

Fortnum & Mason Plc
(Registered Number 84909)

Directors' report and Financial Statements
For the year ended 9 July 2006



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Directors' report

In 2006, one year ahead of its tercentenary, the company began in earnest to transform the vision statement agreed by the Board into reality. The company is now midway through a period of unprecedented investment for the future.

In February the company embarked upon the £24m refurbishment of the flagship Piccadilly store. The first phase of the work was completed on time at the end of October, and work on the five remaining floors commences in January 2007, completing in October 2007. Investment in a new management Board was completed in the Autumn of 2005, whilst the management team was re-structured in early 2006, ensuring the right skills and experience are in place to support future growth plans.

Additional investment was made in marketing activity, principally on the website, which resulted in growth in internet and mail order sales of 15.9%. Investment was also made in developing new products, and in repackaging key ranges to improve brand strength.

Principal activities and business review

Sales were down 3.2% on the previous year but were in line with expectation and, when adjusted for closed departments, decreased by 0.5% on the previous year, reflecting the disruption caused by the refurbishment and the adverse effect of the London bombings.

Overseas turnover at £1.6m showed an 11% reduction of 2005 and a small operating loss was incurred, as in 2005. This was caused by a temporary delay in the Japanese store opening programme, which reduced new store orders from our Japanese sub-distributor. However, over the next twelve months a further fourteen stores are due to open in Japan taking the total number to twenty which will significantly boost sales in 2007 and beyond.

Gross Profit remained stable at 28% of sales.

Additional costs were incurred in 2005 due to the strengthening of the management Board and the re-structuring of the team, which added £1.1m of one off costs.

The decline in sales and the level of planned investment in the business resulted in an operating loss of £6.7m. After a provision for tax relief of £1.5m the retained loss amounted to £4.9m for the business as a whole.

The Board are confident that the investments being made will give a sound platform for improvement in the figures for 2007, as the company celebrates the beginning of its 4th century.

Principle risks and uncertainties facing the company

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to competition from both national and independent retailers, employee retention and product availability.

Key Performance Indicators.

As a result of the management board changes noted above and the operational restructuring being

Directors' report (Continued)

undertaken, management are in the process of redefining the KPI's that reflect the long-term growth plans of the business. These are still in development but are likely to include the following measures:

1. Like for like sales performance
2. Sales per square foot
3. Sales per selling hour
4. Intake and achieved margin
5. Stock turnover

Profits and dividends

The consolidated profit and loss account on page 9 shows a loss for the financial year ended 9 July 2006 of £4.9m (2005: loss £1m). The total dividend on the ordinary shares amounts to £Nil (2005: £Nil).

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 B A Aspinall
Mrs C H W Dalglish
Mrs A C Hobhouse
E G Mason

A schedule of the beneficial interests of directors, including family interests, in the shares and loan stock of the group is shown on page 24.

Mr W G Galen Weston and Mrs A C Hobhouse retire by rotation and being eligible offer themselves for re-election.

Going concern

After making enquiries, the directors consider 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

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 38 (2005: 22).

Directors' report (Continued)

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:
 - responsible use of raw materials and conservation of resources.
 - efficient use of energy in all operations.
 - use of packaging materials and processes which minimise demands on non-renewable resources.
 - minimising emissions into the air, water courses, or as waste.
 - the environmental impact of the 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.

Fixed assets

Changes in fixed assets are set out on page 18. A valuation carried out on 2 November 2001 by an independent valuer indicated that the market value of the company's leasehold interests was £38.8 million. This exceeds the amount at which they are shown in the balance sheet by £27.3 million.

Charitable and political contributions

Charitable donations are covered by the ultimate holding company, Wittington Investments Limited.

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

Directors' report (Continued)

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 9 July 2006 and that applicable accounting standards have been followed.

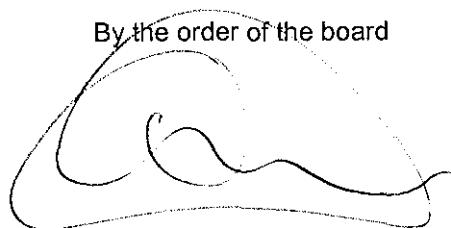
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy, at any time, the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. So far as the directors are aware, there is no relevant information of which the company's auditors are unaware.

