

Fortnum & Mason Plc
(Registered number 00084909)

Directors' Report and Consolidated Financial Statements

For the 52 week period ended 11 July 2021

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Fortnum & Mason Plc

52 week period ended 11 July 2021

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Fortnum & Mason Plc

52 week period ended 11 July 2021

Strategic report

The Directors present their strategic report on the group for the 52 week period ended 11 July 2021.

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 and Hong Kong flagship store; a hospitality division incorporating the restaurants in the Piccadilly store and other stores, 45 Jermyn St, private functions and external events; the direct to customer operation focusing on sales through the internet and concierge team; 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

In a year that was dominated by the continuous impact and response to the COVID-19 pandemic, we delivered an overall turnover of £131.2m (2020: £139.3m) for the 52 weeks ended 11 July 2021, a decrease of 6% on the previous period. Loss before taxation was £2.7m (2020: £0.6m profit) with EBITDA remaining positive at £5.1m (2020: £10.7m). This included a successful insurance claim of £2.5m (2020: £nil) under our Business Interruption policy due to the lockdowns that occurred.

The performance during the year was heavily impacted by COVID-19 that saw our UK Retail and Hospitality business fully reopen in July 2020 with some restrictions on trading before a further national lockdown on 5th November 2020 and then again on 6th January 2021 before the reopening of non essential retail on 12th April 2021 with the final removal of social distancing rules on 19th July 2021. During this period, only our Piccadilly Food Retail, Online, Phones and Hong Kong store operated throughout serving predominantly a domestic market given the restrictions on international travel. Following Brexit on 31st January 2020 we also experienced significant challenges exporting to our European customers, something we persevered with for many months until it was clear that we were unable to deliver on our customer promise, and as a result we have paused sales to the EU until we are more confident that we can achieve this.

Through these unprecedented challenges we have taken strong decisions 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, existing cash reserves and a short £3.0m HSBC working capital facility to aid our stock buy for the key Christmas trading period that was repaid in December 2020. We have also continued to invest strategically in our business that saw the launch of a new website in Autumn 2020, further improvements in our business systems and store experiences that saw capital investment of £5.2m (2020: £11.5m) in the year.

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Strategic report (continued)

Dividends

The Directors do not propose the payment of a dividend for the period (2020: £nil).

Outlook

We welcome our new CEO, Tom Athron who joins the business at a time of opportunity, recovery, digital acceleration and external challenges. Tom is quickly shaping his new leadership team and setting clear priorities for the business to navigate through the next year of continued recovery whilst shaping our future strategy.

Through such transition our financial strategy sets out a very 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. We see a continued acceleration of Online sales and positive initial recovery of our UK stores and restaurants, Hong Kong also trades ahead of last year however consumer confidence remains below that of the UK market therefore we expect a slower pace of recovery in that region. Whilst we remain cautiously optimistic that sales will continue to recover, we like many businesses are facing significant challenges in supply chain and cost inflation. We have taken additional steps to secure our deliveries through ports, recruit and retain talent in our Distribution Centre and Restaurants where we have seen the greatest labour market challenges and are working closely with the Wittington Group of companies (Parent company) to manage the impact of higher energy prices, all of which will challenge the pace of our recovery and profitability.

As we look to invest in our stock build and investment in our key Christmas trading period and ensure we have significant head room for any further COVID-19 restrictions, a short term unsecured working capital facility was put in place with Wittington Investment Limited, the parent company to 31st December 2021, this is further disclosed in note 24.

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; geopolitical changes and their impact on the economic and commercial environment as well as our teams and supply base.

Supply chain risks are more prevalent through a period of COVID-19 and economic recovery that can impact on the stability of product supply into our DC and to our customers, prices are susceptible to greater levels of inflation as demand can outstrip supply.

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.

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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 2 month lockdown, with sensitivities such as further downside sales through to December 2022, 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, US Dollars and Chinese Yuan and our online customers have an option to pay for their purchases in selected currencies as well as in Sterling. Direct imports, which represent 15% of purchases (2020: 12% 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 £6.2m (2020: nil) and the fair value of the contracts was £6.1m (2020: nil). The change in fair value of the forward contracts during the period was recognised in Consolidated and Company statement of comprehensive income. At 11 July 2021, the Company had outstanding non-sterling short-term creditors, predominantly in EURO and HKD, of £0.3m (2020: £0.7m).

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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 11 July 2021 and during the period then ended the Company had no interest bearing financial liabilities (2020: none).

Interest bearing sterling cash deposits at the period-end were £4.0 million (2020: £0.6 million) at an average interest rate of 0.01% (2020: 0.01%).

