

Fortnum & Mason Plc
(Registered Number 84909)

Directors' report and Financial Statements
For the year ended 13 July 2008

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Fortnum & Mason Plc

Year ended 13 July 2008

| Contents | Page |
|---|-------------|
| Directors' report | 3 - 8 |
| Auditors' report | 9 - 10 |
| Consolidated profit and loss account | 11 |
| Consolidated balance sheet | 12 |
| Company balance sheet | 13 |
| Consolidated statement of total recognised gains and losses | 14 |
| Notes to the financial statements | 15 - 29 |

Fortnum & Mason Plc

Year ended 13 July 2008

Directors' report

Principal activity

Fortnum & Mason Plc is a multichannel retail business with four principal activities, the retail operations in the Piccadilly store, a hospitality division that includes the restaurants in the Piccadilly store and events, the remote delivery business focussing on catalogue and internet sales and an international and airport operation.

Business review

The financial year ended 13 July 2008 was of particular significance for Fortnum & Mason since it marked the completion of the major refurbishment of the flagship Piccadilly store in November 2007. The project commenced in 2006 and entailed substantial investment and disruption but has revitalised the flagship store which now has five fully refurbished trading floors and five restaurants. The high standard of the refurbishment in the selling areas was recognised at the 2008 Retail Interiors Design Awards where the refurbishment received the Shopfitting Excellence and the Visual Merchandising awards.

Financial performance

In the year under review, sales grew by 17% to a record £46 million with growth being achieved in all four channels of the business.

Retail operations at the Piccadilly store continued to be adversely affected in the first quarter of the year whilst the refurbishment was still underway but, after completion, the store achieved strong growth. Food and drink, the store's traditional area of strength, showed a healthy increase and the development of the upper floors including the addition of new departments meant that the non-food business achieved exceptional growth.

The restaurants also benefitted from the refurbishment and achieved strong growth after completion.

The remote division incorporating catalogue and internet sales continued to progress with the corporate sector being particularly buoyant.

The International and airport division continued to grow and the commencement of operations within the World Duty Free Store in Heathrow Terminal 5 was of particular significance. Internationally, sales were broadly in line with last year and in Japan, where the company operates a joint venture with Mitsukoshi, the number of outlets rose to 13 during the year.

The gross margin was maintained at 28% (2007: 28%) and total expenses were lower than the previous year with operating costs rising but revenue costs associated with the refurbishment declining. The resultant loss before tax was £8.2 million (2007: £10.1million loss) and after a provision for tax relief of £2.3 million (2007: £2.2 million) the retained loss amounted to £5.9 million (2007: £7.8 million).

Fortnum & Mason Plc

Year ended 13 July 2008

Directors' report (continued)

Capital expenditure in the year amounted to £11.0 million (2007: £14.9 million) with the bulk of this being due to the refurbishment project. The total capital investment spanning the 22 months of the project amounted to £31 million (including revenue costs but excluding lost profits) and was funded by the immediate parent company Wittington Investments Limited by an inter company loan, £20 million of which was capitalised during the year.

Outlook

Since the year end in July, the global economic crisis has worsened and the trading environment has deteriorated significantly. Against this background, the retail and restaurant trade in the Piccadilly store has proved to be resilient but the recession has inevitably had an adverse impact on the business overall. As the economic downturn is likely to persist for some time, the company has taken action to reduce its cost base in order to ensure that the business is well positioned to benefit from the upturn when it arrives and returns to profitability as soon as possible.

Strategy

Fortnum & Mason's vision is to be a prosperous and very English retailer of the most inspiring products and service in the world, across food, drink, entertaining and gifts for customers who want the very best.

As the company enters its fourth century, the objectives continue to be to achieve growth through the flagship Piccadilly store combined with development of the business through the internet and mail order channels and international opportunities.

Work will also continue on the CSR (Corporate Social Responsibility) implications of the sourcing of all products, to ensure the highest standards are met, and there is full traceability on all products.

