

**Fortnum & Mason Plc**  
(Registered number 00084909)

**Directors' Report and Consolidated Financial Statements**  
**For the 52 week period ended 12 July 2020**



**Fortnum & Mason Plc**  
**52 week period ended 12 July 2020**

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## **Fortnum & Mason Plc**

### **52 week period ended 12 July 2020**

#### **Strategic report**

The Directors present their strategic report on the group for the 52 week period ended 12 July 2020.

#### **Principal activities**

Fortnum & Mason Plc (the Company) was founded in 1707. It is a multichannel retail business with four principal activities: the retail operations that include the world famous Piccadilly store; a hospitality division incorporating the restaurants in the Piccadilly store and other stores, 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 12 July 2020 grew by 1% (2019: 12%) to £139.3 million (2019: £138.4 million) with profit before taxation decreasing to £0.6 million (2019: £12.1 million) following the impact of COVID-19 in early 2020, EBITDA remained positive at £10.7m (2019: £17.8m).

Prior to the impact of COVID-19 and following record Christmas sales, sales were trading 14% ahead of the prior year with profits also ahead. A new store and restaurant '181' was opened in Hong Kong Kowloon Bay, an anchor tenant of the K11 Musea and we extended our store at St Pancras in November 2019. We also invested in our business systems capabilities with an ERP upgrade and launched a new website that went live in August 2020, which saw capital investment of £11.5m during the year (2019: £12.6m) as we invested in the future growth and capability of the business. Following the strong trading in the first half of the year, the amounts due to the parent undertaking of £5m were also fully repaid ensuring the business was debt free.

From early 2020 the COVID-19 pandemic impacted our business initially in Hong Kong and then in the UK, which saw our UK stores and restaurants close in March 2020 and fully reopened in July 2020. Our Online, Concierge and Hong Kong channels remained open. Various actions have been, and continue to be taken in order to safeguard our teams, customers and indeed our recovery through this epidemic which included the decision to not draw upon the UK Government's Furlough Scheme. The business continued to operate within its means through close management of working capital and existing cash reserves without the need to obtain external funding during the financial year.

As part of our appropriate financial management of the business, an impairment review was completed of our assets and management believe it is appropriate to make an impairment charge of £2.1m in relation to The Royal Exchange and Piccadilly sites.

## **Fortnum & Mason Plc**

### **52 week period ended 12 July 2020**

#### **Strategic report (continued)**

##### **Business review and results (continued)**

##### **Dividends**

The Directors do not propose the payment of a dividend for the period (2019: £nil).

##### **Outlook**

Our financial strategy sets out a clear path to profit recovery, investing in our key growth areas of the business, realigning our costs and operating model where appropriate, along with ensuring we maintain very close control of working capital and prioritised capital investment.

Our sales recovery after our first quarter of trading is ahead of plan. An acceleration in Online sales following the launch of our new website [www.fortnumandmason.com](http://www.fortnumandmason.com) has bridged a good proportion of the challenges faced by our London stores. Hong Kong continues to play an increasingly important role in our recovery as it emerges from the impact of COVID-19 ahead of the UK. Despite the added challenges of the second national lockdown in November, our planning for Christmas, Online and through our stores very much remains on schedule. To aid the stock build and investment in our key Christmas trading period, a short term working capital facility was secured with HSBC for a period of 3 months to 31<sup>st</sup> January 2021, this is further disclosed in note 23.

Management also recognise and have planned for the risk of the UK exiting from Europe on 31<sup>st</sup> December 2020. Such risks are managed regularly and meticulously through the Brexit working group over the past three years. We believe these risks are appropriately managed and will not pose a material impact to the business.

##### **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:* COVID-19 and its impact on the UK and Global economy, events impacting consumer confidence leading to reduced domestic and tourist spending; the threat of terrorism in London; a cyber attack and threat to information security; Brexit and its impact on the economic and commercial environment as well as our teams and supply base.

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

## **Fortnum & Mason Plc**

### **52 week period ended 12 July 2020**

#### **Strategic report (continued)**

##### **Principal business risks (continued)**

The Directors continue to access and monitor business risk through the Board of Directors, Executive and risk focused meetings to ensure appropriate, and objective plans are in place to appropriately mitigate against such risks to the business and its shareholders.

Management have modelled the ongoing liquidity of the business over the next 12 months through a number of adverse scenarios based upon an imminent 3 month lockdown, with sensitivities such as further downside sales through to November 2021, with and without potential cost actions, and excluding any extensions to government schemes available, and are of the opinion that there is sufficient liquidity headroom to support the Going Concern basis.

##### **Financial risk management objectives and policies**

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 established procedures in place and authority levels to control cash levels and manage the key financial risks to which the Company is exposed.

##### ***Credit risk***

The company's principal financial assets are bank balances and trade and other receivables.

The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowance of bad debts. An allowance for impairment is made where there is an identified loss event which based on previous experience, is evidence of a reduction in recoverability of the cash flows.

The company has implemented policies that require appropriate credit checks on all potential customers before credit facilities are provided to help mitigate this risk.

