

350589

Selfridges plc

annual report 2001

NEW ACCESSORIES HALL
at Oxford Street

OUR BIRMINGHAM STORE
a sneak preview

OPERATING EFFICIENCY
reducing our cost base

STORES AND SERVICES
London and Manchester



A54
COMPANIES HOUSE

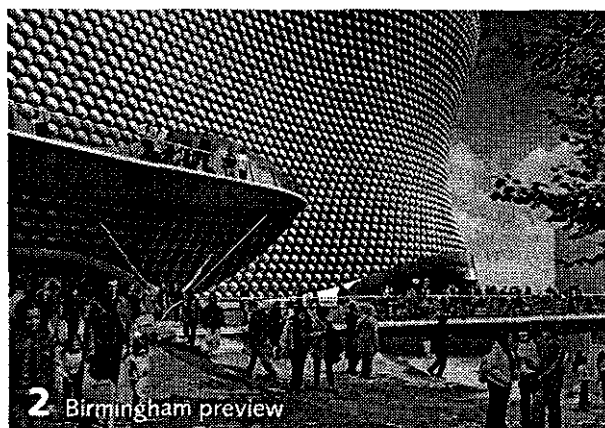
0212
26/05/01

Selfridges plc

Cover photograph

LAST YEAR, SAM TAYLOR-WOOD CREATED ONE OF THE WORLD'S LARGEST ARTWORKS, 'XV SECONDS', SPECIALLY FOR SELFRIDGES. THE GIGANTIC PHOTOGRAPHIC PANORAMA, FEATURING ALL KINDS OF INTERNATIONAL FASHION AND SHOW BUSINESS CELEBRITIES, WAS USED TO WRAP UP THE WHOLE OF THE OXFORD STREET BUILDING WHILE WE CLEANED AND RENOVATED THE FACADE.

Cover photograph copyright Jay Jopling
Courtesy of Jay Jopling/White Cube London

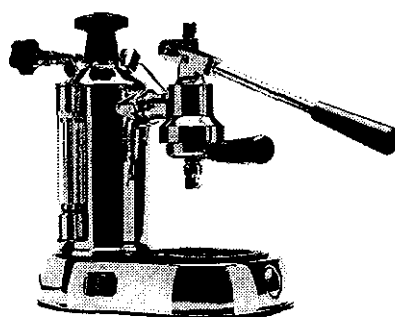


2 Birmingham preview



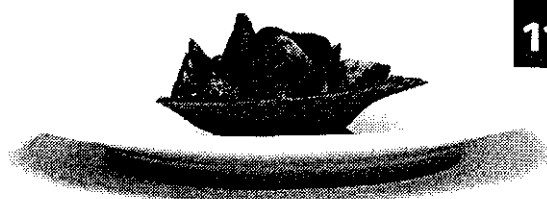
4 accessories

7 international cookware



11 customer service

10 simply Sienna



- 1 Chairman's statement and financial highlights
- 2 Birmingham a sneak preview of the new Selfridges store, due to open in 2003
- 4 Chief executive's review update on progress against our strategy
- 14 Operating and financial review a detailed look at Selfridges' trading position
- 16 Board of directors who's who on Committees
- 17 Directors' report for the 53 weeks ended 3 February 2001
- 19 Corporate governance statement compliance with Code of Best Practice
- 22 Remuneration report following the provisions of the Combined Code
- 25 Directors' responsibility statement
Auditors' report
- 26 Consolidated profit and loss account
- 27 Balance sheets
- 28 Consolidated cash flow statement
- 29 Notes to the accounts
- 39 Shareholder information financial calendar, analysis of shareholdings, contact numbers
- 40 Selfridges account card
- 41 Stores and services London and Manchester



By Appointment
To Her Majesty the Queen
Suppliers of Food, Gift Items and Household Goods
Selfridges plc
London



London



ICEBERG




modern british

London

400 Oxford Street
London W1A 1AB
Telephone 020 7629 1234

500 car park spaces

Opening hours

Monday	10am – 7pm
Tuesday	10am – 7pm
Wednesday	10am – 7pm
Thursday	10am – 8pm
Friday	10am – 8pm
Saturday	9.30am – 7pm
Sunday	12pm – 6pm

Extended opening hours apply over Christmas, holiday and sale periods

Services

16 restaurants, bars and cafés
Hairdressing for men and women
Health spa and beauty treatment rooms
Celebration Services
Personal shopping – men, women and interiors
Safe deposit
Travel agency
Florist

Manchester

1 The Dome, The Trafford Centre
Manchester M17 8DA
Telephone 0161 629 1234

10,000 free car park spaces

Opening hours

Monday	10am – 9pm
Tuesday	10am – 9pm
Wednesday	10am – 9pm
Thursday	10am – 9pm
Friday	10am – 9pm
Saturday	9am – 7pm
Sunday	12pm – 6pm

Extended opening hours apply over Christmas, holiday and sale periods

Services

Two restaurants
Two coffee shops
Three eat-over deli counters
Hairdressing for men and women
Beauty treatments
Celebration Services
Personal shopping
Florist

another year of major progress

Chairman's statement

In this our third year of trading as an independent company we have demonstrated a consistent record of growth in turnover, profits and earnings per share. This excellent record is a credit to sound strategy, effectively delivered by strong management. ALUN CATHCART

Total sales increased by 8.9 per cent to £392.1 million for the 53 weeks. With these strong sales increases in both stores, improved gross margins and continued tight control on costs, profit before tax was up 39.9 per cent at £38.6 million.

Earnings per share were up 27.7 per cent at 20.3 pence.

The directors are recommending a final dividend of 4 pence per share, giving a total dividend for the year of 6 pence, an increase of 14.3 per cent over the previous year.

Selfridges' sustained performance is a great achievement in the UK retail sector, which has been generally challenging for many companies. The key factor in this success has been establishing true differentiation between Selfridges and other stores.

Like-for-like sales increased by 7.3 per cent to £386.2 million. Like-for-like sales at the Oxford Street store increased by 5.6 per cent over the previous year, and contribution to profits by 13.7 per cent. The Manchester store reached its second anniversary in September 2000; sales for the second full year of trading were up by 23.0 per cent over the first, and contribution almost trebled.


We continue to invest in both our stores in order to maintain their high physical standards and distinctive customer appeal. The unique mural illustrated on the

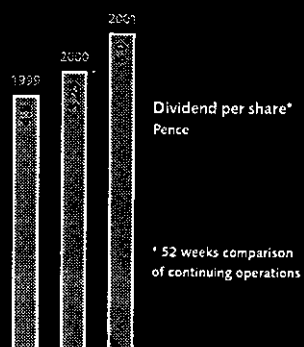
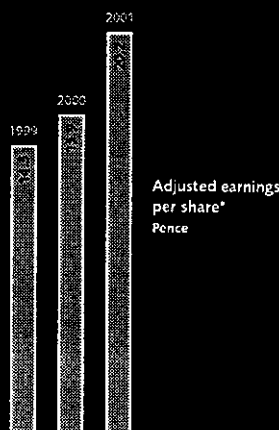
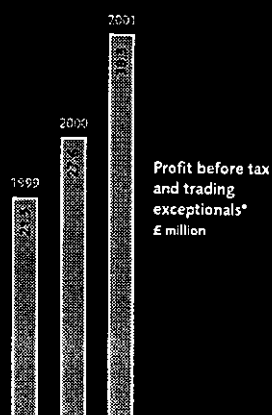
cover of this annual report concealed renovation works to the main façade of the listed Oxford Street building, which emerged in the autumn fully restored to its original condition.

Our plan to redevelop the whole Oxford Street site took a significant step forward in November 2000, when we signed Heads of Terms for a development agreement with Stanhope plc. The plan for a mixed-use development, discussed in detail in the Chief Executive's review, will unlock the significant potential of the northern section of the site where the hotel, car park and food hall are currently located.

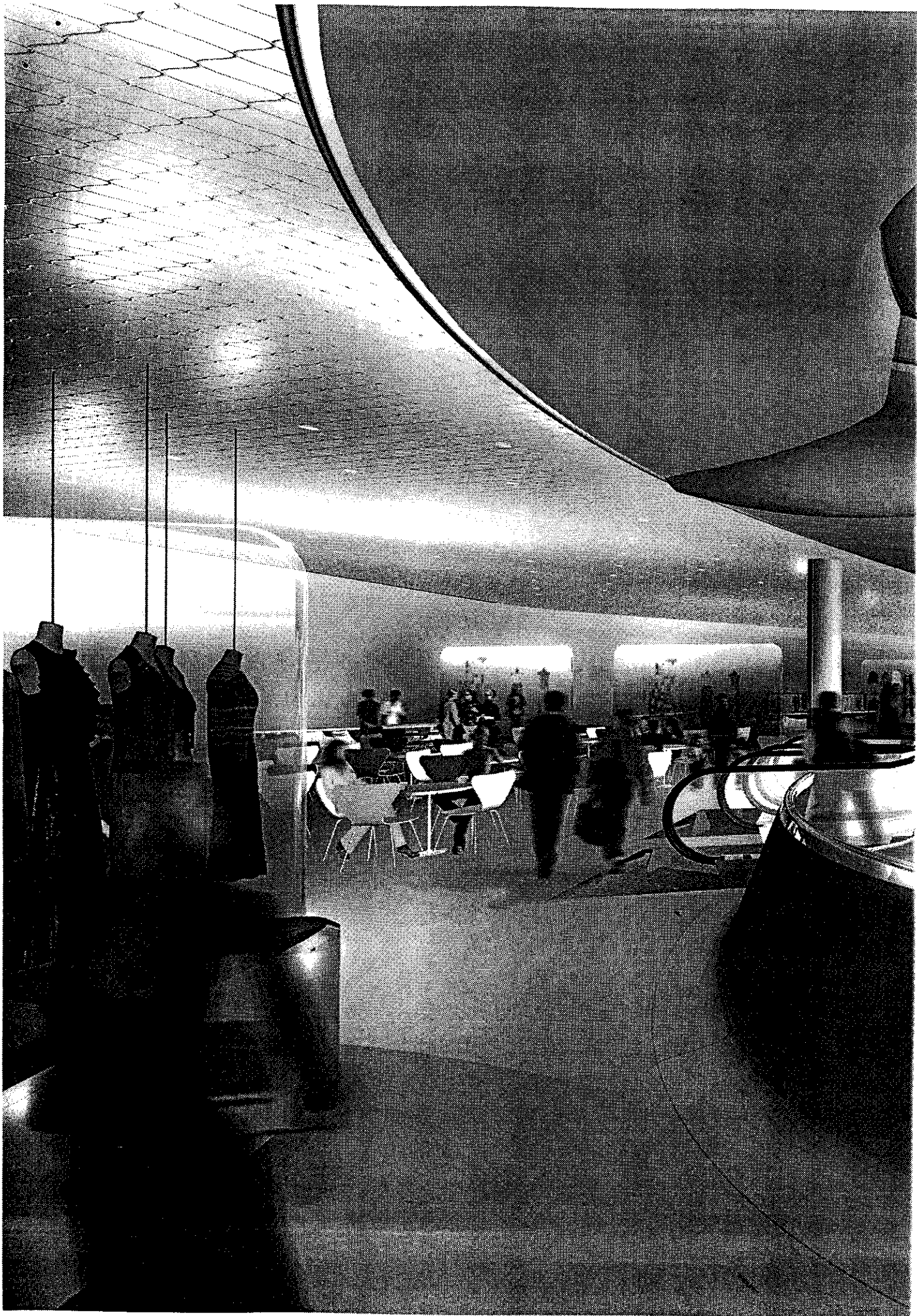
Meanwhile, our Birmingham store is on target for opening in autumn 2003 and we continue to search for other key city sites across the UK which will offer the same opportunity to create a landmark store in a prime location.

Once again over the past year our staff have excelled themselves, and the service we deliver to our customers is even better than ever. On behalf of the Board, I would like to thank everyone for their contribution to another fine performance.

Looking forward, in the first six weeks of this year, the growth trends have continued from 2000 and we anticipate another successful year for the Company. 



* 52 weeks comparison of continuing operations



A black and white architectural rendering of the interior of the Selfridges Birmingham store. The image shows a multi-level atrium with a large, curved, white architectural element that resembles a giant hand or a modern staircase. The ceiling is high and features a series of horizontal, curved bands. In the background, there are retail displays and people walking. The overall design is modern and sculptural.

our Birmingham store

As the old Bull Ring development comes down and the new one rises, Selfridges is at the heart of 21st century Birmingham. Inside and out, our newest store will be an exciting venue, full of leading brands, with great restaurants and bars. It's all encapsulated in an architectural ambience which is completely fresh, new and welcoming. The exterior of the building will be soft and curvaceous, clad in a unique 'skin' of coloured discs wrapped over its entire surface.

chief executive's review

The year 2000 has again brought many exciting changes to Selfridges and our customers: new brands, new departments, new plans for the future. Yet one thing remains unchanged: our strategy. VITTORIO RADICE

We set out at the demerger three years ago to become a true house of brands, a destination store offering a wonderful experience. We wanted to be something entirely distinctive, a complete contrast to everyday convenience shopping and internet retailing. We have demonstrated that customers love the difference we have created, and enjoy both the brands and the environment our stores offer. Meanwhile, many leading companies are choosing Selfridges as the place to sell their brands, creating an even more exciting, vibrant collection of merchandise.

The five strands in our original strategy remain as strong as ever: to reinforce our position as the destination for accessible and exciting brands; to optimise our efficiency; to develop the Oxford Street site; to implement expansion across new sites; and to capitalise on customer service and differentiation. In this review, I want to report on the latest progress against each of these strategic objectives.

