

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

BY APPOINTMENT  
TO H.M. QUEEN ELIZABETH THE QUEEN MOTHER  
SUPPLIERS OF LEATHER AND FAIRY GOODS  
FORTNUM & MASON PLC, LONDON

BY APPOINTMENT  
TO H.R.H. THE PRINCE OF WALES  
TEA MERCHANTS AND GROCERS  
FORTNUM & MASON PLC, LONDON

# FORTNUM & MASON PLC

## REPORT AND ACCOUNTS 2001



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# FORTNUM & MASON PLC

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# FORTNUM & MASON PLC

## Directors and professional advisers

### Directors

Mrs J R Khayat Chairman  
W G Galen Weston\* Vice Chairman  
Mrs C H W Dalglish\*  
S M Gates  
Mrs A C Hobhouse  
J G Lithiby\*  
W Monaghan\* (retired 23/3/01)  
Garry H Weston\*

### Secretary

L J Collins

### Registered office

181 Piccadilly  
London W1A 1ER

### Registered number

84909

### Registrar and transfer office

Lloyds TSB Registrars  
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 chairman in 1978. He resigned as chairman of Fortnum & Mason plc and Associated British Foods plc in May 2000.

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 was a director of West LB Panmure Limited, stockbrokers, until May 1999.

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. He retired from the Board on 23 March 2001.

## Chairman's statement

### Trading results

I am pleased to be able to report operating profits for the 53 weeks to July 2001 of £1,865,000 compared with £1,861,000 for the 52 weeks last year.

After adjusting for an exceptional item of £92,000 relating to the settlement of the 1995 rateable valuation for the Piccadilly store, the underlying operating profit was £1,773,000 this year against £1,749,000 last year (adjusting for an £112,000 exceptional credit following the completion of the store extension).

Interest receivable at £385,000 was £145,000 higher than last year reflecting higher levels of cash balances in the year. The business generated net cash of £1,244,000 (2000 - 1,972,000).

The tax charge of £733,000 in the year was £325,000 higher than last year. This included a corporation tax charge on profits for the year of £570,000 (2000 - £299,000), due to tax allowances falling from the high levels enjoyed after the store extension in 1998. In 2002, the tax charge calculated on profits for the year is expected to show a further small increase.

Profit available to shareholders was £1,517,000 compared with £1,693,000 in the year to July 2000.

The board has declared a second interim dividend of 5.0p per ordinary share giving a total payment of 9.3p against 9.0p for the previous year. This dividend will be paid on 31 December 2001 to members on the register on 23 November 2001.

### Store trading

Sales through the Piccadilly store finished the 53 week year 5.1 per cent up on the 52 week year last year. On a like for like 52 week basis, this increase becomes 3.6 per cent and all sales performances are now quoted on a like for like basis. Shareholders will recall at the time of the interim results, the effect of the foot and mouth crisis on the number of overseas visitors to Central London was unclear.

I have to report that we suffered along with many other businesses and there were also a number of tube and train strikes which adversely affected trade. In the second half of the year, store sales were 0.9 per cent down on last year.

The food hall departments achieved sales growth of 3.3 per cent for the year. We saw good growth from our mail order hamper business which achieved a sales increase of 14 per cent over the year. However, the general lack of footfall in the store contributed to tea and coffee sales being 5.2 per cent down on last year. Restaurant sales finished the year 3.5 per cent up on last year having been 5.9 per cent ahead at the half year. Our airport business continues to grow with an area dedicated to Fortnum & Mason products launched at Heathrow Terminal 3 in December 2000. This helped airport sales finish 35 per cent ahead of last year.

# FORTNUM & MASON PLC

## Chairman's statement continued

Fashion and Home sales finished the year 4.3 per cent up on last year having been 8.1 per cent ahead at the half year.

Export sales had a very strong year and finished 17 per cent up on last year. Good growth was achieved in Japan and Korea. The day to day management of the Export division has now moved back into the Piccadilly store and Ely warehouse to enable the business to focus more closely on the growth opportunities available.

The gross profit percentage in the year was level with last year with a small increase in the store gross profit percentage offset by a reduction in the export gross profit percentage.

Administration expenses increased by 7.9 per cent on last year reflecting additional investment in staff in the Mail Order and Customer Service departments to support the future growth opportunities in our Mail Order business. The depreciation charge at £1,520,000 in the year was some £202,000 higher than last year. This reflected the higher rate of depreciation on recent capital expenditure in addition to the ongoing annual charge following the major store extension.