##### ***Currency risk***

The company invoices its exports in Sterling and US Dollars. Direct imports, which represent 12% of purchases (2019: 11% of purchases), 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 nil (2019: £1.8 million) and the fair value of the contracts was nil (2019: £ 0.02 million). The change in fair value of the forward contracts during the period was recognised in Consolidated and Company statement of comprehensive income. At 12 July 2020, the Company had outstanding non-sterling short-term creditors, predominantly in Euros, of £0.7 million (2019: £0.04 million).

## **Fortnum & Mason Plc**

### **52 week period ended 12 July 2020**

#### **Strategic report (continued)**

##### **Financial risk management objectives and policies (continued)**

###### ***Interest rate cash flow risk***

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

At 12 July 2020 and during the period then ended the Company had no interest bearing financial liabilities (2019: none).

Interest bearing sterling cash deposits at the period-end were £0.6 million (2019: £15.6 million) at an average interest rate of 0.01% (2019: 0.5%).

##### **Key performance indicators**

Management use a range of financial and non-financial performance indicators to monitor 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, customer experience levels and Corporate Social Responsibility goals.

##### **Director's duties**

Section 172 of The Company Act 2006 States that a director of a company must act in the way that considers, in good faith, what would be most likely promote the success of the company for the benefit of its members as a whole, and in doing so, have regard (amongst other matters) for:

- a. The likely consequences of any decision in the long term;
- b. The interests of the company's employees;
- c. The need to foster the company's business relationships with suppliers, customers and others;
- d. The impact of the company's operations on the community and the environment;
- e. The desirability of the company maintain a reputation for high standards of business conduct; and
- f. The need to act fairly as between members of the company.

The following section outlines how the Directors take these factors into accounts in their decision making in the relation to the following stakeholder groups:

###### ***Our Customers***

Fortnum & Mason's customers are fundamental to our success. Our team's relentless focus is to ensure every touch point and interaction with the brand makes joy and creates extraordinary and memorable experiences. Through expert sourcing, developing new customer experiences and making the every day special we seek to meet our customers' needs. We engage with them in a variety of ways, both directly and indirectly. Direct feedback channels include customer engagement, satisfaction surveys and key experience metrics, while indirectly we seek to engage through inspirational displays, and storytelling through print and digital assets. The board are kept regularly informed through reporting and board meetings along with strategic updates on how our customer experience is being evolved on a continual basis..

## **Fortnum & Mason Plc**

### **52 week period ended 12 July 2020**

#### **Strategic report (continued)**

##### **Director's duties (continued)**

###### ***Our People***

The magic of Fortnum's is its people. Their talent, diversity and voice help make us who we are today and tomorrow. Our culture and the way in which we work and engage with each other are underpinned by our core values: *Take Pride – Do The Right Thing – We Achieve Together*. This is further explained in the Directors Report, Employment Engagement section on page 11.

###### ***Our Producers and Suppliers***

Fortnum & Mason very much sees its producers and suppliers as part of the Fortnum's family. As such, we aim to support them in the same way that we would our own people, and to have a regular and productive dialogue with them. On many shared agendas and priorities including sustainable sourcing, welfare standards and innovation, as well as timely delivery and payment. This is achieved through supplier conferences, business reviews, product development, supplier audits that incorporate sourcing, sustainability, modern slavery, and food standards to name a number of key areas of required compliance.

###### ***Our Community and Environment***

Fortnum & Mason has been an iconic part of London since 1707 and is very mindful of its responsibility both as a local London business and member of the London business community. We support many local initiatives to improve the local environment that include The Felix Project, a charity that is fighting to address food waste and poverty in London, The St James Conservation Trust and Heart of London Business district to name a few. Our teams volunteer for The Felix Project, and at Christmas each year, our restaurants support StreetSmart, which supports the homeless across the UK. With similar intent, and given our significant presence in K11 Musea in Kowloon, Hong Kong, we also work with Feeding Hong Kong, the first Hong Kong food bank dedicated to rescuing surplus food from retailers, distributors and manufacturers and redistributing it to people in need. Surplus food from 181, our restaurant at the site is regularly collected and then distributed to charities and those hungry and living in poverty.

###### ***Our Environmental impact and Sustainability***

Under the banner of Future Matters, our corporate and social responsibility strategy is designed to deliver lasting and positive change and to ensure that we act as a responsible business in everything that we do. This principle is at the heart of our culture, is something that we share with our people from the first day that they work with us, so that it underpins their work and informs their decision making and conduct every day. We have clear goals aligned to Product, Packaging, Planet and People, with commitments designed to deliver programmes of activity and positive change in required time periods. These commitments are intended to address critical agendas which underpin the broader sustainability of the world and the welfare of its people. This is further explained in the Directors Report, Corporate Responsibility and Sustainability section on page 10.

###### ***Our Financial Stakeholders***

The company seeks to make information available to our financial stakeholders to ensure they are appropriately informed on the financial progress and associated risks of the company. This is achieved where appropriate, on sharing key business metrics and information to ensure financial stakeholders are informed and engaged with the key decision making, risk management and financial performance of the business.

**Fortnum & Mason Plc**  
**52 week period ended 12 July 2020**

**Strategic report (continued)**

**Director's duties (continued)**

***Our Long term decision making***

The primary function of the Board of Directors is to review the strategy and related implementation by the Executive team, ensuring this remains in line with the business purpose and values. Assessing associated business risks, providing counsel and guidance to protect and drive shareholder value. This is done so through the sharing of business information, and at board meetings, bi annual shareholder meetings and strategic offsite events and review days.

