

Fortnum & Mason Plc
(Registered number 84909)

Directors' Report and Consolidated Financial Statements
For the 52 week period ended 10 July 2016

THURSDAY



L5XG8EH7

LD4

05/01/2017

#66

COMPANIES HOUSE

Fortnum & Mason Plc
52 week period ended 10 July 2016

Contents	Page
Strategic report	3
Directors' report	6
Independent auditors' report	10
Consolidated and Company statement of comprehensive income	12
Consolidated and Company balance sheets	13
Consolidated and Company statement of changes in equity	14
Notes to the financial statements	15

Fortnum & Mason Plc

52 week period ended 10 July 2016

Strategic report

The Directors present their strategic report on the group for the 52 week period ended 10 July 2016.

Principal activities

Fortnum & Mason Plc was founded in 1707. It is a multichannel retail business with four principal activities: the retail operations in the world famous Piccadilly store; a hospitality division incorporating the restaurants in the Piccadilly store, 45 Jermyn St, private functions and external events; the direct shopping operation focusing on sales through the internet and brochures; and an international licensed, travel retail and wholesale operation.

Strategy

Our growth strategy is to build a sustainable and profitable business through:

- Providing an exceptional customer experience through all channels;
- Continuing to develop our product offerings;
- Developing our digital and international businesses; and
- Investing in our people, property and systems.

Business review and results

Turnover for the 52 weeks ended 10 July 2016 grew by 12% to £98.7 million (2015: £88.3 million) and profit on ordinary activities before taxation increased by 27% to £6.2 million (2015: £4.9 million). Net assets at the period end were £34.8 million (2015: £29.6 million).

The improved performance was a result of positive trading through our stores, restaurants and online with the emphasis on excellent customer service and outstanding products and menus, along with continued improvement in product margin. The business also benefited from continued capital investment including the opening of the 45 Jermyn St restaurant in St James's, London, an extension of the bar area in Heathrow Terminal 5, refurbishment of our Fresh counter and Wine department and continued investment into the new website.

We continue to invest for the long term growth of the business with capital investment of £6.3 million (2015: £8.9 million) whilst driving further improvements in working capital.

The financial statements on pages 12 to 34 record the results of Fortnum & Mason Plc and its subsidiary undertakings.

Dividends

The Directors do not propose the payment of a dividend for the period (2015: £nil).

Fortnum & Mason Plc

52 week period ended 10 July 2016

Strategic report (continued)

Outlook

Sales growth in the current financial period has continued to be positive and the directors believe that the Company is well positioned to make further progress. The new prestigious restaurant 45 Jermyn St added to our customer experience at our flagship store in Piccadilly, supplemented by owner operated stores at St Pancras and Heathrow Terminal 5, and collaborations around the world, all underpinned by our www.fortnumandmason.com website.

Principal business risks

The management of the business and the execution of the Company's strategy are subject to a number of risks. All material financial and non financial risks facing the business are reviewed on a regular basis to ensure the effectiveness of the risk management processes and resources assigned are adequate. The principal risks currently identified are:

External risks: downturn in the economy leading to reduced domestic and tourist spending; competition from both national and independent retailers; and the threat of terrorism in London.

Operational risks: workplace health and safety; product safety and quality; supply chain and ethical business practices; and breach of IT and information security.

More recently, the decision of the UK citizens to leave the EU made on 23 June 2016 created a level of uncertainty in the economic and political environment. The impact of this decision is not fully measurable at this time. However, management have assessed the initial and ongoing risks (and opportunities) within the business as employee stability, sterling weakness and consumer confidence with clear evidence from our supply base of pressure on cost prices.

Financial risk management

In addition, the Company is exposed to a variety of financial risks that include credit, currency and interest rate cash flow risks. The Company has in place established procedures and authority levels to control cash levels and manage the key financial risks to which the Company is exposed.

Credit risk

The company has implemented policies that require appropriate credit checks on all potential customers before credit facilities are provided.

Fortnum & Mason Plc

52 week period ended 10 July 2016

Strategic report (continued)

Financial risk management (continued)

Currency risk

The company invoices its exports in sterling and US Dollars. Direct imports, which represent 11% of purchases (2015: 13%), are, where the company considers the cost of these is justified by the potential currency movement, covered by forward foreign exchange contracts or bank accounts denominated in currencies other than sterling.

The value of forward contracts outstanding at the period-end was £1.8 million (2015: £2.3 million) and the fair value of the contracts was £0.16 million (2015: £(0.04) million). The change in fair value of the forward contracts during the period was recognised in Consolidated and Company statement of comprehensive income. At 10 July 2016 the Company had outstanding non-sterling short-term creditors, predominantly in Euros, of £0.1m (2015: £0.1m).

Interest rate cash flow risk

Interest on short term cash deposits is based on money market rates.

At 10 July 2016 and during the period then ended the Company had no interest bearing financial liabilities (2015: none).

