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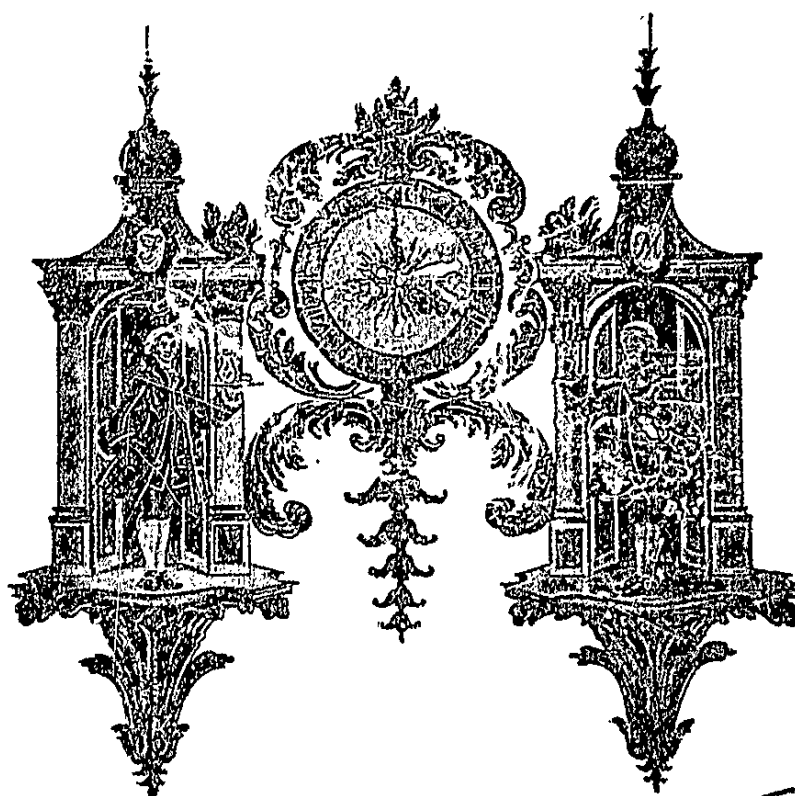
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BY APPOINTMENT
TO HER MAJESTY QUEEN ELIZABETH II
GROCEERS & PROVISION MERCHANTS
FORTNUM & MASON LTD., LONDON

FORTNUM & MASON LTD



REPORT AND ACCOUNTS 1981

FORTNUM & MASON LIMITED

Directors and professional advisers

Chairman

Garry H. Weston

Vice-Chairman

W. G. Galen Weston

Directors

Mrs. C. H. W. Dalglish

J. G. Lithiby

F. W. Lockyer

Mrs. M. D. W. Rebanks

Secretary and registered office

F. W. Lockyer, F.C.A., A.T.I.I.

181 Piccadilly, London W1A 1ER

Auditors

Price Waterhouse

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

Notice of annual general meeting

Notice is hereby given that the seventy-sixth annual general meeting of the company will be held at the Bowater Conference Centre, Bowater House, 68 Knightsbridge, London, SW1X 74R on Friday 31st July 1981 at 10.30 a.m. for the following purposes:—

- 1 To receive and adopt the accounts for the 53 weeks ended 31st January 1981 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 Price Waterhouse as auditors of the company and to authorise the directors to fix their remuneration.

By order of the board

F. W. Lockyer

Secretary

7th July 1981

Registered office

181 Piccadilly,

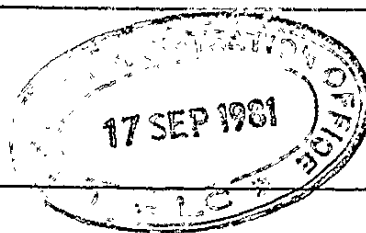
London W1A 1ER

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 26th June 1981 and 14th August 1981 respectively.

FORTNUM & MASON LIMITED

Chairman's statement



TRADING RESULTS

The financial year ended on 31st January 1981, resulted in a loss on trading of £322,000. This reverse was due mainly to the deepening recession which began in the spring of 1980, resulting in an abrupt downturn in retail spending affecting most departments throughout the store. The combination of reduced spending, exacerbated for our overseas customers by the strength of sterling and continued cost inflation, squeezed margins resulting in the trading loss already referred to. The results for the year have also been adversely affected by the need to take drastic action in several departments to lower costs, dispose of obsolete and excess stock and reduce staff numbers. The costs associated with achieving these improvements in operating efficiency made a substantial impact on the results.

