

Fortnum & Mason Plc
(Registered Number 84909)

Directors' report and accounts
For the year ended 13 July 2002



Fortnum & Mason Plc

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Fortnum & Mason Plc

Directors' Report

The directors submit their ninety-seventh annual report together with the accounts of the company for the year ended 13 July 2002.

Principal activities and business review

The company continued its activities as a department store during the year.

Wittington Investments Limited, the company's immediate and ultimate holding company, decided during the year to acquire the 10 per cent of ordinary shares of the company it did not already own by means of a scheme of arrangement under section 425 of the Companies Act 1985. The directors also considered it appropriate at this time to remove the administrative burden of dealing with the company's preference stock. Approval of the relevant resolutions was obtained at a Court Meeting and an Extraordinary General Meeting of the company held on 26 November 2001, and following a subsequent Court hearing, the listings of the ordinary shares and preference stock of the company were cancelled from the official list on 19 December 2001.

The company faced tough trading conditions during the year. Following the terrorist action in the United States of America on 11 September 2001, the business suffered a reduction in the number of visitors to Central London in the run up to the key Christmas period and in the value of corporate hamper orders at Christmas.

Turnover for the fifty-two weeks ended 13 July 2002 was £40,034,000 compared to £41,630,000 for the fifty-three weeks ended 14 July 2001. On a like for like basis, sales were 2.5 per cent down on last year.

To build a secure platform for the future prosperity of the business the directors have taken a number of measures including freezing salaries for directors, management and staff for the coming financial year, while opening the food hall and the patio restaurant on Sundays from September 2002.

The directors expect market conditions to continue to remain challenging during the coming financial year.

Profits and dividends

The profit and loss account on page 6 shows profit for the financial year ended 13 July 2002 of £656,000(2001 - £1,517,000). The total dividend on the ordinary and preference shares amounts to £406,000 (2001 - £901,000).

Directors and their interests

The directors of the company who served during the year were:

Mrs J R Khayat	(chairman)
W G Galen Weston	(vice chairman)
Mrs C H W Dalglish	
S M Gates	
Mrs A C Hobhouse	
J G Lithiby	
Garry H Weston	(deceased 15 February 2002)

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Directors' report (Continued)

The directors note with great regret the death of Garry H Weston during the year. He was first appointed a director in 1951 and served as Chairman from 1978 until ill health forced him to resign as Chairman in May 2000. The directors would like to formally record their thanks for his strong leadership and guidance of the business over the twenty two years of his stewardship.

A schedule of the beneficial interests of directors, including family interests, in the shares and loan stock of the group is shown on page 18.

Mrs C H W Dalglish and Mr J Lithiby retire by rotation and being eligible offer themselves for re-election.

Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Supplier payment policy

The company does not follow any code or standard on payment practice.

Except where otherwise agreed with the supplier, it is the policy of the company to pay all suppliers correctly presenting invoices for goods delivered or services performed in accordance with the company's instructions on a regular cycle designed to give average payment times of approximately one month. Scheduled payment dates are notified to suppliers on request. The number of days purchases outstanding at the year end was 24 (2001 - 25).

Environmental policy

As a responsible employer, the company is conscious of its position and role within the community and is committed continually to improving its environmental performance. In meeting this objective, the company environmental policy is intended to:

- satisfy all appropriate legislation and the need to conform to good industry practice.
- require full consideration to be given to:
 - a) responsible use of raw materials and conservation of resources.
 - b) efficient use of energy in all operations.
 - c) use of packaging materials and processes which minimise demands on non-renewable resources.
 - d) minimising emissions into the air, water courses, or as waste.
 - e) the environmental impact of new capital investments.
- encourage active participation of employees in addressing environmental issues.
- seek assurances from suppliers on environmental issues.
- be subject to regular review, incorporating new objectives as appropriate.

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Directors' report (Continued)

Fixed assets

Changes in fixed assets are set out on page 12. A valuation carried out on 2 November 2001 by an independent valuer indicated that the market value of the company's leasehold interests were £38.8 million. This exceeds the amount at which they are shown in the balance sheet by £26.0 million.

Charitable and political contributions

Charitable donations for the year amounted to £7,023 (2001 - £4,275). There were no contributions to any political organisation during the year (2001 - £ 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.

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. Weekly training sessions are held at which staff are updated 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 that progress and their individual performance.