Interest bearing sterling cash deposits at the period-end were £11.2 million (2015: £9.7 million) at an average interest rate of 0.8% (2015: 0.5%).

Key performance indicators

Management use a range of financial and non-financial performance indicators to manage the business. These are derived from all areas of the business and include sales and profit growth by channel of distribution, sales productivity, buying and achieved gross margins along with staff productivity ratios, stock ratios and service levels.

The strategic report was approved by the Board of Directors on 14 October 2016 and signed by its order by:



N S McGinley
Company Secretary

14 October 2016

Fortnum & Mason Plc

52 week period ended 10 July 2016

Directors' report

The directors present their report and the audited financial statements of the Group and Company for the 52 week period ended 10 July 2016.

The Group and Company have transitioned to Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") during the period. For all periods up to and including the 52 week period ended 12 July 2015, the Group and Company's financial statements were prepared in accordance with United Kingdom generally accepted accounting practice (UK GAAP). The principal adjustments made by the Group and Company in restating their UK GAAP financial statements to FRS 102 have been included in note 23.

Directors

The Directors of the Company who were in office during the period and up to the date of signing the audited consolidated financial statements were:

Mrs A C Hobhouse	(Chairman)
Mr E A Venters	(Chief Executive)
Mrs M S Wikstrom	
Mr S R Vincent	
Mr G J Weston	(appointed 13 July 2015)
Mr N S McGinley	

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the financial period and is currently in force. The Company also purchased and maintained throughout the financial period Directors' and Officers' liability insurance in respect of itself and its Directors.

Going concern

The financial statements have been prepared on a going concern basis. The directors of Wittington Investments Limited, the parent company, have confirmed their intention to continue to support the Company so as to enable it to meet its liabilities as they fall due and carry on its business without significant curtailment of operations for 12 months from the date of approval of the financial statements.

Fortnum & Mason Plc

52 week period ended 10 July 2016

Directors' report (continued)

Environmental policy

The Company is conscious of its position and role within the community and is committed to continually improving its environmental performance.

In meeting this objective, the Company's environmental policy is intended to satisfy all appropriate legislation and the need to conform to good industry practice. In addition, full consideration is given to:

- responsible use of raw materials and conservation of resources;
- efficient use of energy in all operations;
- use of packaging materials and processes that minimise demands on non-renewable resources;
- minimising emissions into the air, water courses or as waste;
- the environmental impact of the new capital investments; and
- the impact of suppliers on environmental issues.

The policy is subject to regular review, incorporating new objectives as appropriate.

Sourcing

The Company is committed to sourcing products with full traceability of ingredients and components where applicable. Where possible and appropriate, products are sourced from British suppliers, and active support is given to small, artisanal and often family-based concerns.

Employee involvement

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

Employment of disabled persons

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

Fixed assets

Changes in fixed assets are set out in notes 9 and 10. A valuation carried out on 2 November 2001 by an independent valuer indicated that the market value of the Company's leasehold interests was £38.8 million. This exceeds the amount at which they are shown in the balance sheet by £13.8 million (2015: exceeded by £12.5 million). No valuation has been performed since, and the directors do not believe that it is practical to estimate subsequent increases in market value.

Fortnum & Mason Plc

52 week period ended 10 July 2016

Directors' report (continued)

Charitable contributions

The staff charity committee select a number of charities to support throughout the period by making donations of gifts and hosting events. Monetary donations of £28,610 (2015: £18,642) were made during the period. Otherwise, charitable donations are covered by the holding company Wittington Investments Limited, which is 79.2% owned by the Garfield Weston Foundation, a charity.

Dividends

Details of the dividends are included within the Strategic report on page 3.

Future developments

Future developments can be found within the Strategic report on page 4.

Financial risk management

Details of the Company's financial risk management procedures are included within the Strategic report on pages 4 and 5.

Post balance sheet events

There were no significant events affecting the Company or Group since the period end.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, Directors' report and the Group and Company financial statements (the "financial statements") in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

Fortnum & Mason Plc

52 week period ended 10 July 2016

Directors' report (continued)

Statement of directors' responsibilities (continued)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" has been followed, subject to any material departures disclosed and explained in the financial statements; and
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Statement of disclosure of information to auditors

In the case of each director in office at the date the directors' report is approved, that:

- (a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Directors' report was approved by the Board of Directors on 14 October 2016 and signed by its order by:



N S McGinley
Company Secretary

14 October 2016

Registered Number 84909
Registered Office
181 Piccadilly
London W1A 1ER

Fortnum & Mason Plc

52 week period ended 10 July 2016

Independent auditors' report to the members of Fortnum & Mason Plc

Report on the financial statements

Our opinion

In our opinion, Fortnum & Mason Plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 10 July 2016 and of the group's profit for the 52 week period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Directors' Report and Consolidated Financial Statements (the "Annual Report"), comprise:

- the Consolidated and Company balance sheets as at 10 July 2016;
- the Consolidated and Company statement of comprehensive income for the period then ended;
- the Consolidated and Company statement of changes in equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Fortnum & Mason Plc

52 week period ended 10 July 2016

Independent auditors' report to the members of Fortnum & Mason Plc (continued)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Craig Skelton (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
14 October 2016

Fortnum & Mason Plc
52 week period ended 10 July 2016

Consolidated and Company statement of comprehensive income

	Note	52 weeks ended 10 July 2016 £'000	52 weeks ended 12 July 2015 £'000
Turnover	4	98,729	88,252
Cost of sales		(57,927)	(54,096)
Gross profit		40,802	34,156
Distribution costs		(2,965)	(2,444)
Administrative expenses		(31,717)	(26,929)
Operating profit	5	6,120	4,783
Interest receivable and similar income	6	68	84
Profit on ordinary activities before taxation		6,188	4,867
Tax on profit on ordinary activities	8	(1,059)	(1,250)
Profit for the financial period		5,129	3,617
Other comprehensive income for the period		-	-
Total comprehensive income attributable to shareholders		5,129	3,617

The results of the Group and Company are generated entirely from continuing operations.

The notes on pages 15 to 34 form part of these financial statements.

Fortnum & Mason Plc
52 week period ended 10 July 2016

Consolidated and Company balance sheets

		As at 10 July 2016 £'000		As at 12 July 2015 £'000	
		Consolidated	Company	Consolidated	Company
Fixed assets					
Intangible assets	9	3,648	3,648	2,732	2,732
Tangible assets	10	35,504	35,504	35,639	35,639
Investments	11	-	-	-	-
		39,152	39,152	38,371	38,371
Current assets					
Stocks	12	6,581	6,581	6,298	6,298
Debtors	13	5,351	5,351	4,149	4,149
Cash at bank and in hand		14,384	14,384	12,813	12,813
		26,316	26,316	23,260	23,260
Creditors: Amounts falling due within one year	14	(29,004)	(29,004)	(29,722)	(29,722)
Net current liabilities		(2,688)	(2,688)	(6,462)	(6,462)
Total assets less current liabilities		36,464	36,464	31,909	31,909
Provisions for liabilities	16	(1,698)	(1,698)	(2,272)	(2,272)
Net assets		34,766	34,766	29,637	29,637
Capital and reserves					
Called up share capital	17	807	807	807	807
Share premium account		25,208	25,208	25,208	25,208
Profit and loss account		8,751	8,751	3,622	3,622
Total shareholders' funds		34,766	34,766	29,637	29,637

The notes on pages 15 to 34 form part of these financial statements.

These financial statements were authorised for issue by the Board of Directors on 14 October 2016 and were signed on its behalf by:

Mr E A Venters
Chief Executive
14 October 2016
Registered Number 84909



Fortnum & Mason Plc
52 week period ended 10 July 2016

Consolidated and Company statement of changes in equity

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total shareholders' funds £'000
Balance as at 14 July 2014	807	25,208	5	26,020
Profit and total comprehensive income for the period	-	-	3,617	3,617
Balance as at 12 July 2015 and 13 July 2015	807	25,208	3,622	29,637
Profit and total comprehensive income for the period	-	-	5,129	5,129
Balance as at 10 July 2016	807	25,208	8,751	34,766

Fortnum & Mason Plc

52 week period ended 10 July 2016

Notes to the financial statements

1 General information

Fortnum & Mason Plc ("the Company") is a private company limited by shares and is incorporated in England. The address of its registered office is 181 Piccadilly, London, W1A 1ER.

2 Statement of compliance

The Group and Company's financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102") and the Companies Act 2006. For all periods up to and including the 52 week period ended 12 July 2015, the Group and Company's financial statements were prepared in accordance with United Kingdom generally accepted accounting practice (UK GAAP). These financial statements for the 52 week period ended 10 July 2016 are the first the Group and Company has prepared in accordance with FRS 102. The date of transition to FRS 102 was 14 July 2014. Refer to note 23 for information on the adoption of FRS 102.

3 Accounting policies

The principal accounting policies are set out below and have been consistently applied:

Basis of preparation

The financial statements have been prepared on a going concern basis. The directors of Wittington Investments Limited, the parent company, have confirmed their intention to continue to support the Company so as to enable it to meet its liabilities as they fall due and carry on its business without significant curtailment of operations for 12 months from the date of approval of the financial statements.

Accounting reference date

The registered accounting reference date is 15 July, however, as common with most retailers financial statements are prepared on a 52 week basis.

Exemption for qualifying entities under FRS102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the company's shareholders.