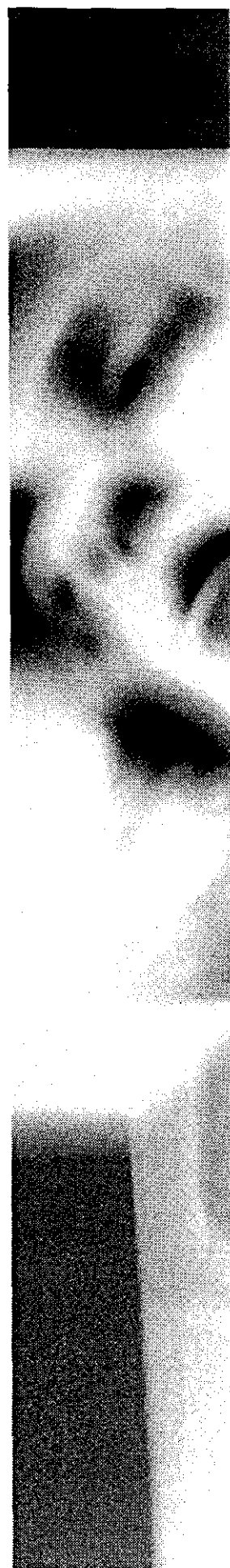
the ultimate destination for brands

All areas saw new brand names added to their collections last year. The Oxford Street Beauty Hall has proved a major attraction for international cosmetics and perfumery companies launching new

products in the UK, and is becoming a familiar location for the supermodel 'faces' behind the designer names. Exclusive launches last year included new fragrances by DKNY, Ghost, Giorgio Armani, Paul Smith, Helmut Lang and Gucci's Rush for Men. We also launched the new range of cosmetics from Calvin Klein and SKII Skincare. At Manchester, the impact of these launches was even greater, as we introduced many of our customers to this whole new world of in-store experiences.

Menswear continued to develop in both stores. In Oxford Street, we refurbished the classic menswear department and introduced a new Modern English concept. In Manchester, we gained sales by strengthening sportswear for men. For the second year running, *FHM* magazine voted us the best menswear retailer of the year.

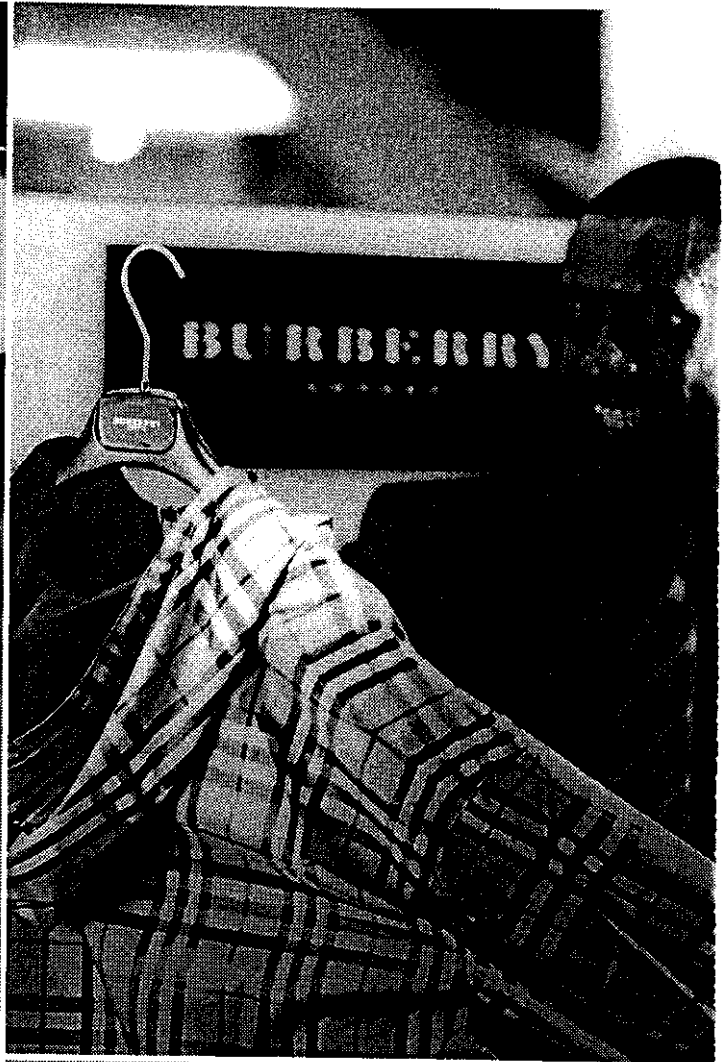
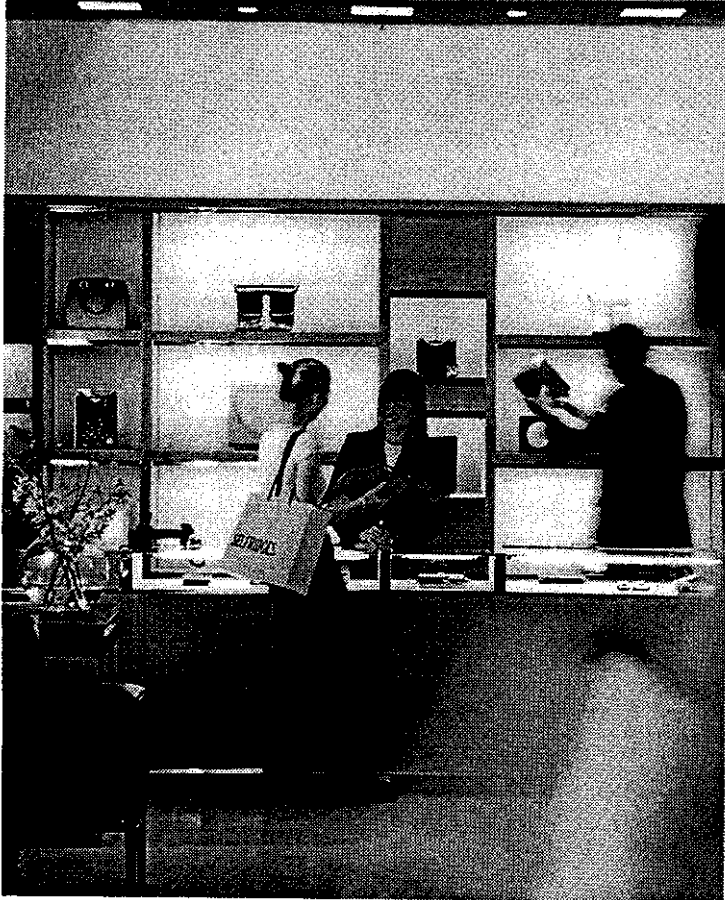
Womenswear in Oxford Street has concentrated on bringing in big new names to our accessories hall, which is undergoing a major renovation programme, due for completion in October 2001. Last year, we introduced Louis Vuitton, Fendi, Gucci, Dior and Celine, amongst other brands from around the world. We are also in the process of expanding our Intimate Apparel department, with new, dedicated, comfortable fitting facilities. The Design Lab concept, a huge success in London, was opened in Manchester, bringing an exclusive range of young international designers to the city.



FRAGRANCES AND COSMETICS ARE THE ULTIMATE PERSONAL PURCHASE AND OUR CUSTOMERS CAN MAKE THEIR CHOICE OF THE BIGGEST NAMES WITH THE FRIENDLIEST, MOST KNOWLEDGEABLE STAFF TO ASSIST.



LOUIS VUITTON



The house of brands concept is special and different because it makes designer fashion accessible to everyone, gathering the season's top merchandise in one exciting destination

Childrenswear was also introduced in Manchester, and sales, like those in Oxford Street, have been moving well.

Interiors was boosted by the opening of the new Cookshop in Oxford Street, where total sales have grown by over 10 per cent.

Leisure sales benefited from the new technology area at Manchester and the refurbished Bookstore at Oxford Street, which is now one of the few large, independent, bookshops remaining in the country. Last year, we won the in-store marketing category at the Publishing News British Book Awards. A long tradition of bookselling has been brought right up to date with special areas such as the White Room with a wonderful selection of arts and illustrated books. Michael Palin, Terence Conran, Nigella Lawson, Martine McCutcheon and David Ginola were among 20 celebrity book signings last year. For 2001, we are already working on a new technology and music hall at Oxford Street. The avant-garde designs, by architect Ron Arad, include an interactive music bar area. There will be a separate entrance from Duke Street, allowing us to go on entertaining and serving customers after the main store has closed.

Food and catering remains a central part of the Selfridges experience, both in our food halls and the 20 restaurants, cafés and bars in our stores. Last year, we opened the Sienna Café in the Manchester store. We have also created a private dining room in

Oxford Street for parties and corporate customers. It seats up to 18 people in comfort.

Overall, our merchandise areas have all increased their performance against the previous year.

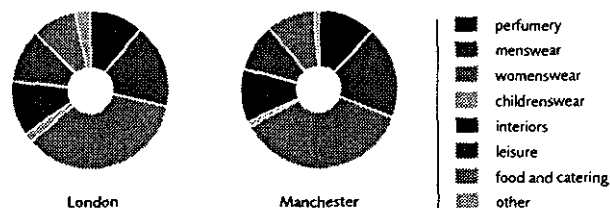
constant improvements in efficiency

Once again last year we improved our gross margins, with lower markdowns, shorter sales and leaner terminal stock than ever.

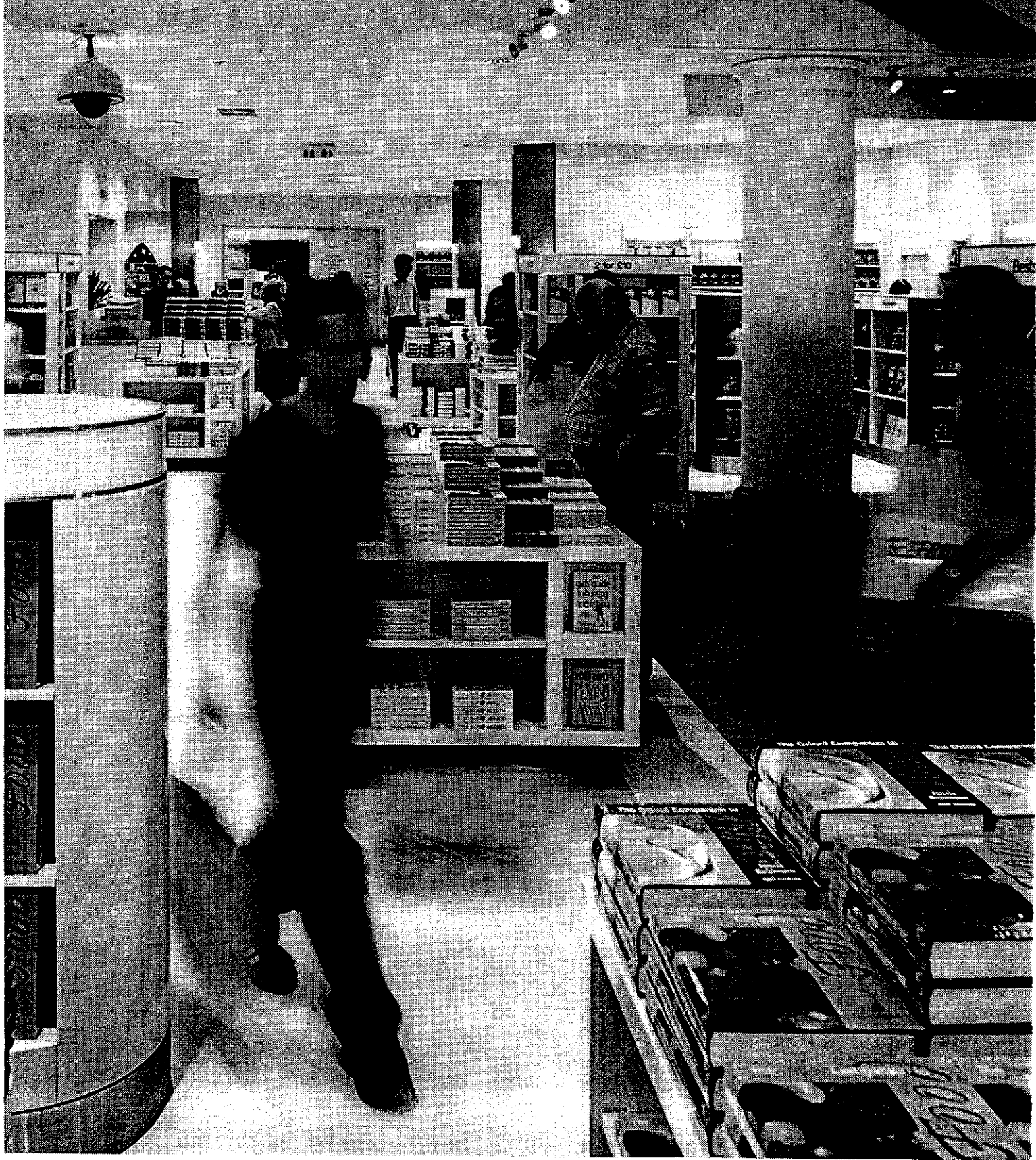
The investments we have made in information technology over the past few years are producing the anticipated increases in efficiency, particularly in stock control, throughout the business. Reduced stock levels have had no negative impact on sales-floor replenishment, and with less older merchandise to sell, we have been able to bring the new season's styles in more quickly.

In 1998 we moved our main warehouse from Oxford Street to Paddington, to serve our London and Manchester stores. This arrangement, although convenient at the time, was never viewed as a long term solution. We knew that we would, in due course, need a new, modern facility, as we progress towards opening the new Birmingham store and other sites across the United Kingdom. The review of our logistics policy is now well under way and we will make an announcement on this subject in due course. Our aim is to ensure that warehousing and logistics do not become a constraint on the future growth of Selfridges or its multi-site strategy.