Capital expenditure was £609,000 in the year with the largest project being the refurbishment of two service lifts at a total cost of £100,000.

### **Future prospects**

Current trading is in line with budget but the outcome for the current financial year will be dependent on the key Christmas period.

### **Board changes**

Mr Wallace Monaghan retired from the board on 23 March 2001. On behalf of my fellow directors I would like to thank Mr Monaghan for the major contribution he has made to the growth and prosperity of the business over the last ten years in particular during the period in the last financial year when he stood in as our acting Chairman.

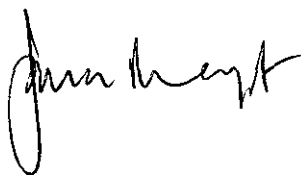
### **Appreciation**

Finally I would like to thank all our staff for their hard work, loyalty and commitment, ensuring our customers continue to receive the highest levels of service.

### **Jana Khayat**

Chairman

14 September 2001



## Report of the directors

The directors submit their ninety-sixth annual report together with the accounts of the company for the year ended 14 July 2001.

### **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 14 July 2001 of £41,630,000 (2000 - £39,095,000). The profit for the year was £1,517,000 (2000 - £1,693,000). An interim dividend of 4.3p per ordinary share was paid on 30 June 2001. A second interim dividend of 5.0p per ordinary share amounting to £478,000 will be paid on 31 December 2001. The total dividend on the ordinary and preference shares amounts to £901,000 (2000 - £873,000).

### **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 loan stock of the group is shown on page 23.

Mr S M Gates and Mrs A C Hobhouse 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 plc is a subsidiary 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, director, and members of his family and trusts associated with them, including Mrs J R Khayat our chairman and Mrs A C Hobhouse. Three of the four non-executive directors are members of the Weston family, and 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.

The Board has considered the Turnbull guidance on internal control and already embraces the principle of ensuring all major risks and opportunities are reported on and actively considered to protect and enhance the long term prospects of the business.

# FORTNUM & MASON PLC

## Report of the directors continued

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 four years. Directors are selected by an informal process of consultation within the board.

There is no remuneration committee. The remuneration and other terms of employment of executive directors are 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 and any bonus payments are authorised by the Chairman. 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 19.

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.

### **Going concern**

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 is 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.

## Report of the directors continued

### **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 was 25 (2000 - 33).

### **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 on 14 July 2001 by an independent valuer indicated that the market value of the company's leasehold interests were £38.75million. This exceeds the amount at which they are shown in the balance sheet by £25.7 million.

### **Charitable and political contributions**

Charitable donations for the year amounted to £4,275 (2000 - £4,190). There were no contributions to any political organisation during the year (2000 - £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.

### Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By the order of the board

**L J Collins**

Secretary

14 September 2001



## 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. As described on page 8, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority 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 United Kingdom 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 the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

## **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.

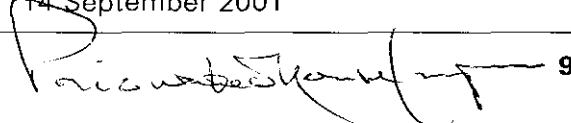
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 14 July 2001 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  
14 September 2001

A handwritten signature in dark ink, likely belonging to a PricewaterhouseCoopers auditor, is written over the printed name and date. The signature is stylized and appears to read 'PricewaterhouseCoopers' followed by a flourish.

# FORTNUM & MASON PLC

## Profit and loss account

	Note	53 weeks ended 14 July 2001 £'000	52 weeks ended 8 July 2000 £'000
<b>Turnover</b>	1	<b>41,630</b>	39,095
<b>Cost of sales</b>		<b>(28,860)</b>	(27,137)
<b>Gross profit</b>		<b>12,770</b>	11,958
<b>Distribution costs</b>		<b>(500)</b>	(479)
<b>Administrative expenses</b>		<b>(10,497)</b>	(9,730)
Exceptional items	2	<b>92</b> <b>(10,405)</b>	112 (9,618)
<b>Operating profit</b>	1	<b>1,865</b>	1,861
<b>Interest receivable</b>		<b>385</b>	240
<b>Profit on ordinary activities before taxation</b>	2	<b>2,250</b>	2,101
<b>Tax on profit on ordinary activities</b>	3	<b>(733)</b>	(408)
<b>Profit for the financial year</b>		<b>1,517</b>	1,693
<b>Dividends, including non-equity</b>	4	<b>(901)</b>	(873)
<b>Retained profit to reserves</b>		<b>616</b>	820
<b>Basic earnings per share</b>	5	<b>15.7p</b>	17.6p
Deduct exceptional items, net of tax		<b>(0.7p)</b>	(0.8p)
<b>Adjusted earnings per share</b>		<b>15.0p</b>	16.8p
Excluding exceptional items	5	<b>15.0p</b>	16.8p
<b>Dividend per share</b>	4	<b>9.3p</b>	9.0p