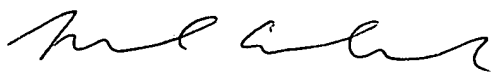
***Our Business Conduct***

Our conduct is very much defined by our business values as mentioned previously. We have appropriate company policies and practices that align with these values which are regularly monitored and reviewed. These company policies include clear procedures setting out how employees can raise any concerns and we regularly publicise them to our people to ensure they know where to turn to, as well as building a culture of active listening and dialogue. This is further explained in the Directors Report, Employment Engagement section on page 11.

***Our members***

The company is 100% subsidiary of Wittington Investment Limited and the ultimate controlling party The Garfield Weston Foundation, a charitable trust. The interests and views of our shareholders are included in our long term decision making and strategic priorities. Kate Hobhouse and Garth Weston represent the interests of the shareholders at our board meetings along with the independence of our Non Executive directors Simon Vincent and Marty Wikstrom along with our CEO Ewan Venters.

The strategic report was approved by the Board of Directors on 24 December 2020 and signed by its order by:



**Mr J Carmichael**  
Company Secretary  
24 December 2020



## **Fortnum & Mason Plc**

### **52 week period ended 12 July 2020**

#### **Directors' report**

The Directors present their report and the audited financial statements of the Group and Company for the 52 week period ended 12 July 2020.

The Group and Company's financial statements were prepared in accordance with Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland".

#### **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	

#### **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.

## **Fortnum & Mason Plc**

### **52 week period ended 12 July 2020**

#### **Directors' report (continued)**

##### **Corporate Responsibility and Sustainability**

As a family owned business that has been around for over 300 years, it is our responsibility to conduct business today in a way that truly considers the next 300 years. We take a long-term view of our business activities and always focus on delivering what is right for the long-term sustainability of the business, both in terms of our social and environmental responsibilities. We have a rich history of not only championing traditions but also driving innovation to stay relevant to our ever changing world. Although we have far-ranging ambitions for progress, the frequent steps taken to achieve our targets are delivered on a day-to-day basis.

Our strategy is called Future Matters, because the future matters. We have four sustainability and social responsibility pillars: People, Product, Packaging and Planet. These drive our commitment to doing more things more often to create long-lasting change, with the help of our suppliers, employees and customers.

We promote sustainable and environmental practices throughout the supply chain, and work with our suppliers to ensure their commitment to best practice on all issues, such as protecting the environment, animals, human rights and renewable resourcing, to deliver ethical quality goods. We have codes of practice to guide our teams and suppliers on these agendas which are discussed on a regular basis in team meetings, category reviews and planning sessions to ensure that everyone understands what is expected. They also help us to determine our success and performance against prescribed timelines for the delivery of our goals.

We source our products from the best suppliers we can find, and where possible ensure that the materials used in the manufacturing of products are fully traceable, and sourced socially and ethically. As a result, our Technical and Buying teams work very closely with our suppliers to provide this level of assurance, and have strong governance models in place to record and track the information needed.

We enjoy very direct relationships with our suppliers, work with the most-skilled producers and always try to promote traditional and artisan methods of production. Where possible and appropriate, products are sourced from British suppliers, not only to ensure the highest quality, but to minimise transport impacts and our carbon footprint. For example, Caverswall in Stoke on Trent manufacture our famous St James, Camellia and White Camellia fine bone china, and our Glenarm shorthorn beef served in our restaurants and sold in our stores is sourced from the estate at the 13<sup>th</sup> century Castle Demesne in Ireland. And more recently, we created Sailboat Chocolate with our sustainability agenda at its heart. Wave-riding and solar-powered, it is fairly farmed chocolate which is naturally grown and certified organic, and importantly 99% emission free.

Ever since we packed off our very first hamper back in the 1700s, re-use has remained at the core of Fortnum's principles. We continue to challenge ourselves to rethink areas of our business where the packaging could work harder and smarter to reduce the impact on the environment, and we have removed a significant amount of plastic from our packaging in the last year – the equivalent of a blue whale in weight. This includes the removal of plastic from our picnic cutlery, our gift bags and boxes, our fruit baskets, our Christmas crackers and our food hall bags (equivalent to 71 tonnes of plastic) and the removal of plastic void fill from our ambient delivery packaging (40 tonnes of plastic).

We also work with our teams to help to drive positive change, and regularly host sessions with members of our Future Matters employee network to harness their ideas and energy to help us to accelerate our strategy. This important forum, which is chaired by our Culture & Talent Director, and supported by our Sustainability Lead and Employee Engagement and Networks Executive, provides a vital source of challenge and inspiration to the business. Our teams regularly share their ideas for how we can evolve our practices and behaviours and what agendas, initiatives and businesses inspire them most. They also act as ambassadors for positive change, regularly share our progress with their colleagues and play a key role in making sure our strategy filters through everything that we do.

## Fortnum & Mason Plc

### 52 week period ended 12 July 2020

#### Directors' report (continued)

##### Corporate Responsibility and Sustainability (continued)

Additionally, decreasing our reliance on the planet's resources has never been more critical. That's why we're putting our waste to good use: every day, in a bid to reduce food waste and food poverty, surplus food from our stores and restaurants in London is picked up by the Felix Project, a London charity, and distributed to charities and schools so they can provide healthy meals and help the most vulnerable in our society. In 2018/19, Fortnum's donated food worth £40,000 to the project.