Sales by product area



the ultimate bookshop for *browsing* and *buying* opened in London



while in Manchester the new technology department brought customers the latest ideas in computers and electronics

oxford street a landmark for london

In November 2000 we announced that Stanhope plc will be our partner in developing the whole Oxford Street site over the next few years. We believe that their scheme, which has been devised in conjunction with the architects Foster and Partners, will complement and reinforce the Selfridges brand, as well as optimising value to our shareholders.

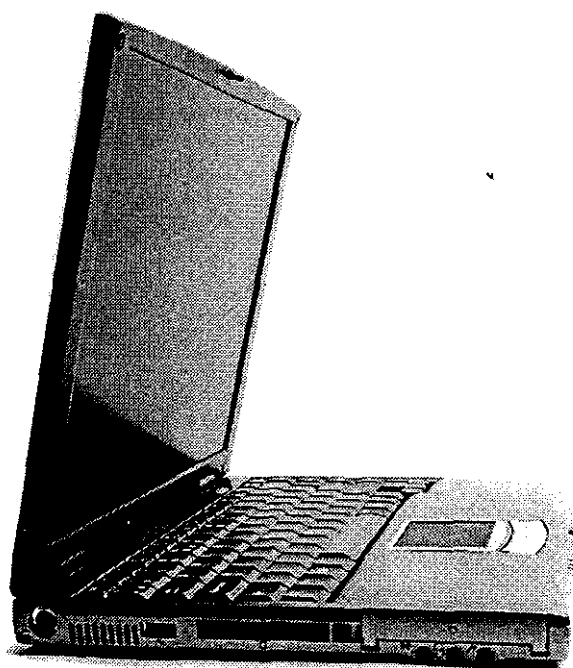
The new development will involve demolishing the existing structures to the north of the main store – the hotel, food hall, car park and office block. These will be replaced with a new structure which, unlike the present one, will be fully integrated with the main store, with level floors replacing the present ramps and steps. The car park, which currently occupies seven storeys above ground, will be relocated underground, and a completely new hotel will be built, along with leisure facilities and premium office space. The whole complex will be energy-efficient, with its own power generation.

Selfridges will gain 100,000 sq ft of retail space, added to the present 540,000. This will be used for more lifestyle areas such as sports, a teenage section for boys and a new food hall. The plan also includes two new main entrances, one on either side of the building. This will give our customers improved access to all parts of the store, and enhance the ambience of the Beauty Hall, accessories and other areas adjacent to Oxford Street.

The project will be carried out in phases over several years, to minimise disruption to our own business and the local community. We are now working with the planning authorities and aim to submit a detailed planning application this year. Our aspiration is to create a landmark of real architectural merit, while enhancing aspects of the site that people value. The inclusion of restaurants, bars and leisure facilities, open after normal shopping hours, will offer our customers and people who live and work in the area a new kind of amenity. This will provide a stimulus for regeneration throughout Oxford Street and the West End of London, and we are promoting the New West End Company which is taking overall charge of renewal throughout this area.

multi-site strategy moves forward

Our Manchester store has been trading for more than two years and has now achieved its sales target of £300 per sq ft of retail space, six months ahead of plan. Right from the start our Manchester customers have recognised that Selfridges brings them something different from the ordinary shopping experience. We continue to make changes to ensure the store is everything customers want it to be. It is the key store in the Trafford Centre, which is planned to be linked directly to the city through an extension of the Manchester Metrolink.



Wherever we go, we will occupy the best sites and build the finest stores. Selfridges will be an asset to any city and wherever possible we will bring stunning new architecture as well as a wonderful shopping experience

Preparations for the opening of the new Birmingham store in October 2003 are well under way. Planning consent has been granted for a truly innovative building, designed by Future Systems, which will be the cornerstone of the new Bull Ring development, bringing this major area of the city right into the 21st century. We are working on all aspects of its detailed design, the brands it will stock and the services it will offer. We are able to apply the experience gained in opening the new Manchester store, and adapt it to meet the needs of the Birmingham market. No two cities are alike, and by listening to customers we can quickly tailor our successful concepts and strategies to local demand.

We continue to look for further locations for new stores in key United Kingdom cities. We are working closely with the property industry to identify sites or buildings which meet our criteria. We are selective, and will consider only prime sites in city centres or key new developments, offering potential for up to 200,000 sq ft of retail space, with excellent transport connections.

bringing the world to our customers
Selfridges has set the new standard for retail service, not only by selling the products our customers want in the environment they enjoy, but by offering special promotional and other events to enhance the shopping experience. That is what makes us a real destination store, where people come to browse and enjoy themselves as well as to choose and purchase from such a superb range of merchandise.

We are keeping ahead of the competition by running events which bring the world of food and drink, fashion and beauty, interiors and leisure, into our customers' everyday lives. Our Fashion Week promotion in 1999 won the 'In-store promotion of the year' award at the Retail Week Awards 2000. We followed up this success in September last year – at Oxford Street, our catwalks were busy for eight days, and Manchester held a four-day event. Our Western Australian promotion, held in 1999, was awarded the overall prize in the Australian Premier's Awards for Excellence 2000. Last year, we ran two similar promotions – one was based on southern Italian cuisine, and the other brought the exotic flavour of Morocco to interiors and other areas, as well as food and drink.

This year, our Tokyo Life promotion breaks new ground, exposing our customers to the energy of Tokyo's consumer culture in every aspect of the store, from fashion to furniture. There will be 'elevator girls', greeters and gift-wrappers on duty, and key windows in the Oxford Street frontage will become a real-life, fully stocked 24-hour 'convenience store'. The promotion will also include a whole range of special events, featuring everything from traditional Japanese culture to young, cutting-edge art installations.

THE NEW SIENNA CAFE IN MANCHESTER IS STRATEGICALLY SITED UNDER THE ESCALATORS AT THE HEART OF THE STORE. IT'S A GREAT PLACE FOR MEETING UP WITH FRIENDS, OR JUST TAKING A BREAK AND SOME REFRESHMENT IN MID-SHOP. OFFERING COFFEE, CAKES, SANDWICHES, WINES AND BEERS – AND A GREAT VIEW OF THE ACTION – IT HAS BEEN AN INSTANT SUCCESS WITH CUSTOMERS.



WE THINK SHOPPING SHOULD BE A RELAXING AND PLEASURABLE BUSINESS, NEVER STRESSFUL. WE'RE PRETTY FAST ON OUR FEET WHEN CUSTOMERS ARE IN A HURRY, BUT, ON THE OTHER HAND, IF YOU WANT TO TAKE YOUR TIME... YOU'RE WELCOME! GOOD CUSTOMER SERVICE IS ABOUT SERVING INDIVIDUALS. IT'S HOW WE MAKE THE SHOPPING EXPERIENCE A MEMORABLE ONE, AND BRING PEOPLE BACK FOR MORE.



the current year

We have demonstrated again in 2000 that our strategy is effective and that we have the management skills to deliver against our strategic objectives. This year has also begun well, with sales in the first six weeks up 9 per cent in London and 34 per cent in Manchester.

We will continue working to maintain like-for-like sales growth and to reduce costs. We will begin to plan in detail the major changes to our logistics arrangements required for future growth, and will ensure that our Birmingham store opening remains on target. Key to our future development is finding new store locations, a major target for this year.

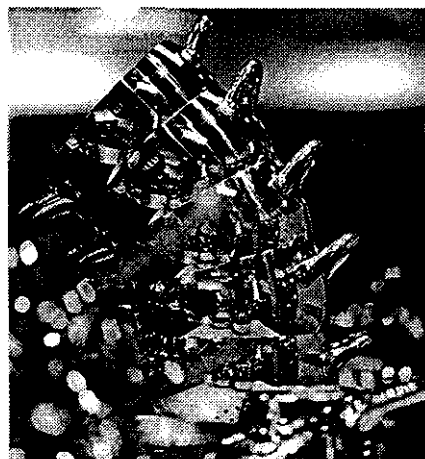
The retail environment remains challenging, and we are constantly aware of the need to keep changing and innovating as the retail world moves forward. We believe that we can keep ahead because we have such excellent people, working hard to keep Selfridges special and different. I want to thank them all for another very successful year. I have every confidence that we will be able to repeat the performance in 2001. **S**

Our whole ethos is to attract customers and earn their loyalty by offering the merchandise they want and the service they require. In January 2001, we won the most prestigious accolade, when the Queen granted Selfridges the Royal Warrant as suppliers of Food, Gift Items and Household Goods.

The high quality of our service stems from excellent staff, trained to perform their roles with expertise and enthusiasm. This year, we congratulate the Manchester team for winning Investor in People accreditation. The assessor said: "what came over strongly was a belief that the staff felt valued and special. Communication at all levels was regarded as excellent and enthusiasm was displayed". Oxford Street is now in the process of applying for accreditation.

Selfridges continues to sponsor a wide range of cultural and arts activities, including the Perrier-Jouët Design Award, the Gillian Wearing exhibition at London's Serpentine Gallery, and the Royal Exchange Theatre in Manchester.

Once again this year, in the run up to the Christmas season, we held our celebrity shopping evening in aid of the Terrence Higgins Trust (THT) charity, which supports people living with HIV and Aids. As usual, we had a tremendous turnout of celebrities at Oxford Street who, along with all our customers and staff, enjoyed an Abba tribute band and raised £30,000 for THT.



THE NEW COOKSHOP IN OXFORD STREET IS ONE OF THE MOST COMPREHENSIVE KITCHEN AND COOKERY STORES IN LONDON, OR INDEED ANYWHERE IN THE UNITED KINGDOM. AN UNMISSABLE EXPERIENCE FOR LOVERS OF GOOD FOOD AND CREATIVE COOKING, IT OFFERS EVERYTHING FROM TOP-OF-THE-RANGE ELECTRICAL APPLIANCES TO GOOD SOLID POTS AND PANS, FROM THE POWER OF BIG INTERNATIONAL BRANDS TO AUTHENTIC ETHNIC COOKING UTENSILS.

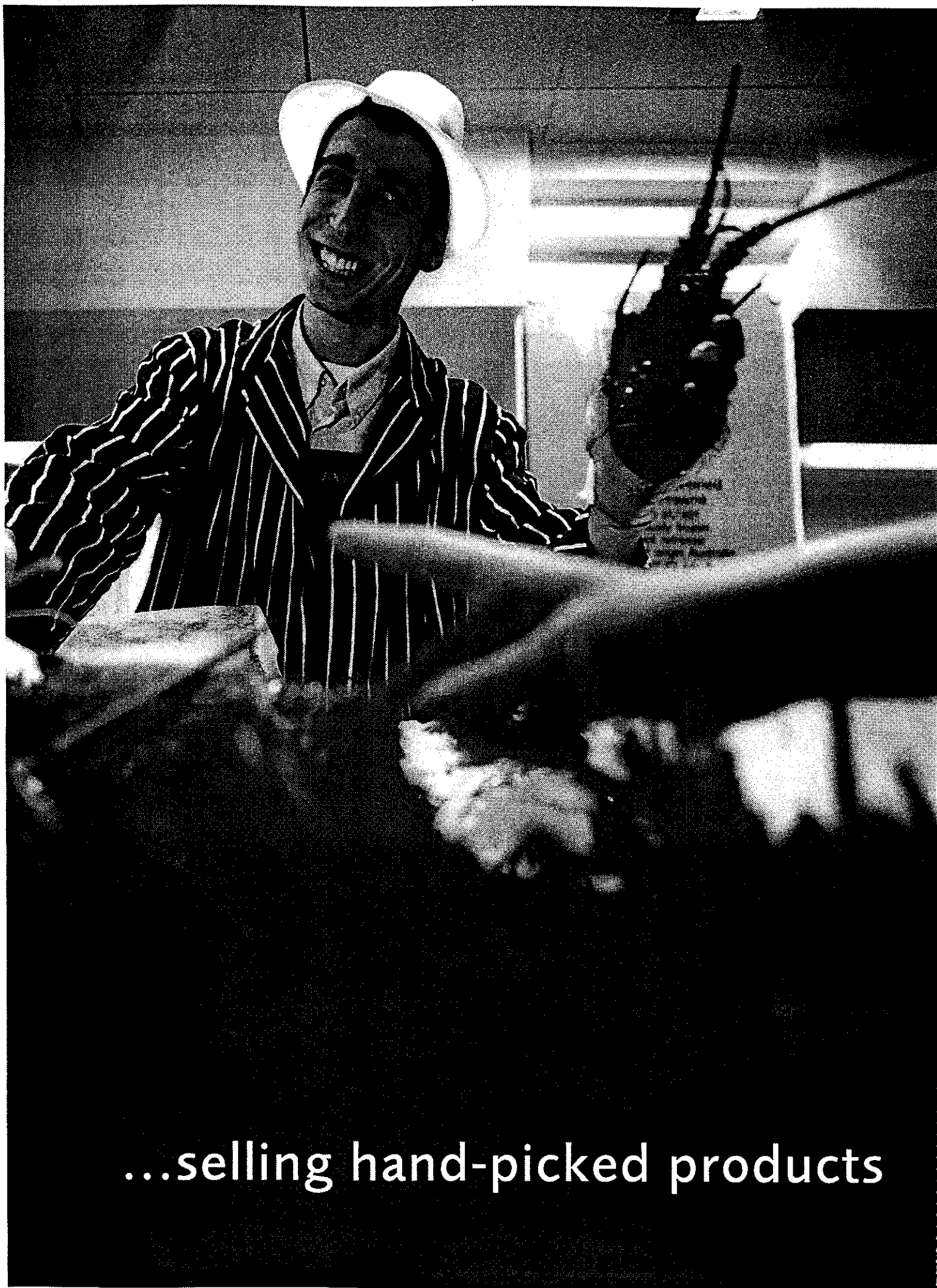
hand-picked staff...

