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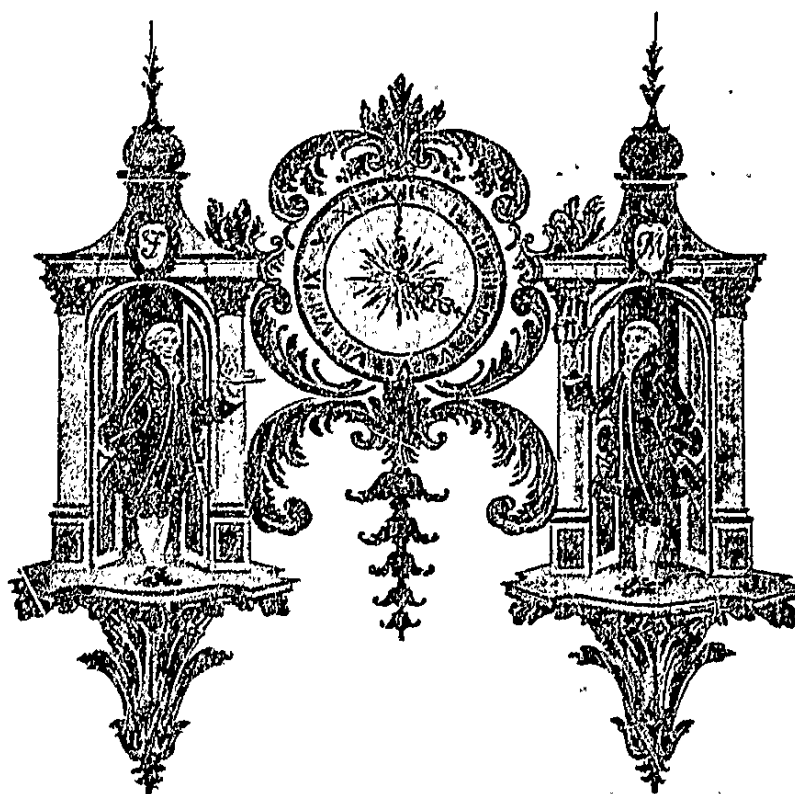
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BY APPOINTMENT
TO HER MAJESTY QUEEN ELIZABETH II
GROCERS & PROVISION MERCHANTS
FORTNUM & MASON LTD LONDON

FORTNUM & MASON LTD



REPORT AND ACCOUNTS 1978

FORTNUM & MASON LIMITED

Contents

Page

- 1 Notice of annual general meeting.
- 2 Directors and professional advisers.
- 3-4 Chairman's statement.
- 5-6 Report of the directors.
- 7 Statement of directors' interests.
- 8 Profit and loss account.
- 9 Balance sheet.
- 10 Source and application of funds.
- 11-14 Notes to the accounts.
- 15 Current cost statement.
- 16 Auditors' report.

FORTNUM & MASON LIMITED

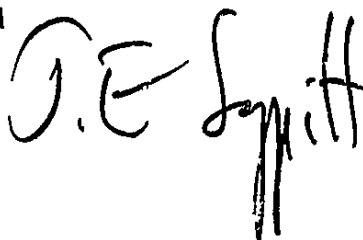
Notice of annual general meeting

Notice is hereby given that the seventy-third annual general meeting of the company will be held at the May Fair Hotel, Berkeley Street, London W1 on Wednesday, 26th July 1978 at 12.30 p.m. for the following purposes:—

- 1 To receive and adopt the accounts for the year ended 28th January 1978 together with the reports of the directors and auditors thereon.
- 2 To declare a final dividend on the ordinary stock of the company.
- 3 To re-appoint directors retiring under the articles of association.
- 4 To re-appoint Messrs. Price Waterhouse & Co. as auditors of the company and to authorise the directors to fix their remuneration.

By order of the board
J. E. Soppitt
Secretary

30th June 1978



Registered Office—
181 Piccadilly
London W1A 1ER

NOTES:

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote instead of him. The person appointed need not be a member of the company. Forms of Proxy, if used, must be lodged at the registered office at least 48 hours before the meeting.
2. This notice is sent to preference stockholders for information only.
3. Preference stock and ordinary stock dividend warrants will be posted on 30th June 1978 and 3rd August 1978 respectively.

