

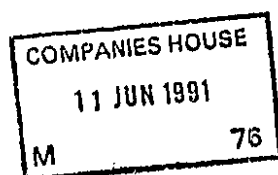
COMPANY No. 84909

FORTNUM & MASON PLC

Contents

Page

2	Directors and professional advisers
3	Notice of annual general meeting
4-5	Chairman's statement
6-7	Report of the directors
7	Report of the auditors
8	Profit and loss account
9	Balance sheet
10	Source and application of funds
11-15	Notes to the accounts
16	Statement of directors' interests



FORNUM & MASON PLC

Directors and professional advisers

Directors

Garry H Weston *Chairman*

W G Galen Weston* *Vice Chairman*

Mrs C H W Dalglish*

G V Hamilton

J G Lithiby*

W Monaghan*

Mrs M D W Rebanks*

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
Goring-by-Sea
Worthing
West Sussex BN12 6DA

Auditors

Price Waterhouse
Chartered Accountants

Bankers

Bank of Scotland
Girobank Plc

* *Non-executive director*

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

Mr J G Lithiby has been a director since 1981. He is a director of Panmure Gordon & Co Ltd, Stockbrokers, and of Transport Development Group Plc.

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

Mr W Monaghan CBE was appointed a director on 9 April 1990. He was formerly a director of Associated British Foods Plc, and Chairman of Allied Bakeries Ltd.

Mrs M D W Rebanks has been a director since 1971, and is Treasurer of the W Garfield Weston Foundation.

Notice of annual general meeting

Notice is hereby given that the eighty-sixth annual general meeting of the company will be held at the Basil Street Hotel, Basil Street, London SW3 1AH on Monday 13 May 1991 at 10.30 am for the following purposes:—

- 1 To receive and adopt the accounts for the year ended 26 January 1991 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



19 April 1991

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 27 June 1991.
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.

Chairman's statement

TRADING RESULTS

Given the severe deterioration in trading conditions in the second half, it is gratifying to report that the operating profit for the year of £1,396,000 shows a marginal increase over the previous year's figure of £1,353,000. For the first time in many years, sales in the all important second half failed to record any gain over the previous year. The effect of the relative decline in consumer spending is highlighted by the contrast with the increase of 18 per cent in sales for the first half year. The result was that sales of £24.8 million for the full year showed an increase of 7.4 per cent on those for 1989-90.

Much of the buoyancy in sales in the first half was attributable to the growth in export sales which grew by no less than 56 per cent compared with an increase of some 12 per cent in our Piccadilly store. However, the dramatic decline in the level of consumer confidence exacerbated by the impact of the Gulf crisis on international trade and travel meant that sales in the second half were ahead only 0.2 per cent in Piccadilly and recorded a 1.6 per cent drop in exports.

Given these factors, it is a considerable achievement to have maintained the operating profit in the second half at the level of the previous year so that the outturn for the full year was an increase of £43,000 to £1,396,000.

A reduction in capital expenditure combined with tight control of working capital resulted in an increase of £56,000 in interest receivable to £664,000 and enabled profit before taxation to exceed £2,000,000 for the first time at £2,060,000. To have achieved record profits in a year of such general adversity must be considered to be an excellent result. After charging taxation of £730,000, an increase of £27,000 on last year, the profit for the financial year was £1,330,000, up by £72,000 or 5.7 per cent on the record result of 1989-90.

MANAGEMENT

Further investment in data processing was made both to upgrade the existing main processor and to extend the order and control systems. This expenditure, totalling almost £100,000, has provided the capacity to handle increased volume, particularly at peak periods, thus improving the service to the customer. It has also facilitated the integration of the existing mail order system with counter sales in the hamper department. By introducing bar-code technology, improved control over despatches has been achieved with direct link-up both to the warehouse and the major carrier. Other improvements have been implemented including a computer controlled telephone queueing system and an ordering system for telephone orders.

A full training schedule for all sales staff has been organised on a weekly basis by the personnel department and additional training has been implemented to qualify staff as required by the Food Safety Act 1990.

STORE DEVELOPMENT

Following the major expenditure of 1989-90 to refurbish the first floor, capital expenditure in the current year was at a substantially lower level with the most significant investment being in the area of data processing and communication already mentioned.

Chairman's statement continued

Although the trend in sales and activity was adverse throughout the second half there was nevertheless some notable departmental successes recorded during the year. Benefitting from the refit in September 1989, the perfumery department achieved a sales increase of some 26 per cent and will undoubtedly continue to build on that success.