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

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

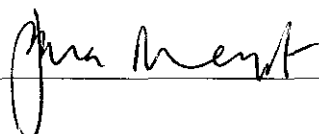
The notes on pages 13 to 22 form part of these financial statements.

## Balance sheet

	Note	As at 14 July 2001 £'000	As at 8 July 2000 £'000
<b>Fixed assets</b>			
Tangible assets	7	19,485	20,396
Investments	8	2	2
		<u>19,487</u>	<u>20,398</u>
<b>Current assets</b>			
Stocks		3,414	3,430
Debtors	9	1,914	1,863
Cash at bank and in hand	16	5,224	3,980
		<u>10,552</u>	<u>9,273</u>
<b>Creditors</b> (amounts falling due within one year)	10	<u>4,485</u>	<u>4,896</u>
<b>Net current assets</b>		<u>6,067</u>	<u>4,377</u>
<b>Total assets less current liabilities</b>		<u>25,554</u>	<u>24,775</u>
<b>Provision for deferred taxation</b>	12	<u>1,244</u>	<u>1,081</u>
		<u>24,310</u>	<u>23,694</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	18,365	17,749
<b>Total shareholders' funds</b>	17	<u>24,310</u>	<u>23,694</u>
Equity shareholders' funds	17	24,135	23,519
Non-equity shareholders' funds	17	175	175
<b>Total shareholders' funds</b>	17	<u>24,310</u>	<u>23,694</u>

These financial statements were approved by the board on 14 September 2001 and signed on its behalf by:

**Jana Khayat**  
Chairman



# FORTNUM & MASON PLC

## Cash flow statement

	Note	53 weeks ended 14 July 2001 £'000	52 weeks ended 8 July 2000 £'000
<b>Net cash flow from operating activities</b>		<b>2,822</b>	<b>3,799</b>
<b>Returns on investments and servicing of finance</b>			
- Interest received		364	230
- Preference dividends paid		(12)	(12)
Net cash inflow from returns on investments and servicing of finance		352	218
<b>Taxation</b>		<b>(341)</b>	<b>(258)</b>
<b>Capital expenditure and financial investment</b>			
- Purchase of tangible fixed assets		(728)	(975)
- Sale of tangible fixed assets		-	10
Net cash outflow for capital expenditure and financial investment		(728)	(965)
		<b>2,105</b>	<b>2,794</b>
<b>Equity dividends paid to shareholders</b>	4	<b>(861)</b>	<b>(822)</b>
<b>Net cash inflow before use of liquid resources and financing.</b>		<b>1,244</b>	<b>1,972</b>
<b>Management of liquid resources</b>		-	-
<b>Financing</b>		-	-
<b>Increase in net cash</b>	16	<b>1,244</b>	<b>1,972</b>
<b>Reconciliation of operating profit to net cash flow from operating activities</b>		<b>£'000</b>	<b>£'000</b>
Operating profit		1,865	1,861
Depreciation		1,520	1,318
Profit on sale of fixed assets		-	(6)
Decrease in stocks		16	83
Decrease in debtors		23	60
(Decrease)/increase in creditors		(138)	421
(Decrease)/increase in inter company balance		(464)	174
Non cash effect of exceptional items		-	(112)
Net cash flow from operating activities		<b>2,822</b>	<b>3,799</b>

# 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 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

	53 weeks ended 14 July 2001 £'000	52 weeks ended 8 July 2000 £'000
<b>Turnover</b>		
UK - retail	36,139	34,387
Overseas - wholesale	5,491	4,708
	<u>41,630</u>	<u>39,095</u>
<b>Operating profit</b>		
UK - retail	1,082	1,153
Overseas - wholesale	783	708
	<u>1,865</u>	<u>1,861</u>

The analysis of turnover by destination is not materially different to the analysis of turnover by origin. All net assets are in the UK.