Our staff are different because they really know their stock, and understand which product is going to suit their customer. They are trained to be friendly advisers who can inspire confidence in customers, know what's right, and point them in the direction of products which will excite and delight them. Selling fresh fish, for example, is not as simple as it might seem. You might be talking to an experienced *cordon bleu* caterer, or a dinner party novice who has never bought a lobster before. Our people always have to be ready with the right advice. The same principle applies in every part of the store. Designer fashion should be accessible, beauty products should make sense, interiors should suit a customer's lifestyle. We know it works – one press feature praised us for our honesty in telling customers what didn't suit them, as well as helping them find what did!



INVESTOR IN PEOPLE





...selling hand-picked products

operating and

financial review

In 2000 Selfridges continued to make major progress. Financial performance is again ahead, driven by strong sales growth and improved inventory management, in what continues to be a challenging market for many retailers.

PETER WILLIAMS

Financial summary

Sales in the 53 weeks to 3 February 2001 were £392.1 million (1999/2000 52 weeks – £360.0 million), an increase of 8.9 per cent. The sales improvement reflects strong trading in both stores. Overall, trading profit increased by 30.1 per cent to £40.2 million.

Profit before tax increased by 39.9 per cent to £38.6 million (1999/2000 52 weeks – £27.6 million) after an interest charge of £1.6 million (1999/2000 52 weeks – £3.3 million).

Earnings per share were 20.3 pence (1999/2000 52 weeks – 15.9 pence) following a higher tax rate this year. The tax rate of 19 per cent for this year (1999/2000 – 12 per cent) has continued below normal levels, due principally to the write-back of Advance Corporation Tax previously written off.

	2000/2001 53 weeks £m	2000/2001* 52 weeks £m	1999/2000 52 weeks £m	52 week change %
Sales	392.1	386.2	360.0	+7.3
Trading profit	40.2	39.9	30.9	+29.1
Profit before tax	38.6	38.3	27.6	+38.8
Earnings per share	20.3p	20.2p	15.9p	+27.0
Dividend per share	6.0p	6.0p	5.25p	+14.3

* Unaudited

Sales in week 53 amounted to £5.9 million and contributed £0.3 million to profit before tax. The underlying increase in like-for-like sales was therefore 7.3 per cent, whilst profit before tax for 52 weeks increased to £38.3 million, an uplift of 38.8 per cent.

Capital expenditure during the period amounted to £14.2 million (1999/2000 – £15.3 million) and closing stocks were reduced by 9.3 per cent. Cash inflow for the 53 weeks was £34.7 million (1999/2000 – £25.7 million). Net debt at 3 February 2001 amounted to £0.4 million (1999/2000 – £35.1 million).

All references to store and central costs that follow in this review relate to the 52 weeks ended 27 January 2001.

Oxford Street

	2000/2001 53 weeks £m	2000/2001* 52 weeks £m	1999/2000 52 weeks £m	52 week change %
Sales	348.6	343.4	325.2	+5.6
Contribution	71.5	70.5	62.0	+13.7

* Unaudited

Sales in the first half were up 7.3 per cent and, despite rail disruption affecting the peak trading period, we achieved a second half increase of 4.2 per cent to provide an overall like-for-like growth for the year of 5.6 per cent.

We are pleased to report sales increases across virtually all the merchandise groups in Oxford Street, with Perfumery, Menswear and Womenswear all up by 7 per cent. Interiors sales increased by 11 per cent during the year, continuing the recovery which started in 1999. Leisure declined by 3 per cent due to disruption caused by refurbishment of the book department while Food and Catering still managed a 3 per cent increase, despite very strong prior year comparisons due to the millennium celebrations.

Improved stock management resulted in reduced markdowns and stock losses, and enabled the own bought margin rate to increase by 2.6 percentage points to 46.9 per cent. The gross margin rate for concessions was similar to last year. Concessions increased their proportion of Oxford Street sales to 44.7 per cent, following the full year effect of concessioning furniture in 1999 and a reduced level of discounted own bought sales.

Store expenses in Oxford Street increased by a modest £0.2 million. The Oxford Street store profit contribution increased by 13.7 per cent to £70.5 million, equivalent to a contribution to sales ratio of over 20 per cent.

OUR MANCHESTER FOOD HALL BUILDS ON OUR LONG TRADITION OF EXCLUSIVE FOOD RETAILING AT THE OXFORD STREET STORE. A RESPITE FROM THE AVERAGE SUPERMARKET EXPERIENCE, THE FOOD HALL IS A PLACE TO BROWSE, DISCOVER AND BUY EXCITING PRODUCTS FROM AROUND THE GLOBE, FRESHLY-MADE DELICACIES AND EXOTIC SPECIALTIES, AS WELL AS THE FINEST EVERYDAY FARE!



Manchester

	2000/2001 53 weeks £m	2000/2001* 52 weeks £m	1999/2000 52 weeks £m	52 week change %
Sales	43.5	42.8	34.8	+23.0
Contribution	3.6	3.5	1.3	+169.2

* Unaudited

On sales of £42.8 million for the 52 weeks, Manchester achieved a contribution of £3.5 million, better than expected and nearly three times the previous year's result. The sales density is now running at £300 per sq ft, excluding VAT, from the 147,000 sq ft of selling space.

Every merchandise group recorded significant increases. Perfumery (up 24 per cent), Menswear (up 13 per cent) and Womenswear (up 18 per cent) performed particularly well. The introduction of a new technology section doubled Leisure sales.

As with Oxford Street, there was a significant improvement in the own bought margin rate from 40.6 per cent to 43.3 per cent. A technology section selling video and audio products and mobile telephones opened in March 2000 and as a result the concession mix has increased from 33.6 per cent to 41.9 per cent. Consequently, the concession margin rate has declined from 26.5 per cent to 24.6 per cent.

The overall margin rate in Manchester has declined from 35.9 per cent to 35.4 per cent. However, this increased mix of concession sales has enabled payroll to be contained to within £0.1 million of the previous year's cost. In total, store expenses in Manchester have increased by £0.5 million, an increase of less than 5 per cent compared to the sales increase of 23 per cent.

Central costs

	2000/2001 53 weeks £m	2000/2001* 52 weeks £m	1999/2000 52 weeks £m	52 week change %
Total costs	34.9	34.1	32.4	+5.2

* Unaudited

During the year we expensed strategy costs, which included professional fees, totalling £0.5 million. These costs related to evaluating the various proposals for the Oxford Street site development, beginning the planning of the Birmingham store and defining the logistics strategy.

Last year we widened the scope of the long term incentive plan to include middle management and there has been an increase in staff bonuses due to the strong performance of the business.

Like-for-like central costs increased by 5.2 per cent to £34.1 million, although costs before the items set out above were reduced for the third year in succession.

Dividend

Subject to the approval of our shareholders, a final dividend of 4.0 pence per share will be paid on 1 June 2001 to shareholders on the register at 18 May 2001 giving a total dividend for the year of 6.0 pence, an increase of 14.3 per cent over the dividend for 1999/2000.

Balance sheet

The Oxford Street freehold land and buildings were revalued at the balance sheet date, 3 February 2001, to £358 million on the basis of open market value and existing use. This value represented a £33.7 million increase on the previous revaluation on 1 February 1998. The next valuation is expected to be carried out once planning consent for the Oxford Street development has been received.


Stock levels were reduced for the second year in succession, this year by 9.3 per cent to £21.4 million.

Net debt at the year end was reduced to £0.4 million (1999/2000 - £35.1 million) due to strong trading and tight inventory management.

Current trading

Sales at our Oxford Street store for the first six weeks of the new financial year are 9 per cent above last year, with all merchandise groups achieving an increase over the previous year. Sales at our Manchester store for the first six weeks of the financial year are 34 per cent above last year.

While it is too early to predict the outcome for the year, the strong start from both stores gives us confidence for the future.

A trading update will be given at the AGM on 17 May 2001. 

board of directors

Alun Cathcart (57) Non-executive Chairman

Alun Cathcart was appointed non-executive Chairman in March 1998. He is non-executive Chairman of Avis Europe plc. He led Avis through two successful flotations in 1986 and 1997. In addition, he is non-executive Deputy Chairman of Belron International and a non-executive director of Plate Glass Holdings (Proprietary) Limited.

Vittorio Radice (43) Chief Executive

Vittorio Radice joined Selfridges in March 1996 as Managing Director and has been Chief Executive of the Company since March 1998. Prior to joining Selfridges he was with Habitat from 1990, initially as Buying Director of Habitat International and then as Managing Director of Habitat UK. He is a non-executive director of National Gallery Company Limited, New West End Company Limited and Shoppers' Stop, India.

Peter Williams (47) Finance Director

Peter Williams has been Finance Director of Selfridges since 1991 and of the Company since March 1998. He qualified as a chartered accountant with Arthur Andersen and has worked for Andersen Consulting, Aiwa (a division of Sony) and Freemans PLC. He is Chairman of the British Retail Consortium's working party reviewing the practical implications of the euro and is a member of its economics and research panel.

Lesley James (51) Non-executive director

Lesley James was appointed a non-executive director of the Company in March 1998. Until 1999 she was Director of Human Resources at Tesco PLC which she joined in 1985. Prior to Tesco she worked for Savacentre with responsibility for customer service. She is a non-executive director of Care UK plc and West Bromwich Building Society, visiting Senior Fellow to the University of Surrey, a Trustee of the charity I-CAN, Vice-President of the Institute of Personnel and Development, and is a member of the DTI Partnership Fund Assessment Panel and the Advisory Board of the TUC Partnership Institute.

Richard Pym (51) Non-executive director

Richard Pym, a chartered accountant, joined the Company in August 1998 as a non-executive director. He is Group Finance Director of Alliance & Leicester plc. His earlier career was with Thomson McLintock & Co, British Gas plc, BAT Industries plc and he was a director of The Burton Group plc before joining Alliance & Leicester in 1992.

Tom Vyner CBE (64) Non-executive director

Tom Vyner joined Selfridges in May 1998 as a non-executive director. He is Vice-Chairman of L'Oreal (UK) Limited, and a Director of Food from Britain. He is also a Vice President of the Blue Cross and was non-executive Chairman of Ushers of Trowbridge plc until it became a private company. He retired from J Sainsbury plc in January 1998 after 20 years with the group. On his retirement he was Group Deputy Chairman, having served in several capacities including Joint Managing Director and Chief Executive of the supermarket business.

Committee membership

Nominations and Appointments Committee

Alun Cathcart, Chairman
Lesley James
Richard Pym
Tom Vyner

Remuneration Committee

Alun Cathcart, Chairman
Lesley James
Richard Pym
Tom Vyner

Audit Committee

Richard Pym, Chairman
Alun Cathcart
Lesley James
Tom Vyner

directors' report

The directors present their report together with the audited financial statements of the Group for the 53 weeks ended 3 February 2001 (the period).

Principal activity

The principal activity of the Group is department-store retailing.

Results

Details of the progress made in the financial year under review and the Group's prospects are contained in the Chairman's statement on page 1. The Chief Executive's review on pages 4 to 13 and the operating and financial review on pages 14 and 15 give an analysis of the overall performance of the business.

Dividends and retained profit

The directors propose a final net dividend for the period of 4 pence per share (1999/2000 – 3.5 pence per share) which, together with the interim net dividend of 2 pence per share (1999/2000 – 1.75 pence per share) paid on 1 December 2000, makes a total for the period of 6 pence per share (1999/2000 – 5.25 pence per share). Subject to approval at the Annual General Meeting, the final dividend will be paid on 1 June 2001 to shareholders on the register at the close of business on 18 May 2001.

Total dividends paid and proposed in the financial year under review amount to £9.2 million. The retained profit for the period of £21.9 million has been transferred to reserves.

Fixed assets

Details of movements in fixed assets during the period are set out in note 10 to the accounts.

The Group's freehold property – comprising the Selfridges department store at 400 Oxford Street, together with the Selfridge Hotel, the car park and offices at 40 Duke Street – was professionally valued by Healey & Baker as at 3 February 2001. In the opinion of the directors, any change in valuation since that date is not material to the financial statements.

Directors

The names of the directors at the date of this report are set out opposite together with short biographies including details of their membership of Board committees. There were no changes in the Board's composition during the period.

In accordance with the Articles of Association of the Company, Mrs I. James and Mr P W Williams will retire at the Company's Annual General Meeting to be held on 17 May 2001 and, being eligible, offer themselves for re-election.

Service contracts No executive director has a service contract which is terminable on more than 12 months' notice.

As non-executive directors, Mr Cathcart, Mrs James, Mr Pym and Mr Vyner do not have service contracts with the Company.

Directors' interests The interests of the directors in the shares of the Company are set out in the Remuneration Report on pages 22 to 24. None of the directors had, during or at the end of the period, any material interest in any contract of significance to the Group's business.

Substantial shareholdings

At 21 March 2001, the Company had received notifications of the following interests in 3 per cent or more of its issued ordinary share capital:

	Number of shares	%
Boldswitch Ltd, a wholly owned subsidiary of The British Land Company plc	20,013,276	13.10
Clerical Medical Investment Management Ltd on behalf of Halifax plc and its subsidiary HCM (Holdings) Ltd	5,439,358	3.56
Legal and General Investment Management Limited	4,835,401	3.16

Share capital

Details of the share capital of the Company are set out in note 19 to the accounts.