Directors' responsibility statement

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company will continue in business. The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 13 July 2002 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

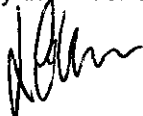
Fortnum & Mason Plc

Directors' report (Continued)

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By the order of the board



L J Collins
Secretary
24 September 2002

Registered Office
181 Piccadilly
London W1A 1ER

Fortnum & Mason Plc

Independent auditors' report to the members of Fortnum & Mason Plc

We have audited the financial statements on pages 6 to 17 which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 13 July 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
London

24 September 2002

Fortnum & Mason Plc

Profit and loss account

	Note	52 weeks ended 13 July 2002 £'000	53 weeks ended 14 July 2001 £'000
Turnover	3	40,034	41,630
Cost of sales		(28,589)	(28,860)
Gross profit		11,445	12,770
Distribution costs		(383)	(500)
Administrative expenses		(10,270)	(10,497)
Exceptional items	4	-	92
Operating profit	3	792	1,865
Interest receivable		237	385
Profit on ordinary activities before taxation	4	1,029	2,250
Tax on profit on ordinary activities	6	(373)	(733)
Profit for the financial year		656	1,517
Dividends including non-equity	7	(406)	(901)
Retained profit to reserves		250	616

All the above transactions relate to continuing operations.

There were no gains or losses recognised by the company in the period under review, or the comparable period, other than those stated above.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

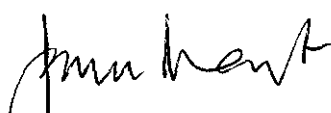
The notes on pages 8 to 17 form part of these financial statements.

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Balance sheet

	Note	As at 13 July 2002 £'000	As at 14 July 2001 £'000
Fixed assets			
Tangible assets	8	18,433	19,485
Investments	9	2	2
		18,435	19,487
Current assets			
Stocks		3,688	3,414
Debtors	10	2,589	1,914
Cash at bank and in hand		5,352	5,224
		11,629	10,552
Creditors (amounts falling due within one year)	11	4,193	4,485
Net current assets		7,436	6,067
Total assets less current liabilities		25,871	25,554
Provision for deferred taxation	12	1,311	1,244
Net assets		24,560	24,310
Capital and reserves			
Called up share capital	13	653	653
Share premium account	14	5,362	5,292
Profit and loss account	14	18,545	18,365
Total shareholders' funds	15	24,560	24,310
Equity shareholders' funds	15	24,560	24,135
Non-equity shareholders' funds	15	-	175
Total shareholders' funds	15	24,560	24,310

These financial statements were approved by the board on 24 September 2002 and signed on its behalf by:


Jana Khayat
 Chairman

Fortnum & Mason Plc

Notes to the financial statements

1 Accounting policies

The accounts have been prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable accounting standards.

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 of certain fixed assets, excluding works of art, over their estimated useful lives by equal annual instalments as follows:

Leasehold	- over 66 years or the remaining period of the lease if shorter
Leasehold improvements	- 30 years
Fixtures and equipment	- 5, 10 or 20 years

Works of art are not depreciated and are included at cost, as they do not have a finite useful economic life.

Stocks

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

Deferred taxation

Full provision has been made for taxation arising from the excess of capital allowances over depreciation and other timing differences.

Leases

All material leases entered into by the group are operating leases whereby substantially all the risks and rewards of ownership of the asset remain with the lessor. Rental payments are charged against profits on a straight line basis over the period of the lease.

Foreign currencies

Assets and liabilities denominated in foreign currencies are converted into sterling at rates of exchange prevailing at the year end. Any exchange differences arising are taken to the profit and loss account.

Fortnum & Mason Plc

Notes to the financial statements

2 Cash flow statement and related party disclosures

The company is a wholly-owned subsidiary of Wittington Investments Limited and is included in the consolidated financial statements of Wittington Investments Limited, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996). The company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Wittington Investment Limited group or investees of the Wittington Investment Limited group.

3 Turnover and operating profit

	52 weeks ended 13 July 2002 £'000	53 weeks ended 14 July 2001 £'000
Turnover		
UK	34,663	36,139
Overseas	5,371	5,491
	<hr/> 40,034	<hr/> 41,630
Operating profit		
UK	80	1,082
Overseas	712	783
	<hr/> 792	<hr/> 1,865

The analysis of turnover by destination is not materially different to the analysis of turnover by origin. All net assets are in the UK.

Fortnum & Mason Plc

Notes to the financial statements

4 Profit on ordinary activities before taxation

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

	2002 £'000	2001 £'000
Depreciation	1,532	1,520
Loss on sale of fixed assets	1	-
Lease rentals on:		
- plant and machinery	210	194
- other	151	149
Auditors' remuneration	43	47
Management charges from immediate holding company	300	300
Other charges from fellow subsidiary company	-	142
Exceptional items	-	(92)

The exceptional item in 2001 arose on the receipt of a rates rebate on the settlement of the 1995 rateable revaluation on the Piccadilly store.