We are also increasing our recycling facilities, and making every effort to help clean up the impact we make on the environment. This includes initiatives such as the removal of disposal plastic coated coffee cups from our staff canteen at Piccadilly, until the current covid-19 restrictions required us to reintroduce disposable drinking cups, educating our teams on how to dispose of their rubbish at the end of a day in the office and evolving the ways in which we wrap our customers' products at the point of sale.

##### *Energy and Global Greenhouse Gas Emissions*

The table below illustrates our energy and emissions, and in 2019/20 [check], we saw a 4.3% absolute reduction in our carbon emissions. We have also recently installed a new building management system at Piccadilly, which will drive an estimated saving of an additional 55 tonnes. We have also installed new boilers in our basement, saving 72.1 tonnes of carbon per annum and have upgraded many of our lights in the building to LED versions, which will increase efficiency by 10%.

Reported Energy and Emissions	2019/20 Consumption (kWh)
Energy Consumption	6,325,110
Emissions from combustion of fuels (Scope 1: tCO <sub>2</sub> e)	269.0
Emissions from purchased electricity (Scope 2: tCO <sub>2</sub> e)	1,124.7
Total Gross tCO <sub>2</sub> e based on above	1,511.7
Intensity ratio (tCO <sub>2</sub> e/£m sales revenue)	10.84

The above data reflects consumption of sites where the Company has the ability to influence energy management. Data is not reported where the Company has limited or no ability to influence energy management.

##### Employee engagement

We believe in our people having a great employee experience, ensuring we provide a pleasant working environment where they can thrive and do their best work, opportunities to grow, reach their potential and be inspired, a programme of activities and experiences designed to support their wellbeing and enhance their sense of belonging to the company, and a culture where they feel supported and valued. Upon joining the Company, new staff attend an induction training course, created by our Learning & Development team which immerses them in our history, our brand, purpose and values. They are also given a welcome guide which helps them to learn about the company, what to expect in their first few months and some practical information to help them settle into the company and enjoy getting to know us. These experiences are now very successfully delivered digitally, supported by an array of engaging interactive materials designed to bring the essence of Fortnum's to life, including flipbooks, videos, animations and infographics.

## **Fortnum & Mason Plc**

### **52 week period ended 12 July 2020**

#### **Directors' report (continued)**

##### **Employee engagement (continued)**

Weekly 'Good Morning Fortnum's' store briefings are held to update our people on the Company's activities, plans and financial performance, and new products and campaigns of work, as well as Bi-Weekly calls led by the CEO and Executive Team which address our strategic priorities and provide an interactive forum for our teams to ask any questions that they have. Recognition and celebrating our people is central to our culture too: we believe passionately in recognising the remarkable efforts, both big and small of our people on a regular basis, and have various platforms where we call out those who are living by our values and doing extraordinary things for each other and our customers.

We also provide forums for colleagues to ask questions directly to our senior management, which give us vital insight to act upon. From how we communicate with our people, to the training and learning opportunities and wellbeing support we offer them, to our ways of working, we regularly ask for feedback and their bright ideas, and act on their suggestions. This is underpinned by an annual employee opinion survey with 79% of the total participants stating that they enjoy their role and 88% of the total participants stating that they are proud to work for Fortnum & Mason. We also undertook monthly pulse surveys during the first lockdown in the UK from May to July to gain an insight into the welfare and health of our teams who were dispersed to their homes, and help us to evolve our HR practices and communications to support their mental health, sense of connectedness to the business and understanding of our strategy and priorities at the time.

##### **Diversity and inclusion**

Fortnum & Mason is an equal opportunity employer and we wholeheartedly believe in the power of diversity. Central to family is celebrating and embracing what makes each of us unique – valuing the different ideas and thinking we each bring to the table in pursuit of a common purpose.

We want our people, who are from of all backgrounds across the full spectrum of diversity, to feel that they can be themselves and succeed. We believe in attracting the broadest range of talent, in encouraging true diversity of thought and individuality. We are fortunate to enjoy the diversity of over 60 different nationalities and a very even distribution of men and women across the company, at all levels. We have a zero gender pay gap (as of April 2019), and the majority of our teams have a strong sense of belonging to the company and believe that they can be themselves and their managers create an inclusive team environment, which resonates strongly with our Values, 'Do the right thing' and 'Achieve together' (Fortnum & Mason 2020 Employee Opinion Survey).

##### **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 £19.8 million (2019: exceeded by £18.7 million). No valuation has been performed since, and the directors do not believe that it is practical to estimate subsequent increases in market value.

##### **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 £28,694 (2019: £49,978) were made during the period in addition to £7,596 of product contribution to COVID-19 food bank. The company is also a key partner and contributor to The Felix Project, a charity that is fighting to address food waste and poverty in London.

## **Fortnum & Mason Plc**

### **52 week period ended 12 July 2020**

#### **Directors' report (continued)**

##### **Dividends**

There were no dividends paid during the year (2019: £nil)

##### **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 page 5.

##### **Going concern**

Basis of consideration can be found within the Strategic report, Principal business risk section on page 5.

