tax position at the date of this document for Qualifying Shareholders who are resident or ordinarily resident in the UK for tax purposes (unless the position of non-UK residents in especially referred to) holding Ordinary Stock Units (and if applicable Ordinary Shares) beneficially as investments and not as securities to be realised in the course of a trade and are based on current UK legislation and Inland Revenue practice. If you are in any doubt as to your tax position or are subject to tax in a jurisdiction other than the UK, you should consult an appropriate professional adviser without delay.

*(a) Taxation of chargeable gains*

The Sub-division is a reorganisation of the share capital of Fortnum & Mason for the purposes of UK taxation of chargeable gains ("CGT"). Accordingly, a holder of Ordinary Stock Units will not be treated as making a disposal for CGT purposes of Ordinary Stock Units or Ordinary Shares as a result of the Sub-division. Instead, the Sub-divided Ordinary Shares will be treated for CGT purposes as though they were acquired at the same time as, and for the same price that, the Ordinary Stock Units were acquired.

The New Ordinary Shares issued to a Qualifying Shareholder pursuant to the Rights Issue will be treated for CGT purposes as acquired by him under a reorganisation of the share capital of Fortnum & Mason.

Accordingly, a Qualifying Shareholder will not be treated as making a disposal for the purposes of CGT of all or part of his holding of Ordinary Shares by reason of taking up all or part of his rights to New Ordinary Shares.

To the extent that a Qualifying Shareholder takes up New Ordinary Shares provisionally allotted to him, those shares will be added to that Qualifying Shareholder's original holding of Ordinary Shares and treated, for CGT purposes, as the same asset and as though they had been acquired as and when the original holding was acquired. The acquisition cost of the enlarged holding will be deemed to be the aggregate of the allowable expenditure for the Qualifying Shareholder's original holding and the amount paid for the New Ordinary Shares, although the indexation allowance will apply to the amount paid for the New Ordinary Shares only from the date the moneys for the New Ordinary Shares are paid or liable to be paid. The aggregated amount will, on a subsequent disposal of any shares comprised in the composite holding of Ordinary Shares and New Ordinary Shares, be apportioned for CGT purposes between the number of shares disposed of and the number remaining at the date of disposal.

If a Qualifying Shareholder sells all or some of the New Ordinary Shares provisionally allotted to him or his rights to them, or if all or part of the rights are allowed to lapse or are deemed to have been allowed to lapse and a cash payment in respect thereof is received pursuant to paragraph 3 above, he may, depending on the circumstances, incur a liability to CGT on any gain realised.

If the cash proceeds resulting from the disposal or lapse of some or all of the rights to subscribe for the New Ordinary Shares do not exceed five per cent. of the market value (on the date of disposal or lapse) of the Ordinary Shares in respect of which the rights arose, the UK Inland Revenue may, on a claim being made, direct that the Qualifying Shareholder is not to be treated as making a part disposal for CGT purposes. No liability to CGT will then arise as a result of the disposal or lapse of the rights, but the proceeds will, on a disposal of Ordinary Shares, be deducted from the acquisition cost of the Qualifying Shareholder's existing holding of Ordinary Shares.

Qualifying Shareholders not resident (for tax purposes) in the UK (and, in the case of Qualifying Shareholders who are individuals, not ordinarily resident) will not normally be subject to CGT except where any such Qualifying Shareholder carries a trade, profession or vocation in the UK through a branch or agency and the Ordinary Shares in respect of which the gain arose were used or held for the purposes of that branch or agency.

*(b) Stamp duty and stamp duty reserve tax*

No stamp duty or stamp duty reserve tax ("SDRT") will be payable on the Sub-division.

Save in relation to a person whose business is or includes issuing depository receipts or to a nominee or agent of such person or to clearance services where special rules apply:

- (i) no stamp duty or SDRT will normally be payable on the issue or registration of Provisional Allotment Letters or split letters or allotment;
- (ii) the purchase of rights to New Ordinary Shares represented by a Provisional Allotment Letter (whether nil paid or fully paid) before the latest time for registration or renunciation will not be liable to stamp duty, but will (except in the case of purchases by certain market makers, brokers and dealers) be liable to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration paid. Where a purchase is effected through a stockbroker or other financial intermediary, that person should normally account to the Inland Revenue for the liability to SDRT and should indicate that this has been done in any contract note issued to a purchaser. In other cases, the purchaser or transferee of rights to the New Ordinary Shares represented by a Provisional Allotment Letter is liable to pay the SDRT and must account for it to the UK Inland Revenue;
- (iii) an agreement to sell New Ordinary Shares represented by a Provisional Allotment Letter after the latest time for registration or renunciation will normally give rise to a liability on the purchaser to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration paid. If an instrument of transfer of the New Ordinary Shares is subsequently produced within six years of the date of the agreement or (if later) the date the agreement goes unconditional, it will generally be subject to *ad valorem* stamp duty at the rate of 50p per £100 (or part thereof) of the amount or value of the consideration. When such stamp duty is paid, the SDRT charge will be cancelled and any SDRT already paid will be refunded;

- (iv) no stamp duty or stamp duty reserve tax will be payable on the registration of the New Ordinary Shares by the original holders of Provisional Allotment Letters or by their renounees; and
- (v) no stamp duty or stamp duty reserve tax will be payable on the issue of definitive share certificates at the end of the renunciation period to the person surrendering the Provisional Allotment Letter.

Stamp duty is generally paid by the purchaser or transferee.

*(c) Taxation of dividends*

The Company has no present intention of electing for any of its dividends to be treated as "foreign income dividends" under the relevant provisions of the Finance Act 1994. The statements that follow, which relate solely to Qualifying Shareholders, do not therefore deal with the taxation regime that is applicable to "foreign income dividends".

There is no UK withholding tax on dividends. However, when paying a dividend, Fortnum & Mason has to remit to the Inland Revenue an amount of advance corporation tax ("ACT") in respect of that dividend, except to the extent that the dividend is paid out of franked investment income. The rate of ACT is currently equal to one-quarter of the cash dividend. ACT paid by Fortnum & Mason can be set off against its liability to corporation tax, subject to certain limits and restrictions.

Dividends will carry a tax credit equal to one-quarter of the cash dividend, amounting to 20 per cent. of the sum of the dividend paid and the associated tax credit ("the gross dividend").

Individual Qualifying Shareholders resident (for tax purposes) in the UK who receive such a dividend will be taxable on the amount of the gross dividend. The tax credit (referred to above) will, however, be treated as discharging the Qualifying Shareholder's liability to income tax in respect of the dividend where such Qualifying Shareholder is liable to income tax at the basic rate or lower rate only. If the individual Qualifying Shareholder's total tax credits exceed his liability to income tax, he may be able to claim repayment of the excess from the Inland Revenue. To the extent that the gross dividend, when added to the individual Qualifying Shareholder's total income for UK income tax purposes, exceeds the threshold for the higher rate of income tax (currently 40 per cent.), or the Qualifying Shareholder is liable at such higher rate, the Qualifying Shareholder will be liable to tax on the gross dividend at the higher rate but may be able to offset the tax credit against such liability. Trustees of discretionary trusts liable to account for income tax at a rate of 34 per cent. on the trust's income may also be required to account for additional tax.

A UK resident corporate shareholder will not generally be liable to corporation tax on any dividend received and will generally be able to treat any dividend received (together with the associated tax credit) as franked investment income.

