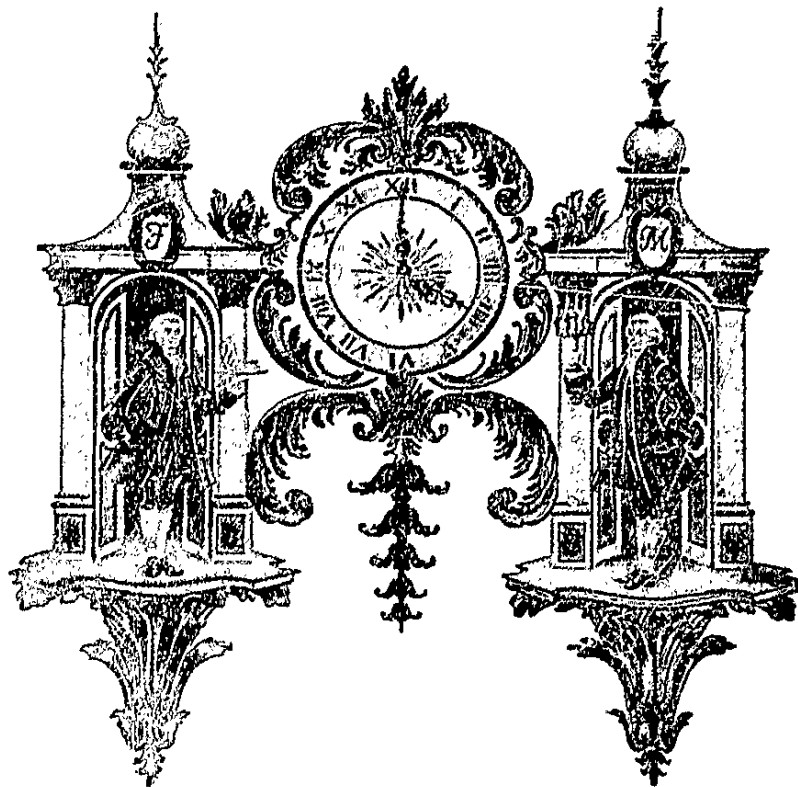


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BY APPOINTMENT
TO HER MAJESTY QUEEN ELIZABETH II
GROCCERS & PROVISION MERCHANTS
FORTNUM & MASON LTD. LONDON

FORTNUM & MASON LTD



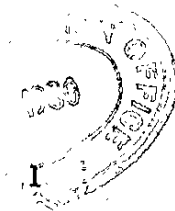
REPORT AND ACCOUNTS 1980

FORTNUM & MASON LIMITED

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FORTNUM & MASON LIMITED

Directors and Professional Advisers

Chairman

Garry H. Weston

Vice-Chairman

W. G. Galen Weston

Directors

Mrs. C. H. W. Dalglish

D. A. Hanney

D. F. L. Jaggs

W. Kean

Mrs L. Prescott

Mrs. M. D. W. Rebanks

Secretary and Registered Office

F. W. Lockyer, F.C.A., A.T.I.I.

181 Piccadilly, London W1A 1ER

Auditors

Price Waterhouse & Co.

Southwark Towers

32 London Bridge Street

London SE1 9SY

Solicitors

A. Kramer & Co.

40 Portland Place

London W1N 4BA

Bankers

Bank of Scotland

Haymarket branch

57/60 Haymarket

London SW1Y 4QY

Registrar and Transfer Office

M. R. Gore, A.C.I.S.

17 Camden Road, London NW1 9LJ

FORTNUM & MASON LIMITED

Notice of annual general meeting

Notice is hereby given that the seventy-fifth annual general meeting of the company will be held at the Mayfair Hotel, Berkeley Street, London, W1 on Monday, 21st July 1980 at 10.30 a.m. for the following purposes:—

- 1 To receive and adopt the accounts for the year ended 26th January 1980 together with the reports of the directors and auditors thereon.
- 2 To declare a final dividend on the ordinary stock of the company.
- 3 To re-appoint directors retiring under the articles of association.
- 4 To re-appoint Price Waterhouse & Co. as auditors of the company and to authorise the directors to fix their remuneration.

By order of the board

F. W. Lockyer

Secretary

Noted

26th June 1980

Registered Office

18, 1 Piccadilly,

London W1A 1ER

NOTES:

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote instead of him. The person appointed need not be a member of the company. Forms of Proxy, if used, must be lodged at the registered office at least 48 hours before the meeting.
2. This notice is sent to preference stockholders for information only.
3. Preference stock and ordinary stock dividend warrants will be posted on 26th June 1980 and 24th July 1980 respectively.