FORTNUM & MASON LIMITED

Directors and Professional Advisers

Chairman

W. Garfield Weston

Vice-Chairman

W. G. Galen Weston

Directors

Pamela E. Cooper

T. G. Lewis—General Manager

A. Rees

W. A. Tweddle

Garry H. Weston

Secretary and Registered Office

J. E. Soppitt, F. C. A.

181 Piccadilly, London W1A 1ER

Auditors

Price Waterhouse & Co.

Chartered accountants

Southwark Towers

32 London Bridge Street

London SE1 9SY

Solicitors

A. Kramer & Co.

40 Portland Place

London W1N 4BA

Bankers

Bank of Scotland

Haymarket branch

57/60 Haymarket

London SW1Y 4QY

Registrar and Transfer Office

M. R. Gore, A.C.I.S.

17 Camden Road, London NW1 9LJ

FORTNUM & MASON LIMITED

Chairman's statement

I am pleased to report that the year under review has produced sales of £7,983,000 which is a new record and shows an increase of 19% over the previous year.

The management has made strenuous efforts during the past twelve months to contain the cost pressures which adversely affected your company's profitability in the previous year. It is gratifying to be able to report that the trading profits have reflected the efforts made and for the year total some £838,000. The taxation charge for the year totals £526,607 and leaves a balance of profit attributable to shareholders of £518,713.

Although this is a substantial improvement on 1977, it must be viewed in the light of the lower profit achieved in that year, and represents the level of profitability in relation to turnover which must be attained if we are to preserve the unique level of service and quality which is associated with our name.

The Board have decided this year to maintain the same rate of ordinary dividend as that paid in 1977 at 20.8p. per unit. After allowing for the payment of the interim dividend of 3.5p. per unit, the amount due for distribution is 17.3p. per unit of stock. The interim dividend was paid as is normal on the 31st December 1977, and the dividends due on the preference stock have and will be paid on the due dates.

As has been previously stated, we have paid particular interest in the Jubilee year to the shop premises; the exterior paint work was refurbished and the outside stone work completely washed, in preparation for the celebrations. These efforts were rewarded by a substantial flow of trade during the summer months from the many overseas visitors to London.

It has been the consistent policy of your Board, over many years, to devote a high proportion of the cash flow from our trading activities into upgrading and extending both the facilities within the store and the range and quality of merchandise which we carry. The past year has been no exception and during the year included the extension of the patio and mezzanine bar, and the complete re-organization of the ladies fashion wear departments on the first floor. We have extended our antique departments and have achieved notable success in this activity particularly in porcelain and bronze. Of particular note has been the continuing development of our wholesale export department which has proved to be one of the most successful new departments of recent years.

With this report I am sad to announce the retirement of one of our directors, Mr. Alun Rees. Mr. Rees joined the company in February 1957 and has served it untiringly until his forth-coming retirement at the end of this month. His particular concerns have been in the kitchen equipment and stationery departments (including electrical goods), but he has always maintained a great interest in the total store and its image with the outside world. We all hope that his retirement will be long and happy.

One of the major assets of your company is its reputation for service to its customers and this report would not be complete without offering the thanks of myself and all of the Board to all the staff for the loyalty and devotion to duty everyone has shown in what has proved to be a very taxing year.

FORTNUM & MASON LIMITED

Chairman's statement *continued*

In the current year we look for another satisfactory result although at this stage it is too early to predict the likely flow of customers and the level of spending. Much will once again depend on the tourist factor and the strength, not only of our own economy but those of North America, Europe and Japan from where so much of our custom is now derived.

I am convinced that for Fortnum & Mason to continue to prosper in the years to come, it will be necessary to preserve that unique blend of quality and service for which its name is known throughout the world. To preserve these standards when the pressures of the day are to streamline and eliminate, often at the customers' expense, is a continuing challenge but one which I know we shall meet successfully.