Subject to special provisions for Commonwealth citizens, citizens of the Republic of Ireland, residents of the Isle of Man, the Channel Islands, nationals of States which are part of the European Economic Area and certain others, the right of a Qualifying Shareholder who is not resident (for tax purposes) in the UK to claim any part of the tax credit in respect of a dividend received from Fortnum & Mason depends in general on the existence and provisions of any double tax convention or agreement which exists between the country in which the Qualifying Shareholder is resident and the UK. Persons who are not resident in the UK (for tax purposes) should consult their own tax advisers on their tax liabilities on dividends received or the possible application of treaty provisions, what relief or credit may be claimed in a jurisdiction in which they are resident for such tax credit and the procedure for claiming payment. Such Qualifying Shareholders may be subject to foreign taxation in respect of any dividend received from the Company.

## **5. Overseas shareholders**

### *(a) General*

The making of the Rights Issue to persons who are resident in, or citizens of, countries outside the United Kingdom ("UK") ("Overseas Shareholders") may be affected by the law of the relevant jurisdiction. Such persons should consult their professional adviser as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.

No person receiving a Provisional Allotment Letter in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use such Provisional Allotment Letter unless, in the relevant territory, such an invitation or offer could lawfully be made to him and such

Provisional Allotment Letter could lawfully be used without contravention of any registration or other legal requirements.

Accordingly, persons receiving this document and/or a Provisional Allotment Letter should not, in connection with the Rights Issue, distribute or send the same into any jurisdiction where to do so would or might contravene local securities laws or regulations. Any person who does forward this document or a Provisional Allotment Letter into any such territories (whether pursuant to a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph.

Any person (including, without limitation, nominees and trustees) outside the UK wishing to accept the offer of New Ordinary Shares comprised in the Provisional Allotment Letter must satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. **If you are in any doubt as to your position, you should consult your professional adviser.**

Receipt of a Provisional Allotment Letter will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and in such circumstances a Provisional Allotment Letter will be sent for information only. The Company reserves the right to treat as invalid any Provisional Allotment Letter which appears to the Company to have been executed or despatched in a manner which may involve a breach of the legislation of any jurisdiction or that does not make the warranties set out in the paragraph of the Provisional Allotment Letter headed "Overseas Shareholders" and the Company shall not be bound to allot or issue any New Ordinary Shares in respect of such Provisional Allotment Letter.

**Overseas Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made in pounds sterling.**

*(b) United States*

Neither the New Ordinary Shares nor the Provisional Allotment Letters have been or will be registered under the United States Securities Act of 1933 as amended (the "Securities Act") or the securities laws of any State of the United States. Accordingly, subject to certain exceptions, the New Ordinary Shares and the Provisional Allotment Letter may not be directly or indirectly offered, taken up, delivered, renounced, transferred or sold within the United States. Accordingly, the Rights Issue will not be made within the United States and Provisional Allotment Letters will not be sent to any Qualifying Shareholder with a registered address in the United States.

All persons subscribing for New Ordinary Shares must provide addresses in the UK for delivery of definitive certificates for New Ordinary Shares. The Company reserves the right to treat as invalid any Provisional Allotment Letter which appears to the Company or its agents to have been executed in or despatched from the United States or which provides an address outside the UK for delivery of definitive share certificates for New Ordinary Shares. By completing and delivering the Provisional Allotment Letter, the applicant warrants that he or she is not located in the United States when he or she executes the Provisional Allotment Letter and is not acquiring rights to New Ordinary Shares or New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such rights to New Ordinary Shares or New Ordinary Shares within the United States.

For the purpose of this document and the Provisional Allotment Letter, "United States" means the United States of America, each State thereof and the District of Columbia, its territories and possessions and other areas subject to its jurisdiction.

*(c) Canada*

The distribution of Provisional Allotment Letters will not be made pursuant to a prospectus in Canada nor pursuant to applicable prospectus or registration exemptions under the securities legislation of any province of Canada. Accordingly, Provisional Allotment Letters are not being sent to Qualifying Shareholders with registered addresses in Canada.

The Company reserves the right to treat as invalid any Provisional Allotment Letter which appears to the Company or its agents to have been executed in or despatched from Canada or which provides an address outside the UK for delivery of definitive share certificates for New Ordinary Shares. By completing and delivering the Provisional Allotment Letter, the applicant warrants that he or she is not located in Canada when he or she executes the Provisional Allotment Letter and is not acquiring rights to New Ordinary Shares or New Ordinary Shares with a view to the offer, sale, re-sale, transfer, delivery or distribution, directly or indirectly, of any such rights to New Ordinary Shares or New Ordinary Shares in Canada.



*(d) Australia*

No prospectus in relation to New Ordinary Shares has been or will be lodged with, or registered by, the Australian Securities Commission. A person may not (i) directly or indirectly offer for subscription or purchase, or issue an invitation to subscribe for or buy or sell, New Ordinary Shares or (ii) distribute any draft or definitive document in relation to any such offer, invitation or sale in the Commonwealth of Australia, its states, territories or possessions ("Australia") or to any resident of Australia (including corporations or other entities organised under the laws of Australia, but not including a permanent establishment of such corporation or entity located within the UK).

The Company reserves the right to treat as invalid any Provisional Allotment Letter which appears to the Company or its agents to have been executed in or despatched from Australia or which provides an address outside the UK for delivery of definitive certificates for New Ordinary Shares. By completing and delivering the Provisional Allotment Letter, the applicant warrants that he or she is not located in Australia when he or she executes the Provisional Allotment Letter.

*(e) South Africa*

In order to comply with South African law, Provisional Allotment Letters sent to Qualifying Shareholders with registered addresses in South Africa will not be renounceable. Such shareholders may also require the approval of the South African Exchange Control authorities if they wish to take up their entitlement.

*(f) Other overseas territories*

Persons resident in, or who are citizens of, other countries outside the UK should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.

*(g) Sale of rights*

In cases where Overseas Shareholders do not take up or are unable to take up New Ordinary Shares, the procedure concerning New Ordinary Shares described in paragraph 3 above will apply.

All payments must be made in pounds sterling in the manner set out above in paragraph 2(c).

**The comments set out in this paragraph 5 are intended as a guide only, and if you are in any doubt as to your eligibility to accept a Provisional Allotment Letter, you should contact your professional adviser without delay.**

**6. Timetable**

**The expected timetable of principal events on page 3 of this document and the dates mentioned throughout this document may be adjusted by agreement between the Company and Panmure Gordon and revised dates will be set out in the Provisional Allotment Letters if the Rights Issue is delayed so that the Provisional Allotment Letters cannot be despatched on 9th October, 1996.**

## PART III

### Valuation report on the New Property, Existing Store and Site

## HEALEY & BAKER

The Directors  
Fortnum & Mason plc  
181 Piccadilly  
London W1A 1ER

and

The Directors  
Panmure Gordon & Co. Limited  
New Broad Street House  
35 New Broad Street  
London EC2M 1NH

International Real Estate  
Consultants  
29 St. George Street  
Hanover Square  
London W1A 3BG  
Telephone 0171 629 9292  
Facsimile 0171 514 2360

12th September, 1996

Dear Sirs

#### Property Valuation as at 12th September, 1996 Fortnum & Mason plc ("the Company")

In accordance with your instructions dated 6th September, 1996, we have pleasure in reporting to you as follows:

#### 1. Scope of Instructions

1.1 We have considered those properties as set out in the attached Schedule which we understand are/will be held by the Company or its subsidiaries.