In the food department, tea and coffee achieved excellent growth from an already strong base and Fortnum & Mason own label products once again increased their proportion of sales. Particularly noteworthy in this area was the growth in own-label champagne which against a declining market achieved a sales increase of 26 per cent.

Export sales improved on 1989-90 and for the year achieved an increase of 33 per cent. Once again the Japanese market was the most important contributor to sales and profit, but following a change in distribution arrangements sales to the U.S. market also achieved an excellent increase despite the weakness of the U.S. dollar. Building on the success of tea and coffee and food sales the first steps have been taken to extend the range of export products to include wines and spirits and first indications are that the new products have been well received.

By careful control of markdowns and introduction of an improved sales mix, margins were lifted by 0.7 per cent, to 27.3 per cent which, given the difficult trading conditions, was a reflection of skilful management controls and performance.

FUTURE PROSPECTS

The opening months of the current year, coinciding with the Gulf War, reflect a continuing downward trend in sales and profit. Performance to date is significantly behind budget and the severity of the decline in the first two months has been such that it must be very doubtful whether the level of last year's sales and profits can be matched. There are, however, some signs that the decline has bottomed out and sales in some areas are showing a revival from the extremely depressed levels of the first few weeks. It is still very early in the company's financial year with the more important period for sales and profits still some months ahead.

Following the change of the year end of our parent company, the financial reporting date for Fortnum & Mason has been changed so that in 1992 and future years the date to which accounts are made up will be the nearest Saturday on or before 15th July. This means that the current reporting period will be one of 76 weeks to 11th July 1992.

APPRECIATION

The year just ended has been most difficult for the company and it is a tribute to our management and staff that despite the adverse trading environment the company was able to achieve a record level of profit.

This was attained by the application of management and operating skill and commitment by staff at all levels and our thanks are due to all those who made the result possible.

GARRY H WESTON

FORTNUM & MASON PLC

Report of the directors

The directors submit their eighty-sixth annual report together with the accounts of the company for the year ended 26 January 1991.

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 26 January 1991 of £24,841,000 (1990—£23,120,000). The profit for the year was £1,330,000 (1990—£1,258,000). An interim dividend of 6.0p per unit of stock was paid on 31 December 1990. A final dividend of 84p per unit of stock amounting to £357,000 is proposed and, if approved, will be paid on 1 July 1991. The total dividend on the ordinary and preference shares amounts to £391,000 (1990—£361,000). The remaining profit of £939,000 (1990—£897,000) 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.

Mrs M D W Rebanks and Mr W G Galen Weston retire by rotation and being eligible offer themselves for re-election.

Fixed Assets

In 1981, George Weston Holdings Ltd, the parent company, granted to Fortnum & Mason plc an option to acquire the long lease of the premises in Piccadilly at a cost of £1,750,000, plus expenses. This option was due to expire in June of this year, but agreement has been reached with George Weston Holdings Ltd to extend the option for two and a half years at a consideration of £10,000, payable in June 1991, with a further £10,000 payable in December 1992 if the option is not exercised prior to that time. This agreement maintains the Company's rights for the present to long term tenure of the Piccadilly premises whilst avoiding the loss of interest income which would result from the acquisition of the long lease.

In the opinion of the directors the value of the existing short lease is in excess of the value shown in the balance sheet but they are unable, in the current property market, to quantify this surplus.

Charitable and political contributions

Charitable donations for the year amounted to £2,373 (1990—£1,219). There were no contributions to any political organisation during the year (1990—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. 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 those results.

By order of the board

G W Artindale

Secretary

8 April 1991

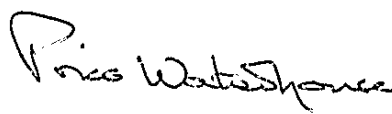
Report of the auditors

To the members of Fortnum & Mason plc

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

In our opinion the accounts give a true and fair view of the state of the company's affairs at 26 January 1991 and of its profit and source and application of funds for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Southwark Towers
32 London Bridge Street
London SE1 9SY
8 April 1991