W. GARFIELD WESTON



FORTNUM & MASON LIMITED

Report of the directors

The directors submit to the members their seventy-third annual report together with the accounts of the company for the year ended 28th January 1978.

Profit and dividends

The profit and loss account on page 8 shows the profit for the year ended 28th January 1978. The balance available to shareholders amounted to £518,713 (1977—£275,348). A final dividend of 17.3% net on the ordinary stock is proposed (1977—17.3%).

The final dividend is calculated on the basis at an Advance Corporation Tax rate of 34%: any change in the rate of Advance Corporation Tax will be adjusted in the next dividend payment.

Principal activities

The company continued its activities as a department store during the year.

Fixed assets

The directors consider the present value of the leasehold property is considerably in excess of the net book amount; they do not consider it worth the expense to have the property formally valued.

Inflation Accounting

There is included on page 15 of these accounts a Current Cost Statement which has been prepared in accordance with the interim recommendation of the Accounting Standards Committee.

Employees

The average number of employees per week amounted to 458 (1977—466) and the aggregate remuneration for the year amounted to £1,307,599 (1977—£1,139,836).

Charitable donations and political contributions

Charitable donations for the year amounted to £175 (1977—£168). There were no contributions to any political organisation during the year (1977—nil).

Directors

The following changes in directorships have taken place since 30th January 1977.

Appointed

T. G. Lewis, General Manager 1st June 1978

Resigned

J. Newton	6th July 1977
G. D. Morton	25th November 1977
H. W. Bailey	17th January 1978
H. M. Mortimer	5th April 1978

FORTNUM & MASON LIMITED

Report of the Directors continued

Directors (continued)

In accordance with the articles of association Mr. T. G. Lewis retires and being eligible, offers himself for re-election. Mr. Garry H. Weston retires by rotation, and being eligible, offers himself for re-election.

A list of the present directors of the company is shown on page 2 and the schedule of their beneficial interests, including family interests, in the shares and debentures of the group is shown on page 7.

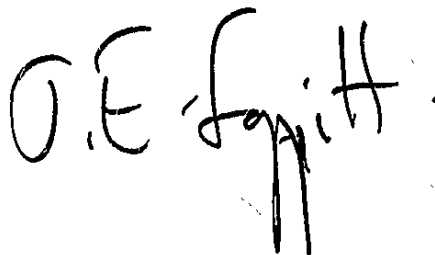
Exports

The value of goods exported from the United Kingdom during the year amounted to £1,105,738 (1977—£856,355).

Auditors

The auditors, Price Waterhouse & Co., have indicated their willingness to be re-appointed.

By order of the board
J. E. Soppitt Secretary
30th June, 1978



FORTNUM & MASON LIMITED

Statement of directors' interests

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

	28th January 1978	30th January 1977
W. Garfield Weston		
Associated British Foods Limited, ord. shares of 5p	400,000	400,000
Fortnum & Mason Limited, ord. stock units of £1	1,000	—
W. G. Galen Weston		
Wittington Investments Limited, ord. shares of 50p	37,953	37,953
George Weston Holdings Limited, ord. shares of 50p	12,498	12,498
Associated British Foods Limited, ord. shares of 5p	501,230	501,230
Garry H. Weston		
Wittington Investments Limited, ord. shares of 50p	16,994	12,948
George Weston Holdings Limited, ord. shares of 50p	1,535	1,515
Associated British Foods Limited, ord. shares of 5p	395,657	393,751
Pamela E. Cooper		
Associated British Foods Limited, ord. shares of 5p	136,150	136,150
5½% unsecured loan stock 1987/2002, 50p units	132	132
7½% unsecured loan stock 1987/2002, 50p units	467	467
William A. Tweddle		
Associated British Foods Limited, ord. shares of 5p	7,000	7,000