Employment policy

The directors are committed to employee consultation, communication and involvement. Selfridges is an equal opportunities employer, committed to ensuring that no job applicant or employee receives less favourable treatment on the grounds of sex, sexual orientation, race, colour, religion, disability, age, marital status, nationality or ethnic origin. The Company does all that is practicable to meet its responsibility towards the employment and training of disabled people. Where an employee becomes disabled, every effort is made to provide continuity of employment in the same job or a suitable alternative.

The Company recognises that foremost in its duties and responsibilities to its staff is the need to provide and maintain safe, healthy and hygienic working conditions and practices. Selfridges acknowledges the right of its staff to be consulted in an orderly way and recognises the role of trades union representatives in this process.

The Company strongly believes in effective, open and honest two-way communication. Information is communicated to all staff in order to promote awareness and a greater understanding of the Company's performance, the issues facing it and the direction it is taking. During the period, the Company introduced quarterly employee forums on all sites. The forums provide an opportunity for elected representatives, union representatives and managers to be consulted on a wide range of issues affecting their pay, benefits and working conditions. The involvement of employees in the Company's performance is encouraged through participation in the Sharesave Scheme.

directors' report continued

Selfridges uses a variety of internal communications media to ensure that all staff are fully informed: weekly store information leaflets detail 'need-to-know' information such as news, events and offers; the staff magazine, published four times a year, contains topical information about the business; and a video magazine is produced every two months to provide staff with visual updates on developments and events around the business. The communication programme includes biannual 'face-to-face' sessions which provide all management with the opportunity to discuss the business strategy with directors and senior managers. This allows two-way communication and enables a better understanding of the functional strategies of different parts of the business. Other communications media used include tannoy, point-of-sale communications, conferences, noticeboards and displays.

Charitable and political donations

During the period, the Group made charitable donations totalling £54,000 (1999/2000 – £51,000). No political donations were made.

Payment policy and practice

The Group has a variety of payment terms with its suppliers. Payment terms are agreed at the commencement of business with each supplier and it is the policy of the Group that payment is made in accordance with those terms. The Company has no trade creditors.

Environment

The Group continues its efforts to reduce waste disposal and increase recycling at all its sites. A comprehensive recycling system for waste paper, including confidential waste, is in place as are systems for recycling kitchen waste and packaging materials. No environmentally unfriendly cleaning products are used. Waste paper has been reduced as a result of the electronic mail system and a central information database, which has greatly reduced the need for internal paperwork. During the period the Group's purchasing department has changed substantially over to the green stationery items available from its supplier. The polythene bags now encompass 25 per cent recycled material sandwiched between virgin plastic – which has also reduced the cost of the bags. During the coming year it is hoped that all printed forms will be held on the central information database thus eliminating the need for paper stocks. Provided that quality is not reduced, and substantial additional costs are not incurred, the Group's purchasing department remains committed to choosing environmentally friendly products in preference to those of virgin manufacture and it continues to seek a more cost-effective way to procure, breaking down processes and questioning whether there is a more environmentally friendly way of doing things.

The Group's objectives on energy conservation are to improve energy efficiency and achieve lower operating costs. During the period an Energy committee was established and it is planned to procure the services of an energy-management company during the coming year.

Measures are in place to review the performance of utilities and to look for innovative ways to reduce energy usage while meeting the needs of the business. For 2001 an energy-saving budget has been approved to survey the stores and identify energy-saving measures.

The Group has a code of practice with which it requires its buying agents to ensure compliance by their suppliers. The code includes practices on freedom of association and collective bargaining, wages, hours of working and entitlements to benefits, child labour, health and safety, forced labour, discipline and equality of treatment. In addition, it has a strict anti-fur policy and will not stock fur unless it is a by-product of the food industry. Some reptile skin products are available within the store. The Group regularly reviews its policies in relation to products containing fur and skins and keeps up to date with information on all animals classified as endangered species.

Corporate governance

The Company's Corporate Governance Statement is set out on pages 19 to 21.

Annual General Meeting

The third Annual General Meeting of the Company will be held on Thursday, 17 May 2001 at 11am at the Merchant Taylors' Hall, 30 Threadneedle Street, London EC2R 8JB. The Notice of Annual General Meeting is set out in a separate document and contains three items of special business. These relate to the directors' authority to allot relevant securities and to allot equity securities for cash other than on a pre-emptive basis, and authority for the Company to purchase its own shares, as and if appropriate. Explanatory notes relating to the special business are set out in the separate document.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing the reappointment of PricewaterhouseCoopers as auditors of the Company will be submitted at the Annual General Meeting.

By Order of the Board



ALAN CAMPLIN-SMITH

Secretary

21 March 2001



corporate governance statement

Statement of compliance with the Combined Code

The Company has, during the 53 weeks ended 3 February 2001, complied with the Code of Best Practice as set out in Section 1 of the Combined Code which is appended to the Listing Rules of the Financial Services Authority. Accordingly, the Board sets out below its report on how it applies the principles of the Combined Code, excluding those areas which are specifically reported on elsewhere in this Annual Report.

Statement of appliance of the principles of the Combined Code

The Board, which met eight times in the period, is ultimately responsible for the direction and management of the Company. The Board consists of six directors of whom four, including the Chairman, are independent non-executive directors. Mr Vyner has been nominated by the Board as the senior independent director. The non-executive directors bring a wide range of experience and expertise to the Company's affairs and they carry significant weight in the Board's decisions. Short biographies of each of the directors are set out on page 16.

Paragraph A.6.2 of the Combined Code refers to the re-election of directors at intervals of no more than three years. The existing Articles of Association of the Company require at least one-third of the directors to submit themselves for re-election every year. In effect, the current retirement by rotation provisions result in directors being re-elected at least every three years. Although there is no current proposal to change the Articles of Association, the Company will continue to comply with the Combined Code and will change the Articles of Association next time there is a general review or when the number of directors does not result in their retiring at least every three years.

Board authorities are in place which set out the roles of the Chairman, Chief Executive and Board committees and also specify the matters which are specifically reserved for approval of the Board, such as matters relating to the strategic and financial direction of the Company.

The Board reviews on a continuous basis the matters reserved for it, the terms of reference and delegated authorities of its committees, and the procedures relating to the servicing of the Board in respect of meetings and the provision of information. The Chairman seeks to ensure that the non-executive directors receive timely and relevant information tailored to their needs and that they are properly briefed on the issues arising at Board meetings so that they can make an effective contribution as Board members. The Chairman encourages full attendance at Board and committee meetings.

All directors have access to the advice and services of the Secretary who has direct responsibility to the full Board for corporate governance, such as Board procedures and applicable rules and regulations. The Finance Director has direct responsibility for financial governance.

In addition, the directors have access to professional advice within the Company and externally. This advice is available via the Secretary. No advice has been sought in the financial period under review.

In terms of the training of directors, the Company has adopted the recommendations of the Institute of Chartered Secretaries and Administrators contained in its Best Practice Guide for the Appointment and Induction of Directors. The executive directors, together with the Board and senior management of Selfridges Retail Limited (the Operating Company), participate in the Selfridges Executive Development Programme.

In general terms, the Chairman manages the Board to ensure that the Company has appropriate objectives and an effective strategy; that there is a Chief Executive with a team of executive directors and supporting staff able to implement the strategy; that there are procedures in place to inform the Board of performance against objectives and to ensure that the Company is operating in accordance with a high standard of corporate governance. In addition, the Chairman maintains positive external relationships for the Company at senior levels with business, financial and government representatives, including institutions and the press.

The Chief Executive manages the business by developing objectives, strategy and standards of performance, securing and leading a management team of the right calibre and directing that team to deliver the required performance.

Board committees

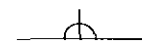
The Nominations and Appointments, Remuneration and Audit Committees are standing committees of the Board to which certain matters are delegated as set out in their terms of reference.

Nominations and Appointments Committee The Nominations and Appointments Committee is chaired by the Chairman and comprises the non-executive directors. The Committee meets as required. The Committee is responsible for monitoring and reviewing the membership and composition of the Board.

Remuneration Committee The Remuneration Committee, which meets at least twice a year, is chaired by the Chairman and comprises the non-executive directors. The Chief Executive and the Human Resources Director of the Operating Company attend meetings at the invitation of the Committee.

The purpose of the Committee is to consider and approve annual salary reviews, eligibility for participation in incentive arrangements, service agreements and other terms and conditions of employment for executive directors and senior executives. Its role is also to recommend for shareholder approval any long term incentive schemes and to advise on, and monitor, performance-related formulas to ensure they are challenging, motivating and aligned with the interests of shareholders.

The Board's Remuneration Report on pages 22 to 24 sets out the Company's application of the principles of Section 1B of the Combined Code.



corporate governance statement continued

Audit Committee The Audit Committee, which meets a minimum of twice a year, is chaired by Mr Pym and comprises the Chairman and the other non-executive directors. The Chief Executive, Finance Director, head of internal audit and the external auditors attend meetings at the invitation of the Committee.

The purpose of the Committee is to ensure the preservation of good financial practices throughout the Company, to monitor that controls are in force to ensure the integrity of the financial information reported to the shareholders and to provide, by way of regular meetings, a line of communication between the Board and the external auditors.

The Committee also reviews the scope and results of the audits, their cost effectiveness and the independence and objectivity of the internal and external auditors. The report of the external auditors is set out on page 25.

Relations with shareholders

The Board is keen to maintain a dialogue with institutional shareholders in order to ensure that the objectives of both the Company and shareholders are understood. Institutional briefings are held at least twice a year with the Chairman, Chief Executive and Finance Director.

The Board encourages communication with private investors. At the Annual General Meeting, the Chairmen of the Nominations and Appointments, Remuneration and Audit Committees will be available to answer questions and proxy votes will be disclosed after each resolution. A summary of the discussion at the Annual General Meeting will be made available to shareholders upon request to the Secretary.

Accountability and audit

The responsibilities of the directors and external auditors are set out on page 25.

Internal control

The Board has established procedures necessary to implement the requirements of the Combined Code relating to internal control as reflected in the September 1999 guidance *Internal Control: Guidance for Directors on the Combined Code* (the Turnbull guidance).

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board is of the view that:

- there is an ongoing process for identifying, evaluating and managing the Group's significant risks;
- it has been in place for the 53 weeks ended 3 February 2001 and up to the date of approval of the Annual Report and Accounts; and
- it is regularly reviewed by the Board and accords with the Turnbull guidance.

A policies and authorities manual provides guidance on establishing and maintaining appropriate controls and operating procedures and lays down a code of business behaviour.

The principal features of the risk management process are described below:

Risk Management Policy The Board has established a risk management policy that sets out the Board's attitude to risk and to the achievement of business objectives.

The policy:

- explains Selfridges' underlying approach to risk management;
- documents the roles and responsibilities of the plc Board and the board of Selfridges Retail Limited (the Operating Board);
- outlines key aspects of the risk management process; and
- identifies the main reporting procedures.

This policy has been communicated to key employees.

Risk Management Committee The Committee is chaired by the Finance Director and assists the Board to fulfil its risk management and control responsibilities. It met four times during the period to review the risk management process and ensure appropriate communication between the plc Board, Audit Committee, Operating Board, Risk Management Group, internal auditors and other parties engaged in risk management activities. It receives reports from the Risk Management Group and reviews the risk registers including the level of exposure being accepted and its acceptability in relation to the Board policy on risk.

Risk Management Group The Group is chaired by the Retail Operations Director of the Operating Company and comprises senior managers from each area of the business. It met four times during the period to discuss the risk management process and all areas of business risk. It receives reports on the current status of risk including specific reports on incidents, health and safety and disaster recovery.

Risk reporting The status of risk is discussed at management meetings including the review of risk information and risk indicators, any early warning signs of risks materialising and any significant control failings or weakness. Reporting covers all significant risks including those related to strategy; significant projects, such as the new Birmingham store; and operations, such as stock loss. Regular reports are also received and reviewed from the insurance brokers and from other risk management functions on the business, particularly security and health and safety.

Risk registers Risk registers have been developed for each area of the business. They describe the significant risks and how the risks are managed. They are also used as a basis for regular reviews of the risk profile and reporting to the Risk Management Group. The risk registers are maintained on the corporate IT network and have been updated during the period. In addition, the Operating Board held a workshop to review risks faced by the Group.

Risk and control self-assessment An annual risk and control self-assessment process was carried out in which all members of the Operating Board and senior management of the Operating Company signed a letter of representation confirming their responsibilities in relation to internal control and the completeness and accuracy of the risk register and risk reporting.

Internal audit The internal audit function carried out an annual programme of audits covering the management of the significant corporate risks as well as reviews of the risk registers. Where appropriate, actions are agreed with management. Results of the audits were reported to the management and the Operating Board and also, in summary, to the Audit Committee. Internal audit also carries out follow-up reviews to determine the extent of implementation of agreed actions.

Board annual assessment At its March 2001 meeting the Board carried out its annual assessment of internal control for the period. This involved discussion by the Board including appropriate enquiries of the executive directors and reviews of:

- a report from the Operating Board including a corporate risk map and risk register setting out that Board's assessment of the current significant risks and how they are managed;
- a report from the Operating Board describing the risk management process including:
 - the process for risk reporting;
 - the mechanisms for identifying and reporting early warnings of potential risk materialisation;
 - the mechanisms for identifying, reporting and remedying any significant failings or weaknesses in internal controls;
- a report from the Risk Management Committee on the risk management activities undertaken by management, including a summary of the work of the Risk Management Group and specific reports on incidents, health and safety, insurance and disaster recovery;
- a report from the Risk Management Committee confirming that each director and senior manager of the Operating Company has completed and signed a letter of representation in which they confirm their responsibilities in relation to internal control and the completeness and accuracy of their risk register and risk reporting;
- a report from the Audit Committee including minutes of meetings, reports from the Finance Director, internal and external audit, a review of the status of internal audit and external audit recommendations; and
- a report by internal audit on the process, results and Turnbull compliance.