### 2. Profit on ordinary activities before taxation

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

	2001 £'000	2000 £'000
Depreciation	1,520	1,318
Profit on sale of fixed assets	-	(6)
Lease rentals on buildings	149	141
- other	194	194
Auditors' remuneration	47	46
Non - audit fees paid to Auditors	-	16
Management charges from immediate holding company and a fellow subsidiary company	442	451
Exceptional items	(92)	(112)
<p>- The exceptional item in 2001 arose on the receipt of a rates rebate on the settlement of the 1995 rateable revaluation on the Piccadilly store. The exceptional item in 2000 related to the acquisition and development of 185/6 Piccadilly.</p>		

## Notes to the accounts continued

### 3. Tax on profit on ordinary activities

Taxation on the profit for the year at the rate of 30% (2000 - 30%) comprises:

	2001 £'000	2000 £'000
Corporation tax - current year	570	299
- prior year	-	69
	<u>570</u>	<u>368</u>
Deferred tax	163	40
	<u>733</u>	<u>408</u>

### 4. Dividends

	2001 £'000	2000 £'000
Preference - paid	12	12
Ordinary - interim paid 4.3p (4.3p)	411	411
Ordinary - 2nd interim payable 5.0p (4.7p)	478	450
	<u>901</u>	<u>873</u>

### 5. Earnings per share

The calculations of earnings per share are based on profit for the financial year, after preference dividends, of £1,505,000, £1,441,000 excluding the exceptional items net of tax (2000 - £1,681,000, £1,603,000 excluding the exceptional items net of tax) and 9,562,000 (2000 - 9,562,000) ordinary shares.

### 6. Operating lease commitment

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

Operating leases which expire:

	Two to five years £'000	Over five years £'000	Total £'000
Land and Buildings	-	149	149
Other	194	-	194
at 14 July 2001	<u>194</u>	<u>149</u>	<u>343</u>
Land and Buildings	-	147	147
Other	194	-	194
at 8 July 2000	<u>194</u>	<u>147</u>	<u>341</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	Total £'000
Cost at 8 July 2000	15,285	11,579	402	27,266
Additions	–	609	–	609
At 14 July 2001	<u>15,285</u>	<u>12,188</u>	<u>402</u>	<u>27,875</u>
Accumulated depreciation				
At 8 July 2000	1,909	4,961	–	6,870
Charge for the year	311	1,209	–	1,520
At 14 July 2001	<u>2,220</u>	<u>6,170</u>	<u>–</u>	<u>8,390</u>
Net book amount 14 July 2001	<u>13,065</u>	<u>6,018</u>	<u>402</u>	<u>19,485</u>
Net book amount 8 July 2000	<u>13,376</u>	<u>6,618</u>	<u>402</u>	<u>20,396</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

	2001 £'000	2000 £'000
Trade debtors	1,410	1,612
Amounts owed by group companies	63	10
Other debtors	74	64
Prepayments and accrued income	367	177
	<u>1,914</u>	<u>1,863</u>

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

	2001 £'000	2000 £'000
Trade creditors	1,503	1,279
Amounts owed to group companies	516	927
Corporation tax	393	164
Other tax and social security payable	203	278
Other creditors	162	115
Accruals	1,230	1,683
Proposed dividend	478	450
	<u>4,485</u>	<u>4,896</u>

### 11. Reserves

	Share premium account £'000	Profit and loss account £'000
Balance at 8 July 2000	5,292	17,749
Retained profit for the year	—	616
Balance at 14 July 2001	<u>5,292</u>	<u>18,365</u>

### 12. Provision for deferred taxation

	As at 8 July 2000 £'000	Movement £'000	As at 14 July 2001 £'000
Excess of tax allowances over depreciation	1,081	163	<u>1,244</u>

# FORTNUM & MASON PLC

## Notes to the accounts continued

### 13. Called up share capital

At 14 July 2001 and 8 July 2000

	<b>Authorised</b>		<b>Allotted, called up and fully paid</b>	
	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.

