

# FORTNUM & MASON PLC

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# FORTNUM & MASON PLC

## Directors and professional advisers

### Directors

Garry H Weston\* *Chairman*

W G Galen Weston\* *Vice Chairman*

G W Artindale

Mrs C H W Dalglish\*

G V Hamilton

Mrs J R Khayat\*

J G Lithiby\*

W Monaghan\*

### Secretary

G W Artindale

### Registered office

181 Piccadilly  
London W1A 1ER

### Registered number

84909

### Registrar and transfer office

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

### Auditors

Price Waterhouse  
Chartered Accountants

### Bankers

Bank of Scotland  
Girobank Plc

\* *Non-executive director*

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

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

Mr J G Lithiby has been a director since 1981. He is a director of Panmure Gordon & Co. Limited, stockbrokers.

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

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

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

# Chairman's statement

## TRADING RESULTS

I am pleased to be able to report that, despite substantial costs incurred through the acquisition and development of 185/6 Piccadilly and a fall in sales to overseas visitors occasioned by the strength of sterling, pre-tax profits still matched those of last year at £3.2 million.

Underlying operating profit was £2,802,000, compared with £2,679,000 in 1996. After charging exceptional costs of the store extension of £354,000, operating profits were £89,000 lower than last year at £2,448,000.

After the excellent Christmas trading noted in the interim report, when turnover was 11 per cent ahead of last year, sales growth in Piccadilly store fell back in the second half to give an increase for the year of just 1.7 per cent.

Although under pressure from the increased strength of sterling, our export division maintained its sales growth at 4.8 per cent, to give an overall increase of 2.2 per cent.

Interest receivable increased by £95,000 to £779,000, due to both higher interest rates and additional cash balances following last October's rights issue. With a lower tax charge of £1,088,000, against £1,125,000 last year, profit available to shareholders was £2,139,000 compared with £2,096,000 in the year to July 1996.

The board has declared a second interim dividend of 4.0p per ordinary share giving a total payment of 8.3p per share. Following the one for eight rights issue the dividends total £794,000, compared with £672,000 paid in respect of the previous year.

## STORE TRADING

Departments such as wines, hampers and cakes achieved growth above 10 per cent as sales to local customers remained buoyant throughout the year. Menswear and ladies fashions also benefited from this buoyant trade. However, spending by overseas visitors fell by an estimated 20 per cent in the second half compared with the strong performance in the comparable period of 1996. As a result of the building work food hall selling space has been reduced by nearly 10 per cent since April. This loss of space has had most impact on the provisions department which lost some £75,000 in sales compared with the trend prior to the reduction in space.

The sales loss in other food departments and on other floors similarly affected by reduced selling space has been minimised, by careful planning and the expenditure of over £100,000 on temporary screens and noise attenuation measures.

The programme of developing new ranges of food and updating packaging continues allowing us to stay at the forefront of the speciality food industry.

The buying team have continued the policy of sourcing unique ranges working with small specialist suppliers from Britain and this has now been extended into Europe. Examples of these products are a range of preserves made from rare varieties of fruits grown by Brogdale Horticultural Trust, Fortnum's ham and cheeses, as well as a range of Italian foods exclusive to us in the United Kingdom.

# FORTNUM & MASON PLC

## Chairman's statement continued

During the year we were honoured to be granted a Royal Warrant as Tea Merchants and Grocers from His Royal Highness The Prince of Wales.

A reorganisation of the restaurants undertaken in May 1996, encompassing changes to management, staffing, menus and opening hours, has resulted in a much improved profit performance from these units.

The reduction in restaurant staff meant that total staff numbers were lower than in 1996 and wage costs rose by just 2.6 per cent. Expenditure on staff and management training was doubled from the previous year in preparation for the extra demands of the extended store. Other costs remained tightly controlled with an increase of 2 per cent over last year.

Non-capital costs relating to the development totalled £354,000. They have been charged as exceptional items against the operating result for the year.

### **EXPORT**

Sales performance was satisfactory in most of our markets, and was achieved without margin loss, despite the strengthening of the pound.