The directors have taken all the steps that ought to have been taken as a director in order to make themselves aware of any relevant information and to establish that the company's auditors are aware of that information.

Auditors

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

By the order of the board



C.O'Neill
Secretary
8th February 2007

Registered Office
181 Piccadilly
London W1A 1ER

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FORTNUM & MASON PLC

We have audited the group and parent company financial statements (the "financial statements") of Fortnum & Mason PLC for the year ended 9 July 2006 on pages 9 to 23 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 6.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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.

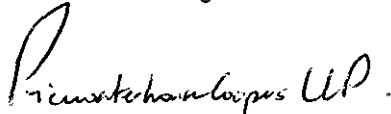
Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 9 July 2006, and of the group's loss and cash flows for the year then ended;

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FORTNUM & MASON PLC
(Continued)**

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
8th February 2007

Consolidated profit and loss account

	Note	52 weeks ended 9 July 2006 £'000	52 weeks ended 10 July 2005 £'000
Turnover, including share of joint venture	3	37,749	39,004
Less: share of turnover of joint venture		(243)	(157)
Turnover		37,506	38,847
Cost of sales		(26,962)	(27,896)
Gross profit		10,544	10,951
Distribution costs		(404)	(522)
Administrative expenses		(14,039)	(11,775)
Store redevelopment costs		(1,681)	-
Restructuring costs		(1,073)	-
Total Administrative expenses		(16,793)	(11,775)
Operating loss		(6,653)	(1,346)
Share of operating loss in joint venture		(135)	(169)
Total operating loss, including share of joint venture	3	(6,788)	(1,515)
Interest receivable		212	313
Loss on ordinary activities before taxation	4	(6,576)	(1,202)
Tax on Loss on ordinary activities	6	1,669	241
Loss on ordinary activities after taxation		(4,907)	(961)
Retained loss for the financial year		(4,907)	(961)

All the above transactions relate to continuing operations.

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

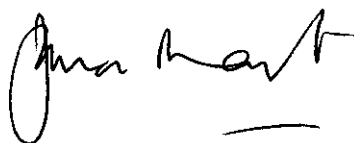
The notes on pages 13 to 23 form part of these financial statements.

Consolidated balance sheet

	Note	As at 9 July 2006 £'000	As at 10 July 2005 £'000
Fixed assets			
Tangible assets	8	16,742	15,173
Investments in joint venture:	9		
Share of gross assets		422	601
Share of gross liabilities		(41)	(45)
		381	556
		17,123	15,729
Current assets			
Stocks		3,787	3,756
Debtors	10	3,398	1,801
Cash at bank and in hand		846	6,554
		8,031	12,111
Creditors – Amounts falling due within one year	11	(5,198)	(2,806)
Net current assets		2833	9,305
Total assets less current liabilities		19,956	25,034
Provisions for liabilities and charges	12	(1,110)	(1,241)
Net assets		18,846	23,793
Capital and reserves			
Called up share capital	13	653	653
Share premium account	14	5,362	5,362
Foreign currency reserve	14	(52)	(12)
Profit and loss account	14	12,883	17,790
Total shareholders' funds		18,846	23,793

These financial statements were approved by the board on 8th February 2007 and signed on its behalf by:

Jana Khayat
Chairman
8th February 2007



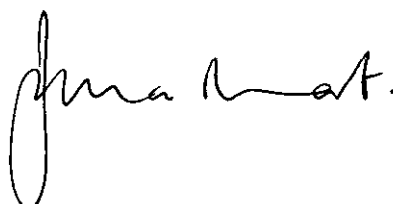
The notes on pages 13 to 23 form part of these financial statements.

Company balance sheet

	Note	As at 9 July 2006 £'000	As at 10 July 2005 £'000
Fixed assets			
Tangible assets	8	16,742	15,173
Investments	9	780	780
		17,522	15,953
Current assets			
Stocks		3,787	3,756
Debtors	10	3,396	1,799
Cash at bank and in hand		846	6,554
		8,029	12,109
Creditors – Amounts falling due within one year	11	(5,198)	(2,806)
Net current assets		2,831	9,303
Total assets less current liabilities		20,353	25,256
Provisions for liabilities and charges	12	(1,110)	(1,241)
Net assets		19,243	24,015
Capital and reserves			
Called up share capital	13	653	653
Share premium account	14	5,362	5,362
Profit and loss account	14	13,228	18,000
Total shareholders' funds		19,243	24,015

These financial statements were approved by the board on 8th February 2007 and signed on its behalf by:

Jana Khayat
Chairman
8th February 2007



The notes on pages 13 to 23 form part of these financial statements.

