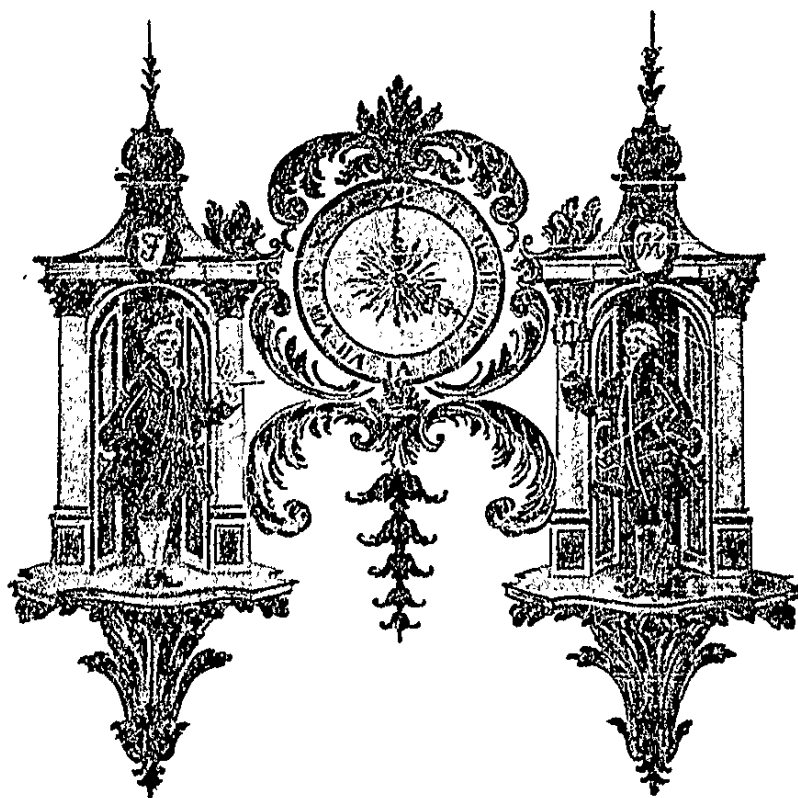


COMPANY No 84909.



BY APPOINTMENT
TO HER MAJESTY QUEEN ELIZABETH II
GROCERS & PROVISION MERCHANTS
FORTNUM & MASON PLC. LONDON

FORTNUM & MASON PLC



REPORT AND ACCOUNTS 1988

COMPANY No 84909.

STRAUM & MASON PLC

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Directors and professional advisers

Chairman
Garry H Weston

Vice-Chairman
W G Galen Weston

Directors
Mrs C H W Dalglish
G V Hamilton
J G Lithiby
F W Lockyer
Mrs M D W Rebanks

Secretary and registered office
F W Lockyer FCA ATII
181 Piccadilly
London W1A 1ER

Auditors
Price Waterhouse
Southwark Towers
32 London Bridge Street
London SE1 9SY

Solicitors
A Kramer & Co
40 Portland Place
London W1N 4BA

Bankers
Bank of Scotland
Haymarket Branch
57/60 Haymarket
London SW1Y 4QY

National Girobank
10 Milk Street
London EC2V 5JH

Registrar and transfer office
Lloyds Bank PLC
Registrar's department
The Causeway
Goring-by-Sea
Worthing
West Sussex BN12 6DA

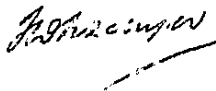
Notice of annual general meeting

Notice is hereby given that the eighty-third annual general meeting of the company will be held at the Basil Street Hotel, Basil Street, London SW3 1AH on Monday 16 May 1988 at 10.30 am for the following purposes:—

- 1 To receive and adopt the accounts for the year ended 30 January 1988 together with the reports of the directors and auditors thereon.
- 2 To declare a final dividend on the ordinary stock of the company.
- 3 To re-appoint directors retiring under the articles of association.
- 4 To re-appoint Price Waterhouse as auditors of the company and to authorise the directors to fix their remuneration.