1.2 We are instructed to prepare this valuation for the purposes of a Prospectus to Shareholders, in connection with the acquisition of a leasehold interest in 185/186 Piccadilly ("the New Property") and to extend its current lease in 181/184 Piccadilly ("the Existing Property").

1.3 The effective date of the valuation is at the date of this Valuation Certificate.

1.4 The valuation has been prepared in accordance with the Practice Statements contained in the RICS Appraisal and Valuation Manual published by The Royal Institution of Chartered Surveyors and Chapter 18 of The Listing Rules published by the London Stock Exchange. The valuation has been prepared by a valuer who conforms to the requirements as set out in the RICS Appraisal and Valuation Manual, acting in the capacity of an external valuer.

#### 2. Basis of Valuation

2.1 As instructed and in accordance with the requirements of the RICS Appraisal and Valuation Manual, the valuation has been prepared on the bases as set out below and as defined in the RICS Appraisal and Valuation Manual as follows:

2.2 The New Property which is held for development, has been valued on the following basis:

##### *Open Market Value*

This is defined as "An opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;

- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion."

2.3 The valuation of the property primarily occupied by the Company or its subsidiaries, the Existing Property, and the valuation of the property owner occupied by the Company or its subsidiaries following part reconstruction and amalgamation, 181/186 Piccadilly ("the Redeveloped Property"), have been prepared on the following basis:

*Existing use value*

This is defined as "An opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;
- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a prospective purchaser with a special interest;
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion;
- (f) the property can be used for the foreseeable future only for the existing use; and
- (g) that vacant possession is provided on completion of the sale of all parts of the property occupied by the business (save that, solely where the property is owned by a public or other non-profit-making body for the delivery of a service, it is to be assumed that the property will continue to be occupied or let for its existing use)."

### **3. Tenure and Tenancies**

3.1 We have not had access to the Title Deeds or Leases, although we have been provided with Title Reports prepared by Associated British Foods plc and dated 2nd and 4th September, 1996. Our valuation has been based on the information which the Company and its professional advisers have supplied to us as to tenure, tenancies and statutory notices.

3.2 Unless disclosed to us to the contrary, and recorded in the Schedule our valuation is on the basis that:

- (a) each property possesses a good and marketable title, free from any unusually onerous restrictions, covenants or other encumbrances;
- (b) in respect of leasehold properties, there are no unreasonable or unusual clauses which would affect value and no unusual restrictions or conditions governing the assignment or disposal of the interest;
- (c) leases to which the properties are subject are on full repairing and insuring terms, and contain no unusual or onerous provisions or covenants which would affect value; and
- (d) vacant possession can be given of all accommodation which is unlet, or occupied either by the Company or by its employees on service occupancies.

3.3 The new 125 year leases of the Existing Property and the New Property have not yet been granted to the Company as the conditions for transfer of the two leasehold titles set out in the agreement for sale relating to the New Property ("the Agreement for Sale") and the development agreement relating to the Redeveloped Property ("the Development Agreement") have not yet been met. We are informed by the Company that the Agreement for Sale and the Development Agreement have been exchanged. However, our valuation of the New Property has been provided on the basis that these Agreements will be completed and the conditions will be met in due course and therefore that the new lease of the New Property will commence. To clarify, our valuation of the New Property has been made on the development opportunity available as set out in the documentation mentioned above rather than the new 125 year leasehold title itself.

3.4 Our valuation of the Redeveloped Property is on the basis that the two new 125 year leasehold titles have been granted.

#### **4. Town Planning**

4.1 We have not made formal searches, but have generally relied on verbal enquiries and any informal information received from the Local Planning Authority.

4.2 In the absence of information to the contrary, our valuation is on the basis that the properties are not affected by proposals for road widening or Compulsory Purchase.

4.3 Our valuation of the Existing Property is on the basis that it has been erected either prior to planning control or in accordance with a valid planning permission and is being occupied and used without any breach. Our valuation of the Redeveloped Property is on the basis that it has been redeveloped in accordance with the planning permission granted and is being occupied and used without any breach.

#### **5. Structure**

5.1 We have neither carried out a structural survey of any property, nor tested any services or other plant or machinery. We are therefore unable to give any opinion on the condition of the structure and services. However, our valuation takes into account any information supplied to us and any defects noted during our inspection. Otherwise, our valuation is on the basis that there are no latent defects, wants of repair or other matters which would materially affect our valuation.

5.2 We have not inspected those parts of any property which are covered, unexposed or inaccessible and our valuation is on the basis that they are in good repair and condition.

5.3 We have not investigated the presence or absence of High Alumina Cement, Calcium Chloride, Asbestos and other deleterious materials. In the absence of information to the contrary, our valuation is on the basis that no hazardous or suspect materials and techniques have been used in the construction of any property. You may wish to arrange for investigations to be carried out to verify this.

#### **6. Site and Contamination**

6.1 We have not investigated ground conditions/stability and, our valuation is on the basis that all buildings have been constructed, having appropriate regard to existing ground conditions. In respect of the property with development potential, our valuation is on the basis that there are no adverse ground conditions which would affect building costs.

6.2 We have not carried out any investigations or tests, nor been supplied with any information from you or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances in the subject or any other land (including any ground water). Accordingly, our valuation has been prepared on the basis that there are no such matters that would materially affect our valuation. Should this basis be unacceptable to you or should you wish to verify that this basis is correct, you should have appropriate investigations made and refer the results to us so that we can review our valuation.

#### **7. Plant and Machinery**

7.1 Usual landlord's fixtures such as lifts, escalators and central heating have been treated as an integral part of the building and are included within the asset valued and have been treated as belonging to the landlord upon reversion of the leases.

7.2 Process related plant/machinery and tenants' fixtures/trade fittings have been excluded from our valuation.

## 8. Inspections

8.1 We have inspected the Existing Property internally and externally from ground level on Wednesday, 21st August, 1996 and Tuesday, 27th August, 1996. We have calculated in accordance with the Code of Measuring Practice prepared by The Royal Institution of Chartered Surveyors, those floor areas referred to in the attached Schedule. Both those and any reference to the age of buildings are approximate.

8.2 We have not internally inspected 185/186 Piccadilly as this property has been valued on the basis that it is to be redeveloped. We have calculated floor areas of this building from floor plans provided to us by EPR Architects Limited dated April 1996, and numbered 8532/LO Revision B.

## 9. General Principles

9.1 Our valuation is based on the information which has been supplied to us by the Company and its professional advisers or which we have obtained from our enquires. We have relied on this being correct and complete and on there being no undisclosed matters which would affect our valuation.

9.2 No allowances have been made for any expenses of realisation or any taxation liability arising from a sale or development of any property.

9.3 No account has been taken of any leases granted between subsidiaries of the Company, and no allowance has been made for the existence of a mortgage, or similar financial encumbrance on or over the properties.

9.4 Our valuation is exclusive of any Value Added Tax.

9.5 The valuation of properties has been undertaken by Mr A C Cherry, FRICS and Mr S R B Smith, ARICS.

9.6 In our valuation of the New Property and the Redeveloped Property, we have relied on the information supplied to us as to the level of finishes contained in a brief and specification for new extension at 185/186 Piccadilly dated 23rd May, 1996 revision C and prepared by EPR Architects Limited. We have assumed that these properties will be satisfactorily completed with satisfactory workmanship using good materials in accordance with the standard of finishes of which we have been advised, and that upon completion, a structural survey would not reveal any defects to any parts of the properties.

