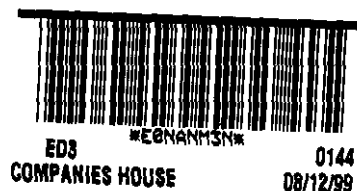


# FORTNUM & MASON PLC

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# FORTNUM & MASON PLC

## Directors and professional advisers

### Directors

Garry H Weston\* Chairman

W G Galen Weston\* Vice Chairman

G W Artindale  
Mrs C H W Dalglish\*  
G V Hamilton  
Mrs J R Khayat\*  
J G Lithiby\*  
W Monaghan\*

### Secretary

G W Artindale

### Registered office

181 Piccadilly  
London W1A 1ER

### Registered number

84909

### Registrar and transfer office

Lloyds Bank PLC  
Registrar's department  
The Causeway  
Worthing  
West Sussex  
BN99 6DA

### Auditors

PricewaterhouseCoopers  
Chartered Accountants

### Bankers

Bank of Scotland  
Girobank Plc

\* Non-executive director

Mr Garry H Weston was appointed a director in 1951, and has been chairman since 1978. He is also chairman of Associated British Foods Plc.

Mr W G Galen Weston has been a director since 1965. He is chairman and president of George Weston Ltd, Canada and a director of the Canadian Imperial Bank of Commerce.

Mr J G Lithiby has been a director since 1981. He is a director of West LB Panmure Limited, stockbrokers.

Mrs C H W Dalglish has been a director since 1979. She is a director of Loblaw Companies Limited, Canada.

Mr W Monaghan CBE was appointed a director in 1990. He was formerly a director of Associated British Foods Plc, and chairman of Allied Bakeries Ltd.

Mrs J R Khayat was appointed as an executive director in 1994, having been employed by the company since 1986. She relinquished her executive responsibilities in 1996.

# Chairman's statement

## TRADING RESULTS

I am pleased to be able to report that a significantly better second half performance has given an improved operating profit, for the year to July 1999 of £1,579,000 compared with £1,190,000 last year.

Before exceptional costs relating to the completion of the store extension trading profit was £1,742,000 against £1,723,000.

Interest receivable at £150,000 was £443,000 lower than last year, principally as a result of the expenditure on the redevelopment.

After charging taxation of £491,000 (1998 £599,000), profit available to shareholders was £1,238,000 compared with £1,184,000 in the year to July 1998.

The board has declared a second interim dividend of 4.3p per ordinary share giving a total payment of 8.6p, against 8.3p for the previous year. This dividend will be paid on 4 January 2000 to members on the register on 26 November 1999.

## STORE TRADING

After a quiet start to the year and weak sales in October and November, sales in the crucial month of December increased by 18 per cent. Subsequent sales growth has continued to be strong, and the total store sales for the year increased by 12.8 per cent, well above expectation at the time of the interim report.

Trading during the second half was helped by the record number of visitors to the Monet exhibition held at the Royal Academy, opposite the Piccadilly store.

The new and extended departments exceeded expectations with non-food sales increasing by 23 per cent. Fashion sales were particularly noteworthy increasing by 30 per cent. Improved access occasioned by the visibility of the new staircase and lift is clearly helping sales on the upper floors.

The major food hall departments did not have the benefit of increased space, that part of the store having been substantially completed prior to Christmas 1997, but even so sales growth of 5 per cent was achieved. It was particularly encouraging that the better sales performances came from departments with a local and regular customer base, such as provisions, confectionery and cakes.

Mail order sales, from our new internet site as well as the traditional catalogue business, continued to grow, with hamper sales increasing by 13 per cent.

The restaurants benefited from investment in new kitchens the previous year and the new Salmon and Champagne bar opened next to the Patio restaurant, and achieved a 20 per cent growth in sales. Together with gains in efficiency arising from this investment the restaurants gave a near doubled profit contribution.

# FORTNUM & MASON PLC

## Chairman's statement *continued*

Gross margins recovered from a decline in the previous year, helped by the sales mix, and a favourable sterling exchange rate, but it remained difficult in a low retail inflation environment to increase our prices.

As a result of the mail order growth, and the introduction of highly competitive postal charges to our customers, distribution costs rose from £299,000 to £364,000.

Although most administrative expenses were held to increases of 5 to 6 per cent, promotional activity to publicise the newly extended store was increased by £400,000, an increase of a third over the previous year. This promotional activity was aimed at attracting new customers to the store, and current sales performance suggests that this has been achieved. Depreciation increased by £540,000 as a result of the capital expenditure on development.