By order of the board

F W Lockyer
Secretary



22 April 1988

Registered office
181 Piccadilly
London W1A 1ER

NOTES:

1. A member entitled to attend and vote at the above 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, must be lodged at the registered office at least 48 hours before the meeting.
2. This notice is sent to preference stockholders for information only.
3. Preference stock and ordinary stock dividend warrants will be posted on 28 June 1988.
4. No director of the company has a contract of service with the company which is not determinable within one year without payment of compensation.

Chairman's statement

TRADING RESULTS

Sales of £18.3 million achieved a new record for the company and advanced by 15.9 per cent on the previous year.

Sales in the second half recorded an increase of 12 per cent over the previous year. Although this did not maintain the 22 per cent rate of increase achieved in the first half year it must be regarded as a highly satisfactory performance when compared with a very strong second half in 1987 and against the background of extreme economic uncertainty following the sharp declines in world stockmarkets in October 1987.

Based on these strong sales volumes, trading profits maintained the growth trend established in the two previous half-year periods and totalled £870,000 for the full year, an increase of some 21 per cent over 1987.

Interest receivable totalled £312,000 against £279,000 in the previous year and the final profit before tax of £1,182,000 was £186,000 or 18.6 per cent up on 1987. This was an all-time record level of profit for the company.

MANAGEMENT

Investment of further resources into management controls and information systems was made in the year and a completely new computer installation was commissioned at a cost of £140,000. Commissioning of the new and improved customer accounts was completed prior to Christmas 1987. To date the change-over has been completed on schedule and without disruption to our customers. By mid year we expect to have transferred all our existing management control systems on to the new machine and to derive the benefits of greater speed and flexibility as well as an increased information capability. Development work will then proceed on stock and ordering systems which will be fully integrated on the new installation.

Continuing emphasis on staff training and development has been given and two new departmental buyers have been appointed. At the same time improved staffing systems have led to greater labour efficiency and in the food departments evening-time shelf replenishment has improved standards of presentation and customer service.

STORE DEVELOPMENT

The major investment efforts of previous years in enhancing the appearance of our sales floors, improving the range and quality of our merchandise, up-grading the level of customer service and in controlling our costs and modernising our management systems have begun to show substantial returns. Nowhere is this more evident than in the grocery department.

New developments of Fortnum and Mason grocery ranges and gift packs, including mustards, biscuits and exotic jams contributed to a record sales achievement. In all over 150 product lines have been introduced. One of the most exciting departments is Confectionery which for the first time surpassed sales of £1 million and recorded growth exceeding 25 per cent over the previous year.

Once again the Tea Department showed exceptional growth even against the strong gains made in that department in the past two years. The reputation of this department is growing based on clientele not only from Europe and North America but also from Japan.

Chairman's statement continued

In last year's review reference was made to the growth in our provisions department and this strong performance has continued based on our kitchens which have once again doubled their supplied volumes of fresh product.

Although other departments throughout the store achieved good sales increases particularly in the early months of the year there has been a noticeable adverse effect on certain departments following the events of October. Both in Menswear and in Ladies Fashions, sales in the latter months of the year were at levels below those of a year earlier and this trend has continued into the current trading year.

Export sales reflected the very satisfactory growth trend of earlier years following the setback of 1987. The overall increase of 29 per cent in Fortnum & Mason Products was primarily achieved by increased sales to the Japanese market. Although aggregate export sales were up, margins on some products came under pressure due to cost increases which could not be recovered.

During the current year the company will move into improved warehouse accommodation following the expiry of the lease of the existing property. Negotiations are in hand for new premises which will not only give increased storage capacity for our wine department but will also enable our hamper-packing operation to be taken in-house, thus reducing costs and improving customer service.

Every effort has been made to improve our ranges and levels of display and it is, therefore, gratifying to report that during the year the company received the top award for its window displays in the International Department Store Category in Retail Attraction Magazine.