FORTNUM & MASON LIMITED

Chairman's statement

The year must be reviewed against the background of an extremely difficult economic climate for business generally and in particular for retailing.

The first half of our year was affected by the substantial increase in VAT which was imposed in the 1979 Budget. At the same time, the number of overseas visitors to London, always an important element in our business, showed a decline. These factors, combined with the increase in value of the pound sterling against most currencies, produced an adverse effect on our sales which at £8,330,000 show a reduction of £345,000 from the previous year.

Associated with the difficult trading conditions last year there was once again an increase in the rate of inflation which had a pronounced effect upon the company's costs. Despite stringent efforts to contain these and a very efficient deployment of liquid funds available, pretax profits fell by £223,000 to £578,000. After allowing for tax, the amount available for distribution to shareholders is £272,000 and in the circumstances the Board has decided to recommend an unchanged final dividend.

During the period in which the business has had to face up to so many adverse external factors your Board has been endeavouring to lay the foundation for future development. To this end during the year we welcomed Mr. David Jaggs as Managing Director. Mr. Jaggs brings with him a depth of experience based on a successful career in management with two of the top store groups in London.

In building for the future it is necessary to bear in mind the long term interests of shareholders and whereas it might be possible to achieve short term profit gains by more extensive economies these would be at the expense of the unique image and good name of the company. We are endeavouring to continue to develop ranges of superior merchandise which combine taste and good value. The Board is encouraging a buying policy directed towards this end and at the same time providing a unique level of service to the customer.

The Christmas period has traditionally provided a very substantial proportion of our business and the year under review was no exception. An encouraging aspect of our trading was the success of our range of hampers where we set new records. This year we are planning to further develop and extend this very important sector of our trading.

Another very encouraging area has been in our ladies fashion departments where we have improved and enlarged our collection. The result has been substantially improved sales which have continued in the current year.

Our confectionery department has shown continued growth backed by our own chocolate factory on the premises where our famous hand dipped chocolates are still produced. The potential for improving our sales in this area is significant and during the current year we have moved the confectionery department to the ground floor where we expect further growth.

Other departments have been resited to establish a clearly identifiable household area in the basement which will contain a range of china and kitchenware and is in line with our policy of specialising in certain areas throughout the store.

As part of the long term plan for upgrading store facilities, careful consideration has been given to our staff and the amenities available to them, and expenditure has been authorised and committed for a new staff restaurant and other improved facilities during the current year.

In what has been an extremely difficult year our staff have shown tremendous loyalty and dedication to the company and on your behalf I welcome this opportunity of thanking them.

FORTNUM & MASON LIMITED

Report of the directors

The directors submit their seventy-fifth annual report together with the accounts of the company for the year ended 26th January 1980.

Profit and dividends

The profit and loss account on page 8 shows the profit for the year ended 26th January 1980. The balance available to shareholders amounted to £272,000 (1979—£373,000). A final dividend of 19.72% net on the ordinary stock is proposed (1979—19.72%). The final dividend is calculated on the basis of an Advance Corporation Tax rate of 30%.

Principal activities

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

Fixed assets

The directors consider the present value of the company's interest in the leasehold property is considerably in excess of the net book amount; they do not consider it worth the expense to have the property formally valued.

Inflation Accounting

There is included on page 15 of these accounts a Current Cost Statement which has been prepared in accordance with the interim recommendation of the Accounting Standards Committee issued in November 1977.

Employees

The average number of employees per week amounted to 471 (1979—463) and the aggregate remuneration for the year amounted to £1,837,425 (1979—£1,557,997).

Charitable donations and political contributions

Charitable donations for the year amounted to £435 (1979—£621). There were no contributions to any political organisation during the year (1979—nil).

FORTNUM & MASON LIMITED

Report of the directors continued

Directors

The following changes in directorships have taken place since 14th June 1979, the date of the last Annual Report.

Appointed:

D. F. L. Jaggs	14th September 1979
Mrs. C. H. W. Dalglish	21st November 1979
Mrs. M. D. W. Rebanks	21st November 1979

Resigned:

T. G. Lewis	17th January 1980
K. T. Dodrill	25th April 1980

In accordance with the articles of association Mr. D. F. L. Jaggs, Mrs. C. H. W. Dalglish and Mrs. M. D. W. Rebanks retire and being eligible offer themselves for re-election. Messrs. Garry H. Weston and D. A. Hanney retire by rotation and being eligible offer themselves for re-election.