### **EXPORT**

Our export division endured a difficult year against the background of a strong pound, and the continued economic problems in our markets in the Far East. Sales for the year fell by 3 per cent.

A number of European markets such as Germany achieved good sales growth, but this has been insufficient to offset the Far East decline.

The "concept areas" in Heathrow Airport continued to develop, and have been further extended to London City Airport. Trials are underway at Gatwick and Stansted.

### **CAPITAL EXPENDITURE**

Total expenditure was £2.3 million, of which £1.6 million related to the store extension.

### **FUTURE PROSPECTS**

Current trading in the store is in line with or ahead of budget with evidence of a recovery in sales both to local customers and to overseas visitors, but with the crucial Christmas period still ahead, it is too early to predict the outcome.

### **APPRECIATION**

Whilst the redevelopment has produced perhaps the most unique and beautiful store in the world, the reputation of the company is also based on the quality and loyalty of its staff and their service to the customer, which has continued unabated.

**GARRY H WESTON**

3 September 1999

# Report of the directors

The directors submit their ninety-fourth annual report together with the accounts of the company for the year ended 10 July 1999.

## **Principal activities and business review**

The company continued its activities as a department store during the year. The review of trading results and future prospects is included in the Chairman's statement on pages 3 to 4.

## **Profits and dividends**

The profit and loss account on page 10 shows turnover for the financial year ended 10 July 1999 of £36,724,000 (1998 - £33,223,000). The profit for the year was £1,238,000 (1998 - £1,184,000). An interim dividend of 4.3p per ordinary share was paid on 30 June 1999. A second interim dividend of 4.3p per ordinary share amounting to £411,000 will be paid on 4 January 2000. The total dividend on the ordinary and preference shares amounts to £832,000 (1998 - £802,000).

## **Directors and their interests**

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 23.

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

## **Corporate governance**

The board is required by the Stock Exchange to report on how it has applied the principles of the Combined Code on Corporate Governance and the extent of its compliance with the Code provisions.

Fortnum & Mason is a subsidiary company of Wittington Investments Limited which owns 89.9 per cent of the company's ordinary shares. Wittington Investments Limited is in turn controlled by Mr Garry H Weston, the non-executive chairman, and members of his family and trusts associated with them. Four of the six non-executive directors are members of the Weston family, and Mr W Monaghan was formerly a director of the holding company. Mr J G Lithiby is the only independent non-executive director.

Given the limited size of the company and its focus of operations on one site in Piccadilly, London, the board does not believe there is either a need or benefit to be obtained from reserving specifically to itself matters for decision other than those matters required by regulation to be decided by the board. The nature and style of the company's operations is such as to ensure that matters of materiality to the control and operations of the company are promptly discussed and decided at board level. This structure is based upon short lines of communication and has a proven record of success. This structure also negates the need for an agreed procedure for directors in the furtherance of their duties to take independent professional advice.

Non-executive directors are not appointed for specified terms. The re-appointment of all directors is voted at annual general meetings when periodic re-election is proposed in accordance with the company's articles of association which, based on the current number of board members, is at least every three years. Directors are selected by an informal process of consultation within the board. No director has been appointed since 1994.

# FORTNUM & MASON PLC

## Report of the directors *continued*

There is no remuneration committee. The remuneration and other terms of employment of executive directors is determined by board consultation. Remuneration levels are set by reference to individual performance, experience and market conditions, with a view to providing a package which is appropriate for the responsibilities involved. No part of the executive directors' remuneration is formally structured to corporate or individual performance. No executive director has a service contract exceeding one year.

Full details of directors' remuneration and benefits are given in note 14 to the financial statements on page 18.

The company welcomes any opportunity to discuss its objectives with institutional investors and encourages the participation of private shareholders at its AGM.

There is no audit committee but the auditors meet with the finance director of the holding company on an annual basis for a discussion of matters arising from their audit, including the effectiveness of the company's system of internal financial controls.

The company has complied with the provisions of the Combined Code on Corporate Governance, other than as stated above.

The board has reviewed the arrangements detailed above, and considers that they are suited to the needs of the company.

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

### **Internal financial control**

The directors are responsible for the company's system of internal financial control. Any system can, however, only provide reasonable and not absolute assurance against mistake or loss.

The board has set out financial controls and procedures with which the operational management are required to comply. There are clearly defined guidelines for capital expenditure, investments, and management of cash resources. There is an established system for the reporting of monthly results, with comparisons against budget being monitored, and forecasts updated regularly.

The directors confirm they have reviewed the effectiveness of the system of internal financial control during the year.