Principal 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 the uncertainty and weakening of the economy, the threat of terrorism in London and to competition from both national and independent retailers.

Currency risks

The Group is exposed to foreign currency exchange risk on overseas purchasing.

Approximately 20% of the Group's purchases are from suppliers outside the United Kingdom. The purchases are generally invoiced in the local currency of the supplier. Transaction exposures are hedged partially using forward currency contracts.

Fortnum & Mason Plc

Year ended 13 July 2008

Directors' report (continued)

Key performance indicators.

Management use a range of financial and non-financial performance indicators to manage the business. These are derived from all areas of the business and include sales growth by channel of distribution, sales productivity, intake and achieved gross margins, staff productivity ratios, stock ratios and service levels.

Profits and dividends

The consolidated profit and loss account on page 11 shows a loss for the financial year ended 13 July 2008 of £5.9 million (2007: loss £7.8 million). The total dividend on the ordinary shares amounts to £Nil (2007: £Nil).

Directors

| | |
|---------------------|-----------------|
| Mrs A C Hobhouse | (chairman) |
| Mr W G Galen Weston | (vice chairman) |
| Mrs B A Aspinall | |
| Mrs C H W Dalglish | |
| Mrs J R Khayat | |
| Mr A D Meehan | |
| Mr N S McGinley | |

On 17 July 2008 Mrs J R Khayat stepped down as chairman and was replaced by Mrs AC Hobhouse.

Going concern

After making enquiries, the directors have received assurances from the parent company Wittington Investments Limited, that support will be provided for the foreseeable future provided the company remains a subsidiary. For this reason, the directors 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 21 (2007: 26).

Environmental policy

As a responsible employer, the company is conscious of its position and role within the community and is committed to improving its environmental performance.

Fortnum & Mason Plc

Year ended 13 July 2008

Directors' report (continued)

In meeting this objective, the company's environmental policy is intended to satisfy all appropriate legislation and the need to conform to good industry practice. In addition, full consideration is 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,
- the impact of suppliers on environmental issues.

The policy is subject to regular review, incorporating new objectives as appropriate.

Sourcing

The company is committed to sourcing products in a responsible manner, with full traceability of ingredients and components where applicable. Where appropriate, products are sourced from British suppliers, and active support is given to small, artisanal and often family-based concerns.

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 and the Internal Communications department issue daily and fortnightly bulletins to all staff. Elected members of staff meet regularly with the Managing Director to discuss financial results, future plans and employee concerns and suggestions. 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.

Employment of disabled persons

Fortnum & Mason is an equal opportunity employer. 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 does not suffer from a disability.

Fixed assets

Changes in fixed assets are set out in note 8. A valuation carried out prior to the refurbishment 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 £10.8 million.

Fortnum & Mason Plc

Year ended 13 July 2008

Directors' report (continued)

Charitable and political contributions

The staff charity committee selected the Association of Children's Hospices to be the company's nominated charity. Support is provided through the hosting of events and donations of gifts. Otherwise, charitable donations are covered by the ultimate holding company, Wittington Investments Limited.

No political donations were made during the year (2007: £nil).

Directors' responsibility statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and group and of the profit or loss of the company and group for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and to 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

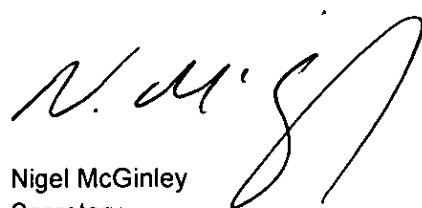
Fortnum & Mason Plc
Year ended 13 July 2008

Directors' report (continued)

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

A handwritten signature in black ink, appearing to read 'N. McGinley', is written over the printed name and title.