9.7 We have assumed that all necessary approvals and consents will be obtained and that the development works will be constructed in accordance with them.

9.8 We have valued on the basis that high alumina cement, calcium chloride, asbestos or other deleterious materials will not be used in the construction of the properties to be developed.

## 10. Valuation

### 10.1 181/184 Piccadilly, London W1

**Property owner-occupied for the purposes of the business** – Subject to the foregoing, and based on values current as at 12th September, 1996, we are of the opinion that the Existing Use Value of the leasehold interest in the property, as set out in the attached Schedule, is the total sum of £19,000,000 (Nineteen Million Pounds).

### 10.2 185/186 Piccadilly, London W1

**Property held for Development** – In order to comply with Chapter 18 of the Listing Rules of the London Stock Exchange, we have prepared our valuation of 185/186 Piccadilly (as stated in paragraphs 1.4 and 2.2 above), on the basis of Open Market Value in accordance with the Practice Statements contained in the RICS Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors.

Conditional Planning permission was granted by the City of Westminster on 13th August, 1996 for the demolition of 185/186 Piccadilly and the construction of new premises on lower ground, ground and 4 upper floors interconnecting with 181/184 Piccadilly. Development is planned to commence in January 1997 and to be completed by December 1997.

We have prepared our valuation of 185/186 Piccadilly, as a development site on the basis that a stand alone building will be provided and have disregarded any additional value to the Company. In arriving at our valuation, we have estimated the Completed Development Value of the property once built as a stand alone building and have relied on a preliminary building works cost estimate dated 27th August, 1996 prepared by Gardiner & Theobald, Quantity Surveyors amounting to £3,975,000.

We note however that the Development Agreement) contains a non assignment clause and that the planning permission provides that for the first five years of occupation the property shall not be occupied except as an extension to the retail business carried on at 181/184 Piccadilly. Accordingly, subject to the foregoing, and based on values current as at 12th September, 1996, we are of the opinion that the Open Market Value of the leasehold interest in the property, as set out in the attached Schedule, is the total sum of £0 (Nil).

#### *10.3 181/186 Piccadilly, London W1*

**Property owner-occupied for the purposes of the business following part reconstruction and amalgamation –** Subject to the foregoing, and based on values current as at 12th September, 1996, we are of the opinion that the Existing Use Value of the leasehold interest in the property, as set out in the attached Schedule, is the total sum of £28,200,000 (Twenty Eight Million Two Hundred Thousand Pounds).

#### *10.4 The attached Schedule must be read in conjunction with this Certificate.*

The contents of this Valuation Certificate are intended to be confidential to the addressees. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of its contents save for the stated purpose only. Before the Valuation Certificate or any part of its contents are reproduced or referred to in any document, circular or statement or disclosed orally to a third party, our written approval as to the form and content of such publication or disclosure must first be obtained. For avoidance of doubt, such approval is required whether or not this firm is referred to by name and whether or not our Valuation Certificate is combined with others.

Yours faithfully,

**Healey & Baker**

## SCHEDULE

### Property owner-occupied for the purposes of the business

<i>Property</i>	<i>Description, age and tenure</i>	<i>Existing use value</i>
181-184 Piccadilly 22-27 Duke Street and 41-47 Jermyn Street London W1	Department store on sub-basement, lower basement, basement, ground, mezzanine and 6 upper floors having a total gross internal area of about 13,076.7 square metres (140,760 square feet).  Built about 1925.  Leasehold – held on a lease for a term of 125 years from 24th June, 1981 at a rent of £10 per annum without review.	£19,000,000

### Property held for development

<i>Property</i>	<i>Description, age and tenure</i>	<i>Terms of existing tenancies</i>	<i>Net annual rent receivable</i>	<i>Open market value</i>
185-186 Piccadilly London W1	Conditional Planning Permission and Conservation Area Consent was granted on 13th August, 1996 for the erection of a new building at 185-186 Piccadilly for Class A1 retail use as an extension to the existing store at 181-184 Piccadilly and comprising basement and five storeys to front and three storeys to the rear.  The redeveloped property is to have a total net internal floor area of about 1,602.9 square metres (17,254 square feet).  Leasehold – to be held on a lease for a term of 125 years at a rent of £35,000 per annum with upwards only rent reviews every 5th year to 10 per cent. of the open market rental value. The lease term is to commence on the quarter day immediately preceding practical completion of the building works.  The grant of the lease is subject to the completion of certain building works scheduled in the Development Agreement which contains a non-assignment clause.	Nil	Nil	£Nil

### Property owner-occupied for the purposes of the business following part reconstruction and amalgamation

<i>Property</i>	<i>Description, age and tenure</i>	<i>Existing use value</i>
181-186 Piccadilly 22-27 Duke Street and 41-47 Jermyn Street London W1	Department store on sub-basement, lower basement, basement, ground, mezzanine and 6 upper floors having a total gross internal floor area of about 15,192.5 square metres (163,535 square feet).  Built about 1925 and part to be built in 1997.  Leasehold – to be held on two leases; to be granted on the completion date (the date falling 14 working days after practical completion of the building works to 185-186 Piccadilly), on the following terms.  (1) 125 years at a rent of £10 per annum without review.  (2) 125 years at a rent of £35,000 per annum with rent reviews every 5 years to 10 per cent. of the open market rental value.  Both lease terms are to commence on the quarter day immediately preceding Practical Completion of the building works to 185-186 Piccadilly.	£28,200,000

## PART IV

### Preliminary Announcement of Audited Results for the 52 weeks ended 13th July, 1996

#### Results

The Chairman, Mr Garry H. Weston, stated that he was pleased to report that the Company continued to make progress during the year, with operating profits before exceptional items increasing by £113,000 to £2,537,000. Operating profits have now risen for nine successive years.

Last year's operating results included exceptional credits of £571,000. In order to show the underlying trend these credits are excluded from all comparative results referred to in this statement.

Sales growth in the second half of the year was maintained by the Piccadilly store at the rate of the first half, but as noted in the interim report, the phasing of orders gave a fall in second half export sales compared with the previous year, after the first half had shown a 21 per cent increase.

For the year, Piccadilly store sales increased by 6.3 per cent, against the 53 weeks of last year, a like for like increase of 8 per cent. Export sales increased by 4.3 per cent to give a combined increase of 6 per cent.

Sales in the food departments continued to benefit from the major changes to the ranges introduced in 1994/95, and from further developments this year. Despite increasing competition our tea department maintained its pre-eminence in the speciality tea market with a sales growth of 20 per cent.

Our fresh food departments have directed more of their sourcing to products from small specialist suppliers producing to our own specifications. In June we held a promotion in conjunction with Food from Britain featuring these small suppliers, at the launch of which we were honoured by the presence of His Royal Highness the Prince of Wales. Sales in these departments showed an encouraging increase of 10 per cent for the year.

In non-food departments new ranges of Limoges helped the china and glass department to record an increase of 14 per cent, and our own label menswear collection improved sales by 11 per cent.

The restaurants, after a number of successful years, suffered a setback in sales progress. A re-organisation of the management structure and a review of the menus was carried out shortly before the year-end. These actions now appear to be having a positive effect.

Most export markets showed sales ahead of budget for the year, with a good initial response to the new ranges of grocery and tea products mentioned earlier.

Our most important market, Japan, reversed last years decline with a increase of 14 per cent. The "concept areas" in Australia continued to develop, with a rise in sales of 16 per cent.

Staff numbers remained broadly similar to last year, and wage costs rose by 5 per cent.