The "concept areas" pioneered in Australia were installed in department stores in Singapore, San Francisco and Sweden. A unit is currently on trial in a duty free area at Heathrow Airport Terminal 1.

### **CAPITAL EXPENDITURE**

Total expenditure was £5.7 million of which £5.3 million related to the store extension. £3.3 million of this was for the site acquisition, and £2.0 million for construction work to date.

### **FUTURE PROSPECTS**

Current trading is on budget, albeit that the increase on last year is curtailed by the fall in the number of overseas visitors and by reduced trading space on four floors.

A number of difficulties were encountered during the complex underpinning and foundation stages of the building of the extension, and the programme has now inevitably been delayed. This means we will not be able to trade the full extended ground floor this Christmas.

Our budgets call for an increase in underlying profit, but as they are based on the assumption that the U.K. economy remains buoyant during the important Christmas trading period, and that the pound does not continue to strengthen, it is too early to estimate the final outcome.

### **APPRECIATION**

During the past nine months the management and staff of the company have faced disruption and noise on almost a daily basis. I would like to express my appreciation of the positive manner in which they have responded to this challenge.

**GARRY H WESTON**

# Report of the directors

The directors submit their ninety-second annual report together with the accounts of the company for the year ended 12 July 1997.

## **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 12 July 1997 of £32,727,000 (1996 – £32,038,000). The profit for the year was £2,139,000 (1996 £2,096,000). An interim dividend of 4.3p per ordinary share was paid on 30 June 1997. A second interim dividend of 4p per ordinary share amounting to £383,000 will be paid on 2 January 1998. The total dividend on the ordinary and preference shares amounts to £802,000 (1996 – £680,000).

## **Directors and their interests**

A list of the present directors of the company is shown on page 2 and the schedule of their beneficial interests, including family interests, in the shares and debentures of the group is shown on page 22.

Mr W G Galen Weston and Mr G V Hamilton retire by rotation and being eligible offer themselves for re-election.

## **Corporate governance**

The board is required by the Stock Exchange to report on the extent of its compliance with the Code of Best Practice drawn up by the Cadbury Committee on Corporate Governance.

Fortnum & Mason is a subsidiary company of Wittington Investments Limited which owns 89.9 per cent of the company's ordinary shares. Wittington Investments Limited is in turn controlled by Mr Garry H Weston and members of his family and trusts associated with them. Four of the six non-executive directors are members of the Weston family.

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. 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.

There is no agreed procedure for directors in the furtherance of their duties to take independent professional advice.

# FORTNUM & MASON PLC

## Report of the directors continued

Non-executive directors are not appointed for specified terms and their re-appointment is voted upon at annual general meetings when periodic re-election is proposed in accordance with the company's articles of association. Non-executive 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 is determined by board consultation. Remuneration levels are set by reference to individual performance, experience and market conditions, with a view to providing a package which is appropriate for the responsibilities involved.

Performance related bonuses are not given, other than in exceptional circumstances. No executive director has a service contract exceeding one year.

Full details of directors' remuneration and benefits (as presently recommended by the Greenbury code) are given in note 14 to the financial statements on pages 18 and 19.

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 controls.

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

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

### **Internal financial control**

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

The board has set out financial controls and procedures with which the operational management are required to comply.

There are clearly defined guidelines for capital expenditure, investments, and management of cash resources.

There is an established system for the reporting of monthly results, with comparisons against budget being monitored, and forecasts updated regularly.

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

### **Supplier payment policy**

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

## Report of the directors continued

Except where otherwise agreed with the supplier, it is the policy of the company to pay all suppliers correctly presenting invoices for goods delivered or services performed in accordance with the company's instructions on a regular cycle designed to give average payment times of approximately one month. Scheduled payment dates are notified to suppliers on request. The number of days purchases outstanding at the year end calculated in accordance with Statutory instrument SI 1997/571 was 20.

### **Environmental policy**

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

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

### **Fixed Assets**

Changes in fixed assets are set out on page 16.

