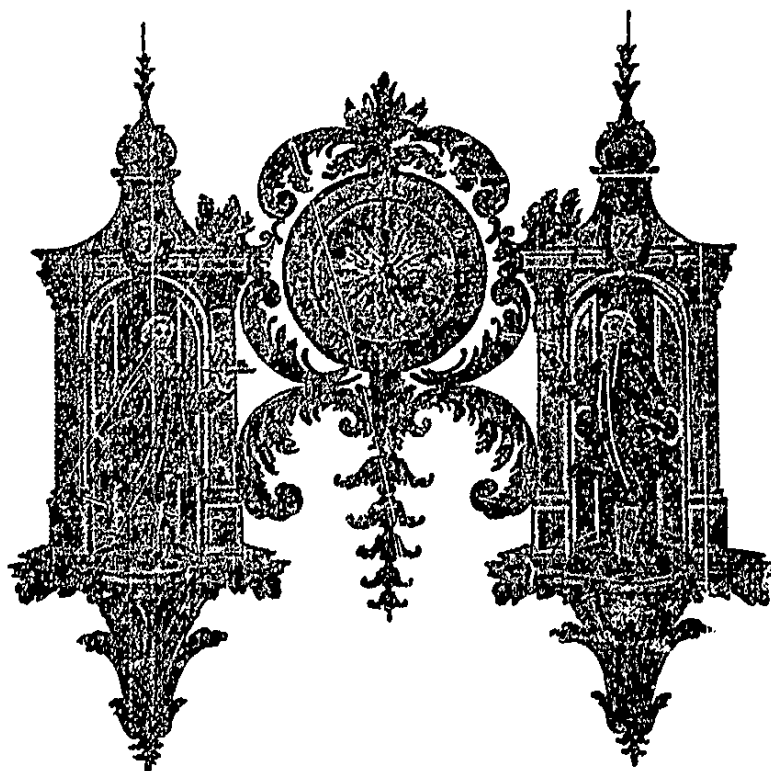


COMPANY No. 84909



BY APPOINTMENT
TO HER MAJESTY QUEEN ELIZABETH II
GROCCRS & PROVISION MERCHANTS
FORTNUM & MASON PLC LONDON

FORTNUM & MASON PLC



REPORT AND ACCOUNTS 1989

FORTNUM & MASON PLC

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MORTNUM & MASON PLC

Directors and professional advisers

Chairman

Garry H Weston

Vice-Chairman

W G Galen Weston

Directors

Mrs C H W Dalglish

G V Hamilton

J G Lithiby

Mrs M D W Rebanks

Secretary and registered office

G W Artindale

181 Piccadilly

London W1A 1ER

Auditors

Price Waterhouse

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

National Girobank

10 Milk Street

London EC2V 8JH

Registrar and transfer office

Lloyds Bank PLC

Registrar's department

The Causeway

Goring-by-Sea

Worthing


West Sussex BN12 6DA

Notice of annual general meeting

Notice is hereby given that the eighty-fourth annual general meeting of the company will be held at the Basil Street Hotel, Basil Street, London SW3 1AH on Monday 15 May 1989 at 10.30 am for the following purposes:—

- 1 To receive and adopt the accounts for the year ended 28 January 1989 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 as auditors of the company and to authorise the directors to fix their remuneration.

By order of the board
G W Artindale
Secretary



21 April 1989

Registered office
181 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 28 June 1989.
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.

FORTNUM & MASON PLC

Chairman's statement

TRADING RESULTS

Sales of £21 million were a new record for the company and increased by 15 per cent over the previous year. Sales in the second half year maintained the momentum of the first half and recorded a gain of 15 per cent against the comparable period. In the last two financial years total sales have increased by one third, an outstanding achievement against a background of financial volatility and increasing consumer uncertainty.

As well as achieving record sales, it is pleasing to report that trading profits were also a new record at £1.3 million, the first occasion when trading profit has exceeded £1 million, and an increase of 53 per cent on the previous year. This follows a significant increase last year and means that trading profits have improved by some 86 per cent over the last two years.