### **Supplier payment policy**

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

Except where otherwise agreed with the supplier, it is the policy of the company to pay all suppliers correctly presenting invoices for goods delivered or services performed in accordance with the company's instructions on a regular cycle designed to give average payment times of approximately one month. Scheduled payment dates are notified to suppliers on request. The number of days purchases outstanding at the year end calculated in accordance with Statutory instrument S1 1997/571 was 14.

## Report of the directors continued

### **Year 2000**

The company has upgraded all its business critical systems and the majority of its non critical systems to year 2000 compliant status. Final testing of these upgrades is scheduled for completion by October 1999. All equipment known to contain embedded chips has been tested, and any non-compliant chips have been replaced.

We have received assurances from all our key suppliers that they have addressed their year 2000 issues.

Outline contingency plans have been drawn up to deal with unexpected failures of systems or suppliers.

### **Environmental policy**

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

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

### **Fixed Assets**

Changes in fixed assets are set out on page 16.

A valuation carried out in 1996 indicated that the market value of company's leasehold interest exceeded the amount at which it is shown in the balance sheet by approximately £16 million. Following the redevelopment the directors are of the opinion that this surplus over book value will not have altered materially.

### **Charitable and political contributions**

Charitable donations for the year amounted to £1,460 (1998 - £4,849). There were no contributions to any political organisation during the year (1998 - Nil).

### **Employment of disabled persons**

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

# FORTNUM & MASON PLC

## Report of the directors *continued*

### **Employee involvement**

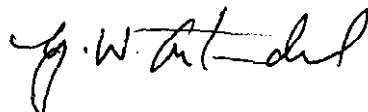
The company formally communicates with its staff in a number of ways. Upon joining the company, new staff attend an induction training course and are given a booklet explaining the terms and conditions of employment. Weekly training sessions are held at which staff are updated on the company's activities,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

By the order of the board

**G W Artindale**

Secretary

3 September 1999



## Directors' responsibilities statement

The directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for the period to that date. The financial statements must be prepared in compliance with the required formats and disclosures of the Companies Act 1985 and with applicable accounting standards. In addition, the directors are required:-

- to select suitable accounting policies and then apply them consistently
- to make judgements and estimates that are reasonable and prudent
- 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 are also responsible for maintaining adequate accounting records so as to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985, for safeguarding the assets of the company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



# Report of the auditors

## **To the members of Fortnum & Mason plc**

We have audited the financial statements on pages 10 to 22 which have been prepared under the historical cost convention and the accounting policies set out on page 13.

## **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report, including as described on page 8 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and our profession's ethical guidance.

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. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on page 5 reflects the company's compliance with those provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the company's corporate governance procedures or its internal controls.

## **Basis of opinion**

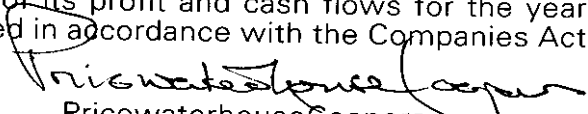
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements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

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

## **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 10 July 1999 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

1 Embankment Place  
London  
WC2N 6NN

  
PricewaterhouseCoopers  
Chartered Accountants  
and Registered Auditors

3 September 1999

# FORTNUM & MASON PLC

## Profit and loss account

	Note	52 weeks ended 10 July 1999 £'000	52 weeks ended 11 July 1998 £'000
<b>Turnover</b>	1	<b>36,724</b>	33,223
<b>Cost of sales</b>		<b>(25,414)</b>	(23,580)
<b>Gross profit</b>		<b>11,310</b>	9,643
<b>Distribution costs</b>		<b>(364)</b>	(299)
<b>Administrative expenses</b>		<b>(9,204)</b>	(7,621)
Add: Exceptional items	2	<b>(163)</b>	(533)
<b>Operating profit</b>	1	<b>1,579</b>	1,190
<b>Interest receivable</b>		<b>150</b>	593
<b>Profit on ordinary activities before taxation</b>	2	<b>1,729</b>	1,783
<b>Tax on profit on ordinary activities</b>	3	<b>(491)</b>	(599)
<b>Profit for the financial year</b>		<b>1,238</b>	1,184
<b>Dividends, including non-equity</b>	4	<b>(832)</b>	(802)
<b>Retained profit to reserves</b>		<b>406</b>	382
<b>Earnings per share</b>	5	<b>12.8p</b>	12.3p
Add exceptional items, net of tax		<b>1.2p</b>	3.8p
<b>Earnings per share excluding exceptional items</b>	5	<b>14.0p</b>	16.1p
<b>Dividend per share</b>	4	<b>8.6p</b>	8.3p

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

The notes on pages 13 to 22 form part of these financial statements.