Consolidated statement of total recognised gains and losses

	52 weeks to 9 July 2006 £'000	52 weeks to 10 July 2005 £'000
Group loss for the financial year	(4,907)	(961)
Currency translation differences on foreign net investment	(40)	2
Total recognised gains and losses for the year	(4,947)	(959)

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.

Basis of consolidation

The Group financial statements consist of the financial statements of the parent company and the Company's share of interests in non-trading subsidiaries and a joint venture. The accounts of the parent company and subsidiaries are prepared to 9 July 2006 and that for the joint venture was prepared from internal accounts to 30 June 2006.

The Company's interests in the joint venture are accounted for using the gross equity method.

Turnover

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

Concession sales are excluded from turnover. This is in accordance with FRS 5 Application Note G 'Revenue Recognition' (issued November 2003).

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 or 10 years

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

Assets in course of construction are included at cost and are not depreciated until they are completed and are brought into productive use.

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.

Fortnum & Mason Plc

Notes to the financial statements

1 Accounting policies (continued)

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.

The results of the overseas joint venture are translated into sterling at average rates of exchange and at closing rate at 30 June for assets and liabilities. The associated exchange differences are taken directly to reserves and disclosed in the statement of total recognised gains and losses.

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 loss

	52 weeks ended 9 July 2006 £'000	52 weeks ended 10 July 2005 £'000
Turnover		
UK	35,862	37,002
Overseas		
- Company	1,644	1,845
- Joint venture	243	157
	<u>1,887</u>	<u>2,002</u>
	<u>37,749</u>	<u>39,004</u>

Fortnum & Mason Plc

Notes to the financial statements

3 Turnover and operating loss (Continued)

	52 weeks ended 9 July 2006 £'000	52 weeks ended 10 July 2005 £'000
Operating Loss		
UK	6,625	1,329
Overseas		
- Company	28	17
- Joint venture	135	169
	<u>163</u>	<u>186</u>
	<u>6,788</u>	<u>1,515</u>

The analysis of turnover by destination is shown above. Turnover by origin in the Company is made up from sales from the UK. Turnover by origin in the joint venture is made up of sales from Japan. Turnover by destination is not materially different from turnover to third parties by origin. All net assets of the company are in the UK. All net assets of the joint venture are in Japan.

4 Loss on ordinary activities before taxation

This is stated after charging the following amounts:

	2006 £'000	2005 £'000
Depreciation	1,625	1,327
(Profit) / loss on sale of fixed assets	-	(3)
Lease rentals on:		
- plant and machinery	279	287
- other	206	151
Auditors' remuneration	44	44
Management charges from immediate holding company	150	150
Store redevelopment costs	1,681	-
Restructuring costs	<u>1,073</u>	<u>-</u>

Redevelopment of the Piccadilly store commenced after Christmas 2005 and, to date, has resulted in £ 1,681,000 (2005: £Nil) of refurbishment costs being expensed. Further costs relating to completion of Phase 1 and commencement of Phase 2 are expected during 2007.

Restructuring activities arising from a reorganisation of the business in Spring 2006 have incurred £ 1,073,000 (2005: £ Nil) in one-off costs during the year.