FUTURE PROSPECTS

Reference has been made previously to the effect on sales of the dramatic declines in the world's stock markets in October 1987. Inevitably this has been reflected in the level of discretionary spending in certain areas and from which Fortnum and Mason cannot remain immune. Although food sales continue to show strong growth other departments have not recovered from the impact of changed spending patterns. As a result overall sales growth is weak.

It is far too early in the year to be able to predict how economic activity in general and our sales in particular will develop.

Our budgets call for further increases in both sales and profits and at this point we remain confident of our ability to achieve the targets we have set.

APPRECIATION

In endeavouring to set the best standards not only of efficiency and productivity but also in the level of service to our customers the demands upon staff at all levels of the company are unrelenting. Once again our employees have shown that they are the company's most important asset in preserving the name of Fortnum and Mason for quality and service.

GARRY H WESTON

Report of the directors

The directors submit their eighty-third annual report together with the accounts of the company for the year ended 30 January 1988.

Principal activities and business review

The company continued its activities as a department store during the year. The review of trading results and future prospects is included in the Chairman's Statement on pages 4 and 5.

Profit and dividends

The profit and loss account on page 8 shows turnover for the financial year ended 30 January 1988 of £18,306,000 (1987—£15,790,000) including export sales of £1,537,000 (1987—£1,138,000). The profit for the year was £752,000 (1987—£626,000). An interim dividend of 5.5p per unit of stock was paid on 31 December 1987. A final dividend of 39p per unit of stock amounting to £167,000 is proposed and, if approved, will be paid on 1 July 1988. The total dividend on the ordinary and preference shares amounts to £198,000 (1987—£182,000). The remaining profit of £554,000 (1987—£444,000) will be added to reserves.

Directors and their interests

No changes in directorships have taken place since 13 April 1987, the date of the last annual report.

Mrs M D W Rebanks and Mr W G Galen Weston retire by rotation and being eligible offer themselves for re-election.

A list of the present directors of the company is shown on page 2 and the schedule of their beneficial interests, including family interests, in the shares and debentures of the group is shown on page 16.

Market value of land and buildings

Based on a 1980 valuation, the directors consider that the market value of the company's leasehold interest in the Piccadilly premises exceeds the amount at which it is shown in the balance sheet by approximately £4,000,000.

Charitable and political contributions

Charitable donations for the year amounted to £1,759 (1987—£1,055). There were no contributions to any political organisation during the year (1987—nil).

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who is fortunate enough not to suffer from a disability.

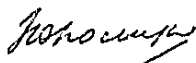
Report of the directors continued

Employee involvement

The company formally communicates with its staff in a number of ways. Upon joining the company, new staff attend an induction training course and are given a booklet explaining the terms and conditions of employment. Periodically presentations are given to staff updating them on the company's activities, plans and financial performance. Staff at all levels are involved in forward planning and development of their departments, and regularly updated as to the progress of the company and their personal development in line with those results.

By order of the board

F W Lockyer



Secretary

11 April 1988

Report of the auditors

To the members of Fortnum & Mason plc

We have audited the accounts on pages 8 to 15 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 30 January 1988 and of its profit and source and application of funds for the period then ended and comply with the Companies Act 1985.

Southwark Towers
32 London Bridge Street
London SE1 9SY
11 April 1988

Price Waterhouse
Chartered Accountants

CONTINUM & MASON PLC

Profit and loss account

	Note	52 weeks ended 30 January 1988 £'000	53 weeks ended 31 January 1987 £'000
Turnover	1	18,306	15,790
Cost of sales		<u>(13,709)</u>	<u>(11,644)</u>
Gross profit		4,597	4,146
Distribution costs		(213)	(222)
Administrative expenses		<u>(3,514)</u>	<u>(3,207)</u>
Operating profit		870	717
Interest receivable		<u>312</u>	<u>279</u>
Profit on ordinary activities before taxation	2	1,182	996
Tax on profit on ordinary activities	3	<u>(430)</u>	<u>(370)</u>
Profit for the financial year		752	626
Dividends	5	<u>(198)</u>	<u>(182)</u>
Retained profit to reserves	6	<u>554</u>	<u>444</u>
Earnings per share	7	175p	145p

