

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 report that the company continued to make progress during the year, with operating profits increasing by £113,000 to £2,537,000. Operating profits have now risen for nine successive years.

Last years operating results included exceptional credits of £571,000. In order to show the underlying trend these credits are excluded from all comparative results referred to in this statement.

Sales growth in the second half of the year was maintained by the Piccadilly store at the rate of the first half, but as noted in the interim report, the phasing of orders gave a fall in second half export sales compared with the previous year, after the first half had shown a 21 per cent increase.

For the year, Piccadilly store sales increased by 6.3 per cent, against the 53 weeks of last year, a like for like increase of 8 per cent. Export sales increased by 4.3 per cent to give a combined increase of 6 per cent.

Interest receivable rose from £476,000 to £684,000 as a result of greater cash balances and higher rates available during the first half of the year.

Profit before taxation was £3,221,000 an improvement of £321,000 on the comparable 53 weeks.

After charging taxation of £1,125,000, the profit available to shareholders was £2,096,000 compared with £1,926,000 in the 53 weeks to July 1995. Earnings per ordinary share at 491p showed an increase of 40p or 9 per cent on last year.

The board has declared a second interim dividend of 72p per ordinary share, giving a total payment for the year of 158p, an increase of 10 per cent over the previous year.

STORE TRADING

Sales in the food departments continued to benefit from the major changes to the ranges introduced in 1994/95, and from further developments this year. Despite increasing competition our tea department maintained its pre-eminence in the speciality tea market with a sales growth of 20 per cent.

Our fresh food departments have directed more of their sourcing to products from small specialist suppliers producing to our own specifications. In June we held a promotion in conjunction with Food from Britain featuring these small suppliers, at the launch of which we were honoured by the presence of His Royal Highness the Prince of Wales. Sales in these departments showed an encouraging increase of 10 per cent for the year.

In non-food departments new ranges of Limoges helped the china and glass department to record an increase of 14 per cent, and our own label menswear collection improved sales by 11 per cent.

FORTNUM & MASON PLC

Chairman's statement continued

The restaurants, after a number of successful years, suffered a setback in sales progress. A re-organisation of the management structure and a review of the menus was carried out shortly before the year-end. These actions now appear to be having a positive effect.

Staff numbers remained broadly similar to last year, and wage costs rose by 5 per cent.

Distribution costs rose from £141,000 to £235,000 due to significant increases in the cost of packaging materials and a higher proportion of large orders eligible for free delivery.

Fees totalling £142,000 were incurred relating to the proposed extension of the store. These have been charged as an expense against the operating profit of the year.

EXPORT

Most markets showed sales ahead of budget for the year, with a good initial response to the new ranges of grocery and tea products mentioned earlier.

Our most important market, Japan, reversed last years decline with an increase of 14 per cent. The "concept areas" in Australia continued to develop, with a rise in sales of 16 per cent.

CAPITAL EXPENDITURE

Expenditure this year was restricted largely to the replacement of equipment and facilities such as the customer lifts and to the fitting out of a new warehouse. The warehouse will allow further growth and operating efficiencies in our Christmas mail order trade, particularly our hamper business, which has been constrained by the size of the previous warehouse.

FUTURE PROSPECTS

Current trading is satisfactory, and with the U.K. economy improving the outlook remains positive. If the proposed major extension to the store is approved there will inevitably be some short term disruption to trading and to operating profits, as well as reduced interest income. That your board is proposing such an extension reflects the confidence it possesses in the potential for the profitable development of our Piccadilly operations.

APPRECIATION

I would like to place on record my appreciation of the efforts of the management and staff, without whom these results would not have been achieved.

GARRY H WESTON

Report of the Directors

The directors submit their ninety-first annual report together with the accounts of the company for the year ended 13 July 1996.

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 and 4.

Profit and dividends

The profit and loss account on page 10 shows turnover for the financial year ended 13 July 1996 of £32,038,000 (1995 – £30,221,000). The profit for the year was £2,096,000 (1995 – £2,309,000). An interim dividend of 86p per unit of stock was paid on 30 June 1996. A second interim dividend of 72p per unit of stock amounting to £306,000 will be paid on 3 January 1997. The total dividend on the ordinary and preference shares amounts to £680,000 (1995 – £620,000).