MANAGEMENT

In the last two years a major effort has been in process at Fortnum & Mason to improve the management and operational systems and to provide the framework for future growth and development.

New management has been appointed at all levels and this process is continuing in order to complement the talents of existing staff with the professionalism and merchandising skills required to justify a reputation as one of the world's leading stores.

Tighter financial disciplines have been introduced backed up by computerised accounting. Excess stock holdings and staffing levels have been reduced. Some selling departments have been closed and overhead costs have been cut back. This reorganisation will be completed during the current year.

The actions taken have already resulted in lower, but better quality stockholdings and in improved terms from our suppliers. However, there are inevitably non-recurring costs arising from such rationalisation and these have to be met out of trading income.

Steps have recently been taken to strengthen those departments which will play an important role in the long-term development of the store. At the most senior level, a new merchandising director has been appointed to head the food and restaurant departments and additional buyers are being sought for the grocery and non-food departments. The objective is to introduce new ranges of merchandise, new products and new ideas. As part of this policy a linen department has opened on the second floor with a range of exclusive linens from the House of Descamps and shortly we shall be opening a children's wear department.

Since the end of the financial year we have accepted the resignation of Mr. David Jaggs, the managing director. Mr. Jaggs joined us in August 1979, and made a valuable contribution to the rationalisation and reorganisation of the store.

In his place we welcome Mr. L. Griffin, who has agreed to act as general manager pending the appointment of a new managing director. Mr. Griffin has long experience in department store management, having recently retired as managing director of Welwyn Department Store.

FUTURE DEVELOPMENT

The actions taken in the past two years to strengthen the management and reorganise the control systems have been essential to prevent further erosion of the company's business. The long-term objective must be to further improve the high standards and style of

FORTNUM & MASON LIMITED

Chairman's statement continued

Fortnum's as an exclusive purveyor of foods and quality merchandise. The store in its present form has occupied the site in Piccadilly since 1924 and although much money has been spent on maintaining the existing assets, there has been an increasing need for investment in new fixtures and equipment. The present trading profile of the store can no longer generate adequate sales revenue in relation to its operating costs. In the groceries and provisions departments and the ground-floor restaurant much of the existing equipment although serviceable is old, outdated and expensive to maintain. Fortnum's reputation was founded upon its grocery and provision departments and their continued success is fundamental to the company's overall future. A study of the food departments has been completed and confirms that there are considerable opportunities to upgrade and expand the grocery and provisions operations. Detailed plans and specifications have therefore been commissioned in conjunction with an international firm of design consultants which provide for total refurbishment of the ground-floor area to provide what will be one of the finest food store environments in the world. This refurbishment will begin in the autumn of 1981 and the work is expected to be completed by spring 1982. Associated with these new developments we intend to concentrate more effort in marketing Fortnum & Mason food products abroad. To that end we have entered into an agreement with a different North American distributor of our food products and already our export sales to the United States in the current year exceed the whole of last year's sales in that market. We are looking for substantial growth in our total export sales this year and so far sales are in excess of our targets.

EFFECT OF NEW CAPITAL INVESTMENT

In evaluating the refurbishment proposals the Board not only considered the capital cost involved in relation to the anticipated longer-term return, but also the disruption of trading during the refurbishment period and the consequent effect on profitability during the current trading year and in 1982. The total cost of the redevelopment of the grocery and provision departments will be approximately £1 million. This expenditure will have an adverse impact on profitability in the short-term. Firstly, there will be the physical dislocation of trade during the refurbishment period, the effect of which is impossible to quantify, but great effort will be made to minimise inconvenience to customers and to curtail the time taken to complete the scheme. Secondly, the cash expenditure will reduce our investment income. It was this income which in 1980/1981, enabled the company still to record an overall profit, even after the loss on trading activities. Thirdly, associated with the large capital sum being expended to improve facilities there will inevitably be costs to be charged against the company's trading income. Shareholders must therefore be prepared to face a further year of adverse trading results. The Board and members of staff will do all in their power to ensure that this period of transition is completed swiftly with least upset to customers and cost to shareholders. We believe that the investment in upgrading and enlarging the food and restaurant departments will be justified both by the improved profits generated in those departments and by the additional customer traffic created in the other areas of the store.