After including interest receivable of £426,000, as against £312,000 last year, profit before tax was £1,759,000 an increase of £577,000 over the prior year. Once again this was an all time record level of profit for the company.

MANAGEMENT

As predicted last year, the installation of the new computer with improved information systems and controls has provided greater operational flexibility. This was particularly evident in our mail order department which was able to handle a considerably increased level of business and achieved a 100 per cent increase in sales. Additionally, we have been able to introduce a new in-house credit account system for our customers which complements the existing monthly account card. As a result, in the first three months of operation new accounts opened have exceeded the total of new accounts opened in the previous year.

The company is now beginning to achieve the benefits of the investment not only in new systems but also in staff training and development. The results have been that in the year under review many departments have been able to handle significant increases in the volume of sales whilst achieving benefits of scale in the level of costs.

STORE DEVELOPMENT

The substantial investment of the past few years in improving the fabric of the store and the continuing emphasis on improved customer service and control of costs have flowed through to both sales and profit performance.

During the year under review major refurbishment work was carried out on the exterior of the store and as well as complete re-painting and stone cleaning our famous clock was regilded. In the store a complete re-fit was undertaken in ladies hairdressing and combined with a change in management resulted in sales which were five times higher than in the previous year.

During the current year air-conditioning will be installed on the first, second and third floors making all trading floors fully air-conditioned.

As foreshadowed in last year's review, work was completed on our new warehouse at Ely and in conjunction with our improved control systems enabled substantial volume increases and cost savings to be achieved during the Christmas hamper packing operation. Overall hamper sales increased by some 38 per cent.

Chairman's statement continued

Extension of the Fortnum & Mason product range continued and during the year over 100 new lines were introduced, as well as the re-launch of 90 existing lines under new designs. Much of this development was in the confectionery department and this area continues to show strong growth in sales and profit contributions.

Reference was made last year to the exceptional performance of the tea department. A further 30 per cent gain in sales was recorded and we believe that this department with its wide international clientele will continue to show outstanding growth.

Once again, the strongest performing departments have been food and restaurants. Although other departments achieved good increases, the overall result of the non-food activities was unsatisfactory. Evidence of disappointing sales results in other London stores confirms the difficult conditions prevailing particularly in ladies fashions and menswear.

Export sales once again out-performed and achieved a 30 per cent increase over the previous year's sales. A major factor in this success has been the growth of our sales into Japan which showed a 40 per cent increase.

Following our success last year, we were pleased to win once again the award for our window displays in the competition for international department stores run by Retail Attraction magazine.

FUTURE PROSPECTS

The past few months have seen some action being taken by a number of governments, including that in the United Kingdom, to increase the level of interest rates to curtail consumer spending and to combat signs of renewed inflation. Early indications for the current year are that although food sales continue to show good growth other departments continue to record flat sales and in some cases marginal declines.

With a pattern of trading geared particularly to the second half-year, it is too early to forecast how trading activity will develop. It will be exceptionally difficult to continue the growth trend of the past two years. However, the budget for sales and profits is set to show further increases.

APPRECIATION

Reference has been made in this review to the increasing levels of productivity achieved throughout the store.

These gains have been made through the efforts of all our staff. Once again they have achieved, under the most demanding conditions, the standards of courtesy and efficiency for which Fortnum & Mason is renowned.

GARRY H WESTON

FORTNUM & MASON PLC

Report of the directors

The directors submit their eighty-fourth annual report together with the accounts of the company for the year ended 28 January 1989.

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 4 and 5.

Profit and dividends

The profit and loss account on page 8 shows turnover for the financial year ended 28 January 1989 of £21,032,000 (1988—£18,306,000) including export sales of £2,011,000 (1988—£1,537,000). The profit for the year was £1,146,000 (1988—£752,000). An interim dividend of 6.0p per unit of stock was paid on 31 December 1988. A final dividend of 55p per unit of stock amounting to £234,000 is proposed and, if approved, will be paid on 3 July 1989. The total dividend on the ordinary and preference shares amounts to £268,000 (1988—£198,000). The remaining profit of £878,000 (1988—£554,000) will be added to reserves.

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 16.