Going concern

The financial statements have been prepared on a going concern basis. The directors, having reviewed budgets, cash flow forecasts and longer term business plans, have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for the foreseeable future.



remuneration

report

The Board presents its Remuneration Report to the members of the Company. In preparing this report and establishing its policy, the Board has given full consideration to, and follows the provisions of, the Combined Code.

Composition and terms of reference of the Remuneration Committee

The Committee comprises solely non-executive directors: Mr Cathcart (Chairman of the Committee), Mrs James, Mr Pym and Mr Vyner. The Secretary acts as secretary to the Committee. The Chief Executive and the Human Resources Director of the Operating Company attend meetings at the invitation of the Committee.

The purpose of the Committee is to consider and approve annual salary reviews, eligibility for participation in incentive arrangements, service agreements and other terms and conditions of employment for executive directors and senior executives. Its role is also to recommend, for shareholder approval, any long term incentive schemes and to advise on, and monitor, performance-related formulas to ensure they are challenging, motivating and aligned with the interests of shareholders.

Policy on executive directors' remuneration

The policy of the Committee is to ensure that the Group is able to attract, retain and motivate directors and senior executives of sufficient calibre to run the Group successfully giving due regard to the interests of shareholders and to the financial and commercial health of the Group.

In framing its policy, the Committee takes account of market pressures, the Group's position relative to other companies and the payment and employment conditions of other Group employees. The Committee has access to professional advice within the Company and externally.

Salaries Basic salaries for executive directors are reviewed annually. Salaries are benchmarked against equivalent market salaries for companies with a similar turnover and market capitalisation and are currently set around the median point of the comparator group. In addition, the Committee takes into account the Retail Prices Index and the performance of each individual director.

Benefits Benefits in kind for executive directors include a cash allowance in lieu of a fully expensed company car, private healthcare and life assurance.

Bonuses In respect of the financial year 2000/2001, the executive directors are eligible to participate in a discretionary bonus scheme with a maximum bonus payable of 50 per cent of basic salary based on achievement of profit targets. Eligibility to participate in an annual bonus scheme is reviewed annually by the Committee. Bonus payments are not pensionable.

Service contracts No executive director has a service contract which is terminable on more than 12 months' notice by the Company.

Non-executive directors

The non-executive directors do not have service contracts with the

Company. It is the policy of the Company to appoint non-executive directors for an initial period of three years.

The remuneration of the non-executive directors is determined by the Board as a whole within the overall limits set by the Company's Articles of Association. The non-executive directors, excluding the Chairman, receive an annual fee of £25,000 and an additional £5,000 in respect of their membership of Board committees. The Chairman receives an annual fee of £140,000 inclusive of any other fees receivable. The non-executive directors do not take part in discussions on their own remuneration.

Employee share schemes

The Company regards the use of employee share schemes as an integral part of its programme to incentivise and reward employees. The following schemes have been established: Executive Long Term Incentive Plan, Management Long Term Incentive Plan, Employee Share Option Plan, Sharesave Scheme, Share Purchase Assistance Scheme, Unapproved Sharesave Scheme, All Employee Share Ownership Plan and an Employee Benefit Trust. A Profit Sharing Scheme has been approved for establishment in the future.

All the benefits under the employee share schemes are non-transferable and non-pensionable. The non-executive directors are not eligible to participate in the employee share schemes.

Executive Long Term Incentive Plan (ELTIP) Awards are made at the discretion of the Committee and take the form of either a right to acquire shares in the Company or a promise by the Company to provide shares at a future date.

Awards can be made during the period of five years from 22 June 1998, the date of adoption of the ELTIP, and the aggregate value of an award under the ELTIP cannot exceed 600 per cent of a participant's basic salary measured at the date of grant of such an award.

The first awards were divided into five equal tranches. The tranches vest successively, subject to the satisfaction of performance targets based on real share-price growth, underlying improvement in financial performance and total shareholder return being measured against a comparator group of companies in the retail (non-food) sector, three, four, five, six and seven years after grant. From July 2000, awards under the ELTIP will be for a maximum of 120 per cent of salary and will vest after three years subject to satisfactory performance against targets as stated above. No shares may vest if the Company's ranking is below the median. Awards will begin to vest at the median, when 25 per cent of a tranche will vest, rising to 100 per cent at the upper quartile. Any proportion of a tranche which does not vest will lapse.

On 20 July 1998, Mr Radice was granted an award of 570,820 shares divided into five equal tranches of 114,164 shares and Mr Williams was granted an award of 317,120 shares divided into five equal tranches of 63,424 shares. Each tranche vests, subject to the achievement of the performance criteria stated above, annually from July 2001 to July 2005. The market price of the shares on the date of grant was 236.5 pence. No further awards were granted to the executive directors in the period under review.

The Committee has no current intention of making further awards to existing members of the ELTIP. Awards may be made, however, to new executives joining the Company.

None of the awards under the ELTIP vested in the period. None of the non-executive directors had any interest in the ELTIP.

Management Long Term Incentive Plan (MLTIP) Awards may be granted under the MLTIP to middle management on an annual basis and shall not exceed 30 per cent of a participant's basic salary per annum. The performance target will initially be based on total shareholder return measured against a similar group as the ELTIP but over the three-year period following grant. Awards may not be granted to executives under both the ELTIP and MLTIP. A second award was made on 20 July 2000, details of which can be found in note 19 to the accounts.

Sharesave Scheme The Company operates a Sharesave Scheme which enables eligible employees to acquire options over ordinary shares of the Company at a discount of up to 20 per cent of their market price when the options are offered, using the proceeds of a related save-as-you-earn contract.

Details of options granted to Mr Radice and Mr Williams are given on page 24. None of the non-executive directors had any interest in the Sharesave Scheme.

Share Purchase Assistance Scheme The Share Purchase Assistance Scheme was established to encourage employees to acquire shares in the Company by the Company paying the commission charges on the purchases. The Scheme was offered to employees for the period commencing 20 July 1998, when the Company was first listed on The London Stock Exchange, and ending on 30 September 1998. The directors may resolve to offer the Scheme in the future.

Unapproved Sharesave Scheme The directors established the Unapproved Sharesave Scheme in order to maintain, so far as reasonably practicable, the value of options held by employees of the Company who were members of the Sears Sharesave Scheme.

At the time of the demerger from Sears plc, option holders were offered the opportunity to be granted restructured options over shares in the Company in consideration of the cancellation of their Sears options. The option price and number of shares placed under restructured options were calculated according to a formula based on the relative share prices of Sears consolidated shares and Selfridges shares averaged over the first three dealing days following the demerger in July 1998.

The exercise periods for restructured options are based on the date on which the original Sears options were granted and not from the grant date of the restructured options. No further options may be granted under the Unapproved Sharesave Scheme. Further information relating to this Scheme is set out in note 19 to the accounts.

All Employee Share Ownership Plan An All Employee Share Ownership Plan has been established and will operate in 2002 for employees who joined the Company on or before 1 February 2001. Awards of shares will be based on length of service: the maximum award

per employee will be shares to the value of £500. The shares will only be awarded if the Company performance targets in the financial year ending 2 February 2002 are met. Shares will be held in an employee benefit trust and will not be released to employees (other than in circumstances such as retirement or redundancy) for a minimum of three years, at which time the individual must still be employed by the Company.

Employee Benefit Trust The Employee Benefit Trust, which may subscribe for shares in the Company and acquire the Company's shares in the market, was established in 1998 in order to facilitate the provision of shares for the employee share schemes. No shares were acquired under the Employee Benefit Trust during the period.

Profit Sharing Scheme

A Profit Sharing Scheme was approved by the directors in 1998. Inland Revenue approval under Schedule 9 to the Income and Corporation Taxes Act 1988 will be sought prior to its implementation. The Board has no current intention to implement the Profit Sharing Scheme over the next 12 months.

Retirement benefits

Each of the executive directors is a member of the Selfridges Pension Scheme (Category A). Membership of this category is dependent upon the individual being designated as eligible by the principal employer, Selfridges Retail Limited. The Scheme is an Inland Revenue approved contributory defined benefits scheme and provides retirement benefits in accordance with the trust deed and rules of the Scheme. There is a provision for a spouse's pension on death in service, or after retirement, or prior to retirement in the case of an early leaver, equal to two-thirds of the member's pension. In addition, pensions are payable to eligible children to age 18, or 25 if in full-time education or training. No executive director is a member of a money purchase scheme.

Accrual rates differ according to individual circumstances, but do not exceed one-thirtieth of pensionable salary for each year of pensionable service. Pensionable pay covers basic gross salary only, applicable at each 6 April; bonus awards and the value of benefits in kind are not included in pensionable pay.

In accordance with the recommendation of the actuaries, no company pension contributions were paid to the Scheme in 2000/2001 (1999/2000 – nil).

Mr Radice joined Selfridges after 1989 and, therefore, is subject to the Inland Revenue cap on earnings which may be pensioned through an approved scheme. In accordance with his service contract, the Company has established a Funded Unapproved Retirement Benefits Scheme (FURBS) which is intended to provide pension benefits in respect of earnings above the permitted maximum on a basis equivalent in cost to the Company of the benefits that would otherwise have been provided by the Company's approved pension scheme.

Details of the pension entitlements (including the FURBS) are set out on page 24 as required by the Listing Rules of the Financial Services Authority. The non-executive directors are not eligible for any pension benefits.

remuneration report continued

Directors' emoluments summary

	Basic salary/ fees £000	Bonus ¹ £000	Benefits £000	FURBS compensation payments ² £000	Total 2000/2001 £000	Total 1999/2000 £000
Executive directors						
Mr V Radice ¹	245.0	115.0	12.5	35.8	408.3	499.6
Mr P W Williams	150.0	70.0	12.6	–	232.6	263.5
Non-executive directors						
Mr W A Cathcart	140.0	–	–	–	140.0	140.0
Mrs L James	30.0	–	–	–	30.0	30.5
Mr R A Pym	30.0	–	–	–	30.0	30.0
Mr R T Vyner	30.0	–	–	–	30.0	30.0
Total	625.0	185.0	25.1	35.8	870.9	993.6

¹ Highest paid director.

² Accrued at 3 February 2001 and payable in April 2001.

³ Salary supplement to compensate for tax payments relating to the provision of unapproved pension.

Directors' pension benefits

	Mr V Radice	Mr P W Williams
Age	43	47
Years of pensionable service	4 years 10 months	13 years 2 months
Normal retirement age	60	60
Defined benefit scheme		
Accrued pension from prior employment at 30 January 2000	£10,755	£41,095
Increase in period net of inflation (based on a rate of 3.3%)	£2,570	£10,640
Accrued pension at 3 February 2001	£13,679	£53,091
Increase in transfer value less member's contribution	£25,588	£129,342
Funded Unapproved Retirement Benefit Scheme		
Contributions in period	£53,727	–
Value of FURBS account at 3 February 2001	£151,280	–

Aggregate pension contributions in respect of the executive directors were £53,727 (1999/2000 – £48,667) in the period.

Prior to the transfer from the Sears Group Senior Executive Pension Scheme, all contributing members of that Scheme received a five per cent enhancement to pensionable service accrued to 5 April 1998. The pension amounts stated above include the value of this enhancement which has been guaranteed under the Selfridges Pension Scheme.

Directors' interests in shares

The interests of the directors holding office at 3 February 2001 in the share capital of the Company are detailed below. All of the interests are beneficial. Save as disclosed below, none of the directors had any interest in any other securities of the Company or any other company in the Group and there have been no changes in the interests of the directors between 3 February 2001 and 21 March 2001.

	Sharesave Scheme options		Ordinary shares	
	As at 3 February 2001 Number	As at 29 January 2000 Number	As at 3 February 2001 Number	As at 29 January 2000 Number
Mr W A Cathcart	–	–	40,000	30,000
Mr V Radice	5,701	5,701	19,195	8,152
Mrs L James	–	–	8,006	4,006
Mr R A Pym	–	–	10,000	10,000
Mr R T Vyner	–	–	25,000	25,000
Mr P W Williams	5,701	5,701	10,000	10,000

The Sharesave Scheme options above were granted on 2 September 1998 and have an exercise price of 171p. The options can be exercised between 11/2001 and 4/2002. Details of the directors' interests under the Executive Long Term Incentive Plan are shown on page 22.

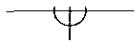
The Register of Directors' Interests, which is open to inspection, contains full details of directors' shareholdings and options to subscribe for shares.

The closing mid market price of the Company's shares on 2 February 2001 was 320 pence and ranged from 227 pence to 328 pence during the 53 weeks ended 2 February 2001.

By Order of the Board

ALUN CATHCART CHAIRMAN
21 March 2001





directors' responsibility statement

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial

position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for the maintenance and integrity of the Selfridges website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

auditors' report to the members of Selfridges plc

We have audited the financial statements on pages 26 to 38 (and the additional disclosures on pages 22 to 24 relating to the remuneration of directors specified for our review by the Financial Services Authority) which have been prepared under the historical cost convention (as modified by the revaluation of freehold land and buildings) and the accounting policies set out on page 29.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described above, 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 pages 19 to 21 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 or Group's corporate governance procedures or its risk and control procedures.