Nigel McGinley
Secretary
12 February 2009

Registered Office
181 Piccadilly
London W1A 1ER

Fortnum & Mason Plc

Year ended 13 July 2008

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

We have audited the consolidated and parent company financial statements (the "financial statements") of Fortnum & Mason Plc for the year ended 13 July 2008 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Statement of Total Recognised Gains and Losses and the related notes on pages 11 to 29. 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.

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 also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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 we 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.

Fortnum & Mason Plc
Year ended 13 July 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FORTNUM & MASON Plc
(continued)

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 13 July 2008 and of the Group's loss for the year then ended;
- 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
12 February 2009

Fortnum & Mason Plc
Year ended 13 July 2008

Consolidated profit and loss account

| | Note | 52 weeks ended 13 July 2008 £'000 | 53 weeks ended 15 July 2007 £'000 |
|---|------|---|---|
| Turnover, including share of joint venture | 3 | 46,018 | 39,404 |
| Less: share of turnover of joint venture | | (365) | (301) |
| Turnover | | 45,653 | 39,103 |
| Cost of sales | | (32,919) | (27,999) |
| Gross profit | | 12,734 | 11,104 |
| Distribution costs | | (854) | (591) |
| Administrative expenses | | (19,818) | (16,207) |
| Store redevelopment costs | 4 | (170) | (3,000) |
| Restructuring costs | 4 | (371) | (1,455) |
| Total administrative expenses | | (20,359) | (20,662) |
| Operating loss | | (8,479) | (10,149) |
| Share of operating loss in joint venture | | (11) | (123) |
| Total operating loss, including share of joint venture | 3 | (8,490) | (10,272) |
| Interest receivable | | 290 | 188 |
| Loss on ordinary activities before taxation | 4 | (8,200) | (10,084) |
| Tax on loss on ordinary activities | 6 | 2,272 | 2,237 |
| Loss for the financial year | 15 | (5,928) | (7,847) |

The results of the Group are generated entirely from 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 15 to 29 form part of these financial statements.

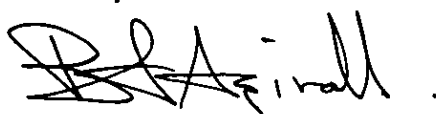
Fortnum & Mason Plc
Year ended 13 July 2008

Consolidated balance sheet

| | Note | As at 13 July 2008 £'000 | As at 15 July 2007 £'000 |
|---|------|--------------------------------|--------------------------------|
| Fixed assets | | | |
| Tangible assets | 8 | 36,953 | 28,313 |
| Investment in joint venture: | 9 | | |
| Share of gross assets | | 284 | 282 |
| Share of gross liabilities | | (50) | (73) |
| | | <u>234</u> | <u>209</u> |
| | | 37,187 | 28,522 |
| Current assets | | | |
| Stocks | | 5,971 | 4,353 |
| Debtors | 10 | 4,817 | 4,970 |
| Cash at bank and in hand | | 3,138 | 2,438 |
| | | <u>13,926</u> | <u>11,761</u> |
| Creditors – Amounts falling due within one year | 11 | <u>(5,565)</u> | <u>(5,234)</u> |
| Net current assets | | <u>8,361</u> | <u>6,527</u> |
| Total assets less current liabilities | | <u>45,548</u> | <u>35,049</u> |
| Creditors – Amounts due after more than one year | 12 | (18,032) | (21,996) |
| Provisions for liabilities and charges | 13 | (2,458) | (2,103) |
| Net assets | | <u>25,058</u> | <u>10,950</u> |
| Capital and reserves | | | |
| Called up share capital | 14 | 807 | 653 |
| Share premium account | 15 | 25,208 | 5,362 |
| Foreign currency reserve | 15 | (65) | (101) |
| Profit and loss account | 15 | (892) | 5,036 |
| Total shareholders' funds | | <u>25,058</u> | <u>10,950</u> |

The notes on pages 15 to 29 form part of these financial statements.