A list of the present directors of the company is shown on page 2 and the schedule of their beneficial interests, including family interests, in the shares and debentures of the group is shown on page 7.

Exports

The value of goods exported from the United Kingdom during the year amounted to £860,491 (1979—£1,108,153).

Auditors

The auditors, Price Waterhouse & Co., have indicated their willingness to be re-appointed.

By order of the board

F. W. Lockyer Secretary

26th June, 1980

F. W. Lockyer

FORTNUM & MASON LIMITED

Statement of directors' interests

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

	26th January 1980	28th January 1979
Garry H. Weston		
Wittington Investments Limited, ord. shares of 50p	16,994	16,994
George Weston Holdings Limited, ord. shares of 50p	1,535	1,535
Associated British Foods Limited, ord. shares of 5p	395,657	395,657
W. G. Galen Weston		
Wittington Investments Limited, ord. shares of 50p	37,953	37,953
George Weston Holdings Limited, ord. shares of 50p	12,498	12,498
Associated British Foods Limited, ord. shares of 5p	503,230	503,230
Mrs. C. H. W. Dalglish		
Wittington Investments Limited, ord. shares of 50p	15,300	15,300*
George Weston Holdings Limited, ord. shares of 50p	6,228	6,228*
Associated British Foods Limited, ord. shares of 5p	262,321	262,321*
D. F. L. Jaggs		
Fortnum & Mason Limited, ordinary stock units of £1	100	100*
Mrs. M. D. W. Rebanks		
Wittington Investments Limited, ord. shares of 50p	15,500	15,500*
George Weston Holdings Limited, ord. shares of 50p	6,662	6,662*
Associated British Foods Limited, ord. shares of 5p	167,046	167,046*

* At date of appointment

Notes

- Garry H. Weston and W. G. Galen Weston are trustees of a trust, in which they have no beneficial interest, which at 26th January, 1980 held 448,785 ordinary shares of 50p (1979—280,545) in Wittington Investments Limited, and 198,008 ordinary shares of 50p (1979—335,002) in George Weston Holdings Limited.
- Garry H. Weston is a trustee of a trust in which he has no beneficial interest, which at 26th January 1980 held 1,281,000 ordinary shares of 5p (1979—1,281,000) in Associated British Foods Limited.
- Mrs. C. H. W. Dalglish, D. A. Hanney, D. F. L. Jaggs, W. Kean, Mrs. L. Prescott, Mrs. M. D. W. Rebanks and W. G. Galen Weston each held 500 ordinary stock units and Garry H. Weston held 1,000 ordinary stock units of £1 each in Fortnum & Mason Limited at 26th January 1980 in which they have no beneficial interest.
- The above interests did not change between 26th January 1980 and the date of this report.

FORTNUM & MASON LIMITED

Profit and loss account for the year ended 26th January 1980

	Notes	1980 £'000	1979 £'000
Turnover		<u>8,330</u>	<u>8,675</u>
Trading profit	2	148	541
Interest receivable	7	<u>430</u>	<u>260</u>
Profit before taxation		578	801
Taxation	5	<u>306</u>	<u>428</u>
Profit after taxation		<u>272</u>	<u>373</u>
Dividends:			
Preference of 4.9p per unit of stock (1979—4.9p per unit)		8	8
Interim ordinary of 3.5p per unit of stock (1979—3.5p per unit)		15	15
Proposed final ordinary of 19.72p per unit of stock (1979—19.72p per unit)		84	84
		<u>107</u>	<u>107</u>
Retained profit transferred to Reserves ...	10	<u>165</u>	<u>266</u>
Earnings per share	4	62.01p	85.85p

The notes on pages 11 to 14 form an integral part of these accounts.