Notes

- 1 W. Garfield Weston is a joint trustee of trusts in which he has no beneficial interest, which at 28th January 1978 held 250,250 ordinary shares of 5p (1977—500,250) in Associated British Foods Limited.
- 2 W. Garfield Weston, Garry H. Weston and W. G. Galen Weston are trustees of a trust, in which they have no beneficial interest, which at 28th January, 1978 held 286,545 ordinary shares of 50p (1977—286,545) in Wittington Investments Limited, and 335,002 ordinary shares of 50p (1977—335,002) in George Weston Holdings Limited.
- 3 Garry H. Weston is a trustee of a trust in which he has no beneficial interest, which at 28th January 1978 held 1,281,000 ordinary shares of 5p (1977—1,281,000) in Associated British Foods Limited.
- 4 Some of the shares held by Pamela E. Cooper are being acquired over a period of years under schemes of purchase.
- 5 The above interests did not change between 28th January 1978 and the date of this report.
- 6 Except as shown above none of the directors had any interests.

FORTNUM & MASON LIMITED

Profit and loss account

for the year ended 28th January 1978

	Notes	1978 £	1977 £
Turnover	1 (i)	7,983,470	6,691,307
Trading profit	2	838,570	345,512
Interest receivable		206,750	212,481
Profit before taxation		1,045,320	557,993
Taxation	5	526,607	282,645
Profit after taxation		<u>£518,713</u>	<u>£275,348</u>
Dividends:			
Preference of 4.9p per unit of stock (1977—4.9p per unit)		8,575	8,575
Interim ordinary of 3.5p per unit of stock (1977—3.5p per unit)		14,875	14,875
Proposed final ordinary of 17.3p per unit of stock (1977—17.3p per unit)		73,525	73,525
		<u>96,975</u>	<u>96,975</u>
		421,738	178,373
Retained profit brought forward		2,612,804	2,434,431
Retained profit carried forward		<u>£3,034,542</u>	<u>£2,612,804</u>
Earnings per share	4	120.0p	62.7p

The notes on pages 11 to 14 form part of these accounts.

FORTNUM & MASON LIMITED

Balance sheet as at 28th January 1978

	Notes	1978 £	1977 £
Fixed assets	1(ii) & 6	<u>603,980</u>	<u>622,514</u>
Assurance policy at surrender value ...		<u>76,797</u>	<u>73,688</u>
Current assets			
Stock		1,666,928	1,318,026
Debtors and prepayments		990,239	1,043,397
Amounts due from holding company and fellow subsidiaries		332,458	88,909
Loan to holding company	7	1,250,000	—
Bank balances and cash		368,017	1,269,726
		<u>4,607,642</u>	<u>3,720,058</u>
Deduct Current liabilities			
Creditors and accrued charges		1,142,981	697,840
Amounts due to holding company and fellow subsidiaries		86,639	177,797
Dividends payable	8	74,240	74,240
		<u>1,303,860</u>	<u>949,877</u>
Net current assets		<u>3,303,782</u>	<u>2,770,181</u>
		<u><u>£3,984,559</u></u>	<u><u>£3,466,383</u></u>
Represented by:			
Share capital	9	600,000	600,000
Reserves	10	3,034,542	2,612,804
		<u>3,634,542</u>	<u>3,212,804</u>
Deferred taxation ... ..	... 1(iv) & 5	350,017	253,579
		<u><u>£3,984,559</u></u>	<u><u>£3,466,383</u></u>

W. GARFIELD WESTON

W. G. GALEN WESTON

} Directors *W. Garfield Weston*
W. Galen Weston

The notes on pages 11 to 14 form part of these accounts.

FORTNUM & MASON LIMITED

Source and Application of Funds

for the year ended 28th January 1978

	1978 £	1977 £
Source of funds		
Profit before taxation	1,045,320	557,993
Add: depreciation	91,860	50,690
	<u>£1,137,180</u>	<u>608,683</u>
Application of funds		
Working capital:		
Increase in stock	348,902	300,150
(Decrease)/increase in debtors	(53,158)	77,544
(Increase)/decrease in creditors	(445,141)	109,729
Net increase in amounts due from holding company and fellow subsidiaries	1,584,707	109,962
Net increase in working capital	<u>1,435,310</u>	<u>597,385</u>
Taxation paid/payment for group relief	430,169	181,925
Ordinary and preference dividends paid	96,975	89,325
Capital expenditure less disposals	76,435	42,030
	<u>£2,038,889</u>	<u>£910,665</u>
(Decrease) in liquid funds	<u>£(901,709)</u>	<u>£(301,982)</u>