##### **Post balance sheet events**

Details of post balance sheet events are set out in note 23 of the financial statements.

##### **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial 52 week period. Under that law the directors have prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

**Fortnum & Mason Plc**  
**52 week period ended 12 July 2020**

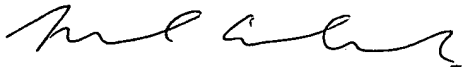
**Directors' report (continued)**

**Directors' confirmations**

In the case of each director in office at the date the Directors' Report is approved:

- so far as the directors are aware, there is no relevant audit information of which the group and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

The Directors' report was approved by the Board of Directors on 24 December 2020 and signed by its order by:



**Mr J Carmichael**  
Company Secretary  
24 December 2020

**Registered Number 00084909**  
Registered Office  
181 Piccadilly  
London W1A 1ER

## **Fortnum & Mason Plc**

### **52 week period ended 12 July 2020**

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

#### **Report on the audit of the financial statements**

##### **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 12 July 2020 and of the group's and the company's profit for the 52 week period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' Report and Consolidated Financial Statements which comprise: The Consolidated and Company balance sheets as at 12 July 2020, the Consolidated and Company statements of comprehensive income and Consolidated and Company statements of changes in equity for the 52 week period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Independence**

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

##### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

## **Fortnum & Mason Plc**

### **52 week period ended 12 July 2020**

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

##### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

##### **Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 12 July 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

##### **Responsibilities for the financial statements and the audit**

###### ***Responsibilities of the directors for the financial statements***

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 13, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.



**Fortnum & Mason Plc**  
**52 week period ended 12 July 2020**

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

**Responsibilities for the financial statements and the audit (continued)**

***Auditors' responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

***Use of this report***

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.

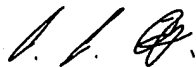
**Other required reporting**

**Companies Act 2006 exception reporting**

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
- certain disclosures of directors' remuneration specified by law are not made; 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.



Craig Skelton (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
24 December 2020

**Fortnum & Mason Plc**  
**52 week period ended 12 July 2020**

**Consolidated and Company statements of comprehensive income**

	Note	52 weeks ended 12 July 2020 £'000	52 weeks ended 14 July 2019 £'000
Turnover	4	139,270	138,437
Cost of sales		(82,328)	(77,712)
<b>Gross profit</b>		<b>56,942</b>	<b>60,725</b>
Distribution costs		(6,902)	(5,531)
Administrative expenses		(49,517)	(43,247)
<b>Operating profit</b>	4	<b>523</b>	<b>11,947</b>
Interest receivable and similar income	6	52	167
<b>Profit before taxation</b>		<b>575</b>	<b>12,114</b>
Tax on profit	8	(857)	(2,749)
<b>(Loss)/Profit for the financial period</b>		<b>(282)</b>	<b>9,365</b>
<b>Other comprehensive income for the period</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income attributable to shareholders</b>		<b>(282)</b>	<b>9,365</b>

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

The notes on pages 21 to 38 form part of these financial statements.

**Fortnum & Mason Plc**  
**52 week period ended 12 July 2020**

**Consolidated and Company balance sheets**

	Note	As at 12 July 2020 £'000	As at 14 July 2019 £'000
<b>Fixed assets</b>			
Intangible assets	9	9,187	8,759
Tangible assets	10	38,988	38,133
Investments	11	-	-
		<b>48,175</b>	<b>46,892</b>
<b>Current assets</b>			
Stocks	12	12,507	8,924
Debtors	13	5,064	8,647
Cash at bank and in hand		11,997	20,364
		<b>29,568</b>	<b>37,935</b>
<b>Creditors: Amounts falling due within one year</b>	14	<b>(17,950)</b>	<b>(25,189)</b>
<b>Net current assets</b>		<b>11,618</b>	<b>12,746</b>
<b>Total assets less current liabilities</b>		<b>59,793</b>	<b>59,638</b>
<b>Provisions for liabilities</b>	16	<b>(2,187)</b>	<b>(1,750)</b>
<b>Net assets</b>		<b>57,606</b>	<b>57,888</b>
<b>Capital and reserves</b>			
Called up share capital	17	807	807
Share premium account		25,208	25,208
Profit and loss account		31,591	31,873
<b>Total shareholders' funds</b>		<b>57,606</b>	<b>57,888</b>

The notes on pages 21 to 38 form part of these financial statements.

These financial statements were authorised for issue by the Board of Directors on 24 December 2020 and were signed on its behalf by:



**Mr E A Venters**  
 Chief Executive  
 24 December 2020  
 Registered Number 00084909

**Fortnum & Mason Plc**  
**52 week period ended 12 July 2020**

**Consolidated and Company statements of changes in equity**

	Note	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total shareholders' funds £'000
<b>Balance as at 16 July 2018</b>		<b>807</b>	<b>25,208</b>	<b>22,508</b>	<b>48,523</b>
Profit and total comprehensive income for the period		-	-	9,365	9,365
<b>Balance as at 14 July 2019</b>	<b>17</b>	<b>807</b>	<b>25,208</b>	<b>31,873</b>	<b>57,888</b>
Profit and total comprehensive income for the period		-	-	(282)	(282)
<b>Balance as at 12 July 2020</b>		<b>807</b>	<b>25,208</b>	<b>31,591</b>	<b>57,606</b>

# **Fortnum & Mason Plc**

## **52 week period ended 12 July 2020**

### **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.

#### **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 as set out in the Principal business risks section of the Strategic report on page 5.