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 to promote the success of the company for the benefit of its members, 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 to 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 account 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 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 11 July 2021

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 11 July 2021

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.

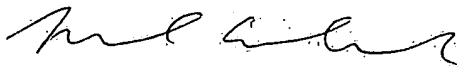
Our Business Conduct

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 Tom Athron and CFO Justin Carmichael.

The strategic report was approved by the Board of Directors on 17 December 2021 and signed by its order by:



Mr J Carmichael
Company Secretary

Fortnum & Mason Plc

52 week period ended 11 July 2021

Directors' report

The Directors present their report and the audited financial statements of the Group and Company for the 52 week period ended 11 July 2021.

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) Resigned 8 January 2021
Mr T Athron	(Chief Executive) Appointed 8 January 2021
Mr J Carmichael	Appointed 8 January 2021
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

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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 13th 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 11 July 2021

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.

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 promoting the use of lifetime shopping bags at the retail tills.

Energy and Global Greenhouse Gas Emissions

The table below illustrates our energy and emissions in the last two years until December 2020. During which we saw a 3.4% absolute reduction in our carbon emissions. We are continue seeing the result from the building management system installed at Piccadilly, which drove an estimated saving of 55 tonnes of carbon per annum. 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 increased energy efficiency by 10%.

Certified footprint and reduction

Unit	Year End Date Dec 2017	Year End Date Dec 2018	Year End Date Dec 2019	Year End Date Dec 2020	Reduction
tCO2e	1,771,713	1,936,345	2,031,264	1,549,607	3.4%
tCO2e/£m turnover	15	14	14	13	9.7%

The certified footprint and reduction correspond to the following boundary:

Piccadilly store and distribution centre in Sutton

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. Supported by 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.

Weekly digital or in person '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.

Fortnum & Mason Plc

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Directors' report (continued)

Employee engagement (continued)

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 and again in January 2021 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).

During the year we launched two new employee networks, 'The Belonging Network' to help nurture diversity and inclusion across the Company and 'The Family & Parenting Network' to provide a vital forum for our people to learn, share experiences and support each other. We regularly invite outside speakers to share their knowledge and experiences in order to inspire positive change and a greater appreciation of important topics, and regularly challenge ourselves to develop more inclusive practices and environments which will underpin our culture.

Fixed assets

Changes in fixed assets are set out in notes 10 and 11. 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 £21.0 million (2020: exceeded by £19.8 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 11 July 2021

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 £20,687 (2020: £28,694) were made during the period. 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.

In the Spring of 2021, we announced that we would give each team member a day a year for volunteering, to allow them to engage with a charity of their choice aligned to our Future Matters' pillars. Additionally, our Future Matters employee network nominated Centrepoin as our employee charity of the year, and our team have dedicated much of their time to raising money for this important cause through initiatives such as a popular internal raffle and the charity's Move in March campaign.

Dividends

There were no dividends paid during the year (2020: £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 24 of the financial statements.

Fortnum & Mason Plc

52 week period ended 11 July 2021

Directors' report (continued)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Directors' Report and Consolidated Financial Statements and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the 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, 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 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.

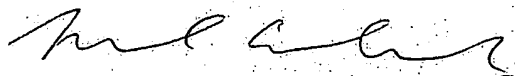
The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements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

Directors' confirmations

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

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

The Directors' report was approved by the Board of Directors on 17 December 2021 and signed by its order by:



Mr J Carmichael
Company Secretary

Registered Number 00084909
Registered Office
181 Piccadilly
London W1A 1ER

Fortnum & Mason Plc

52 week period ended 11 July 2021

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 11 July 2021 and of the group's and company's loss for the 52 week 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 (the "Annual Report"), which comprise: the Consolidated and Company balance sheets as at 11 July 2021; the Consolidated and Company statements of comprehensive income and Consolidated and Company statements of changes in equity for the 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Fortnum & Mason Plc

52 week period ended 11 July 2021

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 11 July 2021 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, 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 11 July 2021

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate reported results and management bias in making accounting estimates. Audit procedures performed by the engagement team included:

- Making enquiries of management, including consideration of known or suspected instances of non-compliance with laws and regulations or fraud;
- Testing of journal entries for any unusual or unexpected combinations, particularly those impacting revenue;
- Challenging assumptions and judgements made by management in significant accounting estimates including Long term incentive plans; Inventory provisions and Impairment assessments;
- Evaluating management's controls designed to prevent and detect irregularities; and
- Testing of income and indirect tax amounts.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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. 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.