FORTNUM & MASON LIMITED

Balance sheet as at 26th January 1980

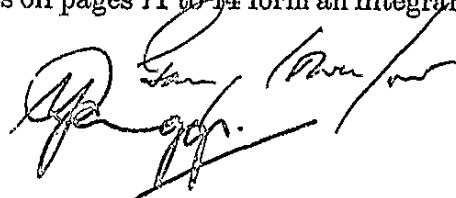
	Notes	1980 £'000	1979 £'000
Fixed assets	6	907	804
Assurance policy at surrender value ...		83	80
Current assets			
Stock ...		1,448	1,450
Debtors and prepayments ...		1,253	1,108
Amounts due from fellow subsidiaries...		71	115
Bank balances and cash ...	7	2,214	2,466
		4,986	5,139
Deduct: Current liabilities			
Creditors and accrued charges ...		1,085	993
Amounts due to holding company and fellow subsidiaries ...		162	591
Dividends payable ...	8	84	84
Taxation... ..		26	—
		1,357	1,668
Net current assets ...		3,629	3,471
		4,619	4,355
Represented by:			
Share capital ...	9	600	600
Reserves ...	10	3,869	3,704
		4,469	4,304
Deferred taxation ...	5	150	51
		4,619	4,355

GARRY H. WESTON Chairman

D. F. L. JAGGS Managing Director

26th June 1980

The notes on pages 11 to 14 form an integral part of these accounts.



FORTNUM & MASON LIMITED

Source and application of funds

for the year ended 26th January 1980

	1980 £'000	1979 £'000
Source of funds		
Profit before taxation	578	801
Add: depreciation	46	31
	<u>624</u>	<u>832</u>
Application of funds		
Dividends paid	107	97
Taxation paid/payment for group relief	348	521
Purchase of fixed assets	152	37
	<u>607</u>	<u>655</u>
	<u>17</u>	<u>177</u>
Increase/decrease in working capital		
(Decrease) in stock	(2)	(217)
Increase in debtors	145	117
(Increase)/decrease in creditors	(92)	151
Net increase/(decrease) in amounts due from holding company and fellow subsidiaries	218	(1,971)
	<u>269</u>	<u>(1,920)</u>
Movement in net liquid funds:		
(Decrease)/increase in cash balances	(252)	2,097
	<u>17</u>	<u>177</u>

FORTNUM & MASON LIMITED

Notes to the accounts

1 Accounting policies

(i) Turnover

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

(ii) Fixed assets

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

Short leasehold property — over remaining period of lease

Fixtures and equipment — between 5 and 10 years

Works of art are included at cost.

(iii) Stocks

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

(iv) Deferred taxation

Provision is made for taxation on timing differences between profits stated in the accounts and profits computed for taxation purposes if there is reasonable probability that such taxation will become payable in the foreseeable future.

(v) Foreign currency

All items in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date.

2 Trading profit

	1980	1979
	£	£
The trading profit is stated after charging:		
Depreciation	46,442	31,280
Management charge from holding company	20,000	20,000
Hire of vehicles	112,327	103,410
Auditors' remuneration	16,000	13,500
Directors' emoluments: (note 3)		
Fees	686	536
Management services	46,673	33,153

FORTNUM & MASON LIMITED

Notes continued

3 Directors' emoluments (excluding pension contributions and since dates of appointment where applicable)

(i) Emoluments of:						1980	1979
Chairman						£100	£100
Highest paid director						£9,630	£7,412
(ii) Other directors' emoluments (excluding pension contributions)						Number of directors	Number of directors
Nil — £5,000						3	7
£5,001 — £10,000						5	1
(iii) Waived by directors							
Number of directors						—	2
Amount waived						£ —	£174

4 Earnings per share

The calculation of earnings per share is based on earnings of £263,555 (1979—£364,886) and 425,000 ordinary stock units in issue.

5 Taxation

Taxation at the rate of 52% is based on profits for the year and the charge in the profit and loss account is made up as follows:

						1980	1979
						£'000	£'000
Corporation tax						267	510
Deferred taxation						39	(82)
						306	428

The 1979 liability for Corporation Tax has been satisfied by a payment for group relief to a fellow subsidiary and by a payment to the Inland Revenue. It is expected that the 1980 liability will be similarly settled.

The company comes within the close company provisions of Section 282 of the Income and Corporation Taxes Act 1970.

Provision has been made for deferred taxation as follows:

						1980	1979
						£'000	£'000
Deferred by capital allowances and other timing differences						75	26
Deferred by Stock Appreciation Relief						75	91
						150	117
Less: Advance Corporation Tax						—	(66)
						150	51

FORTNUM & MASON LIMITED

Notes continued

Deferred tax on in respect of stock appreciation relief not expected to become payable in the foreseeable future and for which no provision has been made in these accounts amounts to £126,000 (1979 £232,000).