Mr F W Lockyer resigned on 27 January 1989.

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

Market value of land and buildings

A 1980 valuation indicated that the market value of the company's leasehold interest in the Piccadilly premises exceeded the amount at which it is shown in the balance sheet by approximately £4,000,000.

Charitable and political contributions

Charitable donations for the year amounted to £1,230 (1988—£1,759). There were no contributions to any political organisation during the year (1988—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.

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. Periodically presentations are given to staff updating them 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 those results.

By order of the board

G W Artindale

Secretary

10 April 1989

Report of the auditors

To the members of Fortnum & Mason plc

We have audited the accounts on pages 8 to 15 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 28 January 1989 and of its profit and source and application of funds for the period then ended and comply with the Companies Act 1985.

Southwark Towers
32 London Bridge Street
London SE1 9SY
10 April 1989

Price Waterhouse
Price Waterhouse
Chartered Accountants

PORTNUM & MASON PLC

Profit and loss account

	Note	52 weeks ended 28 January 1989 £'000	52 weeks ended 30 January 1988 £'000
Turnover	1	21,032	18,306
Cost of sales		<u>(15,459)</u>	<u>(13,709)</u>
Gross profit		5,573	4,597
Distribution costs		(260)	(213)
Administrative expenses		<u>(3,980)</u>	<u>(3,514)</u>
Operating profit		1,333	870
Interest receivable		<u>426</u>	<u>312</u>
Profit on ordinary activities before taxation	2	1,759	1,182
Tax on profit on ordinary activities	3	<u>(613)</u>	<u>(430)</u>
Profit for the financial year		1,146	752
Dividends	5	<u>(268)</u>	<u>(198)</u>
Retained profit to reserves	6	<u>878</u>	<u>554</u>
Earnings per share	7	267p	175p

Balance sheet

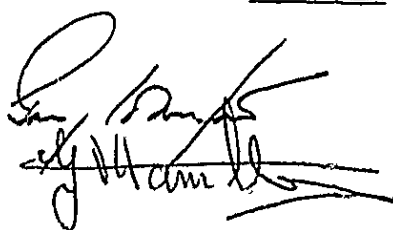
	Note	As at 28 January 1989 £'000	As at 30 January 1988 £'000
Fixed assets			
Tangible assets	8	2,628	2,748
Investments	9	2	2
		<u>2,630</u>	<u>2,750</u>
Current assets			
Stocks	10	2,439	2,278
Debtors	11	1,245	1,305
Cash at bank and in hand	12	4,112	3,082
		<u>7,796</u>	<u>6,665</u>
Creditors (amounts falling due within one year)	13	<u>2,353</u>	<u>2,225</u>
Net current assets		<u>5,443</u>	<u>4,440</u>
Total assets less current liabilities		<u>8,073</u>	<u>7,190</u>
Provision for deferred taxation	4	<u>297</u>	<u>292</u>
		<u><u>7,776</u></u>	<u><u>6,898</u></u>
Capital and reserves			
Called up share capital	14	600	600
Share premium account		119	119
Revaluation reserve		356	356
Profit and loss account	6	6,701	5,823
		<u><u>7,776</u></u>	<u><u>6,898</u></u>

Signed on behalf of the Board

GARRY H WESTON Chairman

G V HAMILTON Director

10 April 1989



FORTNUM & MASON PLC

Source and application of funds

	52 weeks ended 28 January 1989 £'000	52 weeks ended 30 January 1988 £'000
Source of funds		
Profit on ordinary activities before taxation	1,759	1,182
Add depreciation	295	283
	<u>2,054</u>	<u>1,465</u>
Application of funds		
(Increase)/decrease in working capital		
Stocks	(161)	(50)
Debtors	55	4
Creditors	(122)	26
Net amounts due to/from immediate holding company and fellow subsidiaries	53	58
	<u>(175)</u>	<u>38</u>
Capital expenditure including capital refurbishment costs	(175)	(379)
Taxation paid	(473)	(390)
Dividends paid	(201)	(184)
	<u>(1,024)</u>	<u>(915)</u>
Movement in net liquid funds		
Increase in cash balances	<u>1,030</u>	<u>550</u>

Notes to the accounts

1 Accounting policies

Accounting convention

The accounts have been prepared under the historical cost convention, as modified by the valuation of the leasehold property, and in compliance with 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 and leasehold improvements — over remaining period of lease

Fixtures and equipment — over 5 or 10 years

Works of art are not depreciated and are included at cost.