These financial statements were approved by the board on 12 February 2009 and signed on its behalf by:



Beverley Aspinall

Director

12 February 2009

Fortnum & Mason Plc
Year ended 13 July 2008

Company balance sheet

| | Note | As at 13 July 2008 £'000 | As at 15 July 2007 £'000 |
|---|-------------|---|---|
| Fixed assets | | | |
| Tangible assets | 8 | 36,948 | 28,313 |
| Investments | 9 | 785 | 780 |
| | | 37,733 | 29,093 |
| Current assets | | | |
| Stocks | | 5,745 | 4,353 |
| Debtors | 10 | 6,241 | 4,970 |
| Cash at bank and in hand | | 3,082 | 2,438 |
| | | 15,068 | 11,761 |
| Creditors – Amounts falling due within one year | 11 | (6,467) | (5,234) |
| Net current assets | | 8,601 | 6,527 |
| Total assets less current liabilities | | 46,334 | 35,620 |
| Creditors – Amounts due after more than one year | 12 | (18,032) | (21,996) |
| Provisions for liabilities and charges | 13 | (2,458) | (2,103) |
| Net assets | | 25,844 | 11,521 |
| Capital and reserves | | | |
| Called up share capital | 14 | 807 | 653 |
| Share premium account | 15 | 25,208 | 5,362 |
| Profit and loss account | 15 | (171) | 5,506 |
| Total shareholders' funds | | 25,844 | 11,521 |

The notes on pages 15 to 29 form part of these financial statements.

Fortnum & Mason Plc
Year ended 13 July 2008

Consolidated statement of total recognised gains and losses

| | 52 weeks to 13 July 2008 £'000 | 53 weeks to 15 July 2007 £'000 |
|--|--------------------------------------|--------------------------------------|
| Group loss for the financial year | (5,928) | (7,847) |
| Currency translation differences on foreign net investment | 36 | (49) |
| Total recognised gains and losses for the year | (5,892) | (7,896) |

The notes on pages 15 to 29 form part of these financial statements.

Fortnum & Mason Plc

Year ended 13 July 2008

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below:

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 as set out in note 9 to the accounts. The accounts of the parent company and subsidiaries are prepared to 13 July 2008 and that for the joint venture was prepared from internal accounts to 30 June 2008.

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.

Depreciation

Depreciation is provided 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.

Fortnum & Mason Plc
Year ended 13 July 2008

Notes to the financial statements

1 Accounting policies (continued)

Deferred taxation

Deferred tax is recognised on a full provision basis on timing differences between the recognition of gains and losses in the accounts and their recognition for tax purposes that have arisen but not reversed at the balance sheet date.

Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be sufficient future taxable profits to permit tax relief of the underlying timing differences. Deferred taxation balances are not discounted

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.

Gains and losses on forward foreign exchange contracts used to manage foreign exchange exposure are carried forward and taken to the profit and loss account on maturity to match the underlying transactions.

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.

Pension costs

Defined contribution scheme

The pension costs charged in the profit and loss account represent the amount of contribution payable to the scheme in respect of the accounting period.

Defined benefit scheme

Prior to 30 September 2002 the company provided a defined benefit scheme to employees through the Associated British Foods Pension Scheme under which retirement benefits are funded by contributions by the company. Payments are made to the pension trust 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 scheme will tend to equate to the contributions payable.

Fortnum & Mason Plc
Year ended 13 July 2008

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 its cashflow are included in the consolidated financial statements of that company, 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. The company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Wittington Investments Limited group or investees of the Wittington Investments Limited group. There were no reportable transactions with any other related parties.