# Balance sheet

	Note	As at 10 July 1999 £'000	As at 11 July 1998 £'000
<b>Fixed assets</b>			
Tangible assets	7	20,624	19,635
Investments	8	2	2
		<u>20,626</u>	<u>19,637</u>
<b>Current assets</b>			
Stocks		3,513	3,149
Debtors	9	1,907	1,907
Cash at bank and in hand	18	2,008	1,971
		<u>7,428</u>	<u>7,027</u>
<b>Creditors</b> (amounts falling due within one year)	10	<u>4,139</u>	<u>3,533</u>
<b>Net current assets</b>		<u>3,289</u>	<u>3,494</u>
<b>Total assets less current liabilities</b>		<b>23,915</b>	<b>23,131</b>
<b>Provision for deferred taxation</b>	12	<u>1,041</u>	<u>663</u>
		<u><b>22,874</b></u>	<u><b>22,468</b></u>
<b>Capital and reserves</b>			
Called up share capital	13	653	653
Share premium account	11	5,292	5,292
Profit and loss account	11	16,929	16,523
		<u><b>22,874</b></u>	<u><b>22,468</b></u>
 Equity shareholders funds	 17	 <u><b>22,699</b></u>	 <u>22,293</u>
Non-equity shareholders funds		<u><b>175</b></u>	<u>175</u>
		<u><b>22,874</b></u>	<u><b>22,468</b></u>

These financial statements were approved by the board on 3 September 1999 and signed on its behalf by:

**W Monaghan**  
Director



# FORTNUM & MASON PLC

## Cash flow statement

	Note	52 weeks ended 10 July 1999 £'000	52 weeks ended 11 July 1998 £'000
Net cash flow from operating activities		<b>3,187</b>	1,027
Returns on investments and servicing of finance			
- Interest received		<b>154</b>	714
- Preference dividends paid		<b>(10)</b>	(8)
		<b>144</b>	706
Taxation		<b>(196)</b>	(1,187)
Capital expenditure		<b>(2,304)</b>	(9,292)
		<b>831</b>	(8,746)
Equity dividends paid	4	<b>(794)</b>	(794)
		<b>37</b>	(9,540)
Management of liquid resources		<b>-</b>	11,331
Increase /(Decrease) in cash	16	<b>37</b>	1,791
<b>Reconciliation of operating profit to net cash flow from operating activities</b>			
		£'000	£'000
Operating profit		<b>1,579</b>	1,190
Depreciation		<b>1,354</b>	814
(Profit)/loss on sale of fixed assets		<b>1</b>	-
(Increase)/decrease in stocks		<b>(364)</b>	(58)
(Increase)/decrease in debtors		<b>-</b>	(436)
Increase/(decrease) in creditors		<b>158</b>	(567)
Increase/(decrease) in inter company balance		<b>374</b>	(158)
Non cash effect of exceptional items		<b>85</b>	242
		<b>3,187</b>	1,027

# Accounting policies

## **Accounting convention**

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards and the Companies Act 1985.

## **Turnover**

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

## **Depreciation**

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

Leasehold - over 66 years or the remaining period of the lease if shorter.

Leasehold improvements - 30 years.

Fixtures and equipment - 5, 10 or 20 years.

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

## **Stocks**

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

## **Deferred taxation**

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

## **Leases**

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

## **Foreign currencies**

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

# FORTNUM & MASON PLC

## Notes to the accounts

### 1. Turnover and operating profit

	52 weeks ended 10 July 1999 £'000	52 weeks ended 11 July 1998 £'000
<b>Turnover</b>		
UK - retail	32,239	28,592
Overseas - wholesale	4,485	4,631
	<u>36,724</u>	<u>33,223</u>
<b>Operating profit</b>		
UK - retail	872	456
Overseas - wholesale	707	734
	<u>1,579</u>	<u>1,190</u>

### 2. Profit on ordinary activities before taxation

This is stated after charging the following amounts:-

	1999 £'000	1998 £'000
Depreciation	1,354	814
Loss on sale of fixed assets	1	-
Hire of plant and machinery	197	196
Lease rentals on buildings	146	110
Auditors' remuneration	45	42
Management charges from immediate holding company and a fellow subsidiary company	419	414
Exceptional charges relating to the acquisition and development of 185/6 Piccadilly	163	533

The operating profit, before exceptional charges, amounted to £1,742,000 (1998 - £1,723,000)

# Notes to the accounts continued

## 3. Tax on profit on ordinary activities

Taxation on the profit for the year at the rate of 30.75 % (1998 - 31.00 %) comprises:

	1999 £'000	1998 £'000
Corporation tax - current year	230	301
- prior year	(117)	(1)
	<u>113</u>	<u>300</u>
Deferred tax	378	299
	<u>491</u>	<u>599</u>

## 4. Dividends

	1999 £'000	1998 £'000
Preference - paid	10	8
Ordinary - interim paid 4.3p (4.3p)	411	411
Ordinary - 2nd interim payable 4.3p (4.0p)	411	383
	<u>832</u>	<u>802</u>

## 5. Earnings per share

The calculations of earnings per share are based on profit for the financial year, after preference dividends, of £1,228,000, £1,341,000 excluding exceptional items (1998 - £1,176,000, £1,544,000 excluding exceptional items) and 9,562,000 (1998 - 9,562,000) ordinary shares.

## 6. Leases

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

Operating leases which expire:

	Within one year £'000	Two to five years £'000	Over five years £'000	Total £'000
Land and Buildings	-	-	146	146
Other	-	197	-	197
at 10 July 1999	<u>-</u>	<u>197</u>	<u>146</u>	<u>343</u>
Land and Buildings	-	-	139	139
Other	144	24	-	168
at 11 July 1998	<u>144</u>	<u>24</u>	<u>139</u>	<u>307</u>

# FORTNUM & MASON PLC

## Notes to the accounts continued

### 7. Tangible assets

	Long leasehold and leasehold improvements £'000	Fixtures and equipment £'000	Works of art £'000	Assets in course of construction £'000	Total £'000
Cost at 11 July 1998	14,701	8,799	402	75	23,977
Additions	301	2,043	—	—	2,344
Disposals	(1)	(93)	—	—	(94)
Transfers	212	(137)	—	(75)	—
At 10 July 1999	<u>15,213</u>	<u>10,612</u>	<u>402</u>	<u>—</u>	<u>26,227</u>
Accumulated depreciation					
At 11 July 1998	1,285	3,057	—	—	4,342
Provision for the year	313	1,041	—	—	1,354
Disposals	—	(93)	—	—	(93)
At 10 July 1999	<u>1,598</u>	<u>4,005</u>	<u>—</u>	<u>—</u>	<u>5,603</u>
Net book amount 10 July 1999	<u>13,615</u>	<u>6,607</u>	<u>402</u>	<u>—</u>	<u>20,624</u>
Net book amount 11 July 1998	<u>13,416</u>	<u>5,742</u>	<u>402</u>	<u>75</u>	<u>19,635</u>

### 8. Investments - included in fixed assets

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

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



## Notes to the accounts continued

### 9. Debtors

	1999 £'000	1998 £'000
Trade debtors	1,214	1,198
Amounts owed by group companies	4	—
Other debtors	433	415
Prepayments and accrued income	256	294
	<u>1,907</u>	<u>1,907</u>

### 10. Creditors (amounts falling due within one year)

	1999 £'000	1998 £'000
Trade creditors	1,117	1,082
Amounts owed to group companies	746	368
Other creditors	89	119
Taxation and social security	411	312
Accruals	1,365	1,269
Proposed dividend	411	383
	<u>4,139</u>	<u>3,533</u>

### 11. Reserves

	Share premium account £'000	Profit and loss account £'000
Balance at 11 July 1998	5,292	16,523
Retained profit for the year	—	406
	<u>5,292</u>	<u>16,929</u>

### 12. Provision for deferred taxation

	As at 11 July 1998 £'000	Movement £'000	As at 10 July 1999 £'000
Excess of tax allowances over depreciation	725	347	1,072
Short term timing differences	(62)	31	(31)
	<u>663</u>	<u>378</u>	<u>1,041</u>

# FORTNUM & MASON PLC

## Notes to the accounts continued

### 13. Called up share capital

At 10 July 1999 and 11 July 1998

	Authorised		Issued and fully paid	
	Nominal value £'000	Number 000's	Nominal value £'000	Number 000's
Cumulative 7% preference stock units of £1 each	175	175	175	175
Ordinary shares of 5p each	637	12,750	478	9,562
Total	<u>812</u>		<u>653</u>	

The preference stock units are non-redeemable, non-voting (except in limited circumstances) and have a preferential right to return of capital on a winding up. Following the abolition of advance corporation tax, interest is payable at a rate of 7%, against the previous net rate of 4.9%.

### 14. Directors and employees

	1999	1998
Average number of employees	<u>456</u>	<u>463</u>
	£'000	£'000
Staff costs - wages and salaries	5,981	5,769
- social security costs	466	487
- pension contributions	-	-
	<u>6,447</u>	<u>6,256</u>

# Notes to the accounts continued

## 14. Directors and employees continued

The following table shows an analysis of the remuneration of the directors.