5 Directors and employees

	2002	2001
Average number of employees	430	448
	£'000	£'000
Staff costs – wages and salaries	6,955	6,635
– social security costs	511	478
Staff costs include the following remuneration of directors:		
Aggregate emoluments	179	159

Retirement benefits are accruing to two (2001: two) directors under a defined benefit scheme.

Fortnum & Mason Plc

Notes to the financial statements

6 Tax on profit on ordinary activities

Taxation on the profit for the year at the rate of 30% (2001 - 30%) comprises:

	2002 £'000	2001 £'000
Corporation tax – current year	301	570
– prior year	5	-
	306	570
Deferred tax (note 12)	67	163
	373	733

7 Dividends

	2002 £'000	2001 £'000
Preference – paid	6	12
Ordinary – interim paid 0p (4.3p)	-	411
Ordinary – 2 nd interim payable 3.06p (5.0p)	400	478
	406	901

Fortnum & Mason Plc

Notes to the financial statements

8 Tangible assets

	Long leasehold and leasehold improvements £'000	Fixtures and equipment £'000	Works of art £'000	Total £'000
Cost at 14 July 2001	15,285	12,188	402	27,875
Additions	-	489	-	489
Disposals	-	(14)	-	(14)
At 13 July 2002	15,285	12,663	402	28,350
Accumulated depreciation				
At 14 July 2001	2,220	6,170	-	8,390
Charge for the year	312	1,220	-	1,532
Disposals	-	(5)	-	(5)
At 13 July 2002	2,532	7,385	-	9,917
Net book amount				
13 July 2002	12,753	5,278	402	18,433
Net book amount				
14 July 2001	13,065	6,018	402	19,485

9 Investments included in fixed assets

The company owns the entire issued share capital of a number of companies which are shown at cost.

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 Debtors

	2002 £'000	2001 £'000
Trade debtors	2,077	1,410
Amounts owed by group companies	48	63
Other debtors	69	74
Prepayments and accrued income	395	367
	2,589	1,914

Fortnum & Mason Plc

Notes to the financial statements

11 Creditors – amounts falling due within one year

	2002 £'000	2001 £'000
Trade creditors	1,347	1,503
Amounts owed to group companies	229	516
Corporation tax	152	393
Other tax and social security payable	741	203
Other creditors	214	162
Accruals	1,110	1,230
Proposed dividend	400	478
	4,193	4,485

12 Provision for deferred taxation

	As at 14 July 2001 £'000	Movement £'000	As at 13 July 2002 £'000
Excess of tax allowances over depreciation	1,244	67	1,311

13 Called up share capital

	Authorised		Allotted, called up and fully paid	
	Nominal value £'000	Number 000's	Nominal value £'000	Number 000's
Cumulative 7% preference stock units of £1 each b/f	175	175	175	175
Redeemed in year	(175)	(175)	(175)	(175)
Carried forward	-	-	-	-
Ordinary shares of 5p each b/f	637	12,750	478	9,562
Issued in year	175	3,500	175	3,500
Total	812	16,250	653	13,062

Consideration received by the company in respect of the shares allotted during the year was £245,000.

Fortnum & Mason Plc

Notes to the financial statements

14 Reserves

	Share premium Account £'000	Profit and loss account £'000
Balance at 14 July 2001	5,292	18,365
Retained profit for the year	-	250
Premium received on issue of shares	70	-
Premium paid on redemption of preference shares	-	(70)
Balance at 13 July 2002	<u>5,362</u>	<u>18,545</u>

15 Reconciliation of movement in shareholders' funds

	2002 £'000	2001 £'000
Equity:		
Opening balance	24,135	23,519
Retained profit for the year	250	616
Proceeds from issue of shares	175	-
Closing balance	<u>24,560</u>	<u>24,135</u>
Non-equity:		
Opening balance	175	175
Redemption of preference shares	(175)	-
Closing balance	<u>-</u>	<u>175</u>
Total shareholders' funds	<u>24,560</u>	<u>24,310</u>

Fortnum & Mason Plc

Notes to the financial statements

16 Pensions

The company provides defined benefits, on a voluntary basis, to employees over the age of 21 with more than six months service, through Associated British Foods Pension Scheme. At 13 July 2002 some 40% (2001 - 45%) of the company's employees were members of the scheme.