Fortnum & Mason Plc
52 week period ended 10 July 2016

Notes to the financial statements (continued)

3 Accounting policies (continued)

Exemption for qualifying entities under FRS102 (continued)

The Company has taken advantage of the following exemptions:

- (i) The Company is a wholly owned subsidiary of Wittington Investments Limited and its cash flows are included in the consolidated financial statements of that Company, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement.
- (ii) From disclosing the Company key management personnel compensation. Directors' compensation is disclosed in note 7.
- (iii) From disclosing related party transactions with entities that are part of the Wittington Investments Limited group or investees of the Wittington Investments Limited group. The only reportable transactions in the period were those set out in note 22.

Basis of consolidation

The Group financial statements consist of the financial statements of the parent company and the Company's share of interests in non-trading subsidiaries. The Company's interest in the joint venture is accounted for using the equity method.

Foreign currencies

The Group financial statements are presented in pound sterling and rounded to thousands.

The Company's functional and presentation currency is the pound sterling.

Monetary assets and liabilities denominated in foreign currencies are converted into sterling at rates of exchange prevailing at the period-end. Any exchange differences arising are taken to the profit and loss account.

Derivative financial instruments are recognised at fair value and any change in fair value is taken to the profit and loss account.

Turnover

Turnover represents amounts charged to customers for goods sold and services rendered, less returns and net of value added tax. Retail, online and catalogue sales are recognised at the point of sale when the Company considers the risks and rewards of ownership have passed to the customer. Royalties and license fee income are recognised when contractually due.

Fortnum & Mason Plc

52 week period ended 10 July 2016

Notes to the financial statements (continued)

3 Accounting policies (continued)

Intangible assets and amortisation

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight line method over estimated useful lives as follows:

Computer software	- 2 – 10 years
Design rights and trademarks	- 6 years

Amortisation is charged to Administrative expenses in the Profit and loss account.

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete software, so it is available for use;
- management intends to complete the software and use it;
- management is able to use or sell the asset;
- the software will generate probable future economic benefit;
- adequate resources to complete and use software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Assets under construction represent the amount of capital expenditure recognised in the carrying amount of software in the course of its development.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as expense are not recognised as an asset in a subsequent period.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic cost less accumulated depreciation. Costs include the original purchase price and the costs attributable to bringing the asset to its working condition.

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

Long leasehold	- over 66 years or the remaining period of the lease if shorter
Leasehold improvements	- 5, 10 or 30 years
Fixtures and equipment	- 2 – 10 years

Assets under construction attract depreciation based upon the above asset categories when they are brought into use within the business.

Works of art are not depreciated and are included at cost, as they do not have a finite useful economic life.

Fortnum & Mason Plc
52 week period ended 10 July 2016

Notes to the financial statements (continued)

3 Accounting policies (continued)

Fixed asset investments

Fixed asset investments held in subsidiaries and joint ventures are at cost less provision for impairment.

Stocks

Stocks, which comprise merchandise held for resale, are stated at the lower of cost and net realisable value taking into account any provisions for slow moving, obsolete or defective stock. Stock is valued using a first-in first-out (FIFO) basis.

Cash at bank and in hand

Cash at bank and in hand comprises cash at bank and in hand and short-term deposits with a maturity of three months or less.

Taxation

Taxation is provided on profits or losses for the period together with deferred taxation.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying temporary differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Leases

All material leases entered into by the Group are operating leases whereby substantially all the risks and rewards of ownership of the asset remain with the lessor. Rental payments are charged against profits on a straight-line basis over the term of the leases.

Fortnum & Mason Plc

52 week period ended 10 July 2016

Notes to the financial statements (continued)

3 Accounting policies (continued)

Financial instruments

The Company has chosen to adopt Section 11 and 12 of FRS 102 in respect of financial instruments:

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances are initially recognised at transaction price and revalued at the period end where the liability is not in GBP.

At the end of each reporting period financial assets assessed for objective evidence of impairment and the impairment loss is recognised in profit or loss. If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the carrying amount does not exceed what the carrying amount would have been has the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, loans from fellow Group companies that are classified as debt, are initially recognised at transaction price.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. Trade payables are recognised initially at transaction price and revalued at the period end where the liability is not in GBP.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Derivatives

Derivatives, including forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss.

Employee benefits

The Company provides a range of benefits to employees, including annual bonus, paid holidays, defined benefit and defined contribution pension plans.

Fortnum & Mason Plc
52 week period ended 10 July 2016

Notes to the financial statements (continued)

3 Accounting policies (continued)

Employee benefits (continued)

Short term benefits

Short term benefits, including holiday pay, are recognised as an expense in the period in which the service is received.

Annual bonus plan

The Company operates a bonus plan for employees. An expense is recognised in the profit and loss account when the Company has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

Long and short term incentive plans

The Company operates cash settled long and short term incentive plans at an operating business level for certain members of management. The plans are based on the business's performance over a defined period against budget. A liability for the plan is raised on the estimated amount payable in terms of the incentive scheme plans.

Defined contribution scheme

The pension costs charged in the profit and loss account represent the amount of contribution payable to the scheme in respect of the accounting period.