3 Segmental reporting

| | 52 weeks ended 13 July 2008 £'000 | 53 weeks ended 15 July 2007 £'000 |
|--------------------------|--|--|
| Turnover | | |
| UK | 42,705 | 35,949 |
| Overseas | | |
| - Company | 2,948 | 3,154 |
| - Joint venture | 365 | 301 |
| | <u>3,313</u> | <u>3,455</u> |
| Turnover | <u>46,018</u> | <u>39,404</u> |
| | | |
| | 52 weeks ended 13 July 2008 £'000 | 53 weeks ended 15 July 2007 £'000 |
| Operating Results | | |
| UK | (8,850) | (10,614) |
| Overseas | | |
| - Company | 371 | 465 |
| - Joint venture | (11) | (123) |
| | <u>360</u> | <u>342</u> |
| Operating loss | <u>(8,490)</u> | <u>(10,272)</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.

Fortnum & Mason Plc
Year ended 13 July 2008

Notes to the financial statements

3 Turnover and operating results (continued)

| | 2008 £'000 | 2007 £'000 |
|-------------------|---------------|---------------|
| Net assets | | |
| UK | 24,657 | 10,468 |
| Overseas | | |
| - US | 167 | 273 |
| - Japan | 234 | 209 |
| | <u>401</u> | <u>482</u> |
| Net assets | <u>25,058</u> | <u>10,950</u> |

4 Loss on ordinary activities before taxation

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

| | 52 weeks ended 13 July 2008 £'000 | 53 weeks ended 15 July 2007 £'000 |
|--------------------------------|--|--|
| Depreciation | 2,152 | 3,250 |
| Lease rentals on: | | |
| - plant and machinery | 42 | 86 |
| - other | 178 | 195 |
| Auditors' remuneration | 85 | 75 |
| Restructuring costs | 371 | 1,455 |
| Profit on sale of fixed assets | (445) | (648) |
| Store redevelopment costs | 615 | 3,648 |
| | <u>170</u> | <u>3,000</u> |

Redevelopment of the Piccadilly store commenced in 2006 and was completed in November 2007. Refurbishment costs incurred and charged to the profit and loss account in the year amounted to £170,000 (2007: £3,000,000).

Restructuring activities arising from a reorganisation of the business commenced in Spring 2007 and the subsequent re-organisation of the Restaurant division resulted in one off costs of £371,000 (2007: £1,455,000) during the year.

Fortnum & Mason Plc
Year ended 13 July 2008

Notes to the financial statements

5 Directors and employees

| | 2008 Number | 2007 Number |
|--|------------------------|------------------------|
| Average number of employees: | | |
| Selling | 399 | 346 |
| Administration and distribution | 155 | 104 |
| | 554 | 450 |
| | £'000 | £'000 |
| Staff costs – wages and salaries | 11,894 | 9,307 |
| – social security costs | 1,032 | 870 |
| – pension costs | 595 | 648 |
| | 13,521 | 10,825 |
| | 2008 £'000 | 2007 £'000 |
| Staff costs include the following remuneration of directors: | | |
| Aggregate emoluments | 515 | 499 |

Retirement benefits are accruing to one (2007: one) director under a defined benefit scheme and two director (2007: one) under a defined contribution scheme. The aggregate value of company contributions paid under the defined contribution scheme was £61,357 (2007: £26,000)

Consultancy fees of £28,846 (2007: £nil) were paid to Listercorne Limited a company in which Mr A D Meehan, a director of the company, has a controlling interest.

| Highest paid director | 2008 £'000 | 2007 £'000 |
|------------------------------|-----------------------|-----------------------|
| Emoluments | 308 | 396 |
| Pension costs | 29 | 26 |
| | 337 | 422 |

Fortnum & Mason Plc
Year ended 13 July 2008

Notes to the financial statements

6 Tax on loss on ordinary activities

| | 2008 £'000 | 2007 £'000 |
|--|----------------|----------------|
| Current tax | | |
| UK Corporation tax | (2,973) | (3,230) |
| Adjustment in respect of prior period | 311 | - |
| Foreign tax | 35 | - |
| | <u>(2,627)</u> | <u>(3,230)</u> |
| Deferred tax (note 13) | | |
| Origination and reversal of timing differences | 355 | 993 |
| Tax on loss on ordinary activities | <u>(2,272)</u> | <u>(2,237)</u> |