Distribution costs rose from £141,000 to £235,000 due to significant increases in the cost of packing materials and a higher proportion of large orders eligible for free delivery.

Fees totalling £142,000 were incurred relating to the proposed extension of the store. These have been charged as an expense against the operating profit of the year.

Interest receivable rose from £476,000 to £684,000 as a result of greater cash balances and higher rates available during the first half of the year.

Profit before taxation was £3,221,000, an improvement of £321,000 on the comparable 53 weeks.

After charging taxation of £1,125,000, the profit available to shareholders was £2,096,000 compared with £1,926,000 in the 53 weeks to July 1995. Earnings per ordinary share at 491p showed an increase of 40p or 9 per cent on last year.

The board has declared a second interim dividend of 72p per ordinary stock unit, giving a total payment for the year of 158p, an increase of 10 per cent over the previous year. Ordinary stock dividend warrants will be posted on 30th December, 1996 to members on the register on 15th October, 1996.

Current trading is satisfactory, and with the UK economy improving the outlook remains positive. If the proposed major extension to the store is approved there will inevitably be some short term disruption to trading and to operating profits, as well as reduced interest income. That your board is proposing such an extension reflects the confidence it possesses in the potential for the profitable development of our Piccadilly operations.



# Profit and Loss Account

53 weeks ended 15th July, 1995 (excluding exceptional items) £'000		52 weeks ended 13th July, 1996 £'000	53 weeks ended 15th July, 1995 £'000
30,221	Turnover	32,038	30,221
2,424	Operating profit	2,537	2,995
476	Interest receivable	684	476
2,900	Profit on ordinary activities before taxation	3,221	3,471
(974)	Tax on profit on ordinary activities	(1,125)	(1,162)
1,926	Profit for the financial year	2,096	2,309
(620)	Dividends	(680)	(620)
1,306	Retained profit to reserves	1,416	1,689
451p	Earnings per Share	491p	541p
144p	Dividends per Share	158p	144p

# Balance Sheet

	<i>As at 13th July, 1996 £'000</i>	<i>As at 15th July, 1995 £'000</i>
<b>Fixed assets</b>		
Tangible assets	6,279	6,305
Investments	2	2
	<u>6,281</u>	<u>6,307</u>
<b>Current assets</b>		
Stocks	3,171	3,171
Debtors	1,603	1,670
Investments	3,000	—
Cash at bank and in hand	5,941	8,008
	<u>13,715</u>	<u>12,849</u>
<b>Creditors (amounts falling due within one year)</b>	<u>4,037</u>	<u>4,535</u>
<b>Net current assets</b>	<u>9,678</u>	<u>8,314</u>
<b>Total assets less current liabilities</b>	<u>15,959</u>	<u>14,621</u>
Provision for deferred taxation	436	514
	<u>15,523</u>	<u>14,107</u>
<b>Capital and reserves</b>		
Called up share capital	600	600
Share premium account	119	119
Profit and loss account	14,804	13,388
	<u>15,523</u>	<u>14,107</u>
<b>Equity shareholders' funds</b>	<u>15,348</u>	<u>13,932</u>
Non-equity shareholders' funds	175	175
	<u>15,523</u>	<u>14,107</u>

## Cash Flow Statement

	<i>52 weeks ended 13th July, 1996 £'000</i>	<i>53 weeks ended 15th July, 1995 £'000</i>
<b>Net cash inflow from operating activities</b>	2,566	3,656
<b>Returns on investments and servicing of finance</b>		
Interest received	720	270
Dividends paid	(620)	(476)
<b>Net cash (outflow)/inflow from returns on investments and servicing of finance</b>	100	(206)
Taxation paid	(1,122)	(781)
<b>Investing activities</b>		
Purchase of current asset investments	(3,000)	—
Purchase of tangible fixed assets	(615)	(624)
Sale of tangible fixed assets	4	—
Net movement on bank deposits held on notice of three months or more	1,391	(2,485)
	(2,220)	(3,109)
<b>Net increase/(decrease) in cash and cash equivalents</b>	(676)	(440)

**Notes:**

1. The above financial information does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The information for the 53 weeks ended 15th July, 1995 is extracted from the statutory accounts which have been filed with the Registrar of Companies on which the auditors have given an unqualified opinion. The statutory accounts for the 52 weeks ended 13th July, 1996 will be filed with the Registrar of Companies.
2. The calculation of earnings per share is based on the profit for the period, after preference dividends, and divided by 425,000 (1995: 425,000) ordinary stock units in issue.
3. The Annual Report will be posted to shareholders today and will be available on request from The Secretary, Fortnum & Mason plc, 181 Piccadilly, London W1A 1ER.
4. It is expected that the Annual General Meeting will be held at 181 Piccadilly, London W1A 1ER on Wednesday, 9th October, 1996.

12th September, 1996

## PART V

### Pro forma statement of net assets of Fortnum & Mason

The following pro forma statement of net assets of the Company ("pro forma statement"), after taking into account the Acquisition and the proceeds of the Rights Issue, is provided for illustrative purposes only and, because of its nature, cannot give a complete picture of the financial position of the Company. The pro forma statement is derived from the audited balance sheet of the Company as at 13th July, 1996.

	<i>Net assets of the Company at 13th July, 1996 £'000</i>	<i>Effect of Rights Issue £'000</i>	<i>Effect of the Acquisition £'000</i>	<i>Pro forma net assets £'000</i>
<b>Fixed assets</b>				
Tangible assets	6,279	—	3,300	9,579
Investments	2	—	—	2
	6,281	—	3,300	9,581
<b>Current assets</b>				
Stocks	3,171	—	—	3,171
Debtors	1,603	—	—	1,603
Investments	3,000	—	—	3,000
Cash at bank and in hand	5,941	5,120	(3,300)	7,761
	13,715	5,120	(3,300)	15,535
<b>Creditors</b> (amounts falling due within one year)	4,037	—	—	4,037
	9,678	5,120	(3,300)	11,498
<b>Net current assets</b>				
	15,959	5,120	—	21,079
<b>Total assets less current liabilities</b>				
Provision for deferred taxation	436	—	—	436
	15,523	5,120	—	20,643
	15,523	5,120	—	20,643

**Notes:**

1. The unaudited pro forma statement of net assets:

- (a) assumes the Rights Issue takes place, raising approximately £5.12 million (net of expenses), which is illustrated in the column labelled effect of the Rights Issue, as an addition to cash.
- (b) assumes the Acquisition takes place.
- (c) does not reflect the trading of the Company since 13th July, 1996.

2. The expenses of the Rights Issue are expected to amount to approximately £192,000, inclusive of irrecoverable value added tax.

3. The Directors estimate that the building and fitting out costs associated with the Redevelopment will be some £5.8 million and £2.6 million respectively. These figures have not been included in the above pro forma statement of net assets.

## PART VI

### Additional information

#### 1. Incorporation and Directors

1.1 The Company was incorporated and registered in England on 10th June, 1905 as Fortnum & Mason Limited with limited liability under the Companies Acts 1862 to 1900 with registered number 84909. It subsequently re-registered as a public limited company on 23rd March, 1982. The Company operates under the Act.