A valuation carried out in 1996 indicated that the market value of company's leasehold interest exceeded the amount at which it is shown in the balance sheet by approximately £16 million.

### **Charitable and political contributions**

Charitable donations for the year amounted to £5,194 (1996 £3,700). There were no contributions to any political organisation during the year (1996 - Nil).

### **Employment of disabled persons**

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

# FORTNUM & MASON PLC

## Report of the directors continued

### Employee involvement

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

By the order of the board

**G W Artindale**  
Secretary



5 September 1997

## 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 accounts on pages 10 to 21 which have been prepared under the historical cost convention and the accounting policies set out on page 13.

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

As described on page 8 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

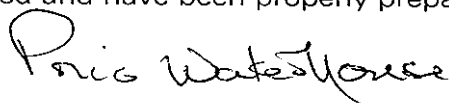
## **Basis of opinion**

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 12 July 1997 and of its profit and cash flows 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

Price Waterhouse  
Chartered Accountants  
and Registered Auditors

5 September 1997

# FORTNUM & MASON PLC

## Profit and loss account

	Note	52 weeks ended 12 July 1997 £'000	52 weeks ended 13 July 1996 £'000
Turnover	1	32,727	32,038
Cost of sales		(22,627)	(22,388)
Gross profit		10,100	9,650
Distribution costs		(219)	(235)
Administrative expenses		(7,079)	(6,736)
Add exceptional items		(354)	(142)
Operating profit	1	2,448	2,537
Interest receivable		779	684
Profit on ordinary activities before taxation	2	3,227	3,221
Tax on profit on ordinary activities	3	(1,088)	(1,125)
Profit for the financial year		2,139	2,096
Dividends, including non-equity	4	(802)	(680)
Retained profit to reserves		1,337	1,416
Earnings per share	5	22.7p	23.7p
Add exceptional items, net of tax		2.9p	1.6p
Earnings per share excluding exceptional items	5	25.6p	25.3p
Dividend per share	4	8.3p	7.6p

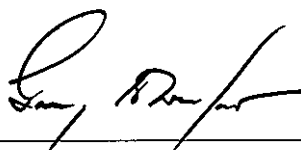
There were no gains or losses recognised by the company in the period under review, or the comparable period, other than those stated above.

# Balance sheet

	Note	As at 12 July 1997 £'000	As at 13 July 1996 £'000
<b>Fixed assets</b>			
Tangible assets	7	11,199	6,279
Investments	8	2	2
		<u>11,201</u>	<u>6,281</u>
<b>Current assets</b>			
Stocks		3,090	3,171
Debtors	9	1,594	1,603
Investments	18	0	3,000
Cash at bank and in hand	18	11,511	5,941
		<u>16,195</u>	<u>13,715</u>
<b>Creditors</b> (amounts falling due within one year)	10	<u>4,946</u>	<u>4,037</u>
<b>Net current assets</b>		<u>11,249</u>	<u>9,678</u>
<b>Total assets less current liabilities</b>		<u>22,450</u>	<u>15,959</u>
<b>Provision for deferred taxation</b>		<u>364</u>	<u>436</u>
		<u>22,086</u>	<u>15,523</u>
<b>Capital and reserves</b>			
Called up share capital	13	653	600
Share premium account	11	5,292	119
Profit and loss account	11	16,141	14,804
		<u>22,086</u>	<u>15,523</u>
<b>Equity shareholders funds</b>	17	<u>21,911</u>	<u>15,348</u>
<b>Non-equity shareholders funds</b>		<u>175</u>	<u>175</u>
		<u>22,086</u>	<u>15,523</u>

These financial statements were approved by the board on 5 September 1997 and signed on its behalf by:

**GARRY H WESTON**  
Chairman



# FORTNUM & MASON PLC

## Cash flow statement

	Note	As at 12 July 1997 £'000	As at 13 July 1996 £'000
<b>Net cash flow from operating activities</b>		<b>3,790</b>	<b>2,566</b>
<b>Returns on investments and servicing of finance</b>		<b>908</b>	<b>712</b>
Taxation		(1,229)	(1,122)
Capital expenditure		(5,408)	(611)
		<u>(1,939)</u>	<u>1,545</u>
Equity dividends paid	4	(717)	(612)
		<u>(2,656)</u>	<u>933</u>
Management of liquid resources	16	(2,611)	(1,609)
Financing		<u>5,226</u>	<u>-</u>
<b>Increase/(decrease) in cash</b>	<b>16</b>	<b><u>(41)</u></b>	<b><u>(676)</u></b>
 <b>Reconciliation of operating profit to net cash flow from operating activities</b>			
		<b>£'000</b>	<b>£'000</b>
Operating profit		<b>2,448</b>	<b>2,537</b>
Depreciation		<b>659</b>	<b>631</b>
(Profit)/loss on sale of fixed assets		<b>(1)</b>	<b>6</b>
(Increase)/decrease in stocks		<b>80</b>	<b>-</b>
(Increase)/decrease in debtors		<b>(125)</b>	<b>17</b>
Increase/(decrease) in creditors		<b>634</b>	<b>(473)</b>
Increase/(decrease) in inter company balance		<b>(62)</b>	<b>(152)</b>
Non cash effect of exceptional items		<b>157</b>	<b>-</b>
		<u><b>3,790</b></u>	<u><b>2,566</b></u>

# Accounting policies

## **Accounting convention**

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

## **Turnover**

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

## **Depreciation**

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

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

Leasehold improvements – 30 years.

Fixture and equipment – 5, 10 or 20 years.

Works of art are not depreciated as they do not have a finite useful economic life 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 arising from the excess of capital allowances over depreciation.

## **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.

## **Current asset investments**

These comprise interest bearing instruments and are stated at the lower of cost and market value.

# FORTNUM & MASON PLC

## Notes to the accounts

### 1. Turnover and operating profit

	52 weeks ended 12 July 1997 £'000	52 weeks ended 13 July 1996 £'000
<b>Turnover</b>		
UK – retail	28,007	27,536
Overseas – wholesale	4,720	4,502
	<u>32,727</u>	<u>32,038</u>
<b>Operating profit</b>		
UK – retail	1,633	1,830
Overseas – wholesale	815	707
	<u>2,448</u>	<u>2,537</u>

### 2. Profit on ordinary activities before taxation

This is stated after charging the following amounts:–

	1997 £'000	1996 £'000
Depreciation	659	631
(Profit)/loss on sale of fixed assets	(1)	6
Hire of plant and machinery	189	167
Lease rentals on buildings	91	98
Auditors' remuneration – audit	41	39
– other	–	5
Management charges from immediate holding company and a fellow subsidiary company	431	390
Exceptional non-capital costs relating to the acquisition and development of 185/6 Piccadilly	354	142

The operating profit, before exceptional charges, amounted to £2,802,000 (1996 £2,679,000). On materiality grounds, the costs in 1996 were not treated as exceptional, but the comparative has now been restated in order to show the underlying performance.

# Notes to the accounts continued

## 3. Tax on profit on ordinary activities

Taxation on the profit for the year at the rate of 32.43% (1995 - 33%) comprises:

	1997 £'000	1996 £'000
Corporation tax - current year	1,168	1,218
- prior year	(8)	(15)
	<u>1,160</u>	<u>1,203</u>
Deferred tax	(72)	(78)
	<u>1,088</u>	<u>1,125</u>

## 4. Dividends

	1997 £'000	1996 £'000
Preference - paid	8	8
Ordinary - interim paid 4.3p (4.1p)	411	366
Ordinary - 2nd interim payable 4.0p (3.5p)	383	306
	<u>802</u>	<u>680</u>

## 5. Earnings per share

The calculations of earnings per share are based on profit for the financial year, after preference dividends, of £2,131,000, £2,404,000 excluding exceptional items (1996 - £2,088,000, £2,230,000 excluding exceptional items) and 9,387,000 ordinary shares, being the average number of shares in issue during the year. The comparative earnings per share have been restated to adjust for the subdivision and rights issue.