The scheme is wholly administered by the trustees of the Associated British Foods Pension Scheme, and the cost to the company is determined by the overall cost of the scheme, not that relating to the company's employees. Hence it is not possible to identify the company's share of the underlying assets and liabilities. As such, the directors are of the opinion that the cost to the company will tend to equate to the contributions payable. The latest actuarial valuation of the scheme, at 5 April 1999, showed that assets represented 136% of the benefits that had accrued to members after allowing for expected future increases in earnings, and the company made no contributions in the year (2001 - £nil).

From 1 October 2002, new entrants to the Associated British Foods Pension Scheme will accrue defined contribution benefits. The Company expects to pay defined contribution payments for such pension scheme members in the future, with existing pension scheme members continuing to accrue defined benefit pensions as described above.

17 Capital commitments

There are commitments for capital expenditure by the company of £39,000 (2001 - £43,000) for which no provision has been made in these accounts.

18 Financial instruments

a) Treasury policy

There are established procedures and authority levels to control treasury activities. All transactions are matched to an underlying business requirement such as forecast purchases of goods.

The company invoices its exports only in sterling. Imports, which although frequent are generally of a small value, are, where the company considers the cost of these is justified by the potential currency movement, covered by forward contracts, options or currency accounts.

Interest on day to day cash deposits is based on money market rates and overdraft rates are linked to LIBOR.

Short term debtors and creditors have been excluded from the following disclosures, other than the currency risk profile.

Fortnum & Mason Plc

Notes to the financial statements

18 Financial instruments (Continued)

b) Interest rate risk profile

At 13 July 2002 the company had no interest bearing financial liabilities.

Interest bearing sterling cash deposits at the year-end were £6,449,000 (2001 - £6,684,000) at an interest rate of 3.6% (2001 - 4.82%).

c) Currency risk profile

At 13 July 2002 the company had outstanding non-sterling short-term creditors, predominantly in EU currencies of £170,000 (2001 - £200,000).

19 Commitments under operating leases

The company has minimum annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

	Two to five years £'000	Over five years £'000	Total £'000
Land and buildings	-	151	151
Other	210	-	210
At 13 July 2002	210	151	361
Land and buildings	-	149	149
Other	194	-	194
At 14 July 2001	194	149	343

Fortnum & Mason Plc

Notes to the financial statements

20 Ultimate parent undertaking

The immediate and ultimate holding company of Fortnum & Mason Plc is Wittington Investments Limited. Following the Scheme of Arrangement Wittington Investments Limited holds 100% of the capital of the company.

The Garfield Weston Foundation ("The Foundation") is an English charitable trust which was established in 1958 by the late Mr W. Garfield Weston. The Foundation has no direct interest in Fortnum & Mason Plc but as at 22 August 2002 held 683,073 shares in Wittington Investments Limited representing 79.2% of that company's issued share capital and is, therefore, Fortnum & Mason Plc's controlling party.

Copies of Wittington Investments Limited consolidated financial statements can be obtained from Companies House, Crown House, Cardiff, CF4 3UZ.

Fortnum & Mason Plc

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 company and fellow subsidiaries as at the dates shown:-

	13 July 2002	14 July 2001
Mrs J R Khayat		
Wittington Investments Limited, ordinary shares of 50p	5,862	5,862
Associated British Foods Plc, ordinary shares of 5 15/22p	3,180,717	3,180,717
W G Galen Weston		
Wittington Investments Limited, ordinary shares of 50p	37,953	37,953
Associated British Foods Plc, ordinary shares of 5 15/22p	5,672,560	5,672,560
Mrs C H W Dalglish		
Wittington Investments Limited, ordinary shares of 50p	15,300	15,300
Associated British Foods Plc, ordinary shares of 5 15/22p	2,646,459	2,646,459
Fortnum & Mason Plc, ordinary shares of 5p	-	2,250
Mrs A C Hobhouse		
Wittington Investments Limited, ordinary shares of 50p	5,863	5,863
Associated British Foods Plc, ordinary shares of 5 15/22p	2,860,358	2,860,358
J G Lithiby		
Fortnum & Mason Plc, ordinary Shares of 5p	-	11,250
S M Gates	-	-

Notes

1. W G Galen Weston, Mrs C H W Dalglish, Mrs J R Khayat and Mrs A C Hobhouse are trustees of a trust in which they have no beneficial interest, which at 13 July 2002 held 683,073 ordinary shares of 50p (2001 - 683,073) in Wittington Investments Limited.
2. There have been no changes in the above holdings between 13 July and 22 August 2002.
3. No other director has had a material interest in a contract with the company during the year, other than as disclosed in the accounts.