1.2 The head and registered office of the Company is at 181 Piccadilly, London W1A 1ER.

1.3 The names, function and business address of the Directors are set out below:

Garfield Howard Weston	— Chairman
Willard Gordon Galen Weston	— Vice Chairman
Gerard William Artindale	— Financial Director
Camilla Howard Wittington Dalglish	— Non-Executive Director
Gerald Victor Hamilton	— Managing Director
Jana Ruth Khayat	— Non-Executive Director
John Grant Lithiby	— Non-Executive Director
Wallace Monaghan	— Non-Executive Director

all of 181 Piccadilly, London W1A 1ER.

#### 2. Articles of Association

##### 2.1 *Voting*

2.1.1 Subject to the restrictions referred to in paragraphs 2.2 to 2.4 below, on a show of hands every member who is present in person (or, if a corporation, by a duly authorised corporate representative) at any general meeting shall have one vote and on a poll every member who is present in person, by a duly authorised corporate representative or by proxy shall have one vote for every Ordinary Share of which he is the holder.

2.1.2 The holders of Cumulative Preference Stock Units shall not be entitled to receive notice of or attend or vote at any general meeting unless either at the date of the notice convening the meeting the dividend on such Cumulative Preference Stock Units is 6 months in arrears or the business of the meeting includes the consideration of a resolution for reducing the capital of the Company or winding up the Company or directly affecting the interest of the holders of the Cumulative Preference Stock Units as regards dividend, return of capital or voting.

2.1.3 A member shall not, unless the Directors otherwise determine, be entitled in respect of any Ordinary Shares to attend or vote at any general meeting or separate class meeting or to exercise any of the rights conferred by membership in relation to meetings of the Company if he or any other person appearing to be interested in the relevant Ordinary Shares has been given a notice under section 212 of the Act and has failed to give the Company such information as is required by the notice within 14 days. The restrictions will continue until the information required by the notice is supplied to the Company or until the Ordinary Shares in question are transferred.

2.1.4 In addition, no member shall be entitled, in respect of any Ordinary Shares held by him, to vote at any general meeting or separate class meeting, unless all amounts presently payable by him in respect of those Ordinary Shares have been paid.

##### 2.2 *Variation of rights*

Subject to the provisions of the Act, the rights attached to any class of shares may be varied in such manner as may be provided by those rights or (in the absence of any such provision) with the consent in writing of the holders of three-quarters in number of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class.

### 2.3 Dividends

The Company may by ordinary resolution declare dividends in accordance with the respective rights of the members not exceeding the amount recommended by the Directors. The dividends shall be applied, first, in paying to the holders of the Cumulative Preference Stock Units a fixed cumulative preferential dividend of 4.9 (net) per cent. per annum payable half yearly on 30th June and 31st December in each year on the amounts paid or credited as paid up on the Cumulative Preference Stock Units and, secondly, the balance shall be distributed among the holders of the Ordinary Shares held by them. The Directors may pay interim dividends if it appears to them that they are justified by the profits of the Company available for distribution. In addition, the Directors may pay interim dividends on shares which confer deferred or non-preferred rights with regards to dividend as well as on stocks or shares which confer preferential rights with regard to dividends, but no interim dividend shall be paid on stock or shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears. The Directors shall also withhold any dividend payable in respect of shares which are the subject of a notice under section 212 of the Act where the shares which are the subject of the notice represent at least 0.25 per cent. of the class and subject to the conditions specified in the Company's Articles of Association relating to the disclosure of interests, the required information has not been received by the Company within the prescribed periods. Any dividend which remains unclaimed for 12 years from the date when it became due for payment shall be forfeited and cease to remain owing by the Company.

### 2.4 Distribution of assets on winding-up

On the distribution of assets on liquidation or otherwise the surplus assets of the Company remaining after payment of its liabilities shall be applied first in repaying to the holders of the Cumulative Preference Stock Units the amounts paid or credited as paid up on such stock, and together with all the arrears of the fixed cumulative preferential dividend, whether earned or declared or not up to the commencement of such winding up and the balance of such assets shall be distributed among the holders of the Ordinary Shares in proportion to the amounts paid or credited as paid up on the Ordinary Shares held by them.

### 2.5 Transfer

The Ordinary Shares and Cumulative Preference Stock Units are in registered form and may be transferred by written instruments of transfer in any usual form or in any other form which the Directors approve and shall be executed by or on the behalf of the transferor and, where the shares not fully paid, by or on behalf of the transferee. Fully paid shares are fully transferable. The Directors may, in their absolute discretion and without giving any reason, refuse to register the transfer of shares which are not fully paid, save that the Directors would not exercise their discretion such as to prevent dealings in the Ordinary Shares taking place on an open and proper basis. The Directors may also refuse to register the transfer of shares unless the instrument of transfer is lodged, duly stamped, at the Company's registered office or such other place as the Directors may appoint and (except in the case of a transfer by a recognised person where a certificate has not been issued in respect of the shares) is accompanied by the certificate for the shares to which it relates and such other evidence the Directors may reasonably require to show the rights of the transferor to make the transfer, it is in respect of only one class of shares and it is in favour of not more than 4 transferees. The Directors may also refuse to register a transfer of shares which are the subject of a notice under section 212 of the Act where the shares which are the subject of the notice represent at least 0.25 per cent. of the class and, subject to the conditions specified in the Company's Articles of Association relating to the disclosure of interests, the required information has not been received by the Company within the prescribed periods. The registration of transfers of shares or of any class of share may be suspended at such time and for such periods (not exceeding 30 days in any year) as the Directors may determine.

## 3. Share capital

3.1 The authorised and issued and fully paid share capital of the Company, as it is at present and as it will be following the passing of the resolutions to be proposed at the Extraordinary General Meeting and the implementation of the Rights Issue, is:

	<i>Authorised</i>		<i>Issued and fully paid</i>	
	<i>Nominal Value</i>	<i>Number</i>	<i>Nominal Value</i>	<i>Number</i>
Cumulative Preference Stock Units of £1 each				
At present	£175,000	175,000	£175,000	175,000
Proposed	£175,000	175,000	£175,000	175,000

	<i>Authorised</i>		<i>Issued and fully paid</i>	
	<i>Nominal</i>	<i>Number</i>	<i>Nominal</i>	<i>Number</i>
	<i>Value</i>		<i>Value</i>	
Ordinary Stock Units and Shares of £1 each				
At present	£575,000	575,000	£425,000	425,000
Proposed	—	—	—	—
Ordinary Shares of 5p each				
At present	—	—	—	—
Proposed	£637,500	12,750,000	£478,125	9,562,500

On the passing of the ordinary resolutions to be proposed at the Extraordinary General Meeting the directors will have general and unconditional authority for the purposes of section 80 of the Act to allot relevant securities (within the meaning of section 80 of the Act) up to an aggregate nominal value of £212,500, such authority to expire on 12th September, 2001. The authority to allot relevant securities relates to the allotment of the New Ordinary Shares comprised in the Rights Issue and thereafter an amount of Ordinary Shares equivalent to one-third of the Company's issued share capital as enlarged by the Rights Issue. Save for allotting Ordinary Shares under the Rights Issue the Directors have no present intention of allotting any Ordinary Shares.