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

| | 2008 £'000 | 2007 £'000 |
|---|----------------|----------------|
| Loss on ordinary activities before tax | (8,200) | (10,084) |
| Deduct: share of joint venture loss before tax | (11) | (123) |
| Group loss on ordinary activities before tax | <u>(8,189)</u> | <u>(9,961)</u> |
| Loss on ordinary activities before tax at UK tax rate of 29.42% (2007: 30%) | (2,409) | (2,988) |
| Depreciation on assets not qualifying for capital allowances | 665 | 45 |
| Capital allowances in excess of depreciation | (1,046) | (914) |
| Expenses not deductible for tax purposes | 224 | 730 |
| Other timing differences | (61) | (103) |
| Total current year tax charge | <u>(2,627)</u> | <u>(3,230)</u> |

7 Company results

Of the loss for the financial year, a pre-tax loss of £7,950,000 (2007: loss £9,961,000) arose in the accounts of Fortnum & 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.

Fortnum & Mason Plc
Year ended 13 July 2008

Notes to the financial statements

8 Tangible assets

| Group | Long leasehold and leasehold improvements £'000 | Fixtures and equipment £'000 | Works of art £'000 | Assets in course of construction £'000 | Total £'000 |
|-------------------------------------|--|---|-------------------------------|---|------------------------|
| Cost | | | | | |
| At 16 July 2007 | 21,436 | 16,473 | 386 | 8,881 | 47,176 |
| Additions | 6,675 | 3,948 | 362 | - | 10,985 |
| Disposals | - | - | (193) | - | (193) |
| Transfer | 6,217 | 2,664 | - | (8,881) | - |
| At 13 July 2008 | 34,328 | 23,085 | 555 | - | 57,968 |
| Accumulated depreciation | | | | | |
| At 16 July 2007 | 5,374 | 13,489 | - | - | 18,863 |
| Charge for the year | 925 | 1,227 | - | - | 2,152 |
| At 13 July 2008 | 6,299 | 14,716 | - | - | 21,015 |
| Net book amount | | | | | |
| 13 July 2008 | 28,029 | 8,369 | 555 | - | 36,953 |
| Net book amount | | | | | |
| 15 July 2007 | 16,062 | 2,984 | 386 | 8,881 | 28,313 |

Fortnum & Mason Plc
Year ended 13 July 2008

Notes to the financial statements

8 Tangible assets (continued)

| 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 16 July 2007 | 21,436 | 16,473 | 386 | 8,881 | 47,176 |
| Additions | 6,675 | 3,948 | 362 | - | 10,985 |
| Disposals | - | (10) | (193) | - | (203) |
| Transfer | 6,217 | 2,664 | - | (8,881) | - |
| At 13 July 2008 | 34,328 | 23,075 | 555 | - | 57,958 |
| Accumulated depreciation | | | | | |
| At 16 July 2007 | 5,374 | 13,489 | - | - | 18,863 |
| Charge for the year | 925 | 1,227 | - | - | 2,152 |
| Eliminated on disposal | - | (5) | - | - | (5) |
| At 13 July 2008 | 6,299 | 14,711 | - | - | 21,010 |
| Net book amount | | | | | |
| 13 July 2008 | 28,029 | 8,364 | 555 | - | 36,948 |
| Net book amount 15 July 2007 | 16,062 | 2,984 | 386 | 8,881 | 28,313 |

Fortnum & Mason Plc
Year ended 13 July 2008

Notes to the financial statements

9 Investments included in fixed assets

Group

| | £'000 |
|------------------------------|------------|
| Interests in joint ventures | |
| At 16 July 2007 – net assets | 209 |
| Exchange adjustments | 36 |
| Share of retained loss | (11) |
| At 13 July 2008 – net assets | <u>234</u> |

Company

| | £'000 |
|-------------------------|------------|
| Fixed asset investments | |
| At 16 July 2007 | 780 |
| Additions in the year | 5 |
| At 13 July 2008 | <u>785</u> |

Internal accounts were prepared up to 30 June 2008 to facilitate the preparation of the consolidated accounts as at 13 July 2008.