FORTNUM & MASON LIMITED

Chairman's statement continued

EXISTING GROUND LEASE

The premises in Piccadilly are occupied under a ground lease having an unexpired term of 43 years. In considering the options available at the time of the decision to refurbish the ground-floor the Board consulted with Messrs J. Trevor & Sons, one of the major firms of property agents and surveyors in London, to assess the advisability of committing substantial funds in view of the relatively short period of lease remaining.

The advice was that the existing unexpired lease must be regarded as a short lease and as such would have an inhibiting effect on the value of any future investment in the development of the property. The recommendation was that an approach be made to the freeholder with a view to purchasing the freehold or alternatively extending the terms of the present lease to one of 125 years duration.

On the basis of the present leasehold tenure and present user the open market valuation placed on the company's interest as at April 1981 is £5 millions. The valuers further reported that if a freehold interest or 125 year lease were to be obtained then the corresponding open market value placed on the property assuming present user would be £8.8 millions.

The valuers also recommended consideration of alternative use of the upper floors of the property and added that they considered it feasible that the fourth, fifth and sixth floors could be converted to general office user. The valuers indicated that if the company was able to negotiate a long lease of 125 years at a nominal rent and obtain permission for office user on the top three floors, then the lease would have a value of some £17.5 millions. This valuation assumed that the conversion works and associated expenditure which were estimated to cost in the region of £3 millions had been completed and that the resulting office space was fully let.

NEW GROUND LEASE

As a result of the valuers' report your Board has taken the view that it is of paramount importance to the future of the company to secure the long-term tenure of the Piccadilly premises. Following discussions with the freeholders, agreement has been reached for the purchase of a new long lease of 125 years at £10 per annum. The premium payable to secure the extended lease is £1.75 millions.

The expenditure to acquire the new lease when taken together with the refurbishment costs would total some £2.75 millions, which exceeds the company's present cash resources.

An agreement has therefore been reached with our holding company, George Weston Holdings Ltd., whereby that company will purchase the long lease from the freeholders whilst Fortnum & Mason Ltd. will continue occupying the premises on the same terms as at present. In addition, George Weston Holdings Ltd. has granted to Fortnum & Mason Ltd., for no consideration, the option to acquire the long lease at the original cost of £1.75 millions to the parent company at any time within the next ten years. It is proposed that at any time within this ten year period the ordinary shareholders of Fortnum & Mason Ltd. will have the opportunity to exercise that option by voting in a general meeting. The parent company, George Weston Holdings Ltd., has undertaken not to oppose the passing of such a resolution.

FORTNUM & MASON LIMITED

Chairman's statement continued

BOARD POLICY

It is not the intention of your Board at this stage to pursue the planning proposals to redevelop the top three floors for office user. As already indicated, we are committed to operating the Piccadilly premises as a successful department store and we do not believe it to be in shareholders' best interests to divert our efforts away from the achievement of that objective. Furthermore, we believe that the major physical disruption to trade which would result from attempting to carry out refurbishment and redevelopment work in one programme would have a disastrous impact on the company's trading relationship with its customers.

One cannot predict the future or guarantee success for any business in these uncertain times, but it is reassuring for shareholders to know that the company holds as its principal asset one of the prime property sites in the West End of London.

FUTURE PROSPECTS

I have already indicated that shareholders must be prepared to face another year of adverse trading results due to the continuing reorganisation programme and the refurbishment of the grocery and provisions departments. The extent to which these results are adverse must inevitably be governed by the overall level of trading which again will be affected by general economic conditions. I believe however that, before allowing for the costs caused by the refurbishment, the level of trading for the year will show some improvement and I am confident that we are laying the foundation for the future prosperity of this company.

APPRECIATION

It is usual to record the appreciation of the Board to the staff for their services during the past year. I wish to pay tribute to the enormous contribution made during the past year by all those of our staff, including those who have recently retired, to the continuing operation of the business in the most difficult trading period we have experienced. Their loyalty, dedication and support has been unstinting. On behalf of the Board, I thank them.

GARRY H. WESTON

FORTNUM & MASON LIMITED

Report of the directors

The directors submit their seventy-sixth annual report together with the accounts of the company for the 53 weeks ended 31st January 1981.

Profit and dividends

The profit and loss account on page 10 shows the profit for the 53 weeks ended 31st January 1981. The balance available to shareholders amounted to £302,000 (1980—£272,000). A final dividend of 19.72% net on the ordinary stock is proposed (1980—19.72%). The final dividend is calculated on the basis of an advance corporation tax rate of 30%.