#### 4. Directors and other interests

4.1 As at 1st September, 1996, being the latest practicable date prior to publication, the interests of the Directors in the shares and stock of the Company, its holding company and fellow subsidiaries which;

- (i) have been notified to the Company pursuant to section 324 or 328 of the Act; or
- (ii) are required to be entered in the register maintained under section 325 of the Act; or
- (iii) are interests of a person connected (within the meaning of section 346 of the Act) with a Director which would, if the connected person were a Director, be required to be disclosed under subparagraph 4.1(i) or 4.1(ii) above, and the existence of which is known to or could with reasonable diligence be ascertained by that Director, are set out below:

##### Beneficial interests

###### Garry H Weston

Wittington, ordinary shares of 50p	4,925
Associated British Foods plc, ordinary shares of 5p	693,324
George Weston Foods Limited, ordinary shares of 50 cents	2,017

###### W G Galen Weston

Wittington, ordinary shares of 50p	37,953
Associated British Foods plc, ordinary shares of 5p	6,446,092

###### C H W Dalglish

Wittington, ordinary shares of 50p	15,300
Associated British Foods plc, ordinary shares of 5p	3,007,340
Fortnum & Mason, Ordinary Stock Units of £1	100

###### J R Khayat

Associated British Foods plc, ordinary shares of 5p	352,902
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###### J G Lithiby

Fortnum & Mason, Ordinary Stock Units of £1	500
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###### W Monaghan

Associated British Foods plc, ordinary shares of 5p	21,200
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##### Non-beneficial interests

Garry H Weston, W G Galen Weston, Mrs C H W Dalglish and Mrs J R Khayat are trustees of a trust, in which they have no beneficial interest, which at 1st September, 1996 held 683,073 ordinary shares of 50p in Wittington and no ordinary shares in any other holding company, subsidiary or fellow subsidiary company of the Company. Garry H Weston is a trustee of a trust, in which he has no beneficial interest, which at 1st September, 1996 held 1,983,938 ordinary shares of 5p in Associated British Food plc.

Assuming that both the Directors who hold Ordinary Stock Units take up their rights in full, J G Lithiby will hold 11,250 Ordinary Shares and C M W Dalglish will hold 2,250 Ordinary Shares immediately following the Rights Issue.

Wittington was interested in 381,965 Ordinary Stock Units (representing 89.87 per cent. of the Company's Ordinary Stock Units) according to the register of substantial interests in shares maintained by the Company pursuant to section 211 of the Act. Following the Rights Issue, conversion and Sub-division of the existing Ordinary Stock Units into Ordinary Shares and assuming that Wittington takes up its rights in full, Wittington will be interested in 8,594,212 Ordinary Shares (representing 89.87 per cent. of the enlarged share capital) immediately following the Rights Issue. Save for the foregoing, the Directors do not know of any person, insofar as they are known to the issuer, who, directly, indirectly, jointly or severally exercise or could control over the issuer or of any person who is directly or indirectly interested in 3 per cent. or more of the Company's issued share capital whose interest is required to be notified to the Company under the Act and the regulations made thereunder.

4.2 Wittington is the parent undertaking of Fortnum & Mason. In addition to its holding of 89.87 per cent. of the Company's Ordinary Stock Units, it holds 21.86 per cent. of the Cumulative Preference Stock Units. Wittington is a private company which is owned as to approximately 79 per cent. by the Garfield Weston Foundation, a charitable foundation. Wittington's main asset is a holding of 50.9 per cent. of the issued ordinary shares of Associated British Foods plc a separately quoted company which has interests in food manufacturing and processing.

4.3 There are no existing or proposed service or consultancy agreements terminable with a notice period of one year or more between any director and the Company and its holding company.

4.4 The aggregate total emoluments of the Directors in the year ended 13th July, 1996 were £185,663.

4.5 No Director has any interest in any contract or arrangements which is unusual in nature or condition or which is significant to the business of the Company and which was effected by the Company during the current or immediately preceding financial year or during an earlier financial year which remains in any respect outstanding and unperformed.

4.6 At the date of this document there are no loans outstanding granted by the Company to any Director nor are there any guarantees which are provided by the Company for the benefit of any Director.

4.7 J G Lithiby is a director of Panmure Gordon, which is the financial adviser to the Company and which will receive a fee for its services to the Company in relation to the Rights Issue, Acquisition and Redevelopment. J G Lithiby has taken no part in Panmure Gordon's independent advice in relation to the Rights Issue, Acquisition and Redevelopment.

## 5. Market Prices

The table below sets out the average price of the marked bargains at which dealings were transacted in Ordinary Stock Units on the first dealing day in each of the six months up to and including 2nd September, 1996 and on 10th September, 1996, being the latest practicable date prior to publication of this document. These prices have been derived from the London Stock Exchange Daily Official List for the relevant dates. When no dealings were actually transacted on the day, the price quoted is for the previous available day when a dealing was transacted.

<i>Date</i>	<i>Ordinary Stock Unit price</i>
1996	
1st April	£110.00
1st May	£110.00
3rd June	£124.75
1st July	£124.75
1st August	£124.75
2nd September	£124.75
10th September	£124.75



## **6. Material contracts**

There are no material contracts (not being a contract entered into in the ordinary course of business) relating to the New Property within the two years immediately preceding the date of this document.

The following contracts, not being entered into in the ordinary course of business and which are, or may be, material, have been entered into by the Company or its subsidiaries within the two years immediately preceding the date of this document:

6.1. An agreement for sale dated 10th September, 1996 between (1) Ensign (2) MNOFF (3) Fortnum & Mason and (4) Hospital whereby Ensign agrees to grant two sub-leases of the Property to Fortnum & Mason and to immediately surrender its own headlease to the freeholder, Hospital. A non-refundable £50,000 deposit was paid by Fortnum & Mason on execution of the agreement in part payment of the £2,550,000 purchase price, the remainder of which is payable upon the conditions in the master agreement referred to below being satisfied.

6.2. A master agreement dated 10th September, 1996 between (1) Hospital and (2) Fortnum & Mason which provides for the Redevelopment and whereby, upon the completion of which, Hospital, as the freeholder of both the Existing Store and the New Property, will grant Fortnum & Mason a new 125 year lease in respect of each property. The master agreement is expressed to be conditional upon the receipt of satisfactory planning permission, Ensign granting the sub-leases and surrendering its headlease as referred to above and on the approval of the Shareholders to the Acquisition and Redevelopment being obtained.

6.3 By an agreement dated 12th September, 1996 between (1) the Company and (2) Panmure Gordon, Panmure Gordon has agreed to underwrite 107,588 New Ordinary Shares being all of the New Ordinary Shares other than the 954,912 New Ordinary Shares to which Wittington is entitled upon the terms and subject to the conditions of the Underwriting Agreement. Under the terms of the Underwriting Agreement, the Company has agreed to pay to Panmure Gordon: (a) a commission of  $1\frac{1}{4}$  per cent. on the aggregate issue price of the New Ordinary Shares underwritten in respect of the first thirty days of Panmure Gordon's commitment under the Underwriting Agreement; (b) a commission of  $\frac{1}{4}$  per cent. on the aggregate issue price of the New Ordinary Shares underwritten in respect of every additional seven days or part thereof of Panmure Gordon's commitment under the Underwriting Agreement beyond the initial thirty days; (c) subject to the Underwriting Agreement becoming unconditional in all respects and not being terminated in certain circumstances, a commission of  $\frac{3}{4}$  per cent. of a sum calculated as aforesaid; (d) a fee and (e) value added tax on the above amounts where applicable. The obligations of Panmure Gordon under the Underwriting Agreement are conditional, *inter alia*, upon the passing of the resolutions set out in the notice of Extraordinary General Meeting at the end of this document; (b) the admission of the New Ordinary Shares to the Official List becoming effective by no later than 10.00 a.m. on 10th October, 1996 (or such later time as Panmure Gordon and the Company may agree, being not later than 10.00 a.m. on 17th October, 1996); (c) and none of the warranties being untrue or inaccurate or misleading at the date of admission. The Underwriting Agreement also contains certain representations, warranties and indemnities by the Company in favour of Panmure Gordon.