Defined benefit scheme

Prior to 30 September 2002 the Company provided a defined benefit scheme to employees through the Associated British Foods Pension Scheme under which retirement benefits are funded by contributions by the Company. Payments are made to the pension trust determined by the overall cost of the scheme, not that relating to the Company's employees. Hence it is not possible to identify the Company's share of the underlying assets and liabilities. As such, the directors are of the opinion that the cost to the scheme equates to the contributions payable.

Critical accounting judgements and estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Fortnum & Mason Plc
52 week period ended 10 July 2016

Notes to the financial statements (continued)

4 Geographical reporting

	52 weeks ended 10 July 2016 £'000	52 weeks ended 12 July 2015 £'000
Turnover		
UK - Group and Company		
- Sale of goods	94,898	84,184
Overseas - Group and Company		
- Sale of goods	3,490	3,721
- Royalty income	341	347
Turnover	<u>98,729</u>	<u>88,252</u>
	52 weeks ended 10 July 2016 £'000	52 weeks ended 12 July 2015 £'000
Operating profit		
UK		
- Group and Company	5,018	3,096
Overseas		
- Group and Company	<u>1,102</u>	<u>1,687</u>
Operating profit	<u>6,120</u>	<u>4,783</u>

The analyses of turnover and operating profit by destination are shown above.

	2016 £'000	2015 £'000
Net assets		
UK - Group and Company	<u>34,766</u>	<u>29,637</u>

Fortnum & Mason Plc
52 week period ended 10 July 2016

Notes to the financial statements (continued)

5 Operating profit

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

	52 weeks ended 10 July 2016 £'000	52 weeks ended 12 July 2015 £'000
Amortisation on intangible assets	1,135	775
Depreciation on tangible assets	4,402	3,628
Operating leases – other	2,043	1,577
Foreign exchange (gains)/losses	(393)	50
Auditors' remuneration – audit services	70	65

6 Interest receivable and similar income

	52 weeks ended 10 July 2016 £'000	52 weeks ended 12 July 2015 £'000
Bank interest receivable	64	84
Other interest receivable and similar income	4	-
	<u>68</u>	<u>84</u>

Fortnum & Mason Plc
52 week period ended 10 July 2016

Notes to the financial statements (continued)

7 Directors and employees

	2016 Number	2015 Number
Average number of employees:		
Selling	463	362
Administration and distribution	245	170
	<u>708</u>	<u>532</u>
	£'000	£'000
Staff costs – wages and salaries	19,665	17,473
– social security costs	1,876	1,635
– other pension costs	818	773
	<u>22,359</u>	<u>19,881</u>
Staff costs include the following remuneration of directors:		
Aggregate emoluments	<u>1,175</u>	<u>1,184</u>
	<u>1,175</u>	<u>1,184</u>

Retirement benefits are accruing to one (2015: one) director under a defined benefit scheme and one director (2015: one) under a defined contribution scheme, the contributions paid to the defined benefit scheme during the period were £10,000 (2015: £10,000). The aggregate value of Company contributions paid under the defined contribution scheme was £11,077 (2015: £22,000).

	2016	2015
Highest paid director		
	£'000	£'000
Aggregate emoluments and long term incentive plan	628	639
Contributions made in respect of money purchase schemes	11	22
	<u>639</u>	<u>661</u>

Fortnum & Mason Plc
52 week period ended 10 July 2016

Notes to the financial statements (continued)

8 Tax on profit on ordinary activities

	2016 £'000	2015 £'000
Current tax		
UK Corporation tax	1,722	1,257
Adjustments in respect of prior periods	(89)	(31)
Total current tax charge	1,633	1,226
Deferred tax (note 16)		
Origination and reversal of temporary differences	(201)	24
Adjustments in respect of prior periods	(38)	-
Effect of change in tax rates	(335)	-
Total deferred tax (credit)/charge	(574)	24
Total tax charge on profit on ordinary activities	1,059	1,250

The tax assessed for the period differs from (2015: differs from) the standard rate of corporation tax in the UK as explained below:

	2016 £'000	2015 £'000
Profit on ordinary activities before taxation	6,188	4,867
Profit on ordinary activities before taxation at UK average tax rate of 20% (2015: 20.71%)	1,238	1,008
Temporary differences in respect of fixed assets	282	265
Expenses not deductible for tax purposes	1	8
Adjustments in respect of prior periods	(89)	(31)
Adjustments in respect to prior periods – deferred tax	(38)	-
Effect of change in tax rates	(335)	-
Total tax charge for the period	1,059	1,250

At Summer Budget 2015, the government announced legislation setting the Corporation Tax rate at 19% for the years starting 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020. At Budget 2016, the government announced a further reduction to the Corporation Tax rate for the year starting 1 April 2020, setting the rate at 17%.