	Salary or fees £	Benefits £	1999 Total £	1998 Total £
<b>Executive directors</b>				
G.V.Hamilton	86,850	11,096	<b>97,946</b>	92,391
G.W.Artindale	69,246	6,064	<b>75,310</b>	71,741
<b>Non-executive directors:</b>				
G.H.Weston	100	—	<b>100</b>	100
W.G.Galen Weston	100	—	<b>100</b>	100
Mrs C.H.W.Dalglish	100	—	<b>100</b>	100
J.G.Lithiby*	1,000	—	<b>1,000</b>	1,000
Mrs J.R.Khayat	14,052	—	<b>14,052</b>	15,377
W.Monaghan	100	—	<b>100</b>	100
	<u>171,548</u>	<u>17,160</u>	<u><b>188,708</b></u>	<u>180,909</u>

\*Paid to third party

Pension benefits earned by the directors <sup>(1)</sup>

Name of director	Increase in accrued pension during the year <sup>(2)</sup>	Transfer value of increase <sup>(3)</sup>	Accumulated total accrued pension at year end
G.V.Hamilton	4,451	71,832	44,649
G.W.Artindale	2,118	15,851	15,219

### Notes:

1. The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year.
2. The increase in accrued pension during the year excludes any increase for inflation.
3. The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11, less director's contributions.
4. Members of the scheme have the option to pay Additional Voluntary Contributions: neither the contributions nor the resulting benefits are included in the above table.
5. Benefits are the value of non-cash items such as company cars and medical insurance.
6. There were no pension contributions (1998 none) paid by the company in respect of any director.

# FORTNUM & MASON PLC

## Notes to the accounts continued

### 15. Capital commitments

There are commitments for capital expenditure by the company of £293,000 (1998 - £1,816,000) for which no provision has been made in these accounts.

### 16. Analysis of the changes in net funds

	1999 £'000	1998 £'000	Cash flow £'000
Cash in hand and on call	2,008	1,971	37
Short term deposits	—	—	—
Net funds	<u>2,008</u>	<u>1,971</u>	<u>37</u>

### 17. Reconciliation of movement in shareholders funds

	1999 £'000	1998 £'000
Opening balance	22,293	21,911
Retained profit for the year	406	382
Closing balance	<u>22,699</u>	<u>22,293</u>

### 18. Reconciliation of net cashflow to movement in net funds

	1999 £'000	1998 £'000
Increase in cash in this period	37	1,791
Movement in liquid resources	—	(11,331)
Change in net funds	37	(9,540)
Opening net funds	1,971	11,511
	<u>2,008</u>	<u>1,971</u>

## Notes to the accounts continued

### 19. Pensions

The company provides defined benefits, on a voluntary basis, to employees over the age of 21 with more than six months service, through Associated British Foods Pension Scheme. At 10 July 1999 some 40% of the company's employees were members of the scheme.

The scheme is wholly administered by the trustees of the Associated British Foods Pension Scheme, and the cost to the company is determined by the overall cost of the scheme, not that relating to the company's employees. 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 1996, showed that assets represented 134% of expected benefits payable, and the company is currently making no contributions.

### 20. 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 covered by forward contracts, options or currency accounts where the company considers the cost of these is justified by the potential currency movement.

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 10 July 1999 the company's only interest bearing financial liabilities were its preference shares of £175,000 as described in note 13, bearing a fixed interest rate of 7%. The fair value of these shares based on the nearest trade to the year-end is £172,000.

Interest bearing sterling cash deposits at the year-end were £3,127,000 at an interest rate of 4.4%. Foreign currency deposits at 10 July 1999 in other EU currencies, totalled £178,000 at an interest rate of 1.3%.

#### c) Currency risk profile

At 10 July 1999 the company had outstanding non-sterling short-term creditors, predominantly in EU currencies of £113,000, and the foreign currency deposits noted in b) above.

#### d) Borrowing facilities

The company had an undrawn overdraft facility of £1 million at the year end. This facility is renewable annually.

# FORTNUM & MASON PLC

## Notes to the accounts continued

### 21. Related party transactions

The immediate and ultimate holding company of Fortnum & Mason is Wittington Investments Limited. At 18 August 1999 Wittington Investments Limited held 8,594,212 ordinary shares representing, in aggregate, 89.9% of the total issued ordinary share capital of the company. So far as is known, no other person holds or is beneficially interested in more than 3% of the ordinary share capital.