Balance sheet

	Note	As at 30 January 1988 £'000	As at 31 January 1987 £'000
Fixed assets			
Tangible assets	8	2,748	2,652
Investments	9	2	2
		<u>2,750</u>	<u>2,654</u>
Current assets			
Stocks	10	2,278	2,228
Debtors	11	1,305	1,342
Cash at bank and in hand	12	3,082	2,532
		<u>6,665</u>	<u>6,102</u>
Creditors (amounts falling due within one year)	13	<u>2,225</u>	<u>2,110</u>
Net current assets		<u>4,440</u>	<u>3,992</u>
Total assets less current liabilities		<u>7,190</u>	<u>6,646</u>
Provision for deferred taxation	4	<u>292</u>	<u>302</u>
		<u>6,898</u>	<u>6,344</u>
Capital and reserves			
Called up share capital	14	600	600
Share premium account		119	119
Revaluation reserve		356	356
Profit and loss account	6	5,823	5,269
		<u>6,898</u>	<u>6,344</u>

Signed on behalf of the Board

GARRY H WESTON Chairman

F W LOCKYER Director

11 April 1988

[Handwritten signatures]



Source and application of funds

	52 weeks ended 30 January 1988 £'000	53 weeks ended 31 January 1987 £'000
Source of funds		
Profit on ordinary activities before taxation	1,182	996
Add depreciation	283	304
loss on disposal of fixed assets	—	18
	<u>1,465</u>	<u>1,318</u>
Application of funds		
(Increase)/decrease in working capital		
Stocks	(50)	(143)
Debtors	4	180
Creditors	26	(106)
Net amounts due to/from immediate holding company and fellow subsidiaries	<u>58</u>	<u>(118)</u>
	38	(187)
Capital expenditure including capital refurbishment costs	(379)	(157)
Taxation paid	(390)	(727)
Dividends paid	<u>(184)</u>	<u>(175)</u>
	<u>(915)</u>	<u>(1,246)</u>
Movement in net liquid funds		
Increase in cash balances	<u>550</u>	<u>72</u>

Notes to the accounts

1 Accounting policies

Accounting convention

The accounts have been prepared under the historical cost convention, as modified by the valuation of the leasehold property, and in compliance with the Companies Act 1985.

Turnover

Turnover represents amounts charged to customers for goods sold and services rendered, less returns and net of value added tax.

Depreciation

Depreciation is provided by the company so as to write off the cost or valuation of certain fixed assets, excluding works of art, over their estimated useful lives by equal annual instalments as follows:

Leasehold and leasehold improvements — over remaining period of lease

Fixtures and equipment — over 5 or 10 years

Works of art are not depreciated and are included at cost.

Stocks

Stocks which comprise merchandise held for resale are stated at the lower of cost and net realisable value.

Deferred taxation

Provision for taxation on timing differences arising from the excess of capital allowances over depreciation is made to the extent that a liability is expected to crystallise in the foreseeable future.

2. Profit on ordinary activities before taxation.

This is stated after charging/(crediting) the following amounts:-

	1988 £'000	1987 £'000
Wages and salaries	3,013	2,690
Social security costs	251	224
Other pension costs	—	24
Depreciation	283	304
Hire of plant and machinery	79	61
Lease rentals on buildings	23	23
Auditors' remuneration	23	20
Directors' remuneration	38	35
Management charges from immediate holding company and a fellow subsidiary company	170	121
Interest receivable:		
Immediate holding company	(248)	(221)
Other	(64)	(58)

CRYNUM & MASON PLC

Notes to the accounts continued

3 Tax on profit on ordinary activities

Taxation on the profit for the year at the rate of 35.00% (1987—35.83%) comprises:-

	1988 £'000	1987 £'000
Corporation tax	(440)	(420)
Deferred tax	10	50
	<u>(430)</u>	<u>(370)</u>

4 Provision for deferred taxation

Full provision has been made, at the expected future rates of corporation tax, for taxation deferred by accelerated capital allowances. No deferred tax has been provided in respect of the 1956 revaluation of premises as this does not constitute a timing difference.