On 1 October 2007 the company incorporated its US branch as a legal liability partnership "Fortnum & Mason USA LLP" through the issue and purchase of 100 ordinary shares of no par value for a consideration of £5,000.

A list of the company's interest in subsidiary companies and joint ventures are listed below:

| | Country of Registration | Activity | Share capital held |
|---------------------------------------|----------------------------|----------|-----------------------|
| Subsidiary companies | | | |
| Fortnum and Mason USA LLP | USA | Retailer | 100% |
| Fortnum & Mason Limited | Ireland | Dormant | 100% |
| F. & M. Limited | UK | Dormant | 100% |
| Fortnum and Mason (Export) Limited | UK | Dormant | 100% |
| Fortnum and Mason Hospitality Limited | UK | Dormant | 100% |
| Fortnum and Mason London Limited | UK | Dormant | 100% |
| Fortnums Limited | UK | Dormant | 100% |
| Joint venture | | | |
| Fortnum and Mason Japan Co.Limited | Japan | Retailer | 50% |

Fortnum & Mason Plc
Year ended 13 July 2008

Notes to the financial statements

10 Debtors

| Group | 2008 | 2007 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Trade debtors | 1,419 | 930 |
| Amounts owed by immediate parent company | 2,627 | 3,230 |
| Other taxes recoverable | 18 | 405 |
| Other debtors | 122 | 146 |
| Prepayments and accrued income | 631 | 259 |
| | 4,817 | 4,970 |

| Company | 2008 | 2007 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Trade debtors | 1,419 | 930 |
| Amounts owed by immediate parent company | 2,627 | 3,230 |
| Amounts owed by subsidiary company | 1,424 | - |
| Other taxes recoverable | 18 | 405 |
| Other debtors | 122 | 146 |
| Prepayments and accrued income | 631 | 259 |
| | 6,241 | 4,970 |

11 Creditors – amounts falling due within one year

| Group | 2008 | 2007 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Trade creditors | 2,176 | 2,520 |
| Amounts owed to group companies | 497 | - |
| Other taxes and social security payable | 443 | 204 |
| Other creditors | 142 | 101 |
| Accruals | 2,307 | 2,409 |
| | 5,565 | 5,234 |

Fortnum & Mason Plc
Year ended 13 July 2008

Notes to the financial statements

11 Creditors – amounts falling due within one year (continued)

| Company | 2008 £'000 | 2007 £'000 |
|---|---------------|---------------|
| Trade creditors | 2,176 | 2,520 |
| Amounts owed to group companies | 1,399 | - |
| Other taxes and social security payable | 443 | 204 |
| Other creditors | 142 | 101 |
| Accruals | 2,307 | 2,409 |
| | <u>6,467</u> | <u>5,234</u> |

12 Creditors – amounts falling due after more than one year

| Group and company | 2008 £'000 | 2007 £'000 |
|---------------------------------|---------------|---------------|
| Amounts owed to group companies | <u>18,032</u> | <u>21,996</u> |

Amounts owed to group companies are not repayable before 10 June 2010 and are not interest bearing.