Principal activities

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

Directors

The following changes in directorships have taken place since 26th June 1980, the date of the last annual report.

Appointed:

F. W. Lockyer	15th April 1981
J. G. Lithiby	16th June 1981

Resigned:

D. A. Hanney	22nd August 1980
Mrs. L. Prescott	22nd August 1980
W. Kean	22nd August 1980
D. F. L. Jaggs	15th April 1981

Mrs. L. Prescott and Messrs. D. A. Hanney and W. Kean continue as directors of the company's wholly owned subsidiary Fortnum & Mason (London) Limited.

In accordance with the articles of association Messrs. F. W. Lockyer and J. G. Lithiby retire and being eligible offer themselves for re-election.

Mr. W. G. Galen Weston and Mrs. C. H. W. Dalglish retire by rotation and being eligible offer themselves for re-election.

A list of the present directors of the company is shown on page 1 and the schedule of their beneficial interests, including family interests, in the shares and debentures of the group is shown on page 9.

FORTNUM & MASON LIMITED

Report of the directors continued

Fixed assets

The directors instructed Messrs. J. Trevor & Sons, valuers, to value the company's leasehold interest in the Piccadilly premises. They have reported that the open market value of the company's leasehold interest with full vacant possession and assuming its use restricted to a departmental store in single occupation was £5,000,000 at 24th October 1980.

This estimated open market value has been incorporated in the current cost accounts shown on pages 17 to 19.

Employees

The average number of employees per week amounted to 419 (1980—471) and the aggregate remuneration for the year amounted to £1,855,418 (1980—£1,644,366).

Charitable donations and political contributions

Charitable donations for the year amounted to £230 (1980—£435). There were no contributions to any political organisation during the year (1980—nil).

Exports

The value of goods exported from the United Kingdom during the year amounted to £913,150 (1980—£860,491).

Auditors

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

By order of the board

F. W. Lockyer Secretary

7th July 1981

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:

	31st January 1981	27th January 1980
Garry H. Weston		
Wittington Investments Limited, ord. shares of 50p	16,994	16,994
George Weston Holdings Limited, ord. shares of 50p	1,535	1,535
Associated British Foods Limited, ord. shares of 5p	395,657	395,657
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	627,356	503,230
Mrs. C. H. W. Dalglish		
Wittington Investments Limited, ord. shares of 50p	15,300	15,300
George Weston Holdings Limited, ord. shares of 50p	6,228	6,228
Associated British Foods Limited, ord. shares of 5p	262,321	262,321
Fortnum & Mason Limited, ordinary stock units of £1	100	—
D. F. L. Jaggs		
Fortnum & Mason Limited, ordinary stock units of £1	100	100
Mrs. M. D. W. Rebanks		
Wittington Investments Limited, ord. shares of 50p	15,500	15,500
George Weston Holdings Limited, ord. shares of 50p	6,662	6,662
Associated British Foods Limited, ord. shares of 5p	167,046	167,046
Fortnum & Mason Limited, ord. stock units of £1	100	—

Notes

1 Garry H. Weston and W. G. Galen Weston are trustees of a trust, in which they have no beneficial interest, which at 31st January 1981 held 448,785 ordinary shares of 50p (1980—448,785) in Wittington Investments Limited, and 198,008 ordinary shares of 50p (1980—198,008) in George Weston Holdings Limited.

2 Garry H. Weston is a trustee of a trust in which he has no beneficial interest, which at 31st January 1981 held 1,000,000 ordinary shares of 5p (1980—1,281,000) in Associated British Foods Limited.

3 Mrs. C. H. W. Dalglish, D. F. L. Jaggs, Mrs M. D. W. Rebanks and W. G. Galen Weston each held 500 ordinary stock units and Garry H. Weston held 1,000 ordinary stock units of £1 each in Fortnum & Mason Limited at 31st January 1981 in which they have no beneficial interest. F. W. Lockyer and J. G. Lithiby each held at the date of his appointment 500 ordinary stock units of £1 each in Fortnum & Mason Limited in which they have no beneficial interest.

4 Since the end of the financial year D. F. L. Jaggs has transferred his non-beneficial interest in 500 ordinary stock units of £1 each in Fortnum & Mason Limited. There have been no other changes in the above holdings between 31st January 1981 and 8th June 1981.