5 Dividends

	1988 £'000	1987 £'000
Preference — paid	8	8
Ordinary — interim paid 5.5p (5p)	23	21
Ordinary — final proposed 39p (36p)	167	153
	<u>198</u>	<u>182</u>

6 Reserves

Balance at 31 January 1987	5,269
Retained profit for the year	554
Balance at 30 January 1988	<u>5,823</u>

7 Earnings per share

The calculation of earnings per share is based on profit for the financial year, after preference dividends, of £744,000 (1987—£618,000) and 425,000 (1987—425,000) ordinary stock units in issue.

Notes to the accounts continued

8 Tangible assets

	Short leasehold and leasehold improvements £'000	Fixtures and equipment £'000	Works of art £'000	Total £'000
At 31 January 1987				
Cost	1,244	2,098	202	3,544
Valuation — 1956	724	—	—	724
	<u>1,968</u>	<u>2,098</u>	<u>202</u>	<u>4,268</u>
Additions	64	315	—	379
Disposals	—	—	—	—
At 30 January 1988	<u>2,032</u>	<u>2,413</u>	<u>202</u>	<u>4,647</u>
Accumulated depreciation				
At 31 January 1987	357	1,259	—	1,616
Provision for the year	43	240	—	283
Disposals	—	—	—	—
At 30 January 1988	<u>400</u>	<u>1,499</u>	<u>—</u>	<u>1,899</u>
Net book amount 30 January 1988	<u>1,632</u>	<u>914</u>	<u>202</u>	<u>2,748</u>
Net book amount 31 January 1987	<u>1,611</u>	<u>839</u>	<u>202</u>	<u>2,652</u>

The company has an option, which expires on 23 June 1991 to acquire from its immediate holding company, George Weston Holdings Limited, the long leasehold interest of the Piccadilly premises for £1,750,000.

Future capital expenditure not provided in the accounts:-

	1988 £'000	1987 £'000
Contracts placed	53	28
Authorised by the directors but contracts not yet placed	111	319
	<u>164</u>	<u>347</u>

FORTNUM & MASON PLC

Notes to the accounts continued

9 Investments — included in fixed assets

The Company owns the entire issued share capital of the following companies which are shown at cost:-

- Fortnum & Mason (Export) Limited, incorporated in Great Britain
- Fortnum & Mason (London) Limited, incorporated in Great Britain
- Fortnum & Mason of London Limited, incorporated in Canada
- Fortnum & Mason (Pty) Limited, incorporated in Australia

None of the companies has traded during the year and the directors are of the opinion that in view of the insignificant amounts involved there would be no real value in the presentation of group accounts.

10 Stocks

The stocks shown in the balance sheet represent finished goods held for sale.

11 Debtors

	1988 £'000	1987 £'000
Trade debtors	1,072	1,003
Amounts owed by group companies	46	79
Other debtors	88	168
Prepayments and accrued income	99	92
	<u>1,305</u>	<u>1,342</u>

12 Cash at bank and in hand

Cash, surplus to the operating requirements of the business, is loaned from time to time to the immediate holding company; such loans are at market rates of interest which also relate to National Westminster Bank plc base rates. The maximum amount outstanding during the year was £3,750,000 (1987—£3,200,000).