Fortnum & Mason Plc
52 week period ended 11 July 2021

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

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 obtained 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.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime. 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

17 December 2021

Fortnum & Mason Plc
52 week period ended 11 July 2021

Consolidated and Company statements of comprehensive income

	Note	52 weeks ended 11 July 2021 £'000	52 weeks ended 12 July 2020 £'000
Turnover	4	131,175	139,270
Cost of sales		(80,080)	(82,328)
Gross profit		51,095	56,942
Distribution costs		(9,470)	(6,902)
Administrative expenses	5	(47,082)	(49,517)
Other operating income	6	2,802	-
Operating (loss) / profit	7	(2,655)	523
Interest (payable) / receivable and similar income	8	(39)	52
(Loss) / profit before taxation		(2,694)	575
Tax on (loss) / profit	9	(172)	(857)
(Loss)/Profit for the financial period		(2,866)	(282)
Other comprehensive income for the period		-	-
Total comprehensive expense attributable to shareholders		(2,866)	(282)

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

The notes on pages 22 to 38 form part of these financial statements.

Fortnum & Mason Plc
52 week period ended 11 July 2021

Consolidated and Company balance sheets

	Note	As at 11 July 2021 £'000	As at 12 July 2020 £'000
Fixed assets			
Intangible assets	10	9,469	9,187
Tangible assets	11	36,179	38,988
Investments	12	-	-
		45,648	48,175
Current assets			
Stocks	13	15,970	12,507
Debtors	14	6,338	5,064
Cash at bank and in hand		9,748	11,997
		32,056	29,568
Creditors: Amounts falling due within one year	15	(20,605)	(17,950)
Net current assets		11,451	11,618
Total assets less current liabilities		57,099	59,793
Provisions for liabilities	17	(2,359)	(2,187)
Net assets		54,740	57,606
Capital and reserves			
Called up share capital	18	807	807
Share premium account		25,208	25,208
Profit and loss account		28,725	31,591
Total shareholders' funds		54,740	57,606

The notes on pages 22 to 38 form part of these financial statements.

These financial statements were authorised for issue by the Board of Directors on 17 December 2021 and were signed on its behalf by:



Mr T Athron
Chief Executive

Registered Number 00084909

Fortnum & Mason Plc
52 week period ended 11 July 2021

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
Balance as at 15 July 2019		807	25,208	31,873	57,888
Loss and total comprehensive expense for the period		-	-	(282)	(282)
Balance as at 12 July 2020		807	25,208	31,591	57,606
Loss and total comprehensive expense for the period		-	-	(2,866)	(2,866)
Balance as at 11 July 2021	18	807	25,208	28,725	54,740

Fortnum & Mason Plc

52 week period ended 11 July 2021

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

These consolidated and company financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value. 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 11 July, financial statements are prepared on a 52 week basis (2020: 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 as required by FRS102, paragraph 337.
- (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 11 July 2021

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.

Other operating income

Other operating income relate to COVID-19 business interruption insurance settlement received during the period, and the grant received from Hong Kong government throughout the COVID-19 pandemic.

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 11 July 2021

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 11 July 2021

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 11 July 2021

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 11 July 2021

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.

Critical judgements include:

- going concern considerations, including significant judgement exercised in assessing the existence of any material uncertainties, as set out in the Principal business risks section of the Strategic report on page 5;
- judgement exercised in assessing if financial assets should be impaired at the reporting date, as disclosed in Accounting policies note on page 23; and
- judgement exercised to assess whether a possible asset from past events should be disclosed as a 'contingent asset' or recognised as an 'asset', such as COVID-19 related insurance claim, as disclosed in the Other operating income accounting policy on page 23.

Fortnum & Mason Plc
52 week period ended 11 July 2021

Notes to the financial statements (continued)

3 Accounting policies (continued)

Critical accounting judgements and estimation uncertainty (continued)

Applied estimates and underlying assumptions are continually evaluated and are based on historical experience, business use and 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. Actual results may differ from these estimates.

Key accounting estimates are disclosed in Accounting policies note and include:

- bonus and long term incentive plan provision. An estimate is made on future business profitability in line with the bonus and long term incentive plan terms and conditions, as well as the retention of key management personnel.
- stock provision. Key accounting estimates include seasonality of the stock, forward sales cover and net realisable value of the stock held at the year end.
- impairment provision, that is assessed based on expected future footfall and operating profits at each location, as well as an estimated net cash inflow generated by assets.

4 Geographical reporting

	52 weeks ended 11 July 2021 £'000	52 weeks ended 12 July 2020 £'000
Turnover		
UK - Group and Company		
- Sale of goods	122,842	131,167
Overseas - Group and Company		
- Sale of goods	8,077	7,900
- Royalty income	256	203
Turnover	131,175	139,270
	52 weeks ended 11 July 2021 £'000	52 weeks ended 12 July 2020 £'000
Operating (loss) / profit		
UK - Group and Company	(2,387)	2,901
Overseas - Group and Company	(268)	(2,378)
Operating (loss)/profit	(2,655)	523

The analyses of turnover and operating (loss)/profit by destination are shown above.