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 21.

Mrs M D W Rebanks retired from the board on 13 October 1995. Mrs C H W Dalglish and Mr W Monaghan 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 plc is a subsidiary company of Wittington Investments Limited which owns 89.9 per cent of the company's ordinary stock. 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.

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.

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

A valuation carried out this year indicated that the market value of the company's leasehold interest exceeds 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 £3,700 (1995 – £2,272). There were no contributions to any political organisation during the year (1995 – 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

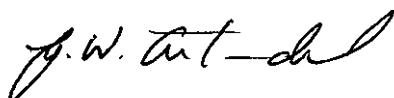
Report of the directors continued

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 order of the board

G W Artindale
Secretary



11 September 1996

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 20 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

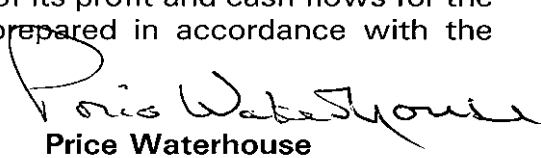
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 13 July 1996 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

11 September 1996

FORTNUM & MASON PLC

Profit and loss account

53 weeks ended 15 July 1995 £'000 exc. exceptional items		Note	52 weeks ended 13 July 1996 £'000	£'000	53 weeks ended 15 July 1995 £'000
30,221	Turnover	1	32,038		30,221
(21,268)	Cost of sales		(22,388)		(21,268)
8,953	Gross profit		9,650		8,953
(141)	Distribution costs		(235)	(141)	
	Less exceptional items		—	184	
(6,388)	Administrative expenses		(6,878)	(6,388)	43
	Less exceptional items		—	387	
					(6,001)
2,424	Operating profit	1	2,537		2,995
476	Interest receivable		684		476
2,900	Profit on ordinary activities before taxation	2	3,221		3,471
(974)	Tax on profit on ordinary activities	3	(1,125)		(1,162)
1,926	Profit for the financial year		2,096		2,309
(620)	Dividends	4	(680)		(620)
1,306	Retained profit to reserves		1,416		1,689
451p	Earnings per share	5	491p		541p
	Less exceptional items, net of tax		—		90p
	Earnings per share excluding exceptional items	5	—		451p

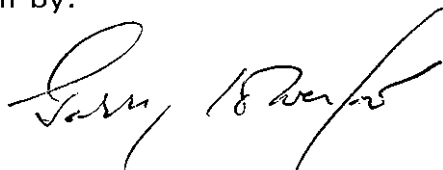
There were no gains or losses recognised by the company in the period under review, or the comparable period, other than those stated above.

Balance sheet

	Note	As at 13 July 1996 £'000	As at 15 July 1995 £'000
Fixed assets			
Tangible assets	7	6,279	6,305
Investments	8	2	2
		<u>6,281</u>	<u>6,307</u>
Current assets			
Stocks		3,171	3,171
Debtors	9	1,603	1,670
Investments		3,000	—
Cash at bank and in hand		5,941	8,008
		<u>13,715</u>	<u>12,849</u>
Creditors (amounts falling due within one year)	10	<u>4,037</u>	<u>4,535</u>
Net current assets		<u>9,678</u>	<u>8,314</u>
Total assets less current liabilities		<u>15,959</u>	<u>14,621</u>
Provision for deferred taxation		<u>436</u>	<u>514</u>
		<u>15,523</u>	<u>14,107</u>
Capital and reserves			
Called up share capital	13	600	600
Share premium account		119	119
Profit and loss account	11	14,804	13,388
		<u>15,523</u>	<u>14,107</u>
Equity shareholders' funds		<u>15,348</u>	<u>13,932</u>
Non-equity shareholders' funds		<u>175</u>	<u>175</u>
		<u>15,523</u>	<u>14,107</u>

These financial statements were approved by the board on 11 September 1996 and signed on its behalf by:

GARRY H WESTON
Chairman



FORTNUM & MASON PLC

Cash flow statement

	Note	52 weeks ended 13 July 1996 £'000	53 weeks ended 15 July 1995 £'000
Net cash inflow from operating activities	16	2,566	3,656
Returns on investments and servicing of finance			
Interest received		720	270
Dividends paid		(620)	(476)
Net cash (outflow)/inflow from returns on investments and servicing of finance		100	(206)
Taxation paid		(1,122)	(781)
Investing activities			
Purchase of current asset investments		(3,000)	—
Purchase of tangible fixed assets		(615)	(624)
Sale of tangible fixed assets		4	—
Net movement on bank deposits held on notice of three months or more	17	1,391	(2,485)
		(2,220)	(3,109)
Net increase/(decrease) in cash and cash equivalents	17	(676)	(440)

Accounting policies

Accounting convention

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

Turnover

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

Depreciation

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

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

Leasehold improvements – 30 years.