13 Creditors (amounts falling due within one year)

	1988 £'000	1987 £'000
Trade creditors	963	745
Amounts owed to group companies	79	54
Other creditors	151	95
Taxation and social security	620	702
Accruals	245	361
Proposed dividend	167	153
	<u>2,225</u>	<u>2,110</u>

Notes to the accounts continued

14 Called up share capital

	1988 £'000	1987 £'000
Allotted and fully paid		
4.9% cumulative preference stock units of £1 each	175	175
Ordinary stock units of £1 each	425	425
	<u>600</u>	<u>600</u>
Authorised	<u>750</u>	<u>750</u>

15 Employees

The average number of persons employed by the company, excluding agency staff, during the year was:-

	1988	1987
United Kingdom	<u>438</u>	<u>433</u>

The aggregate remuneration for the year amounted to £2,873,000 (1987—£2,641,000)

16 Directors' and employees' emoluments

	1988	1987
Chairman	£ 100	£ 100
Highest paid director	<u>£35,856</u>	<u>£31,876</u>

A director and certain employees of the company are remunerated as managers by the immediate holding company and these costs form part of the management charge. The other five (1987—five) directors received emoluments (excluding pension contributions) in the range £Nil—£5,000 (1987 £Nil—£5,000).

17 Ultimate holding company

The ultimate holding company of Fortnum & Mason plc is Wittington Investments Limited which is incorporated in England. The immediate holding company of Fortnum & Mason plc is George Weston Holdings Limited which, at 25 March 1988 held 365,701 ordinary stock units representing in aggregate 86% of the total issued ordinary share capital of the company. So far as is known no other person holds or is beneficially interested in more than 5% of the ordinary share capital.

Garry H Weston has an interest, as defined in Schedule 13 of the Companies Act 1985, in Wittington Investments Limited which is a controlling interest. Fortnum & Mason plc is a close company as defined in the Corporation Taxes Act 1970.

Statement of directors' interests

The persons who were directors of the company at the end of the year had the following beneficial interests, including family interests, in the shares and loan stock of the company, its holding companies and fellow subsidiary companies:-

	30 January 1988	30 January 1987
Garry H Weston		
Wittington Investments Limited, ord. shares of 50p	5,000	5,000
George Weston Holdings Limited, ord. shares of 50p	571	571
Associated British Foods plc, ord. shares of 5p	335,659	335,659
W G Galen Weston		
Wittington Investments Limited, ord. shares of 50p	37,953	37,953
George Weston Holdings Limited, ord. shares of 50p	12,498	12,498
Associated British Foods plc, ord. shares of 5p	548,272	548,272
Mrs C H W Dalglish		
Wittington Investments Limited, ord. shares of 50p	15,300	15,300
George Weston Holdings Limited, ord. shares of 50p	6,228	6,228
Associated British Foods plc, ord. shares of 5p	288,552	288,552
Fortnum & Mason plc, ord. stock units of £1	100	100
J G Lithiby		
Fortnum & Mason plc, ord. stock units of £1	500	500
Mrs M D W Rebanks		
Wittington Investments Limited, ord. shares of 50p	15,500	15,500
George Weston Holdings Limited, ord. shares of 50p	6,662	6,662
Associated British Foods plc, ord. shares of 5p	183,750	183,750
Fortnum & Mason plc, ord. stock units of £1	100	100

Notes

- 1 Garry H Weston and W G Galen Weston are trustees of a trust, in which they have no beneficial interest, which at 30 January 1988 held 448,775 ordinary shares of 50p (1987—448,775) in Wittington Investments Limited, and 198,008 ordinary shares of 50p (1987—198,008) in George Weston Holdings Limited.
- 2 Garry H Weston is a trustee of a trust in which he has no beneficial interest, which at 30 January 1988 held 750,000 ordinary shares of 5p (1987—1,100,000) in Associated British Foods plc.
- 3 Mrs C H W Dalglish, G V Hamilton, J G Lithiby, F W Lockyer, Mrs M D W Rebanks and W G Galen Weston each held 500 ordinary stock units and Garry H Weston held 1,000 ordinary stock units of £1 each in Fortnum & Mason plc at 30 January 1988 in which they have no beneficial interest.
- 4 There have been no changes in the above holdings between 30 January 1988 and 25 March 1988.
- 5 No director has had a material interest in a contract with the company during the year, other than as disclosed in the accounts.