### 14. Directors and employees

	<b>2001</b>	<b>2000</b>
Average number of employees	<u><b>448</b></u>	<u><b>456</b></u>
	<b>£'000</b>	<b>£'000</b>
Staff costs - wages and salaries	<b>6,635</b>	6,236
- social security costs	<b>478</b>	450
	<u><b>7,113</b></u>	<u><b>6,686</b></u>

## Notes to the accounts continued

### 14. Directors and employees continued

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

<b>Executive directors</b>	Salary or fees £	Bonus £	Benefits £	<b>2001 Total £</b>	2000 Total £
G W Artindale (resigned 1/3/00)	—	—	—	—	59,716
S M Gates	105,000	7,500	19,875	<b>132,375</b>	42,432
G V Hamilton (resigned 30/4/00)	—	—	—	—	148,236
Mrs A C Hobhouse	12,494	—	—	<b>12,494</b>	11,716
Mrs J R Khayat	12,494	—	—	<b>12,494</b>	13,970
<b>Non-executive directors:</b>					
Mrs C H W Dalglish	100	—	—	<b>100</b>	100
W G Galen Weston	100	—	—	<b>100</b>	100
J G Lithiby	1,000	—	—	<b>1,000</b>	1,000
W Monaghan	100	—	—	<b>100</b>	100
Garry H Weston	100	—	—	<b>100</b>	100
	<u>131,388</u>	<u>7,500</u>	<u>19,875</u>	<u><b>158,763</b></u>	<u>277,470</u>

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	Directors' contributions
S M Gates	£3,500 p.a.	£21,200	£11,400 p.a.	£5,200

#### Notes to pension benefits:

1. The pension entitlement shown is the accrued pension based on service and pay to the end of the year, or the date at which the director ceased to be a Contributing member of the Scheme, if earlier.
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.

# FORTNUM & MASON PLC

## Notes to the accounts continued

### 15. Capital commitments

There are commitments for capital expenditure by the company of £43,000 (2000 - £96,000) for which no provision has been made in these accounts.

### 16. Reconciliation of movement in net funds

	2000 £'000	Cash flow £'000	2001 £'000
Cash in hand and on call	1,180	1,044	<b>2,224</b>
Short term deposits	2,800	200	<b>3,000</b>
Net funds	<u>3,980</u>	<u>1,244</u>	<u><b>5,224</b></u>

### 17. Reconciliation of movement in shareholders' funds

	2001 £'000	2000 £'000
Equity:		
Opening balance	<b>23,519</b>	22,699
Retained profit for the year	<b>616</b>	820
Closing balance	<u><b>24,135</b></u>	<u>23,519</u>
Non-equity:	<b>175</b>	175
Total shareholders' funds	<u><b>24,310</b></u>	<u>23,694</u>

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

	2001 £'000	2000 £'000
Increase in cash in this period	<b>1,244</b>	1,972
Movement in liquid resources	<u>-</u>	<u>-</u>
Change in net funds	<b>1,244</b>	1,972
Opening net funds	<b>3,980</b>	2,008
	<u><b>5,224</b></u>	<u>3,980</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 14 July 2001 some 45% (2000 - 45%) 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. Hence it is not possible to identify the company's share of the underlying assets and liabilities. As such, the directors are of the opinion that the cost to the company will tend to equate to the contributions payable. The latest actuarial valuation of the scheme, at 5 April 1999, showed that assets represented 136% of the benefits that had accrued to members after allowing for expected future increases in earnings, and the company made no contributions in the year (2000 - £nil).

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

Interest on day to day cash deposits is based on money market rates and overdraft rates are linked to LIBOR.

Short term debtors and creditors have been excluded from the following disclosures, other than the currency risk profile.

#### b) Interest rate risk profile

At 14 July 2001 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 £157,000.

Interest bearing sterling cash deposits at the year-end were £6,684,000 (2000 - £5,543,000) at an interest rate of 4.82%. (2000 - 5.74%)

#### c) Currency risk profile

At 14 July 2001 the company had outstanding non-sterling short-term creditors, predominantly in EU currencies of £200,000 (2000 - £115,000).

#### 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 plc is Wittington Investments Limited. At 28 August 2001 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 28 August 2001 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.