##### **Accounting reference date**

The registered accounting reference date is 12 July, financial statements are prepared on a 52 week basis (2019: 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.

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.

**Fortnum & Mason Plc**  
**52 week period ended 12 July 2020**

**Notes to the financial statements (continued)**

**3 Accounting policies (continued)**

**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 currency is pound sterling and the 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 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.

**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	3 - 10 years

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

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changes, the residual value, useful life or amortisation rate are amended prospectively to reflect new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

**Fortnum & Mason Plc**  
**52 week period ended 12 July 2020**

**Notes to the financial statements (continued)**

**3 Accounting policies (continued)**

**Intangible assets and amortisation (continued)**

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.

At each balance sheet date assets are assessed to determine whether there is an indication of impairment, by comparing the recoverable amount to the carrying value of the asset. The recoverable amount of the asset is the higher of the fair value less cost to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtained as a result of continued use of the asset, discounted at the current market risk free rate. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced and an impairment loss is recognised in the statements of comprehensive income.

**Fortnum & Mason Plc**  
**52 week period ended 12 July 2020**

**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 12 July 2020**

**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.

**Short term benefits**

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

**Fortnum & Mason Plc**  
**52 week period ended 12 July 2020**

**Notes to the financial statements (continued)**

**3 Accounting policies (continued)**

**Employee benefits (continued)**

***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 12 July 2020**

**Notes to the financial statements (continued)**

**4 Geographical reporting**

	52 weeks ended 12 July 2020 £'000	52 weeks ended 14 July 2019 £'000
<b>Turnover</b>		
UK - Group and Company		
- Sale of goods	131,167	132,905
Overseas - Group and Company		
- Sale of goods	7,900	5,289
- Royalty income	203	243
Turnover	<u>139,270</u>	<u>138,437</u>
	52 weeks ended 12 July 2020 £'000	52 weeks ended 14 July 2019 £'000
<b>Operating profit</b>		
UK		
- Group and Company	2,901	10,758
Overseas		
- Group and Company	(2,378)	1,189
Operating profit	<u>523</u>	<u>11,947</u>

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

	2020 £'000	2019 £'000
<b>Net assets</b>		
UK - Group and Company	<u>57,606</u>	<u>57,888</u>

**Fortnum & Mason Plc**  
**52 week period ended 12 July 2020**

**Notes to the financial statements (continued)**

**5 Operating profit**

This is stated after charging the following amounts:

	52 weeks ended 12 July 2020 £'000	52 weeks ended 14 July 2019 £'000
Amortisation on intangible fixed assets	2,080	1,225
Depreciation on tangible fixed assets	6,023	4,583
Impairment on tangible fixed assets	2,107	-
Operating leases – other	3,623	3,136
Foreign exchange losses	106	192
Auditors' remuneration – audit services	80	75

**6 Interest receivable and similar income**

	52 weeks ended 12 July 2020 £'000	52 weeks ended 14 July 2019 £'000
Bank interest receivable	52	167

**Fortnum & Mason Plc**  
**52 week period ended 12 July 2020**

**Notes to the financial statements (continued)**

**7 Directors and employees**

	<b>52 weeks ended 12 July 2020 Number</b>	<b>52 weeks ended 14 July 2019 Number</b>
Average number of employees:		
Selling	<b>698</b>	<b>575</b>
Administration and distribution	<b>297</b>	<b>257</b>
	<b>995</b>	<b>832</b>
	<b>£'000</b>	<b>£'000</b>
Staff costs – wages and salaries	<b>31,558</b>	<b>28,599</b>
– social security costs	<b>2,445</b>	<b>2,624</b>
– other pension costs	<b>1,426</b>	<b>1,261</b>
	<b>35,429</b>	<b>32,484</b>
Staff costs include the following remuneration of directors:		
Aggregate emoluments	<b>590</b>	<b>1,289</b>

Retirement benefits are accruing to one (2019: one) director under a defined benefit scheme and one director (2019: nil) under a defined contribution scheme, the contributions paid to the defined benefit scheme during the period were £7,338 (2019: £11,594). The aggregate value of Company contributions paid under the defined contribution scheme was £9,999 (2019: nil).

	<b>52 weeks ended 12 July 2020 £'000</b>	<b>52 weeks ended 14 July 2019 £'000</b>
<b>Highest paid director</b>		
Aggregate emoluments and long term incentive plan	<b>470</b>	<b>1,129</b>

**Fortnum & Mason Plc**  
**52 week period ended 12 July 2020**

**Notes to the financial statements (continued)**

**8 Tax on profit**

	2020 £'000	2019 £'000
<b>Current tax</b>		
UK Corporation tax	400	2,420
Adjustments in respect of prior periods	20	(119)
Total current tax charge	420	2,301
<b>Deferred tax (note 16)</b>		
Effect of tax rate change on opening balance	237	-
Adjustments in respect of prior periods	200	448
Total deferred tax charge	437	448
<b>Total tax charge on profit</b>	<b>857</b>	<b>2,749</b>