Price Waterhouse
Chartered Accountants

FORTNUM & MASON PLC

Profit and loss account

	Note	52 weeks ended 26 January 1991 £'000	52 weeks ended 27 January 1990 £'000
Turnover	2	24,841	23,120
Cost of sales		<u>(18,069)</u>	<u>(16,980)</u>
Gross profit		6,772	6,140
Distribution costs		(292)	(274)
Administrative expenses		<u>(5,084)</u>	<u>(4,513)</u>
Operating profit	2	1,396	1,353
Interest receivable		<u>664</u>	<u>608</u>
Profit on ordinary activities before taxation	3	2,060	1,961
Tax on profit on ordinary activities	4	<u>(730)</u>	<u>(703)</u>
Profit for the financial year		1,330	1,258
Dividends	5	<u>(391)</u>	<u>(361)</u>
Retained profit to reserves	11	<u>939</u>	<u>897</u>
Earnings per share	6	311p	294p

Balance sheet

	Note	As at 26 January 1991 £'000	As at 27 January 1990 £'000
Fixed assets			
Tangible assets	7	3,402	3,583
Investments	8	2	2
		<u>3,404</u>	<u>3,585</u>
Current assets			
Stocks		3,089	2,831
Debtors	9	1,287	1,748
Cash at bank and in hand		5,335	3,442
		<u>9,711</u>	<u>8,021</u>
Creditors (amounts falling due within one year)	10	<u>3,125</u>	<u>2,577</u>
Net current assets		<u>6,586</u>	<u>5,444</u>
Total assets less current liabilities		<u>9,990</u>	<u>9,029</u>
Provision for deferred taxation		<u>378</u>	<u>356</u>
		<u>9,612</u>	<u>8,673</u>
Capital and reserves			
Called up share capital	13	600	600
Share premium account		119	119
Revaluation reserve		356	356
Profit and loss account	11	8,537	7,598
		<u>9,612</u>	<u>8,673</u>

Signed on behalf of the Board

GARRY H WESTON

Chairman

8th April 1991



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

Full provision has been made for taxation on timing differences arising from the excess of capital allowances over depreciation. No deferred tax has been provided on the 1956 revaluation as this does not constitute a timing difference.

2. Turnover and operating profit

	1991 £'000	1990 £'000
Turnover		
UK — Retail	21,935	20,933
Overseas — Wholesale	2,906	2,187
	<u>24,841</u>	<u>23,120</u>
Operating profit		
UK — Retail	1,001	1,160
Overseas — Wholesale	395	193
	<u>1,396</u>	<u>1,353</u>

FORTNUM & MASON PLC

Notes to the accounts continued

3. Profit on ordinary activities before taxation.

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

	1991 £'000	1990 £'000
Wages and salaries	4,363	3,873
Social security costs	334	307
Depreciation	403	331
Hire of plant and machinery	91	83
Lease rentals on buildings	57	62
Auditors' remuneration	32	29
Directors' remuneration	58	50
Management charges from immediate holding company and a fellow subsidiary company	313	248
Interest receivable:		
Immediate holding company	—	(157)
Other	(664)	(451)

4 Tax on profit on ordinary activities

Taxation on the profit for the year at the rate of 34.17% (1990—35.00%) comprises:-

	1991 £'000	1990 £'000
Corporation tax	708	639
Deferred tax	2	59
	<u>710</u>	<u>698</u>
Prior Year Adjustments	20	5
	<u>730</u>	<u>703</u>

5 Dividends

	1991 £'000	1990 £'000
Preference — paid	8	8
Ordinary — interim paid 6.0p (6.0p)	26	26
Ordinary — final proposed 84p (77p)	357	327
	<u>391</u>	<u>361</u>

6 Earnings per share

The calculation of earnings per share is based on profit for the financial year, after preference dividends, of £1,322,000 (1990—£1,250,000) and 425,000 (1990—425,000) ordinary stock units in issue.

Notes to the accounts

1 Accounting policies

Accounting convention

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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:

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

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2. Turnover and operating profit

	1991 £'000	1990 £'000
Turnover		
UK — Retail	21,935	20,933
Overseas — Wholesale	2,906	2,187
	<u>24,841</u>	<u>23,120</u>
Operating profit		
UK — Retail	1,001	1,160
Overseas — Wholesale	395	193
	<u>1,396</u>	<u>1,353</u>