FORTNUM & MASON LIMITED

Notes to the accounts

1 Accounting policies

(i) Turnover

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

(ii) Fixed assets

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

Short leasehold	—	over remaining period of lease
Fixtures and equipment	—	10%
Works of art	—	are written off in the year of acquisition

(iii) Stocks

Stocks are stated at the lower of cost and net realisable value.

(iv) Deferred Taxation

Deferred taxation represents Corporation Tax deferred by means of stock appreciation relief claims, less Advance Corporation Tax recoverable against Corporation Tax liabilities in future years.

(v) Foreign Currency

All items in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date.

2 Trading profit

The trading profit is stated after charging:

	1978	1977
Depreciation	91,860	50,690
Management charge from holding company	15,000	15,000
Hire of Vehicles	89,466	80,755
Auditors' remuneration	9,650	7,750
Directors' emoluments: (note 3)		
Fees	600	760
Management services	16,979	14,006

FORTNUM & MASON LIMITED

Notes continued

3 Directors' emoluments (excluding pension contributions)

							1978	1977
(i) Emoluments of:								
Chairman	...	...	...	...	...	...	Nil	Nil
Highest paid director	...	...	...	...	...	...	£7,100	£6,933
(ii) Other directors' emoluments (excluding Pension Contributions)							Number of directors	Number of directors
Nil	—	£2,000	...	...	...	...	6	8
£2,501	—	£5,000	...	...	...	...	2	2
(iii) Waived by directors								
Number of directors	...	...	...	...	...	...	2	2
Amount waived	...	...	...	...	...	...	£200	£200

4 Earnings per share

The calculation of earnings per share is based on earnings of £510,138 (1977—£266,773) and 425,000 ordinary stock units in issue.

5 Taxation

Taxation at the rate of 52% is based on profits for the year and the charge in the profit and loss account is made up as follows:

							1978	1977
Corporation tax	...	...	...	...	...	...	436,486	196,940
Deferred taxation	...	...	...	...	...	...	107,775	119,877
Prior year adjustments	...	...	...	...	...	...	(17,654)	(34,172)
							£526,607	£282,645

The 1977 liability for Corporation Tax has been satisfied by a payment for group relief to a fellow subsidiary. It is expected that the 1978 liability will be similarly relieved.

The company comes within the close company provisions of Section 282 of the Income and Corporation Taxes Act 1970.

Deferred taxation payable is comprised as follows:

							1978	1977
Taxation deferred by Stock Appreciation Relief	...	...	...	...	...	...	405,082	297,307
Less: Advance Corporation Tax	...	...	...	...	...	...	(55,065)	(43,728)
							£350,017	£253,579

FORTNUM & MASON LIMITED

Notes continued

6 Fixed assets

		Short Leasehold Property	Fixtures and equipment	Works of art	Total
Cost or valuation		£	£	£	£
Balance at 29th January 1977	...	778,321	568,235	83,000	1,429,556
Additions	... ..	—	10,602	69,000	79,602
Disposals	... ..	—	(9,668)	—	(9,668)
Balance at 28th January 1978	...	<u>778,321</u>	<u>569,169</u>	<u>152,000</u>	<u>1,499,490</u>
Representing					
Cost	... ..	54,821	569,169	152,000	775,990
Valuation - 1956	... ..	723,500	—	—	723,500
		<u>778,321</u>	<u>569,169</u>	<u>152,000</u>	<u>1,499,490</u>
Depreciation					
Balance at 29th January 1977	...	196,052	527,990	83,000	807,042
Charge for the year	... ..	16,932	5,928	69,000	91,860
Disposals	... ..	—	(3,392)	—	(3,392)
Balance at 28th January 1978	...	<u>212,984</u>	<u>530,526</u>	<u>152,000</u>	<u>895,510</u>
Net book amount					
28th January 1978	... ..	<u>£565,337</u>	<u>£38,643</u>	<u>£Nil</u>	<u>£603,980</u>
29th January 1977	... ..	<u>£582,269</u>	<u>£40,245</u>	<u>£Nil</u>	<u>£622,514</u>

7 Loan to holding company

The loan bears interest at rates calculated by reference to the Bank of Scotland base rate.