6 Fixed assets

	Short leasehold property £'000	Fixtures and equipment £'000	Works of art £'000	Total £'000
Cost or valuation				
Balance at 27th January 1979	778	605	149	1,532
Additions	—	96	56	152
Disposals	—	(25)	(3)	(28)
Balance at 26th January 1980	778	676	202	1,656
Representing				
Cost	54	676	202	932
Valuation — 1956	724	—	—	724
	778	676	202	1,656
Depreciation				
Balance at 27th January 1979	225	503	—	728
Charge for the year	12	34	—	46
Disposals	—	(25)	—	(25)
Balance at 26th January 1980	237	512	—	749
Net book amount				
26th January 1980	541	164	202	907
27th January 1979	553	102	149	804

7 Bank and cash balances/Loan to holding company

Throughout the year amounts have been loaned to the holding company; such loans are at arms length rates of interest which also relate to Bank of Scotland base rates.

8 Dividends payable

	1980	1979
Accrued preference dividend	715	715
Proposed final dividend on ordinary stock	83,810	83,810
	<u>£84,525</u>	<u>£84,525</u>

FORTNUM & MASON LIMITED

Notes continued

9 Share capital

AUTHORISED:						£'000
4.9% cumulative preference units of £1 each	...	..	...	...	...	175
Ordinary stock units of £1 each	...	...	...	...	...	425
Ordinary shares of £1 each	...	...	...	...	...	150
						<u>750</u>
ISSUED AND FULLY PAID:						
4.9% cumulative preference stock units of £1 each	...	...	...	...	...	175
Ordinary stock units of £1 each	...	...	...	...	...	425
						<u>600</u>

10 Reserves

Balance at 27th January 1979 as previously reported	...	...	...	...	3,704
Retained profit for the year	...	...	...	...	165
					<u>3,869</u>

Of the reserves at 26th January 1980, £118,717 relates to the share premium account and a further £505,207 relates to the surplus on revaluation of leasehold property.

11 Ultimate holding company

The company's ultimate holding company is Wittington Investments Limited, incorporated in Great Britain.

FORTNUM & MASON LIMITED

Current cost statement for the year ended 26th January 1980

					Note	1980 £'000	1979 £'000
Turnover	...	...	...	...		8,330	8,675
Trading profit	...	...	...	...
Less: Adjustments						148	541
Depreciation	...	...	...	...	1	255	249
Cost of Sales	...	...	...	...	2	139	143
						394	392
Interest receivable	...	...	...	...		(246)	149
						430	260
Less: Gearing adjustment	...	...	...	...	3	184	409
(Loss)/Profit before taxation	...	...	...	...		406	189
Less: Taxation	...	...	...	...		(222)	220
(Loss) after taxation	...	...	...	...		306	428
Dividends	...	...	...	...		(528)	(208)
						(107)	(107)
Adjusted loss after dividends	...	...	...	...		£(635)	£(315)

Notes

This statement has been prepared in accordance with the interim recommendation on accounting for inflation issued by the Accounting Standards Committee.

The basis on which the adjustments have been made are:

1 Depreciation. Current costs are determined by reference to estimated replacement valuations for insurance purposes. Depreciation of the short leasehold property is based on remaining life of the lease, depreciation of the fixed assets is based on the expected lives of the assets. The difference between these figures and historic depreciation is the adjustment required.

2 Cost of sales. The current cost of goods sold has been determined by correcting the historic cost of sales for the price change between purchase and sale, using CSO Index 30380 which is the appropriate index for department stores. The difference between this figure and the historic cost of the goods is the cost of sales adjustment.

3 Gearing. The gearing adjustment is calculated by applying the increase in the retail price index to the average net monetary assets and reflecting the change in purchasing power of money during the year.

FORTNUM & MASON LIMITED

Auditors' report

To the members of Fortnum & Mason Limited

The accounts and notes on pages 8 to 14 have been prepared under the historical cost convention as modified by the revaluation of leasehold property. In our opinion these accounts give, under the convention stated above, a true and fair view of the state of the company's affairs at 26th January 1980 and of its profit and source and application of funds for the year then ended and comply with the Companies Acts 1948 and 1967.

Southwark Towers
32 London Bridge Street
London SE1 9SY.
26th June, 1980

Price Waterhouse & Co.

Price Waterhouse & Co.
Chartered Accountants