Fortnum & Mason Plc
52 week period ended 10 July 2016

Notes to the financial statements (continued)

9 Intangible assets

Group and Company

	Computer software £'000	Design rights and trademarks £'000	Assets under construction £'000	Total £'000
Cost				
At 13 July 2015	6,246	-	172	6,418
Additions	901	32	1,118	2,051
Transfer	112	-	(112)	-
Disposal of fully amortised assets	(2,962)	-	-	(2,962)
At 10 July 2016	4,297	32	1,178	5,507
Accumulated amortisation				
At 13 July 2015	3,686	-	-	3,686
Charge for the period	1,132	3	-	1,135
Amortisation on disposed assets	(2,962)	-	-	(2,962)
At 10 July 2016	1,856	3	-	1,859
Net book amount 10 July 2016	2,441	29	1,178	3,648
Net book amount 12 July 2015	2,560	-	172	2,732

Fortnum & Mason Plc
52 week period ended 10 July 2016

Notes to the financial statements (continued)

10 Tangible assets

Group and Company	Long leasehold and leasehold improvements £'000	Fixtures and equipment £'000	Works of art £'000	Assets under construction £'000	Total £'000
Cost					
At 13 July 2015	38,735	31,336	806	1,082	71,959
Additions	-	2,397	49	1,821	4,267
Transfer	-	2,623	-	(2,623)	-
Disposal of fully depreciated assets	(3,649)	(14,031)	-	-	(17,680)
At 10 July 2016	35,086	22,325	855	280	58,546
Accumulated depreciation					
At 13 July 2015	12,418	23,902	-	-	36,320
Charge for the period	1,263	3,139	-	-	4,402
Depreciation on disposed assets	(3,649)	(14,031)	-	-	(17,680)
At 10 July 2016	10,032	13,010	-	-	23,042
Net book amount 10 July 2016	25,054	9,315	855	280	35,504
Net book amount 12 July 2015	26,317	7,434	806	1,082	35,639

Fortnum & Mason Plc

52 week period ended 10 July 2016

Notes to the financial statements (continued)

11 Investments

The Company's interests in subsidiary companies and joint ventures are listed below:

	Country of Registration	Activity	Share capital held
Subsidiary companies			
Fortnum & Mason USA Inc	USA	Dormant	100%
Fortnum & Mason Limited	Ireland	Dormant	100%
F. & M. Limited	UK	Dormant	100%
Fortnum & Mason (Export) Limited	UK	Dormant	100%
Fortnum and Mason Hospitality Limited	UK	Dormant	100%
Fortnum and Mason (London) Limited	UK	Dormant	100%
Fortnums Limited	UK	Dormant	100%
Joint venture			
Fortnum & Mason Events Limited	UK	Eventing	50%

FRS 102 requires investment in joint ventures to be accounted for under the equity method, in which the investor stops recognising its share of losses once the investment value reaches zero, unless it has a legal or constructive obligation to make payments on the associate's behalf. Fortnum & Mason Plc's liability is limited by shares, therefore all previously recognised losses are derecognised under FRS 102 and the investment is fully impaired.

12 Stocks

Group and Company	2016 £'000	2015 £'000
Goods for resale	6,946	6,601
Provision for impairment	(365)	(303)
	<u>6,581</u>	<u>6,298</u>

There is no significant difference between the replacement cost of the inventory and its carrying value.

Fortnum & Mason Plc
52 week period ended 10 July 2016

Notes to the financial statements (continued)

13 Debtors

Group and Company	2016 £'000	2015 £'000
Trade debtors	3,563	2,859
Derivative financial instruments	157	-
VAT	-	91
Other debtors	58	173
Prepayments and accrued income	1,573	1,026
	5,351	4,149

Trade debtors are stated after provision for impairment of £46,627 (2015: £73,275).

14 Creditors: amounts falling due within one year

Group and Company	2016 £'000	2015 £'000
Trade creditors	3,668	2,538
Amounts owed to group undertakings	17,442	19,442
Corporation tax	843	287
Other taxation and social security	367	688
Derivative financial instruments	-	40
VAT	233	-
Other creditors	1,640	483
Accruals and deferred income	4,811	6,244
	29,004	29,722

Amounts owed to group undertakings are unsecured, not interest bearing and are repayable on demand. These represent an intercompany loan issued by Wittington Investments Limited. The directors of Wittington Investments Limited, the parent company, have confirmed their intention to continue to support the Company so as to enable it to meet its liabilities as they fall due and carry on its business without significant curtailment of operations for 12 months from the date of approval of the financial statements.

During the period a repayment of the amounts owed to group undertakings was made for the amount of £2,000,000 (2015: nil).