Fixtures and equipment – 5, 10 or 20 years.

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

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 primarily 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.

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 13 July 1996 £'000	53 weeks ended 15 July 1995 £'000
Turnover		
UK – retail	27,536	25,903
Overseas – wholesale	4,502	4,318
	<u>32,038</u>	<u>30,221</u>
Operating profit		
UK – retail	1,830	2,324
Overseas – wholesale	707	671
	<u>2,537</u>	<u>2,995</u>

2. Profit on ordinary activities before taxation

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

	1996 £'000	1995 £'000
Depreciation	631	578
Loss on sale of fixed assets	6	52
Hire of plant and machinery	167	188
Lease rentals on buildings	98	58
Auditors' remuneration – audit	39	38
– other	5	—
Management charges from immediate holding company and a fellow subsidiary company	390	311
Exceptional items		
refund of business rates relating to prior years	—	(387)
refund of value added tax relating to prior years	—	(184)

Notes to the accounts continued

3. Tax on profit on ordinary activities

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

	1996 £'000	1995 £'000
Corporation tax – current year	1,218	1,094
– prior year	(15)	—
	<u>1,203</u>	<u>1,094</u>
Deferred tax	(78)	68
	<u>1,125</u>	<u>1,162</u>

4. Dividends

	1996 £'000	1995 £'000
Preference – paid	8	8
Ordinary – interim paid 86p (86p)	366	366
Ordinary – 2nd interim payable 72p (58p)	306	246
	<u>680</u>	<u>620</u>

5. Earnings per share

The calculations of earnings per share are based on profit for the financial year, after preference dividends, of £2,088,000 (1995 – £2,301,000, £1,918,000 excluding exceptional items) and 425,000 (1995 – 425,000) ordinary stocks units in 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	114	4	3	121
at 13 July 1996	<u>114</u>	<u>4</u>	<u>94</u>	<u>212</u>
Land and buildings	—	—	58	58
Other	2	160	4	166
at 15 July 1995	<u>2</u>	<u>160</u>	<u>62</u>	<u>224</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 15 July 1995	4,002	5,127	402	9,531
Additions	63	552	—	615
Disposals	(1)	(79)	—	(80)
At 13 July 1996	<u>4,064</u>	<u>5,600</u>	<u>402</u>	<u>10,066</u>
Accumulated depreciation				
At 15 July 1995	996	2,230	—	3,226
Provision for the year	90	541	—	631
Disposals	—	(70)	—	(70)
At 13 July 1996	<u>1,086</u>	<u>2,701</u>	<u>—</u>	<u>3,787</u>
Net book amount 13 July 1996	<u>2,978</u>	<u>2,899</u>	<u>402</u>	<u>6,279</u>
Net book amount 15 July 1995	<u>3,006</u>	<u>2,897</u>	<u>402</u>	<u>6,305</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 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

	1996 £'000	1995 £'000
Trade debtors	639	892
Amounts owed by group companies	—	12
Other debtors	450	363
Prepayments and accrued income	514	403
	<u>1,603</u>	<u>1,670</u>

Notes to the accounts continued

10. Creditors (amounts falling due within one year)

	1996	1995
	£'000	£'000
Trade creditors	730	955
Amounts owed to group companies	588	752
Other creditors	513	588
Taxation and social security	1,211	1,312
Accruals	689	682
Proposed dividend	306	246
	<u>4,037</u>	<u>4,535</u>

11. Reserves

	£'000
Balance at 15 July 1995	13,388
Retained profit for the year	1,416
	<u>14,804</u>
Balance at 13 July 1996	

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 the Associated British Foods Pension Scheme. At 13 July 1996 some 26 per cent 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 1993, showed that assets represented 116 per cent of expected benefits payable.