## 6. Leases

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

Operating leases which expire:	Within one year £'000	Two to five years £'000	Over five years £'000	Total £'000
Land and Buildings	-	-	91	91
Other	155	9	3	167
at 12 July 1997	<u>155</u>	<u>9</u>	<u>94</u>	<u>258</u>
Land and Buildings	-	-	91	91
Other	114	4	3	121
at 13 July 1996	<u>114</u>	<u>4</u>	<u>94</u>	<u>212</u>

# FORTNUM & MASON PLC

## Notes to the accounts continued

### 7. Tangible assets

	Long leasehold and leasehold improvements	Fixtures and equipment	Works of art	Assets in course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost at 13 July 1996	4,064	5,600	402	–	10,066
Additions	126	282	–	5,334	5,742
Disposals	–	(290)	–	–	(290)
At 12 July 1997	<u>4,190</u>	<u>5,592</u>	<u>402</u>	<u>5,334</u>	<u>15,518</u>
Accumulated depreciation					
At 13 July 1996	1,086	2,701	–	–	3,787
Provision for the year	93	566	–	–	659
Disposals	–	(127)	–	–	(127)
At 12 July 1997	<u>1,179</u>	<u>3,140</u>	<u>–</u>	<u>–</u>	<u>4,319</u>
Net book amount 12 July 1997	<u>3,011</u>	<u>2,452</u>	<u>402</u>	<u>5,334</u>	<u>11,199</u>
Net book amount 13 July 1996	<u>2,978</u>	<u>2,899</u>	<u>402</u>	<u>–</u>	<u>6,279</u>

Assets in the course of construction related to the acquisition and development of 185/6 Piccadilly.

### 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

	1997	1996
	£'000	£'000
Trade debtors	539	639
Amounts owed by group companies	–	–
Other debtors	333	450
Prepayments and accrued income	722	514
	<u>1,594</u>	<u>1,603</u>



## Notes to the accounts continued

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

	1997	1996
	£'000	£'000
Trade creditors	1,170	730
Amounts owed to group companies	527	588
Other creditors	545	513
Taxation and social security	1,100	1,211
Accruals	1,221	689
Proposed dividend	383	306
	<u>4,946</u>	<u>4,037</u>

### 11. Reserves

	Share premium account	Profit and loss account
	£'000	£'000
Balance at 13 July 1996	119	14,804
Retained profit for the year	-	1,337
Premium on issue of shares less costs	5,173	-
Balance at 12 July 1997	<u>5,292</u>	<u>16,141</u>

### 12. 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 12 July 1997 some 29% of the company's employees were members of the scheme.

The scheme is wholly administered by the trustees of the Associated British Foods Pension Scheme, and the cost to the company is determined by the overall cost of the scheme, not that relating to the company's employees. As such, the directors are of the opinion that the cost to the company will tend to equate to the contributions payable. The latest actuarial valuation of the scheme, at 5 April 1996, showed that assets represented 134% of expected benefits payable.

# FORTNUM & MASON PLC

## Notes to the accounts continued

### 13. Called up share capital

	Authorised		Issued and fully paid	
	Nominal value	Number	Nominal value	Number
Cumulative 4.9% preference stock units of £1 each				
13 July 1996	£175,000	175,000	£175,000	175,000
12 July 1997	£175,000	175,000	£175,000	175,000
Ordinary stock units and shares of £1 each				
13 July 1996	£575,000	575,000	£425,000	425,000
12 July 1997	-	-	-	-
Ordinary shares of 5p each				
13 July 1996	-	-	-	-
12 July 1997	£637,500	12,750,000	£478,123	9,562,460
Total				
13 July 1996	£750,000	-	£600,000	-
12 July 1997	£812,500	-	£653,123	-

Resolutions were passed at the extraordinary general meeting held on 9 October 1996 to create 1,250,000 new ordinary shares of 5p each, to convert and subdivide each existing £1 ordinary stock unit into 20 ordinary shares of 5p each, and authorising the directors to offer by way of a rights issue up to 1,062,500 ordinary shares on the basis of one share for every eight shares held. Subsequently 1,062,460 shares were allotted at £5.00 per share.