## **7. Indebtedness**

7.1 At the close of business on 9th August, 1996, the Company, as enlarged by the Acquisition of the New Property, had no outstanding borrowings or indebtedness in the nature of borrowing, including loan capital outstanding or created but unissued, term loans, bank overdraft, liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, hire purchase commitments, obligations under finance leases or guarantees or other contingent liabilities.

7.2 At close of business on 9th August, 1996, the Company, as enlarged by the Acquisition of the New Property, had cash totalling £8,956,000.

## **8. Working capital**

The Directors are of the opinion that, having regard to available bank and other facilities and taking into account the net proceeds of the Rights Issue, the Company, as enlarged by the Acquisition of the New Property, has sufficient working capital for its present requirements.

## **9. Litigation**

There are no legal or arbitration proceedings currently proceeding, pending or threatened involving the Company which may have, or has had during the last 12 months, a significant effect on the financial position of the Company.

There are no legal or arbitration proceedings currently proceeding, pending or threatened involving the New Property which may have, or has had during the last 12 months, a significant effect on the financial position of the New Property.

## **10. General**

10.1 The accounts of the Company for the three accounting reference periods ending 13th July, 1996, 15th July, 1995 and 9th July, 1994 were audited by Price Waterhouse, Chartered Accountants and Registered Auditors, of Southwark Towers, 32 London Bridge Street, London SE1 9SY, who made a report under section 235 of the Act in each set of accounts. Each such report was unqualified and did not contain a statement under section 237(2) or 237(3) of the Act.

10.2 The expenses of the Rights Issue and the application for admission of the New Ordinary Shares to the Official List, which are payable by the Company, are expected to amount to approximately £192,160 inclusive of irrecoverable value added tax, of which £65,600 represents the total remuneration of the financial intermediaries.

10.3 There has been no significant change in the trading or financial position of the Company since 13th July, 1996 the date to which the preliminary announcement of audited results for the year ended on that date was prepared.

10.4 In connection with the Rights Issue, the New Ordinary Shares are being issued at a premium of £4.95 over their nominal value.

10.5 The Rights Issue has been underwritten as to 107,588 New Ordinary Shares by Panmure Gordon which is regulated by the Securities and Futures Authority Limited and is registered in England with number 2002991 and has its registered office at New Broad Street House, 35 New Broad Street, London EC2M 1NH. The balance of 954,912 New Ordinary Shares has not been underwritten but is the subject of the irrevocable undertaking referred to in Part I of this document.

10.6 Panmure Gordon and Healey & Baker have respectively given and not withdrawn their consent to the inclusion in this document of their respective reports in the form and context in which each is included and Panmure Gordon and Healey & Baker have respectively authorised the contents of the parts of this document containing their respective reports for the purposes of section 152(1)(e) of the Financial Services Act 1986.

## **11. Documents Available for Inspection**

Copies of the following documents will be available for inspection at the offices of Herbert Smith, Exchange House, Primrose Street, London EC2A 2HS during normal business hours on any weekday (Saturdays and public holidays excepted) for the period of 14 days from the date of this document:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the audited financial statements of the Company for the three accounting reference periods ended 13th July, 1996, 15th July, 1995 and 9th July, 1994;
- (c) the material contracts referred to in paragraph 6 above;
- (d) the reports and consents referred to in paragraph 10.6 above; and
- (e) the irrevocable undertaking referred to in Part I above.

12th September, 1996

# FORTNUM & MASON PLC

## Notice of Extraordinary General Meeting

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at 181 Piccadilly, London W1A 1ER on 9th October, 1996 at 10.05 a.m. or immediately after the conclusion of the Annual General Meeting of the Company convened for that day for the purpose of considering and, if thought fit, passing the following resolutions of which Resolutions 1 and 2 will be proposed as ordinary resolutions and Resolution 3 as a special resolution:

### ORDINARY RESOLUTIONS

THAT

1. the proposed acquisition and redevelopment of property described in the Circular to Shareholders dated 12th September, 1996 pursuant to and upon the terms of agreements dated 10th September, 1996, copies of which initialled by the Chairman for the purposes of identification have been produced to the meeting, be and are hereby approved and that the Directors of the Company or a duly authorised committee thereof be and are hereby authorised to take all such steps as may be necessary or appropriate in relation thereto and to complete and give effect to the same with such modifications, variations, amendments or revisions as they think fit provided such modifications, variations, amendments or revisions are not of a material nature.
2. (A) the authorised share capital of the Company be increased from £750,000 to £812,500 by the creation of 1,250,000 new Ordinary Shares of 5 pence each;  
(B) for the purposes of section 80 of the Companies Act 1985 (the "Act") (and so that expressions used in this resolution shall bear the same meanings as in the Act);
  - (i) the Directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities up to a maximum nominal amount of £212,500 to such persons and at such times and on such terms as they think proper during the period commencing on the date of the passing of this ordinary resolution and expiring in 2001; and
  - (ii) the Company be and hereby is authorised to make prior to the expiry of such period any offers or agreement which would or might require relevant securities to be allotted after the expiry of the said period and the Directors may allot relevant securities in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution,and so that all previous authorities of the Directors (to the extent not already utilised) pursuant to the said section 80 be and hereby are revoked.  
(C) pursuant to and in accordance with paragraph 37 of the Articles of Association of the Company the existing authorised and issued Ordinary Stock Units of £1 each of the Company be re-converted forthwith into Ordinary Shares of £1 each with effect from 00.01 hours (London time) on Thursday 10th October, 1996; and;  
(D) in accordance with section 121 of the Act, all the authorised Ordinary Shares of £1 each in the capital of the Company, both unissued and issued, be each sub-divided into 20 Ordinary Shares of 5 pence each with effect from 00.02 hours (London time) on Thursday 10th October 1996.

### SPECIAL RESOLUTION

3. The Directors be and hereby are empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority conferred on them by paragraph (B) of this special resolution as if section 89(1) of the Act did not apply to such allotment, provided that the power conferred by this resolution shall be limited to:
  - (i) the allotment of equity securities in connection with the Rights Issue prescribed in the Prospectus to the Company's Shareholders dated 12th September, 1996 or with any other issue

or offering by way of rights in favour of the holders of relevant equity securities where the equity securities respectively attributable to the interests of such orders are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them on the record dates for such allotments subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the law or requirements under any regulatory authority in any territory; and

- (ii) the allotment (otherwise than pursuant to sub-paragraph (B)(i) above) of equity securities up to an aggregate nominal value of £23,900

and this power, unless renewed, shall expire at the end of the annual general meeting of the Company to be held in 1997 or, if earlier 12th September, 1997 but shall extend to the making, before such expiry, of any offers or agreements which would or might require equity securities to be allotted after such expiry, and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired. All previous powers of the Directors (to the extent not already utilised) pursuant to the said section 95 be and hereby are revoked.

*Registered Office*

181 Piccadilly  
London  
W1A 1ER

By Order of the Board

G. W. Artindale

12th September, 1996

**Notes:**

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of him. The person appointed need not be a member of the Company. Forms of proxy, if used, should be lodged at the Registered Office at least 48 hours before the Meeting.
2. This notice is sent to Cumulative Preference Stockholders for information only.
3. Completion of the form of proxy will not preclude a member from attending and voting in person.