Notes to the accounts continued

7 Tangible assets

	Short leasehold and leasehold improvements £'000	Fixtures and equipment £'000	Works of art £'000	Total £'000
At 27 January 1990				
Cost	1,627	3,261	202	5,090
Valuation — 1956	724	—	—	724
	<u>2,351</u>	<u>3,261</u>	<u>202</u>	<u>5,814</u>
Additions	15	211	—	226
Disposals	—	(9)	—	(9)
At 26 January 1991	<u>2,366</u>	<u>3,463</u>	<u>202</u>	<u>6,031</u>
Accumulated depreciation				
At 27 January 1990	490	1,741	—	2,231
Provision for the year	106	297	—	403
Disposals	—	(5)	—	(5)
At 26 January 1991	<u>596</u>	<u>2,033</u>	<u>—</u>	<u>2,629</u>
Net book amount				
26 January 1991	<u>1,770</u>	<u>1,430</u>	<u>202</u>	<u>3,402</u>
Net book amount				
27 January 1990	<u>1,861</u>	<u>1,520</u>	<u>202</u>	<u>3,583</u>

The company has an option to acquire from its immediate holding company, George Weston Holdings Limited, the long leasehold interest of the Piccadilly premises for £1,750,000, as described in the Directors' Report.

Future capital expenditure not provided in the accounts:-

	1991 £'000	1990 £'000
Contracts placed	—	18
Authorised by the directors but contracts not yet placed	<u>525</u>	<u>360</u>
	<u>525</u>	<u>378</u>

CONTINUM & MASON PLC

Notes to the accounts continued

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 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.

9 Debtors

	1991 £'000	1990 £'000
Trade debtors	919	1,459
Amounts owed by group companies	2	12
Other debtors	154	159
Prepayments and accrued income	212	118
	<u>1,287</u>	<u>1,748</u>

10 Creditors (amounts falling due within one year)

	1991 £'000	1990 £'000
Trade creditors	748	822
Amounts owed to group companies	360	125
Other creditors	381	326
Taxation and social security	1,108	778
Accruals	171	199
Proposed dividend	357	327
	<u>3,125</u>	<u>2,577</u>

11 Reserves

Balance at 27 January 1990	7,598
Retained profit for the year	<u>939</u>
Balance at 26 January 1991	<u>8,537</u>

12 Pensions

The Company provides defined benefits, on a voluntary basis to employees over the age of 21 with more than one years' service, through the Associated British Foods Pension Scheme. At 26th January 1991 some 13% 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.

Pension contributions payable by the Company during the year amounted to £Nil (1990 £Nil).

Notes to the accounts continued

13 Called up share capital

	1991 £'000	1990 £'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>

14 Employees

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

	1991	1990
United Kingdom	<u>500</u>	<u>482</u>

The aggregate remuneration for the year amounted to £4,250,000 (1990—£3,750,000)

15 Directors' and employees' emoluments

	1991	1990
Chairman	£ 100	£ 100
Highest paid director	<u>£56,099</u>	<u>£48,549</u>

The highest paid director is remunerated by the immediate holding company and this cost forms part of the management charge. The other five (1990—four) directors received emoluments (excluding pension contributions) in the range £Nil—£5,000 (1990 £Nil—£5,000).

16 Ultimate holding company

The ultimate holding company of Fortnum & Mason plc is Wittington Investments Limited which is incorporated in Great Britain and registered in England. The immediate holding company of Fortnum & Mason plc is George Weston Holdings Limited which is incorporated in Great Britain and registered in England and, at 28 March 1991 held 370,851 ordinary stock units representing in aggregate 87% 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 Income and Corporation Taxes Act 1988.

FORTNUM & MASON PLC

Statement of directors' interests

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

	26 January 1991	27 January 1990
Garry H Weston		
Wittington Investments Limited, ord. shares of 50p	4,952	4,952
George Weston Holdings Limited, ord. shares of 50p	192	192
Associated British Foods plc, ord. shares of 5p	335,659	333,365
George Weston Foods Limited, ord. shares of 50 cents	1,834	1,834
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
W Monaghan		
Associated British Foods plc, ord. shares of 5p	43,300	43,300*
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

* at date of appointment

Notes

- 1 Garry H Weston and W G Galen Weston are trustees of a trust, in which they have no beneficial interest, which at 26 January 1991 held 448,775 ordinary shares of 50p (1990—448,775) in Wittington Investments Limited, and 198,008 ordinary shares of 50p (1990—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 26 January 1991 held 750,000 ordinary shares of 5p (1990—750,000) in Associated British Foods plc.
- 3 Mrs C H W Dalglish, G V Hamilton, J G Lithiby, W Monaghan, 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 26 January 1991 in which they have no beneficial interest.
- 4 There have been no changes in the above holdings between 27 January 1991 and 25 March 1991.
- 5 No director has had a material interest in a contract with the company during the year, other than as disclosed in the accounts.