Fortnum & Mason Plc
52 week period ended 10 July 2016

Notes to the financial statements (continued)

15 Derivative financial instruments

The Group has the following financial instruments:

	Note	2016 £'000	2015 £'000
Financial assets that are debt instruments measured at amortised cost			
- Trade debtors	13	3,563	2,859
- Other debtors	13	58	173
- Cash at bank and in hand		14,384	12,813
		<u>18,005</u>	<u>15,845</u>
Financial assets/(liabilities) measured at fair value through profit or loss			
- Derivative financial instruments	13,14	<u>157</u>	<u>(40)</u>
Financial liabilities measured at amortised cost			
- Trade creditors	14	(3,668)	(2,538)
- Amounts owed to group undertakings	14	(17,442)	(19,442)
- Other creditors	14	(1,640)	(483)
- Accruals	14	(4,811)	(6,244)
		<u>(27,561)</u>	<u>(28,707)</u>

The Group enters into forward foreign contracts to mitigate the exchange rate risk for certain foreign currency payable. At 10 July 2016, the outstanding contracts have maturity dates within 4.5 months (2015: 4.5 months) of the period end. The fair value of the contracts at 10 July 2016 was £0.16 million (2015: £(0.04) million). The change in fair value of the forward contracts during the period was recognised in Consolidated and Company statement of comprehensive income. The Group is committed to buy \$0.6 million and €1.8 million and pay a fixed sterling amount (2015: €3.2 million).

The forward currency contracts are measured at fair value, with gain and loss recognised in the Profit and loss account during the period. Fair value is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rates for GBP:USD and GBP:EUR.

16 Provisions for liabilities

Group and Company	As at 13 July 2015 £'000	Movement £'000	As at 10 July 2016 £'000
Deferred taxation	2,272	(574)	1,698

Fortnum & Mason Plc
52 week period ended 10 July 2016

Notes to the financial statements (continued)

16 Provisions for liabilities (continued)

The amounts provided for deferred taxation, which represent the full potential liability, are set out below:

	2016	2015
	£'000	£'000
Accelerated capital allowances	1,678	2,208
Other temporary differences	20	64
Total provision for deferred tax	1,698	2,272

17 Called up share capital

Group and Company

	2016	2015
	£'000	£'000
Allotted and fully paid		
16,139,000 ordinary shares (2015: 16,139,000) of £0.05 each	807	807

18 Pensions

Prior to 30 September 2002, the Company provided defined benefits, to employees over the age of 21 with more than six months service, through the Associated British Foods Pension Scheme. At 10 July 2016 there were 16 (2015: 17) members of the scheme.

The scheme is wholly administered by the trustee of the Associated British Foods Pension Scheme, and the cost to the Company is determined by the overall cost of the scheme, not that relating to the Company's employees. Hence it is not possible to identify the Company's share of the underlying assets and liabilities. As such, the directors are of the opinion that the cost to the Company will tend to equate to the contributions payable. The last actuarial valuation of the scheme was carried out as at 5 April 2014, this showed that assets represented 102% of the benefits that had accrued to members after allowing for expected future increases in earnings. The Company made contributions of £102,538 in the period (2015: £126,535).

From 1 October 2002, new entrants to the Associated British Foods Pension Scheme were offered membership of a defined contribution arrangement. In February 2013, this was extended to include an auto enrolment pension scheme in which all employees are enrolled after three months with the Company unless they wish to opt out. The Company pays defined contribution payments for these pension scheme members. At 10 July 2016 there were 445 members (2015: 386) of the scheme and the Company made contributions of £715,304 (2015: £646,461) in the period.

Fortnum & Mason Plc
52 week period ended 10 July 2016

Notes to the financial statements (continued)

19 Capital commitments

At the period end there were capital commitments totalling £3,645,000 (2015: £1,900,000).

20 Commitments under operating leases

The Company has future minimum lease payments under non-cancellable operating leases as follows:

Operating lease payments due:

	Within 1 year £'000	Within 2-5 years £'000	More than 5 years £'000	Total £'000
Land and buildings at 10 July 2016	2,288	7,974	4,919	15,181
Land and buildings at 12 July 2015	2,050	7,486	6,434	15,970

21 Ultimate parent undertaking

The immediate and ultimate holding company of Fortnum & Mason Plc is Wittington Investments Limited, who holds 100% of the capital of the Company and are smallest and largest group in which the results are consolidated.

The Garfield Weston Foundation ("The Foundation") is an English charitable trust which was established in 1958 by the late Mr W. Garfield Weston. The Foundation has no direct interest in Fortnum & Mason Plc but as at 10 July 2016 held 683,073 shares in Wittington Investments Limited representing 79.2% of that Company's issued share capital, as stated in Wittington Investments Limited's financial statements, and is, therefore, Fortnum & Mason Plc's controlling party.

Copies of Wittington Investments Limited consolidated financial statements can be obtained from Companies House, Crown House, Cardiff, CF4 3UZ and copies of The Garfield Weston Foundation Report and Accounts of the Trustees can be obtained at www.garfieldweston.org.

Fortnum & Mason Plc
52 week period ended 10 July 2016

Notes to the financial statements (continued)

22 Related party transactions

During the period Mr E A Venters, a director of the Company, repaid £125,000 (2015: £50,000) of the loan granted during the period ended 13 July 2014, and the outstanding balance at the period end was nil (2015: £125,000). Interest was charged at 4% pa and repaid with the loan by the period end.