The tax assessed for the period differs from (2019: differs from) the standard rate of corporation tax in the UK as explained below:

	2020 £'000	2019 £'000
<b>Profit before taxation</b>	<b>575</b>	<b>12,114</b>
Profit before taxation at UK average tax rate of 19% (2019: 19.00%)	109	2,302
Temporary differences in respect of fixed assets	305	173
Expenses deductible for tax purposes	(14)	(55)
Adjustments in respect of prior periods	20	(119)
Effect of tax rate change on opening balance – deferred tax	237	-
Adjustments in respect to prior periods – deferred tax	200	448
<b>Total tax charge for the period</b>	<b>857</b>	<b>2,749</b>

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%. At Budget 2020, the government announced that the Corporation Tax main rate for the years starting 1 April 2020 and 2021 would remain at 19%.

**Fortnum & Mason Plc**  
**52 week period ended 12 July 2020**

**Notes to the financial statements (continued)**

**9 Intangible assets**

**Group and Company**

	<b>Computer software £'000</b>	<b>Design rights and trademarks £'000</b>	<b>Assets under construction £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
<b>At 14 July 2019</b>	<b>13,139</b>	<b>110</b>	<b>165</b>	<b>13,414</b>
Additions	222	102	2,184	2,508
Transfer	290	152	(442)	-
Disposals	(82)	-	-	(82)
<b>At 12 July 2020</b>	<b>13,569</b>	<b>364</b>	<b>1,907</b>	<b>15,840</b>
<b>Accumulated depreciation and impairment</b>				
<b>At 14 July 2019</b>	<b>4,628</b>	<b>27</b>	<b>-</b>	<b>4,655</b>
Charge for the period	2,033	47	-	2,080
Impairment	-	-	-	-
Amortisation on disposed assets	(82)	-	-	(82)
<b>At 12 July 2020</b>	<b>6,579</b>	<b>74</b>	<b>-</b>	<b>6,653</b>
<b>Net book amount 12 July 2020</b>	<b>6,990</b>	<b>290</b>	<b>1,907</b>	<b>9,187</b>
<b>Net book amount 14 July 2019</b>	<b>8,511</b>	<b>83</b>	<b>165</b>	<b>8,759</b>

Assets under construction represent an investment for a new website.

**Fortnum & Mason Plc**  
**52 week period ended 12 July 2020**

**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
<b>Cost</b>					
<b>At 14 July 2019</b>	<b>34,521</b>	<b>22,207</b>	<b>2,322</b>	<b>3,956</b>	<b>63,006</b>
Additions	8	6,365	23	2,589	8,985
Transfer	-	6,091	-	(6,091)	-
Disposals	-	(2,685)	-	-	(2,685)
<b>At 12 July 2020</b>	<b>34,529</b>	<b>31,978</b>	<b>2,345</b>	<b>454</b>	<b>69,306</b>
<b>Accumulated depreciation and impairment</b>					
<b>At 14 July 2019</b>	<b>14,391</b>	<b>10,482</b>	<b>-</b>	<b>-</b>	<b>24,873</b>
Charge for the period	1,177	4,846	-	-	6,023
Impairment	-	1,926	-	181	2,107
Depreciation on disposed assets	-	(2,685)	-	-	(2,685)
<b>At 12 July 2020</b>	<b>15,568</b>	<b>14,569</b>	<b>-</b>	<b>181</b>	<b>30,318</b>
<b>Net book amount 12 July 2020</b>	<b>18,961</b>	<b>17,409</b>	<b>2,345</b>	<b>273</b>	<b>38,988</b>
<b>Net book amount 14 July 2019</b>	<b>20,130</b>	<b>11,725</b>	<b>2,322</b>	<b>3,956</b>	<b>38,133</b>

Transferred assets under construction represent investments in new stores.

An expense of £1.9m is recognised as impairment of assets on the Royal Exchange store. A key estimate for the value in use calculation was sales growth assumption from 2023 when Royal Exchange sales forecasts are expected to return to pre COVID-19 level. Management have determined this to be at a rate of 8% per annum based upon previous sales curve trends which results in an impairment charge of £1.9m, at 0% sales growth the impairment charge would be £3.1m and at 12% growth there would be no impairment.

An expense of £0.2m is recognised as impairment of assets within 'Assets Under Construction' on the Piccadilly Store.



**Fortnum & Mason Plc**  
**52 week period ended 12 July 2020**

**Notes to the financial statements (continued)**

**11 Investments**

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

<b>Subsidiary companies</b>	<b>Country of Registration</b>	<b>Activity</b>	<b>Share capital held</b>	<b>Registered address</b>
F. & M. Limited	UK	Dormant	100%	181 Piccadilly, London, W1A 1ER, UK
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%	
Fortnum & Mason USA Inc	USA	Dormant	100%	5 Edgemoor Road Suite 210, Wilmington, DE 19809, USA
Fortnum & Mason Limited	Ireland	Dormant	100%	24/26 City Quay, Dublin 2 D02 NY19, Ireland
<b>Joint venture</b>				
Fortnum & Mason Events Limited	UK	Dormant	50%	181 Piccadilly, London, W1A 1ER, UK

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**

<b>Group and Company</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
Goods for resale	13,302	9,402
Provision for impairment	(795)	(478)
	<b>12,507</b>	<b>8,924</b>

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

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**Notes to the financial statements (continued)**

**13 Debtors**

<b>Group and Company</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Trade debtors	2,106	5,920
Derivative financial instruments	-	23
Other debtors	319	46
Prepayments and accrued income	2,639	2,658
	<b>5,064</b>	<b>8,647</b>

Trade debtors are stated after provision for impairment of £39,642 (2019: £209,733).