13. Called up share capital

	1996	1995
	£'000	£'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>

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.

FORTNUM & MASON PLC

Notes to the accounts continued

14. Directors and employees

	1996	1995
Average number of employees United Kingdom	<u>461</u>	<u>463</u>
	£'000	£'000
Staff costs:		
Wages and salaries	5,131	5,026
Social security costs	401	396
Pension contributions	49	23
	<u>5,581</u>	<u>5,445</u>
	£	£
Directors' emoluments:		
Chairman	100	100
Highest paid director	82,316	71,364
Other directors	99,780	69,030
Pension contributions	3,467	1,960
	<u>185,663</u>	<u>142,454</u>
	Number of directors	
	1996	1995
Emoluments of directors:		
Those earning between –		
£0 – £5,000	6	6
£20,000 – £25,000	—	1
£25,001 – £30,000	1	—
£45,001 – £50,000	—	1
£65,001 – £70,000	1	—
£70,001 – £75,000	—	1
£80,001 – £85,000	1	—

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 £	Bonus £	Benefits £	1996 Total £	1995 Total £	Pension contributions 1996 £	1995 £
Executive directors:							
G V Hamilton	68,704	6,725	6,887	82,316	71,364	1,890	1,147
Mrs J R Khayat	25,907	2,900	—	28,807	21,879	—	—
G W Artindale	57,350	5,600	6,723	69,673	45,751	1,577	813
Non-executive directors:							
G H Weston	100	—	—	100	100	—	—
W G Galen Weston	100	—	—	100	100	—	—
Mrs C H W Dalglish	100	—	—	100	100	—	—
J G Lithiby*	1,000	—	—	1,000	1,000	—	—
Mrs M D W Rebanks	—	—	—	—	100	—	—
W Monaghan	100	—	—	100	100	—	—
	<u>153,361</u>	<u>15,225</u>	<u>13,610</u>	<u>182,196</u>	<u>140,494</u>	<u>3,467</u>	<u>1,960</u>

Mrs J R Khayat and G W Artindale were appointed to the board on 30 September 1994.

*paid to third party.

15. Capital commitments

Contracts placed for capital expenditure not provided in the accounts totalled £156,000 (1995 – £126,000).

16. Reconciliation of operating profit to net cash flow from operating activities

	1996 £'000	1995 £'000
Operating profit	2,537	2,995
Depreciation	631	578
Loss on sale of fixed assets	6	52
(Increase)/decrease in stocks	—	(413)
(Increase)/decrease in debtors	17	(6)
Increase/(decrease) in creditors	(473)	382
Increase/(decrease) in inter-company balance	(152)	68
	<u>2,566</u>	<u>3,656</u>

FORTNUM & MASON PLC

Notes to the accounts continued

17. Analysis of the balance of cash equivalents as shown in the balance sheet

	1996	1995	Change in period	1994	Change in period
	£'000	£'000	£'000	£'000	£'000
Cash in hand and on deposit of less than three months notice	221	897	(676)	1,337	(440)
Cash on deposit held on notice of three months or more	5,720	7,111	(1,391)	4,626	2,485
Cash at bank and in hand	5,941	8,008	(2,067)	5,963	2,045

18. Holding company

The holding company of Fortnum & Mason plc is Wittington Investments Limited. At 21 August 1996 Wittington Investments Limited held 381,965 ordinary stock units 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.

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

19. Subsequent events

The company has conditionally agreed to acquire for redevelopment the leasehold premises at 185-186 Piccadilly which are adjacent to its existing store. This acquisition and redevelopment, which is conditional on shareholder approval, will entail a total outlay of some £11.7million. It is proposed to meet these costs from existing resources and from the proceeds of a rights issue to raise some £5million, net of expenses.