No consultancy fees were paid to Le Mesnil Management Limited (2015: £13,500), a company in which Mr M E Metcalf, a former director of the Company, has a controlling interest.

During the period there were no transactions with Fortnum and Mason Events Limited, a 50% joint venture with Do & Co Limited. In the prior period direct selling costs of £54,572 were recharged to the joint venture on an arm's length basis at cost.

During the period the only transactions between Do & Co Limited and the Company were £219 (2015 £10,862) goods sold to Do & Co Limited and £nil (2015 £9,318) purchased from Do & Co Limited, these were all on normal commercial terms.

23 Transition to FRS 102

This is the first period that the Group and Company presented its results under FRS 102. The last financial statements prepared under the previous UK GAAP were for the period ended 12 July 2015. The date of transition was 14 July 2014. Set out below are the changes in accounting policies which reconcile profit for the period ended 12 July 2015 and the total equity as at 14 July 2014 and 12 July 2015 between UK GAAP as previously reported and FRS 102.

Total equity		14 July 2014		12 July 2015	
		Company £'000	Group £'000	Company £'000	Group £'000
UK GAAP – As previously stated		26,219	26,008	29,899	29,748
Prior period FRS 102 adjustments		-	-	(199)	12
Derivative financial instruments	A	(25)	(25)	(15)	(15)
Holiday pay accrual	B	(185)	(185)	(13)	(13)
Joint venture	C	(37)	172	(51)	(111)
Investments	D	(2)			
Deferred tax impact of adjustments	E	50	50	16	16
FRS 102		26,020	26,020	29,637	29,637

Fortnum & Mason Plc

52 week period ended 10 July 2016

Notes to the financial statements (continued)

23 Transition to FRS 102 (continued)

A Derivative financial instruments (currency forward contracts) (Group and Company)

FRS 102 requires derivative financial instruments to be recognised at fair value. Previously under UK GAAP the Company did not recognise these instruments in the financial statements. Accordingly at transition a liability of £25k was recognised. A profit of £197k was recognised in the profit and loss account for the period ended 10 July 2016. An asset of £157k was recognised at that date.

B Holiday pay accrual (Group and Company)

FRS 102 requires short term employee benefits to be charged to the profit and loss account as the employee service is received. This has resulted in the Company recognising a liability for holiday pay of £185k on transition to FRS102. Previously holiday pay accruals were not recognised as they were charged to the profit and loss account as they were paid. In the period to 10 July 2016 an accrual release of £176k was recognised in the profit and loss account and the liability at 10 July 2016 was £22k.

C Joint venture (Group and Company)

FRS 102 requires this to be accounted for under the equity method, in which the investor stops recognising its share of losses once the investment value reaches zero, unless it has a legal or constructive obligation to make payments on the associate's behalf. Previously the investor continued to recognise their share of losses even after the investment value falls below zero. Fortnum & Mason Plc's liability is limited by shares, therefore all previously recognised losses are derecognised under FRS 102. The Company had to write off debtor balance due from Joint Venture.

D Investment (Company)

As Fortnum & Mason Plc liability in Joint venture is limited by shares, the Company made a decision to impair its investment.

E Deferred taxation (Group and Company)

The Company has accounted for deferred taxation on transition at an average tax rate of 20% that is applicable for the current period.

Fortnum & Mason Plc
52 week period ended 10 July 2016

Notes to the financial statements (continued)

23 Transition to FRS 102 (continued)

Profit for the financial period		12 July 2015	
		Company £'000	Group £'000
UK GAAP – As previously reported		3,680	3,740
Derivative financial instruments	A	(15)	(15)
Holiday pay accrual	B	(13)	(13)
Joint venture	C	(51)	(111)
Deferred tax impact of adjustments	E	16	16
FRS 102		3,617	3,617

Other adjustments arising on transition to FRS 102

In addition to the transition adjustments identified above which affect profit for the financial period the following adjustments have arisen that have had no effect on net equity or profit and loss account, but which have affected the presentation of these items on the balance sheet. The main items are:

- (a) Computer software, with a net book value of £2,560k at 12 July 2015, has been reclassified from tangible to intangible assets as required under FRS 102. This has no effect on the Company's net assets or the profit for the period, except the previous depreciation charge is now described as amortisation.
- (b) Assets under construction, with a book value of £172k at 12 July 2015, have been reclassified from tangible to intangible assets as required under FRS 102. This has no effect on the Company's net assets or the profit for the period.
- (c) Fixtures and equipment, with a net book value of £120k at 12 July 2015, has been reclassified from tangible to intangible assets. This has no effect on the Company's net assets or the profit for the period, except the previous depreciation charge is now described as amortisation.
- (d) Amount owed to group undertakings have been reclassified as current liabilities. This is a form of intra-group financing with no written contractual terms and repayable on demand.