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 18 August 1999 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. The Trustees of the Foundation comprise six of the late Mr W.Garfield Weston's children, including Garry H.Weston who acts as Chairman of the Board of Trustees, and four of Garry H.Weston's children.

Fortnum & Mason plc is a close company as defined in the Income and Corporation Taxes Act 1988.

The extent of Fortnum & Mason plc's related parties transactions, as defined by Financial Reporting Standard 8, is summarised below.

	1999 £'000	1998 £'000
Management charge from Wittington Investments Ltd, principally in respect of directors paid by them	218	200
Management charge from a fellow subsidiary in respect of services provided	201	214
Sales to fellow subsidiaries on normal trading terms	247	265
Purchases from fellow subsidiaries on normal trading terms	6,747	6,617
Amounts due to fellow subsidiary undertakings	746	368
Amounts due from fellow subsidiary undertakings	4	—

Fellow subsidiary companies are Associated British Foods Plc, and its subsidiaries.

# 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:-

	10 July 1999	11 July 1998
<b>Garry H Weston</b>		
Wittington Investments Limited, ord. shares of 50p	4,925	4,925
Associated British Foods plc, ord. shares of 5 15/22p (1998 5p)	610,124	693,324
George Weston Foods Limited, ord. shares of 50 cents	2,017	2,017
<b>W G Galen Weston</b>		
Wittington Investments Limited, ord. shares of 50p	37,953	37,953
Associated British Foods plc, ord. shares of 5 15/22p (1998 5p)	5,672,560	6,446,092
<b>Mrs C H W Dalglish</b>		
Wittington Investments Limited, ord. shares of 50p	15,300	15,300
Associated British Foods plc, ord. shares of 5 15/22p (1998 5p)	2,646,459	3,007,340
Fortnum & Mason plc, ordinary shares of 5p	2,250	2,250
<b>Mrs J R Khayat</b>		
Associated British Foods plc, ord. shares of 5 15/22p (1998 5p)	310,553	352,902
<b>J G Lithiby</b>		
Fortnum & Mason plc, ordinary shares of 5p	11,250	11,250
<b>W Monaghan</b>		
Associated British Foods plc, ord. shares of 5 15/22p (1998 5p)	12,496	18,200

## Notes

1. Garry H Weston, W G Galen Weston, Mrs C H W Dalglish and Mrs J R Khayat are trustees of a trust in which they have no beneficial interest, which at 10 July 1999 held 683,073 ordinary shares of 50p (1998 - 683,073) in Wittington Investments Limited.
2. Garry H Weston is a trustee of trusts in which he has no beneficial interest, which at 10 July 1999 held 1,534,665 ordinary shares of 5 15/22p (1998 - 1,983,938 shares of 5p) in Associated British Foods plc, of which 176,000 have been sold subsequent to the year-end.
3. There have been no changes in the above holdings between 10 July and 18 August 1999, other than as stated in 2 above.
4. No director has had a material interest in a contract with the company during the year, other than as disclosed in the accounts.

# FORTNUM & MASON PLC

## Progress report

	July 1995 £'000	July 1996 £'000	July 1997 £'000	July 1998 £'000	July 1999 £'000
Turnover	30,221	32,038	32,727	33,223	<b>36,724</b>
Trading profit	2,424	2,679	2,802	1,723	<b>1,742</b>
Interest receivable	476	684	779	593	<b>150</b>
Profit before tax	2,900	3,363	3,581	2,316	<b>1,892</b>
Profit after tax	1,926	2,238	2,412	1,552	<b>1,351</b>
Ordinary dividends	612	672	794	794	<b>822</b>
Retained profits	1,306	1,558	1,610	750	<b>519</b>
Shareholders funds	14,107	15,523	22,086	22,468	<b>22,874</b>
Earnings per share	21.7p	25.3p	25.6p	16.1p	<b>14.0p</b>
Dividends per share	6.9p	7.6p	8.3p	8.3p	<b>8.6p</b>

The figures above which exclude exceptional items were taken from the published accounts.

The earnings and dividends per share for 1996 and prior have been adjusted for the conversion and subdivision of the shares in October 1996.