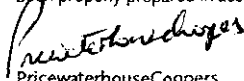
Basis of audit opinion

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 affairs of the Company and the Group at 3 February 2001 and of the profit and cash flows of the Group for the 53 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
1 Embankment Place
London WC2N 6RH
21 March 2001



consolidated profit and loss account

For the 53 weeks ended 3 February 2001	Notes	53 weeks to 3 February 2001 £m	52 weeks to 29 January 2000 £m
Turnover – continuing operations	2	392.1	360.0
Cost of sales		(250.7)	(233.5)
Gross profit		141.4	126.5
Distribution costs		(74.5)	(70.2)
Administrative expenses		(26.7)	(25.4)
Trading profit – continuing operations	3	40.2	30.9
Net interest payable	6	(1.6)	(3.3)
Profit on ordinary activities before taxation		38.6	27.6
Tax on profit on ordinary activities	7	(7.5)	(3.3)
Profit on ordinary activities after taxation		31.1	24.3
Dividends	8	(9.2)	(8.0)
Retained profit for the year	20	21.9	16.3
Basic earnings per share	9	20.3p	15.9p
Diluted earnings per share	9	20.3p	15.8p

There is no difference between the results shown in the profit and loss account and the results as stated on an unmodified historical cost basis.

consolidated statement of total recognised gains and losses

For the 53 weeks ended 3 February 2001	53 weeks to 3 February 2001 £m	52 weeks to 29 January 2000 £m
Profit on ordinary activities after taxation	31.1	24.3
Surplus on revaluation of property	31.9	–
Total recognised gains and losses relating to the period	63.0	24.3

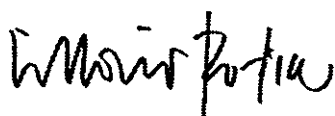
The notes on pages 29 to 38 form part of these financial statements.

balance

sheets

As at 3 February 2001	Notes	2001 £m	Group 2000 £m	2001 £m	Company 2000 £m
Fixed assets					
Tangible assets	10	438.3	411.2	–	–
Investments	11	–	–	103.7	103.7
Total fixed assets		438.3	411.2	103.7	103.7
Current assets					
Stock	12	21.4	23.6	–	–
Debtors	13	15.3	17.2	10.5	7.7
Cash at bank and in hand		3.2	1.5	–	–
		39.9	42.3	10.5	7.7
Current liabilities					
Creditors – amounts falling due within one year	15	(53.6)	(83.6)	(6.1)	(5.3)
Net current (liabilities)/assets		(13.7)	(41.3)	4.4	2.4
Total assets less current liabilities		424.6	369.9	108.1	106.1
Creditors – amounts falling due after more than one year	16	(2.7)	(4.4)	–	–
Provisions for liabilities and charges	17	(1.8)	(1.2)	–	–
Net assets		420.1	364.3	108.1	106.1
Capital and reserves					
Called up share capital	20	38.2	38.2	38.2	38.2
Shares to be issued	20	4.3	2.3	4.3	2.3
Merger reserve	20	65.5	65.5	65.5	65.5
Revaluation reserve	20	44.3	12.4	–	–
Profit and loss account	20	267.8	245.9	0.1	0.1
Equity shareholders' funds	21	420.1	364.3	108.1	106.1

The financial statements were approved by the Board on 21 March 2001 and were signed on its behalf by:



VITTORIO RADICE



PETER WILLIAMS




The notes on pages 29 to 38 form part of these financial statements.

consolidated cash flow statement

		53 weeks to 3 February 2001 £m	52 weeks to 29 January 2000 £m
For the 53 weeks ended 3 February 2001	Notes		
Net cash flow from trading activities	22	63.6	53.2
Returns on investment and servicing of finance	23a	(1.6)	(3.3)
Taxation	23b	(4.8)	(1.3)
Capital expenditure and financial investment	23c	(14.2)	(15.3)
Equity dividends paid		(8.3)	(7.6)
Increase in cash		34.7	25.7

reconciliation of net cash flow to movement in net debt

	53 weeks to 3 February 2001 £m	52 weeks to 29 January 2000 £m
For the 53 weeks ended 3 February 2001		
Net debt at 30 January 2000	(35.1)	(60.8)
Increase in cash	34.7	25.7
Net debt at 3 February 2001	(0.4)	(35.1)
Comprising		
Cash at bank and in hand	3.2	1.5
Bank overdraft	(3.6)	(36.6)
	(0.4)	(35.1)

The notes on pages 29 to 38 form part of these financial statements.

notes

to the accounts

1 Accounting policies

Accounting convention The accounts are prepared under the historical cost convention as modified by the revaluation of the Oxford Street freehold and in accordance with all applicable accounting standards.

Basis of consolidation The Group profit and loss account, balance sheets and cash flow statement comprise the accounts of Selfridges plc and its subsidiary undertaking, Selfridges Retail Limited, drawn up to either 52 or 53 week periods ending within one week of 31 January in each year, being 53 weeks ended 3 February 2001 and 52 weeks ended 29 January 2000.

Turnover Turnover comprises sales of merchandise and services to third parties. Turnover includes the gross value of concession sales and excludes value added tax.

Foreign currency translation Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated at the rates ruling at the transaction date. Exchange gains or losses are dealt with in the profit and loss account.

Deferred taxation Provision is made for deferred taxation in respect of capital allowances and other timing differences under the liability method to the extent that a liability or an asset is expected to crystallise in the foreseeable future.

Stock Stock is stated at the lower of cost and net realisable value.

Operating leases Rentals receivable and payable under operating leases are recognised in the profit and loss account on a straight-line basis over the lease term.

Capital contribution Contributions received in respect of property fit-out costs are amortised over the shorter of the lease term or the period to the first rent review.

Depreciation Depreciation is provided to write down to estimated residual value the cost or valuation of fixed assets over their estimated useful lives by equal annual instalments as follows:

	%
Structural assets	3.33
Plant and machinery (excluding software)	20.00 to 33.33
Software (developed by third parties)	33.33
Fixtures and fittings	16.67

FRS 15, effective for this financial year, requires that freehold buildings are depreciated unless a depreciation charge would be immaterial. Depreciation is already provided on all elements of the Oxford Street site except for its basic structure and it is considered that the residual value and useful life of the structure is such that any charge would be immaterial. Accordingly no depreciation is provided.

Pension costs Selfridges operates the Selfridges Pension Scheme for the benefit of all employees. The Scheme is a funded defined benefit scheme which is periodically valued and has contributions assessed by a qualified actuary. The assets of the Scheme are held by trustees in independent funds which are separate from the assets of the Group. The cost of providing pensions is recognised over the period of employment of the Scheme members with any difference between the charge to the profit and loss account and contributions paid to the Scheme being shown as an asset or liability in the balance sheet. Surpluses/deficits are spread over the estimated average service lives of the members of the Scheme.

2 Turnover

The Company's activities consist principally of retailing in the United Kingdom. Turnover includes sales of merchandise and services including the gross value of concession sales and excludes value added tax. The Oxford Street site includes the operation of the store, car park and rental income.

notes to the accounts continued

3 Trading profit

Trading profit is stated after charging/(crediting) the items set out below:

	2000/2001 £m	1999/2000 £m
Wages and salaries (note 4)	49.0	47.6
Depreciation of tangible fixed assets	18.5	18.0
Auditors' remuneration	0.1	0.1
Year 2000 costs	—	1.0
Premises rent payable to third parties under operating leases	1.7	1.7
Premises rent receivable from third parties	(2.0)	(2.0)
Amortisation of capital contribution	(1.7)	(1.7)
Amortisation of pension surplus	(0.8)	(1.0)

The auditors' remuneration disclosed above includes £25,000 (1999/2000 – £25,000) in respect of the audit of the Company. In addition, the auditors received £214,350 (1999/2000 – £84,970) in respect of other services.

4 Wages and salaries

Trading profits are stated after taking account of the following costs relating to employees:

	2000/2001 £m	1999/2000 £m
Wages and salaries	46.0	44.6
Social security benefits	3.0	3.0
Total	49.0	47.6

The net pension credit is shown in note 27. Information relating to directors' remuneration (including pension contributions) and directors' interests in shares and share options are disclosed within the Remuneration Report on pages 22 to 24. Within this report the paragraphs and tables relating to and under the following headings have been audited: Employee share schemes, Directors' emoluments summary, Directors' pension benefits and Directors' interests in shares.

5 Employees

The average number of employees during the period was:

	2000/2001	1999/2000
Full-time	1,878	2,031
Part-time	919	851
Total	2,797	2,882
Full-time equivalent	2,519	2,640

The full-time equivalent includes both part-time and temporary staff.

6 Net interest payable

	2000/2001 £m	1999/2000 £m
Interest receivable and similar income:		
Bank interest received	0.1	0.1
Interest payable and similar charges:		
Bank interest paid	(1.7)	(3.4)
Net interest payable	(1.6)	(3.3)

7 Tax on profit on ordinary activities

	2000/2001 £m	1999/2000 £m
UK Corporation tax on profits at 30% (1999/2000 – 30.2%)		
Current	(11.0)	(6.5)
Deferred (note 17)	(0.3)	(0.3)
Write-back of advance corporation tax previously written off	3.8	3.5
Tax on profit on ordinary activities	(7.5)	(3.3)

The corporation tax charge in the current period has benefited by deductions claimed in respect of capital allowances in relation to prior years previously unclaimed. The effect of claiming capital allowances was to reduce the total tax charge in 2000/2001 by £5.0 million (1999/2000 – £5.5 million). In addition, advance corporation tax of £3.8 million (1999/2000 – £3.5 million) was written-back as it is expected to be recovered in the foreseeable future.

8 Dividends

	2000/2001 £m	1999/2000 £m
Interim ordinary dividend paid – 2.0p (1999/2000 – 1.75p)	3.1	2.7
Final ordinary dividend proposed – 4.0p (1999/2000 – 3.5p)	6.1	5.3
	9.2	8.0

Subject to the approval of the shareholders, a final net dividend of 4.0 pence per share (1999/2000 – 3.5 pence) will be paid on 1 June 2001 to shareholders on the register at close of business on 18 May 2001.

9 Earnings per share

The basic earnings per share has been calculated using 152,745,523 (1999/2000 – 152,736,849) shares, being the weighted average number of shares in issue over the period, and the profit after taxation.

The diluted earnings per share has been calculated using an additional 927,209 (1999/2000 – 737,341) shares available under the Sharesave Scheme and the Unapproved Sharesave Scheme, and the profit after taxation.

notes to the accounts continued

10 Tangible fixed assets

	Freehold land and buildings £m	Structural assets £m	Plant and machinery £m	Fixtures and fittings £m	Group Total £m	Company Total £m
Cost or valuation						
At 30 January 2000	292.4	100.6	25.9	49.3	468.2	–
Additions	–	6.1	1.3	6.3	13.7	–
Revaluation	31.9	–	–	–	31.9	–
Disposals	–	–	(6.9)	(3.8)	(10.7)	–
At 3 February 2001	324.3	106.7	20.3	51.8	503.1	–
Accumulated depreciation						
At 30 January 2000	–	18.7	15.4	22.9	57.0	–
Charge for the period	–	3.4	6.2	8.9	18.5	–
Disposals	–	–	(6.9)	(3.8)	(10.7)	–
At 3 February 2001	–	22.1	14.7	28.0	64.8	–
Net book value						
At 3 February 2001	324.3	84.6	5.6	23.8	438.3	–
At 30 January 2000	292.4	81.9	10.5	26.4	411.2	–

The Oxford Street freehold land and buildings were revalued as at 3 February 2001 to a value of £358.0 million (1 February 1998 – £324.3 million) on the basis of open market value and existing use in accordance with the RICS Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors. The external valuation was carried out by Healey & Baker, International Real Estate Consultants. Structural assets, with a depreciated cost of £33.7 million (1 February 1998 – £31.9 million) were included within this valuation.

On an historical cost basis, freehold land and buildings would have been included at £280.0 million.

11 Investment in subsidiary undertakings

The subsidiary undertakings of the Company at 3 February 2001 were as follows:

	Country of registration	Country of operation	Activity
Selfridges Retail Limited	England and Wales	United Kingdom	Department store retailing
Selfridges Trustee Company Limited	England and Wales	United Kingdom	Pension trustee company

Both companies are wholly owned. Selfridges Retail Limited is a direct subsidiary undertaking of Selfridges plc, Selfridges Trustee Company Limited is a direct subsidiary undertaking of Selfridges Retail Limited.

	Company	
	2001 £m	2000 £m
Investment in subsidiary undertakings at cost	103.7	103.7

12 Stock

	Group		Company	
	2001 £m	2000 £m	2001 £m	2000 £m
Goods for resale	21.4	23.6	–	–

13 Debtors

	Group		Company	
	2001 £m	2000 £m	2001 £m	2000 £m
Due within one year				
Trade debtors	4.8	6.4	–	–
Amounts due from subsidiary undertakings	–	–	10.5	7.7
Advance corporation tax recoverable	2.9	4.3	–	–
Other debtors	2.3	2.2	–	–
Prepayments and accrued income	2.0	1.8	–	–
Debtors – due within one year	12.0	14.7	10.5	7.7
Due after more than one year				
Pension fund prepayment (SSAP 24)	3.3	2.5	–	–
Debtors – due after more than one year	3.3	2.5	–	–
Total debtors	15.3	17.2	10.5	7.7

14 Interest and currency analysis of financial assets and liabilities

The Group has taken advantage of the exemption available under FRS 13 not to provide numerical disclosures in relation to short-term debtors and creditors.

The Group's financial instruments comprise overdrafts and cash, and items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to manage the finances of the Group's operations.

The Group does not enter into any derivative transactions and the Group's policy is that no trading in financial instruments will be undertaken.

The main risks arising from the Group's financial instruments are interest rate and liquidity risks. The Board considers each of these risks on a regular basis and the approach towards each of these risks remains unchanged during the year. The Group's objective is to maintain a flexible source of funding on a cost-effective basis. This is currently provided through overdraft facilities and a £120.0 million revolving credit facility.

Interest rate risk The Group finances its operations and capital expenditure through a combination of retained profits, cash and bank overdrafts.