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:—

	13 July 1996	15 July 1995
Garry H Weston		
Wittington Investments Limited, ord. shares of 50p	4,925	4,925
Associated British Foods plc, ord. shares of 5p	693,324	346,662
George Weston Foods Limited, ord. shares of 50 cents	2,017	2,017
W G Galen Weston		
Wittington Investments Limited, ord. shares of 50p	37,953	37,953
Associated British Foods plc, ord. shares of 5p	8,246,092	4,123,046
Mrs C H W Dalglish		
Wittington Investments Limited, ord. shares of 50p	15,300	15,300
Associated British Foods plc, ord. shares of 5p	3,007,340	1,503,670
Fortnum & Mason plc, ord. stock units of £1	100	100
Mrs J R Khayat		
Associated British Foods plc, ord. shares of 5p	352,902	176,451
J G Lithiby		
Fortnum & Mason plc, ord. stock units of £1	500	500
W Monaghan		
Associated British Foods plc, ord. shares of 5p	21,200	11,641

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 13 July 1996 held 683,073 ordinary shares of 50p (1995 – 683,073) in Wittington Investments Limited.

2 Garry H Weston is a trustee of trusts in which he has no beneficial interest, which at 13 July 1996 held 1,983,938 ordinary shares of 5p (1995 – 991,969) in Associated British Foods plc.

3 There have been no changes in the above holdings between 13 July and 21 August 1996.

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

FORTNUM & MASON PLC

Progress report

January 1987 £'000	Year ended	July 1992 £'000	July 1993 £'000	July 1994 £'000	July 1995 £'000	July 1996 £'000
15,790	Turnover	23,844	24,682	27,642	30,221	32,038
717	Trading profit	1,405	1,429	1,909	2,424	2,537
279	Interest receivable	741	576	401	476	684
996	Profit before tax	2,146	2,005	2,310	2,900	3,221
626	Profit after tax	1,428	1,330	1,572	1,926	2,096
174	Ordinary dividends	416	425	468	612	672
444	Retained profits	1,012	897	1,096	1,306	1,416
6,344	Shareholders' funds	10,781	11,678	12,418	14,107	15,523
145p	Earnings per share	334p	311p	368p	451p	491p
41p	Dividends per share	98p	100p	110p	144p	158p

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

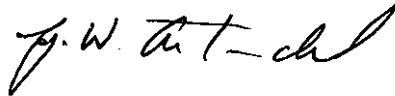
Notice of annual general meeting

Notice is hereby given that the ninety-first annual general meeting of the company will be held at 181 Piccadilly, London W1A 1ER on Wednesday 9 October 1996 at 10.00 am for the following purposes:—

- 1 To receive and adopt the accounts for the 52 weeks ended 13 July 1996 together with the reports of the directors and auditors thereon.
- 2 To re-elect Mrs C H W Dalglish as a director.
- 3 To re-elect Mr W Monaghan as a director.
- 4 To re-appoint Price Waterhouse as auditors of the company and to authorise the directors to determine their remuneration.

By the order of the board

G W Artindale
Secretary



12 September 1996

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 No director of the company has a contract of service with the company which is not determinable within one year without payment of compensation.
- 4 Completion of the form of proxy will not preclude a member from attending and voting in person.

FORTNUM & MASON PLC

Notice to Shareholders

NOTIFICATION OF DIRECTORS' RESOLUTION RELATING TO THE CREST SYSTEM

This is to give notice, in accordance with the Uncertificated Securities Regulations 1995 ("the regulations") that on 11 September 1996 the company resolved by a resolution of its directors that title to the cumulative preference stock of £1 each and ordinary stock of £1 and ordinary shares of £1 each in the capital of the company, in issue or to be issued, and any stock or shares resulting from any subdivision, consolidation or conversion of any thereof, may be transferred by means of a "relevant system", as defined in the regulations (which at present, in practice, means the CREST system).

Explanatory Note:

- 1 The above notice is the notice that the company is obliged to give its members, under the regulations of the passing of a "directors' resolution" (as defined in the regulations) in relation to the shares specified above. The directors' resolution will enable the shares to join CREST in due course. CREST is the new computerised system for settling sales and purchases of shares. Once shares have entered the CREST system, they will be transferred by electronic means and there will be no share certificates in relation to them. However, CREST is a voluntary system and no-one will be forced to use it. So, shareholders who wish to retain their certificates will be able to do so.
2. The effect of the directors' resolution will be to disapply, in relation to the shares specified above, those provisions of the company's articles of association that are inconsistent with the holding and transfer of those shares in CREST and any provision of the regulations, as and when the shares enter the CREST system. The resolution will become effective immediately prior to CREST Co Ltd (the operator of the system) granting permission for the company's shares to be transferred by means of the CREST system.