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>1997</b>	<b>1996</b>
Average number of employees	<b>450</b>	<b>461</b>
	<b>£'000</b>	<b>£'000</b>
Staff costs - wages and salaries	<b>5,259</b>	5,131
- social security costs	<b>420</b>	401
- pension contributions	-	49
	<b>5,679</b>	<b>5,581</b>

# Notes to the accounts continued

## 14. Directors and employees continued

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

	Salary or fees £	Benefits £	1997 Total £	1996 Total £	Pension contributions	
					1997 £	1996 £
Executive directors						
G V Hamilton	74,548	10,429	<b>84,977</b>	82,316	352	1,890
G W Artindale	61,183	7,154	<b>68,337</b>	69,673	295	1,577
Non-executive directors:						
G H Weston	100	-	<b>100</b>	100	-	-
W G Galen Weston	100	-	<b>100</b>	100	-	-
Mrs C H W Dalglish	100	-	<b>100</b>	100	-	-
J G Lithiby*	1,000	-	<b>1,000</b>	1,000	-	-
Mrs J R Khayat	15,100	-	<b>15,100</b>	28,807	-	-
W Monaghan	100	-	<b>100</b>	100	-	-
	<u>152,231</u>	<u>17,583</u>	<u><b>169,814</b></u>	<u>182,196</u>	<u>647</u>	<u>3,467</u>

\* Paid to third party

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

Name of director	Increase in accrued pension during the year <sup>(2)</sup>	Transfer value of increase <sup>(3)</sup>	Accumulated total accrued pension at year end
G V Hamilton	2,848	31,476	34,622
G W Artindale	1,619	6,697	10,697

#### Notes:

- 1 The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year.
- 2 The increase in accrued pension during the year excludes any increase for inflation.
- 3 The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11, less director's contributions.
- 4 Members of the scheme have the option to pay Additional Voluntary Contributions: neither the contributions nor the resulting benefits are included in the above table.

# FORTNUM & MASON PLC

## Notes to the accounts continued

### 15. Capital commitments

Contracts placed for capital expenditure not provided in the accounts totalled £4,674,000 (1996 £156,000). The budgeted cost of works to the store extension not contracted for at the year end is £2,400,000.

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

	1997 £'000	1996 £'000	Cash flow £'000
Cash in hand and on call	180	221	(41)
Short term deposits	11,331	5,720	5,611
Cash at bank and in hand	11,511	5,941	5,570
Current asset investments	-	3,000	(3,000)
Net funds	11,511	8,941	2,570

### 17. Reconciliation of movement in shareholders funds

	1997 £'000	1996 £'000
Opening balance	15,348	13,932
Retained profit for the year	1,337	1,416
Issue of share capital	53	-
Premium on issue of share capital	5,173	-
Closing balance	21,911	15,348

### 18. Reconciliation of net cash flow to movement in net funds

	1997 £'000	1996 £'000
Decrease in cash in this period	(41)	(676)
Movement in liquid resources	2,611	1,609
Change in net funds	2,570	933
Opening net funds	8,941	8,008
	11,511	8,941

## Notes to the accounts continued

### 19. Related party transactions

The holding company of Fortnum & Mason is Wittington Investments Limited. At 20 August 1997 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 20 August 1997 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.