# Notice of annual general meeting

Notice is hereby given that the ninety-fourth annual general meeting of the company will be held at 181 Piccadilly, London W1A 1ER on Friday 1 October 1999 at 10.00am for the following purposes:-

1. To receive and adopt the accounts for the 52 weeks ended 10 July 1999 together with the reports of the directors and auditors thereon.
2. To re-elect Mr Garry H Weston as a director.
3. To re-elect Mr J G Lithiby as a director.
4. To re-elect Mrs C H W Dalglish as a director.
5. To re-appoint PricewaterhouseCoopers as auditors of the Company and to authorise the directors to determine their remuneration.
6. To consider as Special Business and, if thought fit, pass as a special resolution that
  - a) for the purposes of section 80 of the Companies Act 1985 (the "Act"):
    - (i) the Directors be and are hereby generally and unconditionally authorised to exercise all the powers of the company to allot relevant securities up to a maximum nominal amount of £159,377 to such persons and at such times on such terms as they think proper during the period commencing on the date of the passing of this ordinary resolution and expiring on 1 October 2004; and
    - (ii) the company be and hereby is authorised to make prior to the expiry of such period any offers or agreement which would or might require relevant securities to be allotted after the expiry of the said period and the Directors may allot relevant securities in pursuant of any such offer.
  - b) pursuant thereto the directors be and are hereby empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority conferred on them by paragraph (a) of this special resolutions as if section 89(1) of the Act did not apply to such allotment, provided that the power conferred by this resolution shall be limited to:
    - (i) the allotment of equity securities in connection with a rights issue in favour of the holders of relevant equity securities where the equity securities respectively attributable to the interests of such orders are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them on the record dates of such allotments subject only to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements under any regulatory authority in any territory; and
    - (ii) the allotment (otherwise than pursuant to sub-paragraph (a)(i) above) of equity securities up to an aggregate nominal value of £23,900.

# FORTNUM & MASON PLC

## Notice of annual general meeting *continued*

And this power unless renewed, shall expire on 31 December 2000, or if earlier, at the end of the annual general meeting of the company to be held in 2000 but shall extend to the making, before such expiry, of any offers or agreements which would or might require equity securities to be allotted after such expiry, and the directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired. All previous powers of the directors (to the extent not already utilised) pursuant to the said section 95 be and hereby are revoked.

By the order of the board

**G W Artindale**

Secretary

3 September 1999

Registered office

181 Piccadilly

London

W1A 1ER

### NOTES:

1. The company pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, specifies that only those shareholders registered in the register of members of the company as at 6pm on 29 September 1999 shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 6pm on 29 September 1999 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
2. A member entitled to 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. Completion of the form of proxy will not preclude a member from attending and voting in person.
3. This notice is sent to preference stockholders for information only.
4. No director of the company has a contract of service with the company which is not determinable within one year without payment of compensation.
5. Resolution 5 renews the authority and power given to the directors at the Extra-ordinary general meeting in 1996 to allot relevant securities upto one third of the issued ordinary share capital, and to allot the same for cash in connection with a rights issue, or otherwise be upto 5% of the issue share capital. The directors do not have any present intention of exercising these powers.

# FORTNUM & MASON PLC

## Form of Proxy

For office use

I/We \_\_\_\_\_  
of \_\_\_\_\_  
\_\_\_\_\_

PLEASE USE BLOCK LETTERS

being (a) member(s) of Fortnum & Mason plc hereby appoint\* the chairman of the meeting

to act as my/our proxy at the annual general meeting of the company to be held on Friday 1 October 1999 and at any adjournment thereof.

The proxy is to vote in the manner shown below on the resolutions set out in the notice of meeting.

ORDINARY RESOLUTIONS	FOR	AGAINST
To receive and adopt the statement of accounts for the 52 weeks ended 10 July 1999 and the reports of the directors and auditors thereon.		
To re-elect Mr Garry H Weston as a director.		
To re-elect Mr J G Lithiby as a director.		
To re-elect Mrs C H W Dalglish as a director.		
To re-appoint PricewaterhouseCoopers the retiring auditors and to authorise the directors to determine their remuneration.		
<b>SPECIAL RESOLUTIONS</b>		
To renew the authority of the directors to allot shares and to disapply pre-emption rights		

Dated this ..... day of ..... 1999

Signature .....

- 1 \*Delete, if it is desired to appoint any other person and insert his/her name and address. A shareholder is entitled to appoint a proxy of his own choice.
- 2 Please indicate how the proxy is to vote by inserting **X** in the appropriate space opposite each resolution; unless so instructed the proxy may vote as he thinks fit or abstain from voting.
- 3 To be valid this proxy must reach the company not later than 48 hours before the meeting.
- 4 A corporation may execute this form under its common seal or under the hand of a duly authorised officer.
- 5 In the case of joint holders the signature of any one of them will suffice, but the names of all joint holders must be shown.
- 6 Completion of the form of proxy will not preclude a member from attending and voting in person.

Second Fold

Postage  
to be  
affixed

**The Secretary  
FORTNUM & MASON PLC  
181 PICCADILLY  
LONDON  
W1A 1ER**

First Fold

Third Fold and tuck in