Stocks

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

Deferred taxation

Provision for taxation on timing differences arising from the excess of capital allowances over depreciation is made to the extent that a liability is expected to crystallise in the foreseeable future.

2. Profit on ordinary activities before taxation.

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

	1989 £'000	1988 £'000
Wages and salaries	3,492	3,013
Social security costs	275	251
Other pension costs	—	—
Depreciation	295	283
Hire of plant and machinery	82	79
Lease rentals on buildings	31	23
Auditors' remuneration	25	23
Directors' remuneration	41	38
Management charges from immediate holding company and a fellow subsidiary company	215	170
Interest receivable:		
Immediate holding company	(336)	(248)
Other	(90)	(64)

FORTNUM & MASON PLC

Notes to the accounts continued

3 Tax on profit on ordinary activities

Taxation on the profit for the year at the rate of 35.00% (1988—35.00%) comprises:-

	1989 £'000	1988 £'000
Corporation tax	(631)	(440)
Deferred tax	(5)	10
	<u>(636)</u>	<u>(430)</u>
Prior Year Adjustments	23	—
	<u>(613)</u>	<u>(430)</u>

4 Provision for deferred taxation

Full provision has been made, at the expected future rates of corporation tax, for taxation deferred by accelerated capital allowances. No deferred tax has been provided in respect of the 1956 revaluation of premises as this does not constitute a timing difference.

5 Dividends

	1989 £'000	1988 £'000
Preference — paid	8	8
Ordinary — interim paid 6.0p (5.5p)	26	23
Ordinary — final proposed 55p (39p)	234	167
	<u>268</u>	<u>198</u>

6 Reserves

Balance at 30 January 1988	5,823
Retained profit for the year	878
Balance at 28 January 1989	<u>6,701</u>

7 Earnings per share

The calculation of earnings per share is based on profit for the financial year, after preference dividends, of £1,138,000 (1988—£744,000) and 425,000 (1988—425,000) ordinary stock units in issue.

Notes to the accounts continued

8 Tangible assets

	Short leasehold and leasehold improvements £'000	Fixtures and equipment £'000	Works of art £'000	Total £'000
At 30 January 1988				
Cost	1,308	2,413	202	3,923
Valuation — 1956	724	—	—	724
	<u>2,032</u>	<u>2,413</u>	<u>202</u>	<u>4,647</u>
Additions	20	155	—	175
Disposals	—	25	—	25
At 28 January 1989	<u>2,052</u>	<u>2,543</u>	<u>202</u>	<u>4,797</u>
Accumulated depreciation				
At 30 January 1988	400	1,499	—	1,899
Provision for the year	43	252	—	295
Disposals	—	25	—	25
At 28 January 1989	<u>443</u>	<u>1,726</u>	<u>—</u>	<u>2,169</u>
Net book amount 28 January 1989	<u>1,609</u>	<u>817</u>	<u>202</u>	<u>2,628</u>
Net book amount 30 January 1988	<u>1,632</u>	<u>914</u>	<u>202</u>	<u>2,748</u>

The company has an option, which expires on 23 June 1991 to acquire from its immediate holding company, George Weston Holdings Limited, the long leasehold interest of the Piccadilly premises for £1,750,000.

Future capital expenditure not provided in the accounts:-

	1989 £'000	1988 £'000
Contracts placed	230	53
Authorised by the directors but contracts not yet placed	404	111
	<u>634</u>	<u>164</u>

FORTNUM & MASON PLC

Notes to the accounts continued

9 Investments — included in fixed assets

The Company owns the entire issued share capital of the following companies which are shown at cost:-

- Fortnum & Mason (Export) Limited, incorporated in Great Britain
- Fortnum & Mason (London) Limited, incorporated in Great Britain
- Fortnum & Mason of London Limited, incorporated in Canada
- Fortnum & Mason (Pty) Limited, incorporated in Australia
- Fortnum & Mason Limited, incorporated in the Republic of Ireland

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

10 Stocks

The stocks shown in the balance sheet represent finished goods held for sale.