**14 Creditors: amounts falling due within one year**

<b>Group and Company</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	8,136	5,827
Amounts owed to group undertakings	-	5,042
Corporation tax	146	1,253
Other taxation and social security	1,120	543
VAT	-	292
Other creditors	2,445	2,350
Accruals and deferred income	6,103	9,882
	<b>17,950</b>	<b>25,189</b>

During the period a repayment of the amounts owed to group undertakings was made for the amount of £5,042,000 (2019: £5,000,000).

**Fortnum & Mason Plc**  
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**Notes to the financial statements (continued)**

**15 Financial instruments**

The Group and Company have the following financial instruments:

	Note	2020 £'000	2019 £'000
Financial assets that are debt instruments measured at amortised cost			
- Trade debtors	13	2,106	5,920
- Other debtors	13	319	46
- Cash at bank and in hand		11,997	20,364
		<u>14,422</u>	<u>26,330</u>
Financial assets measured at fair value through profit or loss			
- Derivative financial instruments	13	-	23
Financial liabilities measured at amortised cost			
- Trade creditors	14	(8,136)	(5,827)
- Amounts owed to group undertakings	14	-	(5,042)
- Other creditors	14	(2,445)	(2,350)
- Accruals	14	(6,103)	(9,882)
		<u>(16,684)</u>	<u>(23,101)</u>

The Group enters into forward foreign contracts to mitigate the exchange rate risk for certain foreign currency payable. At 12 July 2020, there is no outstanding contracts with nil maturity dates (2019: 2.5 months) of the period end. The fair value of the contracts at 12 July 2020 was nil (2019: £0.02 million). 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 nil (2019: €2.0 million) and pay a fixed sterling amount of nil (2019: £1.8 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: EUR and GBP: USD.

**16 Provisions for liabilities**

Group and Company	As at 14 July 2019 £'000	Movement £'000	As at 12 July 2020 £'000
Deferred taxation	1,750	437	2,187

**Fortnum & Mason Plc**  
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**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:

	2020	2019
	£'000	£'000
Accelerated capital allowances	2,482	2,155
Other temporary differences	(295)	(405)
Total provision for deferred tax	2,187	1,750

**17 Called up share capital**

**Group and Company**

	2020	2019
	£'000	£'000
<b>Allotted and fully paid</b>		
16,139,000 (2019: 16,139,000) ordinary shares of £0.05 (2019: £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 12 July 2020 there were 11 (2019: 13) 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 £148,493 (2019: £135,619) in the period.

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 12 July 2020 there were 677 (2019: 579) members of the scheme and the Company made contributions of £1,277,336 (2019: £1,124,948) in the period.

The Company pays Hong Kong Mandatory Provident Fund contributions for Hong Kong employees. At 12 July 2020 there were 62 employees enrolled and the Company made contributions of £69,742 (2019: nil) in the period.

**Fortnum & Mason Plc**  
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**Notes to the financial statements (continued)**

**19 Capital commitments**

At the period end there were capital commitments totalling £0.5 million (2019: £6.7million).

**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 12 July 2020	3,190	11,369	10,874	25,433
Land and buildings at 14 July 2019	4,023	12,260	7,544	23,827

**21 Ultimate parent undertaking**

The largest group in which the results of the Company are consolidated is that headed by Wittington Investments Limited ('Wittington'). Wittington is the ultimate holding company, and is incorporated and registered as a limited company in England and Wales.

The majority shareholder of Wittington is Garfield Weston Foundation ('the Foundation'), a grant making trust and a registered charity. Wittington, and, through their control of Wittington, the trustees of the Foundation are controlling shareholders of the Company. The Trustees of the Foundation are Persons with Significant Control in relation to Wittington.

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](http://www.garfieldweston.org).

**22 Related party transactions**

During the period, there were no transactions with Fortnum & Mason Events Limited, a 50% joint venture with Do & Co Event & Airline Catering Limited.

During the period there were no transactions between Do & Co Event & Airline Catering Limited and the Company.

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**Notes to the financial statements (continued)**

**23 Post balance sheet events**

To aid the stock build and investment in our key Christmas trading period, on 5<sup>th</sup> October 2020 an initial £2m bridging loan was secured from Wittington Investments Limited, the parent company, which was repaid on 6<sup>th</sup> November 2020. This was replaced on the 27<sup>th</sup> October with a short term £10m working capital facility with HSBC repayable on 31<sup>st</sup> January 2021, secured by way of a fixed and floating charge over the assets of the company.

Mr Ewan Venters, CEO resigned from the business with his last day in office on 8<sup>th</sup> January 2021. Mr Tom Athron has been appointed as the new CEO of Fortnum and Mason Plc and joined the company on the 1st December 2020 ensuring a period of handover before formally taking over on the 8<sup>th</sup> January 2021.