Fortnum & Mason Plc

Notes to the financial statements

5 Directors and employees

	2006 Number	2005 Number
Average number of employees		
Selling	333	356
Administration and distribution	100	101
	<u>433</u>	<u>457</u>
	£'000	£'000
Staff costs – wages and salaries	8,562	8,257
– social security costs	724	685
– pension costs	473	186
	<u>9,759</u>	<u>9,128</u>
Staff costs include the following remuneration of directors:		
Aggregate emoluments	<u>484</u>	<u>248</u>

Retirement benefits are accruing to one (2005: one) director under a defined benefit scheme and one director (2005: one) under a defined contribution scheme. The aggregate value of company contributions paid under the defined contribution scheme was £27,000 (2005: £15,000)

Highest paid director	2006 £'000	2005 £'000
Emoluments	342	117

6 Tax on loss on ordinary activities

	2006 £'000	2005 £'000
Current tax		
UK Corporation tax	(1,539)	(194)
Adjustment in respect of prior periods	-	1
Foreign tax: share of joint ventures	-	1
Total current tax	<u>(1,539)</u>	<u>(192)</u>
Deferred tax (note 12)		
Origination and reversal of timing differences	<u>(130)</u>	<u>(49)</u>
Tax on loss on ordinary activities	<u>(1,669)</u>	<u>(241)</u>

Fortnum & Mason Plc

Notes to the financial statements

6 Tax on loss on ordinary activities (Continued)

The tax assessed for the period differs from the standard rate of corporation tax in the UK as explained below:

	2006 £'000	2005 £'000
(Loss) on ordinary activities before tax	(6,576)	(1,202)
Deduct: share of joint venture loss before tax	(135)	(169)
Group profit on ordinary activities before tax	(6,441)	(1,033)
 (Loss) on ordinary activities before tax at UK tax rate of 30% (2004: 30%)	 (1,932)	 (310)
Depreciation on assets not qualifying for capital allowances	79	68
Depreciation in excess of Capital Allowances	216	86
Other timing differences	98	(38)
Adjustment to tax charge in respect of prior periods	-	1
 Total current year tax charge	 (1,539)	 (193)

7 Loss of group company

Of the loss for the financial year, a pre-tax loss of £6,441,000 (2005: loss £1,033,000) is dealt with in the accounts of Fortnum and Mason plc. The directors have taken advantage of the exemption available under section 230 of the Companies Act 1985 and not presented a profit and loss account for the company alone.

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Notes to the financial statements

8 Tangible assets

Group and Company	Long leasehold and leasehold improvements £'000	Fixtures and equipment £'000	Works of art £'000	Assets in course of construction £'000	Total £'000
Cost					
At 10 July 2005	15,285	13,493	404	-	29,182
Additions	-	195	-	2,999	3,194
At 9 July 2006	15,285	13,688	404	2,999	32,376
Accumulated depreciation					
At 10 July 2005	3,468	10,541	-	-	14,009
Charge for the year	312	1,313	-	-	1,625
At 9 July 2006	3,780	11,854	-	-	15,634
Net book amount					
9 July 2006	11,505	1,834	404	2,999	16,742
Net book amount					
10 July 2005	11,817	2,952	404	-	15,173

9 Investments included in fixed assets

Group	2006 £'000
Interests in joint ventures	
At 10 July 2005 – net assets	556
Exchange adjustments	(40)
Share of retained loss	(135)
At 9 July 2006 – net assets	381
Company	2006 £'000
Fixed asset investments	
At 10 July 2005	780
At 9 July 2006	780

The company owns the entire issued share capital of a number of non-trading companies, which are shown at cost. The company also owns 50% of the share capital of Fortnum & Mason Japan Co. Ltd (see note 20)

Fortnum & Mason Plc

Notes to the financial statements

10 Debtors

Group	2006 £'000	2005 £'000
Trade debtors	1,113	1,016
Amounts owed by group companies	1,496	2
Other debtors	476	343
Prepayments and accrued income	313	440
	3,398	1,801
 Company	 2006 £'000	 2005 £'000
Trade debtors	1,113	1,016
Amounts owed by group companies	1,494	-
Other debtors	476	343
Prepayments and accrued income	313	440
	3,396	1,799

11 Creditors – amounts falling due within one year

Group and company	2006 £'000	2005 £'000
Trade creditors	2,282	1,204
Amounts owed to group companies	206	138
Corporation tax	-	43
Other tax and social security payable	210	245
Other creditors	111	123
Accruals	2,389	1,053
	5,198	2,806

Fortnum & Mason Plc

Notes to the financial statements

12 Provisions for liabilities and charges

Group and company	As at 10 July 2005 £'000	Movement £'000	As at 9 July 2006 £'000
Deferred taxation	1,241	(131)	1,110