13 Provisions for liabilities and charges

| Group and company | As at 16 July 2007 £'000 | Movement £'000 | As at 13 July 2008 £'000 |
|-------------------|--------------------------------|-------------------|--------------------------------|
| Deferred taxation | <u>2,103</u> | <u>355</u> | <u>2,458</u> |

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

| | 2008 £'000 | 2007 £'000 |
|----------------------------------|---------------|---------------|
| Accelerated capital allowances | 2,061 | 1,669 |
| Other timing differences | <u>397</u> | <u>434</u> |
| Total provision for deferred tax | <u>2,458</u> | <u>2,103</u> |

Fortnum & Mason Plc
Year ended 13 July 2008

Notes to the financial statements

14 Called up share capital

| Group and 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 | 812 | 16,250 | 653 | 13,062 |
| Allotted during the year | - | - | 154 | 3,077 |
| Ordinary share of 5p each c/f | 812 | 16,250 | 807 | 16,139 |

On 11 July 2008 £20,000,006 of the amount payable to Wittington Investments Limited, the ultimate parent company, was capitalised by the issue of 3,076,924 ordinary shares of 5 pence each.

15 Reserves

| Group | Share premium account £'000 | Foreign currency reserve £'000 | Profit and loss account £'000 |
|----------------------------|--------------------------------|-----------------------------------|----------------------------------|
| Balance at 16 July 2007 | 5,362 | (101) | 5,036 |
| Retained loss for the year | - | - | (5,928) |
| Exchange adjustments | - | 36 | - |
| Issued in the year | 19,846 | - | - |
| Balance at 13 July 2008 | 25,208 | (65) | (892) |

| Company | Share premium Account £'000 | Profit and loss account £'000 |
|----------------------------|--------------------------------|----------------------------------|
| Balance at 16 July 2007 | 5,362 | 5,506 |
| Retained loss for the year | - | (5,677) |
| Issued in the year | 19,846 | - |
| Balance at 13 July 2008 | 25,208 | (171) |

Fortnum & Mason Plc
Year ended 13 July 2008

Notes to the financial statements

16 Reconciliation of movement in shareholders' funds

| Group | 2008 | 2007 |
|---|-----------------|-----------------|
| | £'000 | £'000 |
| Equity: | | |
| Opening balance | 10,950 | 18,846 |
| Retained loss for the year | (5,928) | (7,847) |
| Exchange adjustments offset in reserves | 36 | (49) |
| Issue of share capital | 20,000 | - |
| Total shareholders' funds | <u>25,058</u> | <u>10,950</u> |
| Company | 2008 | 2007 |
| | £'000 | £'000 |
| Equity: | | |
| Opening balance | 11,521 | 19,243 |
| Retained loss for the year | (5,677) | (7,722) |
| Issue of share capital | 20,000 | - |
| Total shareholders' funds | <u>25,844</u> | <u>11,521</u> |

17 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 the Associated British Foods Pension Scheme. At 13 July 2008 some 13% (2007: 16%) 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 2008, showed that assets represented 93% of the benefits that had accrued to members after allowing for expected future increases in earnings, and the company made contributions of £358,814 in the year (2007: £432,217).

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 13 July 2008 there were 29 members (2007: 30) of the scheme and the company made contributions of £236,075 (2007: £191,261) in the year.

Fortnum & Mason Plc
Year ended 13 July 2008

Notes to the financial statements

18 Capital commitments

At the year end there are commitments for capital expenditure by the company of £nil (2007: £14,974,000 which principally related to the store redevelopment programme).

19 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 fair value of forward contracts outstanding at the year end was £nil (2007: none).

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 13 July 2008 the company had no interest bearing financial liabilities (2007: none).

Interest bearing sterling cash deposits at the year-end were £2,362,000 (2007: £1,886,000) at an interest rate of 4.2% (2007: 4.9%).

c) Currency risk profile

At 13 July 2008 the company had outstanding non-sterling short-term creditors, predominantly in EU currencies of £178,000 (2007: £118,000).

Fortnum & Mason Plc
Year ended 13 July 2008

Notes to the financial statements

20 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 | - | - | 182 | 182 |
| Other | - | - | 16 | 16 |
| At 13 July 2008 | - | - | 198 | 198 |
| Land and buildings | - | - | 195 | 195 |
| Other | - | 24 | 16 | 40 |
| At 15 July 2007 | - | 24 | 211 | 235 |

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 13 July 2008 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.