	<b>2001</b> <b>£'000</b>	<b>2000</b> <b>£'000</b>
Management charge from Wittington Investments Limited, principally in respect of a director and secretary paid by them	<b>300</b>	250
Management charge from a fellow subsidiary in respect of services provided	<b>142</b>	201
Sales to fellow subsidiaries on normal trading terms	<b>74</b>	63
Purchases from fellow subsidiaries on normal trading terms	<b>7,500</b>	6,817
Amounts due to fellow subsidiary undertakings	<b>516</b>	927
Amounts due from fellow subsidiary undertakings	<b>64</b>	10

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:-

	14 July 2001	8 July 2000
<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	610,124	610,124
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	5,672,560	5,672,560
<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	2,646,459	2,646,459
Fortnum & Mason plc, ordinary shares of 5p	2,250	2,250
<b>Mrs J R Khayat</b>		
Wittington Investments Limited, ord. shares of 50p	5,862	5,862
Associated British Foods plc, ord. shares of 5 15/22p	3,180,717	3,180,717
<b>Mrs A C Hobhouse</b>		
Wittington Investments Limited, ord. shares of 50p	5,863	5,863
Associated British Foods plc, ord. shares of 5 15/22p	2,860,358	2,860,358
<b>J G Lithiby</b>		
Fortnum & Mason plc, ord. shares of 5p	11,250	11,250
<b>S M Gates</b>	—	—

### Notes

1. Garry H Weston, W G Galen Weston, Mrs C H W Dalglish, Mrs J R Khayat and Mrs A C Hobhouse are trustees of a trust in which they have no beneficial interest, which at 14 July 2001 held 683,073 ordinary shares of 50p (2000 - 683,073) in Wittington Investments Limited.
2. Garry H Weston is a trustee of trusts in which he has no beneficial interest, which at 14 July 2001 held 1,358,665 ordinary shares of 5 15/22p (2000 -1,358,665) in Associated British Foods plc.
3. There have been no changes in the above holdings between 14 July and 31 August 2001.
4. No other 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

## 5 year record

	July 1997 £'000	July 1998 £'000	July 1999 £'000	July 2000 £'000	July 2001 £'000
Turnover	32,727	33,223	36,724	39,095	<b>41,630</b>
Operating profit *	2,802	1,723	1,742	1,749	<b>1,773</b>
Interest receivable	779	593	150	240	<b>385</b>
Profit before tax*	3,581	2,316	1,892	1,989	<b>2,158</b>
Tax*	1,169	764	541	374	<b>705</b>
Profit after tax*	2,412	1,552	1,351	1,615	<b>1,453</b>
Ordinary dividends	794	794	822	861	<b>889</b>
Retained profits*	1,610	750	519	742	<b>552</b>
Shareholders funds	22,086	22,468	22,874	23,694	<b>24,310</b>
Earnings per share*	25.6p	16.1p	14.0p	16.8p	<b>15.0p</b>
Dividends per share	8.3p	8.3p	8.6p	9.0p	<b>9.3p</b>

The above figures were taken from the published accounts, and those highlighted (\*) exclude exceptional items.

## Notice of annual general meeting

Notice is hereby given that the ninety-sixth annual general meeting of the company will be held at 181 Piccadilly, London W1A 1ER on Tuesday 16 October 2001 at 10.30am for the following purposes:-

1. To receive and adopt the accounts for the 53 weeks ended 14 July 2001 together with the reports of the directors and auditors thereon.
2. To re-elect Mr S M Gates as a director.
3. To re-elect Mrs A C Hobhouse as a director.
4. To re-appoint PricewaterhouseCoopers as auditors of the Company and to authorise the directors to determine their remuneration.
5. 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 2006; 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 2002, or if earlier, at the end of the annual general meeting of the company to be held in 2002 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

**L J Collins**

Secretary

14 September 2001

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 12 October 2001 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 12 October 2001 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 up to one third of the issued ordinary share capital, and to allot the same for cash in connection with a rights issue, or otherwise be up to 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 \_\_\_\_\_  
PLEASE USE BLOCK LETTERS  
 of \_\_\_\_\_  
 \_\_\_\_\_

being (a) members(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 Tuesday 16 October 2001 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 53 weeks ended 14 July 2001 and the reports of the directors and auditors thereon.		
To re-elect Mr S M Gates as a director.		
To re-elect Mrs A C Hobhouse as a director.		
To re-appoint PricewaterhouseCoopers the retiring auditors and to authorise the directors to determine their remuneration.		
SPECIAL RESOLUTIONS		
To renew the authority of the directors to allot shares and to disapply pre-emption rights		

Dated this ..... day of ..... 2001

Signature .....

- \*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/her own choice.
- 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/she thinks fit or abstain from voting.
- To be valid this proxy must reach the company not later than 48 hours before the meeting.
- A corporation may execute this form under its common seal or under the hand of a duly authorised officer.
- 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.
- 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