5 No director has had a material interest in a contract with the company during the year.

FORTNUM & MASON LIMITED

Profit and loss account

for the 53 weeks ended 31st January 1981



	Notes	1981 £'000	1980 £'000
Turnover		<u>8,421</u>	<u>8,330</u>
Trading (loss)/profit	2	(322)	148
Interest receivable	8	<u>441</u>	<u>430</u>
Profit before taxation		119	578
Taxation	5	<u>(183)</u>	<u>306</u>
Profit after taxation		<u>302</u>	<u>272</u>
Dividends:			
Preference of 4.9p per unit of stock (1980 — 4.9p per unit)		8	8
Interim ordinary of 3.5p per unit of stock (1980—3.5p per unit)		15	15
Proposed final ordinary of 19.72p per unit of stock (1980—19.72p per unit)		<u>84</u>	<u>84</u>
		<u>107</u>	<u>107</u>
Retained profit transferred to reserves ...	11	<u>195</u>	<u>165</u>
Earnings per share	4	69.13p	62.01p

The notes on pages 13 to 16 form an integral part of these accounts.

FORTNUM & MASON LIMITED

Balance sheet as at 31st January 1981

	Notes	1981 £'000	1980 £'000
Fixed assets	6	1,025	907
Interests in subsidiaries	7	2	—
Assurance policy at surrender value		87	83
Current assets			
Stock		1,279	1,448
Debtors and prepayments		1,085	1,253
Amounts due from immediate holding company and fellow subsidiaries		231	71
Taxation recoverable		38	—
Bank balances and cash	8	2,127	2,214
		<u>4,760</u>	<u>4,986</u>
Deduct: Current liabilities			
Creditors and accrued charges		1,071	1,085
Amounts due to immediate holding company and fellow subsidiaries		55	162
Dividends payable	9	84	84
Taxation		—	26
		<u>1,210</u>	<u>1,357</u>
Net current assets		<u>3,550</u>	<u>3,629</u>
		<u>4,664</u>	<u>4,619</u>
Represented by:			
Share capital	10	600	600
Reserves	11	4,064	3,869
		<u>4,664</u>	<u>4,469</u>
Deferred taxation	5	—	150
		<u>4,664</u>	<u>4,619</u>

 GARRY H. WESTON Chairman
 F. W. LOCKYER Director

7th July, 1981

The notes on pages 13 to 16 form an integral part of these accounts.

FORTNUM & MASON LIMITED

Source and application of funds

for the 53 weeks ended 31st January 1981

	1981 £'000	1980 £'000
Source of funds		
Profit before taxation	119	578
Add: depreciation	54	46
	<u>173</u>	<u>624</u>
Application of funds		
Dividends paid	107	107
Taxation paid/payment for group relief	364	348
Purchase of fixed assets	172	152
Acquisition of subsidiaries	2	—
	<u>645</u>	<u>607</u>
	<u>(472)</u>	<u>17</u>
Increase/(decrease) in working capital		
(Decrease) in stock	(169)	(2)
(Decrease)/increase in debtors	(168)	145
Decrease/(increase) in creditors	14	(92)
Net (decrease)/increase in amounts due from immediate holding company and fellow subsidiaries	(62)	218
	<u>(385)</u>	<u>269</u>
Movement in net liquid funds:		
(Decrease) in cash balances	(87)	(252)
	<u>(472)</u>	<u>17</u>

FORTNUM & MASON LIMITED

Notes to the accounts

1 Accounting policies

(i) Turnover

Turnover represents amounts charged 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 property — over remaining period of lease

Fixtures and equipment — between 5 and 10 years

Works of art are included at cost.

(iii) Stocks

Stocks which comprise merchandise held for resale are stated at the lower of cost and net realisable value.

(iv) Deferred taxation

Provision is made for taxation on timing differences between profits stated in the accounts and profits computed for taxation purposes if there is reasonable probability that such taxation will become payable in the foreseeable future.

(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 (loss)/profit

	1981	1980
	£	£
The trading (loss)/profit is stated after charging:		
Depreciation	53,572	46,442
Hire of vehicles	99,799	112,327
Auditors' remuneration	17,500	16,000
Directors' emoluments: (note 3)		
Fees	574	686
Management services	16,744	46,673
Management charge from immediate holding company	20,000	20,000

Certain services are provided by the immediate holding company and a proportion of the cost of these is recovered by means of a management charge.