The amounts provided for deferred taxation, which represent the full potential liability, are set out below:

	2006 £'000	2005 £'000
Accelerated capital allowances	731	948
Other timing differences	379	293
Total provision for deferred tax	1,110	1,241

13 Called up share capital

Company	Authorised		Allotted, called up and fully paid	
	Nominal value £'000	Number 000's	Nominal value £'000	Number 000's
Ordinary shares of 5p each b/f and c/f	812	16,250	653	13,062

14 Reserves

Group	Share premium account £'000	Foreign currency reserve £'000	Profit and loss account £'000
Balance at 10 July 2005	5,362	(12)	17,790
Retained loss for the year	-	-	(4,907)
Exchange adjustments	-	(40)	-
Balance at 9 July 2006	5,362	(52)	12,883

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Notes to the financial statements

14 Reserves (Continued)

Company	Share premium Account £'000	Profit and loss account £'000
Balance at 10 July 2005	5,362	18,000
Retained loss for the year	-	(4,772)
Balance at 9 July 2006	5,362	13,228

15 Reconciliation of movement in shareholders' funds

Group	2006 £'000	2005 £'000
Equity:		
Opening balance	23,793	24,752
Retained loss for the year	(4,907)	(961)
Exchange adjustments offset in reserves	(40)	2
Total shareholders' funds	18,846	23,793
Company	2006 £'000	2005 £'000
Equity:		
Opening balance	24,015	24,806
Retained loss for the year	(4,772)	(791)
Total shareholders' funds	19,243	24,015

16 Pensions

Prior to 30 September 2002, the company provided defined benefits, to employees over the age of 21 with more than six months service, through Associated British Foods Pension Scheme. At 9 July 2006 some 25% (2005: 28%) of the company's employees were members of the scheme.

The scheme is wholly administered by the trustee 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 2005, showed that assets represented 99% of the benefits that had accrued to members after allowing for expected future increases in earnings, and

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Notes to the financial statements

16 Pensions (Continued)

the company made contributions of £367,300 in the year (2005: £156,600).

From 1 October 2002, new entrants to the Associated British Foods Pension Scheme were offered membership of a defined contribution arrangement. The Company pays defined contribution payments for these pension scheme members. At 9 July 2006 there were 18 members (2005: 10) of the scheme and the company made contributions of £105,600 (2005: £29,400) in the year.

17 Capital commitments

There are commitments for capital expenditure by the company of **£18,090,000** (2005: £22,280,000) principally relating to the store development programme, for which no provision has been made in these accounts.

The funding for the programme will be provided by the holding company, Wittington Investments Limited.

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.

b) Interest rate risk profile

At 9 July 2006 the company had no interest bearing financial liabilities (2005: none).

Interest bearing sterling cash deposits at the year-end were £887,000 (2005: £7,051,000) at an interest rate of 4.15% (2005: 4.69%).

c) Currency risk profile

At 9 July 2006 the company had outstanding non-sterling short-term creditors, predominantly in EU currencies of £108,000 (2005 £199,000).

Fortnum & Mason Plc

Notes to the financial statements

19 Commitments under operating leases

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

Operating leases which expire:

	Less than one year £'000	Two to five years £'000	Over five years £'000	Total £'000
Land and buildings	-	-	206	206
Other	257	22	-	279
At 9 July 2006	257	22	206	485
Land and buildings	-	-	150	150
Other	274	13	-	287
At 10 July 2005	274	13	150	437

20 Joint Venture

The Group's principal joint venture is:

	Business	Share of issued share Capital	Country of incorporation
Fortnum & Mason Japan Co. Ltd	Retail	50%	Japan

Internal accounts were prepared up to 30 June 2006 to facilitate the preparation of the consolidated accounts as at 9 July 2006.

21 Ultimate parent undertaking

The immediate and ultimate holding company of Fortnum & Mason Plc is Wittington Investments Limited. 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 15 August 2006 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:

	9 July 2006	10 July 2005
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
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
E G Mason	-	-
Mrs B A Aspinall	-	-

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 9 July 2006 held 683,073 ordinary shares of 50p (2005 - 683,073) in Wittington Investments Limited.
2. There have been no changes in the above holdings between 10 July 2006 and February 2007.
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.