	Group	
	2001 Floating £m	2000 Floating £m
Financial assets		
Cash at bank and in hand – sterling	3.2	1.5
Financial liabilities		
Overdraft – sterling	(3.6)	(36.6)
Net debt	(0.4)	(35.1)

All financial assets and liabilities are floating rate with interest rates based on UK LIBOR. Accordingly, there is no material difference between their fair values, calculated with reference to prevailing interest rates, and their book values.

All financial liabilities are due within one year or on demand.

notes to the accounts continued

Note 14 continued

Borrowing facilities The Group has unutilised committed revolving credit facilities at 3 February 2001 of £120.0 million (2000 – £89.0 million) expiring in April 2003.

Currency exposures The Group's currency exposure is limited as the business is principally United Kingdom based with only a small number of suppliers invoicing in foreign currencies. Foreign currency trade creditors at 3 February 2001 were £151,000 (2000 – £66,000) of which the most significant was £123,000 denominated in euro-zone currencies (2000 – £25,000 in Italian lira).

The Group's policy is not to hedge such liabilities due to their immaterial nature.

15 Creditors – amounts falling due within one year

	Group		Company	
	2001 £m	2000 £m	2001 £m	2000 £m
Bank overdraft	3.6	36.6	–	–
Payments received on account	–	0.1	–	–
Trade creditors	15.6	15.0	–	–
Other creditors	4.4	3.8	–	–
Corporation tax	3.7	2.8	–	–
Taxation and social security	6.6	8.2	–	–
Accruals and deferred income	13.5	11.8	–	–
Dividends payable	6.2	5.3	6.1	5.3
Creditors – amounts falling due within one year	53.6	83.6	6.1	5.3

16 Creditors – amounts falling due after more than one year

	Group		Company	
	2001 £m	2000 £m	2001 £m	2000 £m
Accruals and deferred income	2.7	4.4	–	–
Creditors – amounts falling due after more than one year	2.7	4.4	–	–

17 Provisions for liabilities and charges

	Group		
	Deferred taxation £m	Other £m	Total £m
At 30 January 2000	0.6	0.6	1.2
Charge for the period	0.3	0.7	1.0
Release for the period	–	(0.4)	(0.4)
At 3 February 2001	0.9	0.9	1.8

Other provisions include an unfunded scheme which provides certain retired former employees with post-retirement medical benefits, and National Insurance on share options awarded under long term incentive plans.

18 Deferred taxation

The full potential liability for deferred taxation is as follows:

	Group		Company	
	2001 £m	2000 £m	2001 £m	2000 £m
Accelerated capital allowances	12.0	12.2	–	–
Short-term timing differences	0.9	0.6	–	–
Total	12.9	12.8	–	–

No deferred tax is provided on accelerated capital allowances as it is not expected that they will crystallise in the foreseeable future.

No deferred tax is provided on any chargeable gain that may arise on the disposal of the Oxford Street freehold as there is no intention to dispose of this property in the foreseeable future. The potential liability for corporation tax on the chargeable gain of £13.3 million has not been recorded at 3 February 2001 (2000 – £3.7 million) as it is not expected to crystallise in the foreseeable future.

19 Share capital

	2001 £m	2000 £m
Authorised and issued		
Authorised:		
800,000,000 (1999/2000 – 800,000,000) ordinary shares of 25 pence each	200	200
Allotted, called up and fully paid:		
152,759,211 (1999/2000 – 152,741,418) ordinary shares of 25 pence each	38.2	38.2

Ordinary shares of 25 pence each allotted were as follows:

	Number of shares	£m
At 30 January 2000	152,741,418	38.2
Sharesave Scheme	17,793	–
At 3 February 2001	152,759,211	38.2

Options and awards outstanding under share schemes and Long Term Incentive Plans:

Unapproved Sharesave Scheme and Sharesave Scheme

Date of Grant	Options outstanding at 30 January 2000	Options granted	Options exercised	Options lapsed	Options outstanding at 3 February 2001	Exercise price (p)	Exercise dates
1/11/1994*	3,890	–	–	2,427	1,463	373	12/1999–6/2002
18/10/1995*	7,921	–	–	772	7,149	404	12/2000–6/2003
16/10/1996*	7,273	–	–	2,392	4,881	346	12/2001–6/2004
2/9/1998	524,882	–	17,173	91,179	416,530	171	11/2001–4/2002
5/11/1999	387,721	–	620	43,557	343,544	208	12/2002–5/2003
3/11/2000	–	320,529	–	1,658	318,871	222	11/2003–4/2004

* Unapproved scheme – the exercise periods for restructured options granted under the Unapproved Sharesave Scheme are based on the date on which the original Sears options were granted and not from the grant date of the restructured option.

notes to the accounts continued

Note 19 continued

Executive Long Term Incentive Plan and Management Long Term Incentive Plan

Date of Award	Awards outstanding at 30 January 2000	Awards granted	Awards lapsed	Awards outstanding at 3 February 2001	Vesting period
20/7/1998 ¹	2,713,695	–	227,480	2,486,215	7/2001–7/2005
27/10/1998 ¹	363,630	–	–	363,630	10/2001–7/2005
2/11/1998 ¹	84,565	–	–	84,565	11/2001–7/2005
20/7/1999 ²	311,908	–	63,536	248,372	7/2002–7/2005
20/7/1999 ²	179,136	–	34,345	144,791	7/2002
20/7/2000 ¹	–	72,852	–	72,852	7/2003
20/7/2000 ²	–	200,366	11,616	188,750	7/2003

¹ Executive Long Term Incentive Plan.

² Management Long Term Incentive Plan.

20 Capital and reserves

	Group		Company	
	2001 £m	2000 £m	2001 £m	2000 £m
Called up share capital (note 19)				
At 30 January 2000 and 3 February 2001	38.2	38.2	38.2	38.2
Shares to be issued				
At 30 January 2000	2.3	2.3	2.3	2.3
Increase in shares to be issued under Long Term Incentive Plans	2.0	–	2.0	–
At 3 February 2001	4.3	2.3	4.3	2.3
Merger reserve				
At 30 January 2000 and 3 February 2001	65.5	65.5	65.5	65.5
Revaluation reserve				
At 30 January 2000	12.4	12.4	–	–
Increase in revaluation reserve at 3 February 2001	31.9	–	–	–
At 3 February 2001	44.3	12.4	–	–
Profit and loss account				
At 30 January 2000	245.9	245.9	0.1	0.1
Retained profit for the period	21.9	–	–	–
At 3 February 2001	267.8	245.9	0.1	0.1

Shares to be issued relate to awards under the Long Term Incentive Plans accrued but not yet vested.

As permitted by Section 230(1) of the Companies Act 1985, the Company has not presented its own profit and loss account in addition to the consolidated profit and loss account. The Company's retained profit for the period was *Nil* (1999/2000 – *Nil*).

21 Reconciliation of movements in equity shareholders' funds

	Group		Company	
	2000/2001 £m	1999/2000 £m	2000/2001 £m	1999/2000 £m
Retained profit for the period	21.9	16.3	—	—
Revaluation of Oxford Street freehold	31.9	—	—	—
Shares to be issued under the Long Term Incentive Plans	2.0	2.3	2.0	2.3
Net additions to shareholders' funds	55.8	18.6	2.0	2.3
Equity shareholders' funds at 30 January 2000	364.3	345.7	106.1	103.8
Equity shareholders' funds at 3 February 2001	420.1	364.3	108.1	106.1

22 Reconciliation of trading profit to net cash flow from trading activities

	2000/2001 £m	1999/2000 £m
Trading profit	40.2	30.9
Adjustments to reflect non-cash items:		
Depreciation	18.5	18.0
Other	(0.2)	(1.3)
Decrease in stock	2.2	6.7
Decrease/(increase) in debtors	1.3	(0.4)
Increase/(decrease) in creditors	1.6	(0.7)
Net cash flow from trading activities	63.6	53.2

23 Analysis of cash flows

	2000/2001 £m	1999/2000 £m
a Returns on investment and servicing of finance		
Interest received	0.1	0.1
Interest paid	(1.7)	(3.4)
Net cash outflow from returns on investments and servicing of finance	(1.6)	(3.3)
b Taxation		
UK Corporation tax paid	(4.8)	(1.3)
Net cash outflow for taxation	(4.8)	(1.3)
c Capital expenditure and financial investment		
Purchase of tangible fixed assets	(14.2)	(15.3)
Net cash outflow for capital expenditure and financial investment	(14.2)	(15.3)

24 Analysis of net debt

	At 30 January 2000 £m	Cash flow £m	At 3 February 2001 £m
Cash at bank and in hand	1.5	1.7	3.2
Bank overdraft	(36.6)	33.0	(3.6)
Net debt	(35.1)	34.7	(0.4)

notes to the accounts continued

25 Commitments for capital expenditure

Capital commitments for which no provision has been made in these accounts were as follows:

	2001 £m	2000 £m
Contracted but not provided for	3.9	0.4
Authorised but not contracted for	44.4	45.6

Capital expenditure authorised but not contracted for includes £39.2 million (2000 – £39.2 million) relating to the building fit-out of the Birmingham store. The majority of this spend will occur during the financial years ending January 2003 and January 2004.

26 Commitments for operating leases

The Company has future annual commitments for the payment of operating lease rentals expiring as follows:

	2001 £m	2000 £m
Over five years	2.1	1.7

The future annual commitment for payment of operating lease rentals relates to the leases of the Trafford Centre site, Leicester office and Harbet Road Distribution Centre, London W2.

27 Pension costs and commitments

Selfridges operates the Selfridges Pension Scheme for the benefit of all employees. The Scheme is a funded defined benefit scheme, contributions to which are assessed by an independent qualified actuary. The assets of the Scheme are held by trustees in independent funds which are separate from the assets of the Company.

The Selfridges Pension Scheme includes an executive sub-section for directors and senior executives. Future employees of similar grades will also be eligible for membership of this executive sub-section. The remainder of the Scheme is for employees of the Company.

The calculations used for the purpose of SSAP 24 – Accounting for Pension Costs – were carried out by the Scheme actuary of the Selfridges Pension Scheme based on a valuation carried out as at 6 April 1999 using the projected unit method. The value of assets for the purpose of the valuation were taken at market value and totalled £128.2 million. The ratio of assets to liabilities was determined as 127 per cent.

The key assumptions adopted for this purpose were:

Rate of return on investments	6.0%
Rate of increase in salaries	4.0%
Rate of increase in pensions	2.5%
Rate of inflation	2.5%

The Scheme surplus is being used to fund the Company's cost of accruing benefits. The net pension credit for the period was:

	2000/2001 £m	1999/2000 £m
Regular pension cost	2.5	3.0
Amortisation of the surplus	(3.2)	(3.9)
Interest	(0.2)	(0.1)
	(0.9)	(1.0)
FURBS contribution	0.1	–
Net pension credit	(0.8)	(1.0)

28 Related party transactions

There were no material related party transactions during the period.

shareholder

information

Financial calendar

	2001
Annual General Meeting	17 May
Record date for final dividend	18 May
Final dividend payable	1 June
Interim results announcement	20 September
Interim dividend payable	December

Analysis of ordinary shareholders as at 3 February 2001

Range	Shareholders		Shares	
	Number	%	Number	%
1-500	16,088	73.5	2,788,405	1.8
501-1,000	3,116	14.3	2,268,882	1.5
1,001-10,000	2,218	10.1	5,350,788	3.5
10,001-100,000	306	1.4	10,809,077	7.1
100,001-1,000,000	130	0.6	39,738,078	26.0
Over 1,000,000	29	0.1	91,803,981	60.1
Total	21,887	100.0	152,759,211	100.0

Shareholder enquiries

Enquiries regarding shareholdings, dividends, changes of address and requests for extra copies of this report should be addressed to: Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA. Telephone 0870 600 3984.

Share dealing service

A postal share dealing service for the purchase and sale of Selfridges' shares is available from NatWest Stockbrokers Limited. Information and dealing forms can be obtained by writing to: NatWest Stockbrokers, Corporate & Employee Services, 55 Mansell Street, London E1 8AN, by telephoning 020 7895 5448/5029 or by e-mailing to contactces@natwest.com

Share price information

The latest information on the Selfridges share price is available on Ceefax and also on the Financial Times Cityline Service. Telephone 0906 843 2975 (calls are charged at 60 pence per minute)

Registered office

400 Oxford Street, London W1A 1AB. Telephone 020 7629 1234.
Registered number 3505859
www.selfridges.co.uk

Manchester



Selfridges account card

The Selfridges account card is a store card offering up to 51 days' interest-free credit with a loyalty programme attached. The more you spend, the more benefits you enjoy.

Yellow Tier

- 10% discount over four special days
- invitations to special events
- *Yellow* magazine
- invitations to Selfridges gourmet dining club for evenings of fine food and wine
- no interest to pay if account is cleared each month
- no annual fee – card is free

Silver Tier

as for Yellow Tier plus:

- free delivery within M25 on purchases over £100
- a special shopping day each year, with 10% discount in most areas
- free hem and sleeve alterations
- free two hours' parking when you spend over £100 on that day (limited to once a month)
- 12.5% discount on cases of mixed or single wines
- special offers

Gold Tier

as for Silver Tier plus:

- a further special shopping day with 10% discount
- free two hours' parking a month
- an extra 2.5% discount on cases of mixed or single wines

For further details about an account card telephone 0800 328 0634 or call into our Oxford Street or Manchester stores.

Designed, typeset and produced by Corporate Edge 020 7855 5888 Photography by Ben Rice Printed by CTD Capita
The paper used in this report is manufactured from sustainable sources in a process using low chlorine levels.

Selfridges plc

400 Oxford Street
London W1A 1AB

telephone 020 7629 1234
www.selfridges.co.uk