	1997 £'000
Management charge from Wittington Investments Ltd, principally in respect of directors paid by them	210
Management charge from a fellow subsidiary in respect of services provided	221
Sales to fellow subsidiaries on normal trading terms	292
Purchases from fellow subsidiaries on normal trading terms	6,806
Amounts due from fellow subsidiary undertakings	-
Amounts due to fellow subsidiary undertakings	526

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

# 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 subsidiaries as at the dates shown:

	12 July 1997	13 July 1996
<b>Garry H Weston</b>		
Wittington Investments Limited, ord. shares of 50p	4,925	4,925
Associated British Foods plc, ord. shares of 5p	693,324	693,324
George Weston Foods Limited, ord. shares of 50 cents	2,017	2,017
<b>W G Galen Weston</b>		
Wittington Investments Limited, ord. shares of 50p	37,953	37,953
Associated British Foods plc, ord. shares of 5p	6,446,092	8,246,092
<b>Mrs C H W Dalglish</b>		
Wittington Investments Limited, ord. shares of 50p	15,300	15,300
Associated British Foods plc, ord. shares of 5p	3,007,340	3,007,340
Fortnum & Mason plc, ordinary shares of 5p	2,250	2,000
<b>Mrs J R Khayat</b>		
Associated British Foods plc, ord. shares of 5p	352,902	352,902
<b>J G Lithiby</b>		
Fortnum & Mason plc, ordinary shares of 5p	11,250	10,000
<b>W Monaghan</b>		
Associated British Foods plc, ord. shares of 5p	19,760	21,200

### Notes

1. Garry H Weston, W G Galen Weston, Mrs C H W Dalglish and Mrs J R Khayat are trustees of a trust in which they have no beneficial interest, which at 12 July 1997 held 683,073 ordinary shares of 50p (1996 - 683,073) in Wittington Investments Limited.
2. Garry H Weston is a trustee of trusts in which he has no beneficial interest, which at 12 July 1997 held 1,983,938 ordinary shares of 5p (1996 - 1,983,938) in Associated British Foods plc.
3. There have been no changes in the above holdings between 12 July and 20 August 1997.
4. Holdings at 13 July 1996 in Fortnum & Mason plc have been restated to show the effect of the share conversion and subdivision.
5. No director has had a material interest in a contract with the company during the year, other than as disclosed in the accounts.

## Progress report

Year ended	July 1993 £'000	July 1994 £'000	July 1995 £'000	July 1996 £'000	July 1997 £'000
Turnover	24,682	27,642	30,221	32,038	<b>32,727</b>
Trading profit	1,429	1,909	2,424	2,679	<b>2,802</b>
Interest receivable	576	401	476	684	<b>779</b>
Profit before tax	2,005	2,310	2,900	3,221	<b>3,227</b>
Profit after tax	1,330	1,572	1,926	2,096	<b>2,139</b>
Ordinary dividends	425	468	612	672	<b>794</b>
Retained profits	897	1,096	1,306	1,416	<b>1,337</b>
Shareholders funds	11,678	12,418	14,107	15,523	<b>22,086</b>
Earnings per share	15.0p	17.7p	21.7p	25.3p	<b>25.6p</b>
Dividends per share	4.8p	5.3p	6.9p	7.6p	<b>8.3p</b>

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

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

# FORTNUM & MASON PLC

## Notice of annual general meeting

Notice is hereby given that the ninety-second annual general meeting of the company will be held at 181 Piccadilly, London W1A 1ER on Friday 3 October 1997 at 10.00am for the following purposes:

- 1 To receive and adopt the accounts for the 52 weeks ended 12 July 1997 together with the reports of the directors and auditors thereon.
- 2 To re-elect Mr W G Galen Weston as a director.
- 3 To re-elect Mr G V Hamilton as a director.
- 4 To re-appoint Price Waterhouse 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 2 October 2002; 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 pursuance 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 resolution 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.

And this power unless renewed shall expire on 31 December 1998, or if earlier, at the end of the annual general meeting of the company to be held in 1998 but shall extend to the making, before such expiry, of any offers or agreements which would or might require equity securities to be allotted after such expiry, and the directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired. All previous powers of the directors (to the extent not already utilised) pursuant to the said section 95 be and hereby are revoked.

By the order of the board

**G W Artindale**  
Secretary

5 September 1997

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 1 October 1997 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 1 October 1997 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 Extraordinary 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 by up to 5% of the issued share capital. The directors do not have any present intention of exercising these powers.