FORTNUM & MASON LIMITED

Notes continued

3 Directors' emoluments (excluding pension contributions and since dates of appointment where applicable)

(i) Emoluments of:	1981	1980
Chairman	£100	£160
Highest paid director	£5,812	£9,630
(ii) Other directors' emoluments (excluding pension contributions)	Number of directors	Number of directors
Nil — £5,000	3	3
£5,001 — £10,000	3	5

Certain directors of the company are remunerated by the immediate holding company which raises a management charge.

4 Earnings per share

The calculation of earnings per share is based on earnings of £293,807 (1980—£263,555) 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 (credit)/charge in the profit and loss account is made up as follows:

	1981 £'000	1980 £'000
Corporation tax(recoverable)/payable	(33)	267
Deferred tax:- Current year	—	39
Provided in previous years not required.	(150)	—
	<u>(183)</u>	<u>306</u>

The 1980 liability for corporation tax has been satisfied by a payment for group relief to a fellow subsidiary and by a payment to the Inland Revenue.

The corporation tax recoverable for 1981 takes account of stock appreciation relief of £51,000 which has been calculated on the basis of the 1981 Finance Bill.

Taxation deferred by capital allowances not provided for at 31st January 1981 amounted to £135,000. At 26th January 1980 the provision for deferred tax comprised tax deferred by capital allowances of £75,000 and tax deferred by stock appreciation relief of £75,000.

FORTNUM & MASON LIMITED

Notes continued

6 Fixed assets

	Short leasehold property £'000	Firtures and equipment £'000	Works of art £'000	Total £'000
Cost or valuation				
Balance at 26th January 1980	778	676	202	1,656
Additions	45	127	—	172
Disposals	—	(10)	—	(10)
Balance at 31st January 1981	823	793	202	1,818
Representing				
Cost	99	793	202	1,094
Valuation — 1956	724	—	—	724
	823	793	202	1,818
Depreciation				
Balance at 26th January 1980	237	512	—	749
Charge for the year	13	41	—	54
Disposals	—	(10)	—	(10)
Balance at 31st January 1981	250	543	—	793
Net book amount				
31st January 1981	573	250	202	1,025
26th January 1980	541	164	202	907

7 Acquisitions

The company has acquired during the year the entire issued share capital of the following companies which are shown at cost:-

Fortnum & Mason (London) Limited, incorporated in Great Britain.

Fortnum & Mason of London Limited, incorporated in Canada.

Fortnum & Mason (Pty) Limited, incorporated in Australia.

None of the companies has traded during the year and the directors are of the opinion that in view of the insignificant amounts involved there would be no real value in the presentation of group accounts.

8 Bank and cash balances/loan to immediate holding company

Throughout the year amounts have been loaned to the immediate holding company; such loans are at arms length rates of interest which also relate to Bank of Scotland base rates.

FORTNUM & MASON LIMITED

Notes continued

9 Dividends payable

	1981	1980
Accrued preference dividend	715	715
Proposed final dividend on ordinary stock	83,810	83,810
	<u>£84,525</u>	<u>£84,525</u>

10 Share capital

AUTHORISED:	£'000
4.9% cumulative preference stock units of £1 each	175
Ordinary stock units of £1 each	425
Ordinary shares of £1 each	150
	<u>750</u>
ISSUED AND FULLY PAID:	
4.9% cumulative preference stock units of £1 each	175
Ordinary stock units of £1 each	425
	<u>600</u>

11 Reserves

Balance at 26th January 1980	3,869
Retained profit for the year	195
	<u>4,064</u>

Of the reserves at 31st January 1981, £118,717 relates to the share premium account and a further £505,207 relates to the surplus on revaluation of leasehold property.

12 Ultimate holding company

The ultimate holding company of Fortnum & Mason Limited is Wittington Investments Limited. The immediate holding company of Fortnum & Mason Limited is George Weston Holdings Limited which, at 8th June 1981 held 364,451 ordinary shares representing in aggregate 86% of the total issued ordinary share capital of the company. So far as is known no other person holds or is beneficially interested in more than 5% of the ordinary share capital.

Garry H. Weston has an interest, as defined in section 28 of the Companies Act 1967, in Wittington Investments Limited which is a controlling interest.