11 Debtors

	1989	1988
	£'000	£'000
Trade debtors	968	1,072
Amounts owed by group companies	41	46
Other debtors	103	88
Prepayments and accrued income	133	99
	<u>1,245</u>	<u>1,305</u>

12 Cash at bank and in hand

Cash, surplus to the operating requirements of the business, is loaned from time to time to the immediate holding company; such loans are at market rates of interest which also relate to National Westminster Bank plc base rates. The maximum amount outstanding during the year was £5,200,000 (1988—£3,750,000).

13 Creditors (amounts falling due within one year)

	1989	1988
	£'000	£'000
Trade creditors	644	963
Amounts owed to group companies	127	79
Other creditors	222	151
Taxation and social security	884	620
Accruals	242	245
Proposed dividend	234	167
	<u>2,353</u>	<u>2,225</u>

Notes to the accounts continued

14 Called up share capital

	1989 £'000	1988 £'000
Allotted and fully paid		
4.9% cumulative preference stock units of £1 each	175	175
Ordinary stock units of £1 each	425	425
	<u>600</u>	<u>600</u>
Authorised	<u>750</u>	<u>750</u>

15 Employees

The average number of persons employed by the company, excluding agency staff, during the year was:-

	1989	1988
United Kingdom	<u>466</u>	<u>438</u>

The aggregate remuneration for the year amounted to £3,353,000 (1988—£2,873,000)

16 Directors' and employees' emoluments

	1989	1988
Chairman	£ 100	£ 100
Highest paid director	<u>£41,369</u>	<u>£35,856</u>

A director and certain employees of the company are remunerated as managers by the immediate holding company and these costs form part of the management charge. The other five (1988—five) directors received emoluments (excluding pension contributions) in the range £Nil—£5,000 (1988 £Nil—£5,000).

17 Ultimate holding company

The ultimate holding company of Fortnum & Mason plc is Wittington Investments Limited which is incorporated in England. The immediate holding company of Fortnum & Mason plc is George Weston Holdings Limited which, at 1st April 1989 held 367,201 ordinary stock units representing in aggregate 86% 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 5% of the ordinary share capital.

Garry H Weston has an interest, as defined in Schedule 13 of the Companies Act 1985, in Wittington Investments Limited which is a controlling interest. Fortnum & Mason plc is a close company as defined in the Corporation Taxes Act 1970.

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:-

	28 January 1989	30 January 1988
Garry H Weston		
Wittington Investments Limited, ord. shares of 50p	5,000	5,000
George Weston Holdings Limited, ord. shares of 50p	192	571
Associated British Foods plc, ord. shares of 5p	333,365	335,659
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 plc, ord. shares of 5p	548,272	548,272
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 plc, ord. shares of 5p	288,552	288,552
Fortnum & Mason plc, ord. stock units of £1	100	100
J G Lithiby		
Fortnum & Mason plc, ord. stock units of £1	500	500
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 plc, ord. shares of 5p	183,750	183,750
Fortnum & Mason plc, ord. stock units of £1	100	100

Notes

1 Garry H Weston and W G Galen Weston are trustees of a trust, in which they have no beneficial interest, which at 28 January 1989 held 448,775 ordinary shares of 50p (1988—448,775) in Wittington Investments Limited, and 198,008 ordinary shares of 50p (1988—198,008) in George Weston Holdings Limited.

2 Garry H Weston is a trustee of a trust in which he has no beneficial interest, which at 28 January 1989 held 750,000 ordinary shares of 5p (1988—750,000) in Associated British Foods plc.

3 Mrs C H W Dalglish, G V Hamilton, J G Lithiby, 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 plc at 28 January 1989 in which they have no beneficial interest.

4 There have been no changes in the above holdings between 29 January 1989 and 1 April 1989.

5 No director has had a material interest in a contract with the company during the year, other than as disclosed in the accounts.