8 Dividends payable

	1978	1977
Accrued preference dividend	715	715
Proposed final dividend on ordinary stock	73,525	73,525
	<u>£74,240</u>	<u>£74,240</u>

FORTNUM & MASON LIMITED

Notes continued

9 Share capital

AUTHORISED:

4.9% cumulative preference units of £1 each	...	...	...	...	175,000
Ordinary stock units of £1 each	...	...	...	...	425,000
Ordinary shares of £1 each	...	...	...	...	150,000
					<u>£750,000</u>

ISSUED AND FULLY PAID:

4.9% cumulative preference stock units of £1 each	...	...	...	175,000
Ordinary stock units of £1 each	...	...	...	425,000
				<u>£600,000</u>

10 Reserves

Of the reserves at 28th January 1978, £118,717 relates to the share premium account and a further £505,207 relates to the surplus on revaluation of leasehold property.

11 Ultimate holding company

The company's ultimate holding company is Wittington Investments Limited, incorporated in Great Britain.

FORTNUM & MASON LIMITED

Current Cost Statement

for the year ended 28th January 1978

						Note	£'000
Turnover	...	...	...	...	...		7,983
Trading profit	...	...	...	...	...		839
Less: Adjustments							
Depreciation	...	...	...	...	...	1	190
Cost of Sales	...	...	...	...	...	2	157
							347
							492
Interest receivable	...	...	...	...	...		207
							699
Gearing adjustment	...	...	...	...	...	3	162
Profit before taxation	...	...	...	...	...		537
Taxation	...	...	...	...	...	4	419
Profit after taxation	...	...	...	...	...		118
Dividends	...	...	...	...	...		97
Adjusted retained profit	...	...	...	...	...		£21

Notes

This statement has been prepared in accordance with the interim recommendations by the Accounting Standards Committee.

The basis on which the adjustments have been made are:

1 Depreciation. Current costs are determined by reference to estimated replacement valuations for insurance purposes. Depreciation of the short leasehold property is based on remaining life of the lease; depreciation of the fixed assets is based on the expected lives of the assets. The difference between this figure and historic depreciation is the adjustment required.

2 Cost of sales. The current cost of goods sold has been determined by correcting the historic cost of sales for the price change between purchase and sale, using CSO Index 3040 which is the appropriate index for department stores. The difference between this figure and the historic cost of the goods is the cost of sales adjustment.

3 Gearing. The gearing adjustment is calculated by applying the increase in the retail price index to the average net monetary assets and reflects the change in purchasing power of money during the year.

4 Taxation. The taxation charge excludes the provision for Deferred Taxation in respect of stock relief and represents the tax or group relief expected to be payable in the foreseeable future on the profits for the year.

FORTNUM & MASON LIMITED

Auditor's report

To the members of Fortnum & Mason Limited

The accounts and notes on pages 8 to 14 have been prepared under the historical cost convention as modified by the revaluation of property. In our opinion these accounts give, under the convention stated above, a true and fair view of the state of the company's affairs at 28th January 1978 and of its profits and source and application of funds for the year then ended and comply with the Companies Acts 1948 and 1967.

We have examined the Current Cost Statement together with the notes thereon on page 15 for the year ended 28th January 1978. In our opinion, the statement has been properly prepared, in accordance with the methods set out in the notes, to give the information proposed in the Accounting Standards Committee's Interim Recommendation on Inflation Accounting of November 1977.

Southwark Towers
32 London Bridge Street
London SE1 9SY.
30th June, 1978

Price Waterhouse & Co.
Price Waterhouse & Co.
Chartered Accountants