FORTNUM & MASON LIMITED

Current cost profit and loss account

for the 53 weeks ended 31st January 1981

	Notes	1981 £'000	1980 £'000
Turnover		<u>8,421</u>	<u>8,330</u>
(Loss)/profit before interest and taxation on the historical cost basis		(322)	148
Less: current cost operating adjustments ...	5	<u>(436)</u>	<u>(358)</u>
Current cost operating loss		(758)	(210)
Interest receivable		<u>441</u>	<u>430</u>
Current cost (loss)/profit before taxation ...		(317)	220
Taxation recoverable/(payable)		<u>183</u>	<u>(306)</u>
Current cost loss attributable to shareholders		(134)	(86)
Dividends		<u>(107)</u>	<u>(107)</u>
Retained current cost loss for year		<u>(241)</u>	<u>(193)</u>
Current cost loss per share		33.43p	22.14p

FORTNUM & MASON LIMITED

Current cost balance sheet

as at 31st January 1981

	Notes	1981 £'000	1980 £'000
Fixed assets	1	6,600	5,632
Interests in subsidiaries		2	—
Assurance policy at surrender value		87	83
Net current assets:			
Stock	2	1,280	1,488
Monetary working capital	2	355	15
Funds on deposit		2,000	2,250
		3,635	3,753
Proposed dividends		(84)	(84)
Deferred taxation		—	(150)
		10,240	9,234
Financed by:			
Share capital		600	600
Reserves		9,640	8,634
		10,240	9,234
Reserves			
		£'000	
Balance at 26th January 1980		8,634	
Current cost loss for year		(241)	
Revaluation surpluses reflecting price changes:			
Leaseholds		815	
Other fixed assets		307	
Stocks		(39)	
		9,476	
Monetary working capital and cost of sales adjustments		164	
Balance at 31st January 1981		9,640	

FORTNUM & MASON LIMITED

Notes to the current cost accounts

The current cost accounts on pages 17 and 18 have been prepared in accordance with Statement of Standard Accounting Practice No. 16.

1 Fixed assets

The current cost of the leasehold property is based on a valuation by J. Trevor & Sons, valuers, at 24th October 1980 on an open market value existing use basis.

The gross current cost of the remaining fixed assets has been derived from recent insurance valuations on a replacement cost basis, being the most readily available estimate of current cost.

These values have been adjusted by appropriate indices.

Total depreciation charged in the current cost profit and loss account represents the current cost of the proportion of fixed assets consumed in the period. The depreciation adjustment of £272,000 is the difference between the historic cost and current cost amounts.

	Gross current replacement cost £'000	Depre- ciation cost £'000	1981 Net current replacement cost £'000	1980 Net current replacement cost £'000
Leasehold	5,000	—	5,000	4,246
Plant and machinery	3,228	1,903	1,325	1,139
Works of art	275	—	275	247
	<u>8,503</u>	<u>1,903</u>	<u>6,600</u>	<u>5,632</u>

2 Working capital

Working capital includes stocks, trade debtors less trade creditors, and that part of total cash balances which is required for the day to day funding of the company's trading.

In order to allow for the impact of price changes on working capital, two adjustments are made to the operating costs calculated on the historical cost basis, one on stock, and the other on monetary working capital. The adjustments are based on movements in price index 30360, being the appropriate index for department stores issued by the Central Statistical Office.

3 Gearing adjustment

As the company does not have net borrowings a gearing adjustment is not necessary.

4 Other accounting policies

Except as noted above, the policies used in the current cost accounts are the same as those used in the historical cost accounts.

5 Adjustments made in deriving current cost operating profit

	1981 £'000	1980 £'000
Cost of sales	140	137
Monetary working capital	24	(17)
Depreciation	272	238
Current cost operating adjustments	<u>436</u>	<u>358</u>

FORTNUM & MASON LIMITED

Auditors' report

To the members of Fortnum & Mason Limited

We have audited the accounts on pages 10 to 19 in accordance with approved Auditing Standards.

In our opinion:

the accounts on pages 10 to 16 which have been prepared under the historical cost convention as modified by the valuation of leasehold property give, under that convention, a true and fair view of the state of the company's affairs at 31st January 1981 and of its profit and source and application of funds for the 53 weeks then ended and comply with the Companies Acts 1948 to 1980, and

the supplementary current cost accounts on pages 17 to 19 have been properly prepared in accordance with the policies and methods described in the notes, to give the information required by Statement of Standard Accounting Practice No. 16.

Southwark Towers
32 London Bridge Street
London SE1 9SY
7th July 1981

Price Waterhouse
Chartered Accountants