Fortnum & Mason Plc
52 week period ended 11 July 2021

Notes to the financial statements (continued)

4 Geographical reporting (continued)

	2021 £'000	2020 £'000
Net assets		
UK - Group and Company	54,740	57,606

5 Directors and employees

	52 weeks ended 11 July 2021 Number	52 weeks ended 12 July 2020 Number
Average number of employees:		
Selling	551	698
Administration and distribution	321	297
	872	995
	£'000	£'000
Staff costs – wages and salaries	28,405	31,558
– social security costs	2,571	2,445
– other pension costs	1,536	1,426
	32,512	35,429
Staff costs include the following remuneration of directors:		
Aggregate emoluments	940	590

Retirement benefits are accruing to nil (2020: one) directors under a defined benefit scheme and two directors (2020: one) under a defined contribution scheme, the contributions paid to the defined benefit scheme during the period were £nil (2020: £7,338). The aggregate value of Company contributions paid under the defined contribution scheme was £14,705 (2020: £9,999).

	52 weeks ended 11 July 2021 £'000	52 weeks ended 12 July 2020 £'000
Highest paid director		
Aggregate emoluments and long term incentive plan	397	470

Fortnum & Mason Plc
52 week period ended 11 July 2021

Notes to the financial statements (continued)

6 Other operating income

	52 weeks ended 11 July 2021 £'000	52 weeks ended 12 July 2020 £'000
Business interruption COVID-19 insurance claim settlement	2,500	-
Hong Kong government COVID-19 support	302	-
Total other operating income	<u>2,802</u>	<u>-</u>

7 Operating (loss)/profit

This is stated after charging the following amounts:

	52 weeks ended 11 July 2021 £'000	52 weeks ended 12 July 2020 £'000
Amortisation on intangible fixed assets	1,527	2,080
Depreciation on tangible fixed assets	6,175	6,023
Impairment on tangible fixed assets	-	2,107
Operating leases – other	2,688	3,623
Foreign exchange losses	204	106
Auditors' remuneration – audit services	<u>79</u>	<u>80</u>

8 Interest receivable and similar income

	52 weeks ended 11 July 2021 £'000	52 weeks ended 12 July 2020 £'000
Bank interest (payable) / receivable	<u>(39)</u>	<u>52</u>

Fortnum & Mason Plc
52 week period ended 11 July 2021

Notes to the financial statements (continued)

9 Tax on (loss) / profit

	2021 £'000	2020 £'000
Current tax		
UK Corporation tax	-	400
Adjustments in respect of prior periods	-	20
Total current tax charge	-	420
Deferred tax (note 17)		
Effect of tax rate change on opening balance	602	237
Adjustments in respect of prior periods	(430)	200
Total deferred tax charge	172	437
Total tax charge on profit	172	857

The tax assessed for the period differs from (2020: differs from) the standard rate of corporation tax in the UK of 19% (2020: 19%) as explained below:

	2021 £'000	2020 £'000
(Loss) / profit before taxation	(2,694)	575
(Loss) / profit before taxation at UK average tax rate of 19% (2020: 19.00%)	(512)	109
Temporary differences in respect of fixed assets	189	305
Expenses not deductible/(deductible) for tax purposes	7	(14)
Adjustments in respect of prior periods	224	20
Losses carried back	92	-
Effect of tax rate change on opening balance – deferred tax	602	237
Adjustments in respect to prior periods – deferred tax	(430)	200
Total tax charge for the period	172	857

The UK Budget on 3 March 2021 included an announcement that the corporation tax rate will increase to 25% from 1 April 2023 for certain companies. Under FRS 102, deferred tax is required to be calculated using rates that have been substantively enacted at the balance sheet date, an increase in the UK corporation tax rate from 19% to 25% was substantively enacted on 24 May 2021, and therefore the UK deferred tax as at 11 July 2021 has been calculated at 25% (2020: 19%).

Fortnum & Mason Plc
52 week period ended 11 July 2021

Notes to the financial statements (continued)

10 Intangible assets

Group and Company	Computer software	Design rights and trademarks	Assets under construction	Total
	£'000	£'000	£'000	£'000
Cost				
At 13 July 2020	13,569	364	1,907	15,840
Additions	428	80	1,301	1,809
Transfer	2,001	-	(2,001)	-
Disposals of fully amortised assets	(5,323)	-	-	(5,323)
At 11 July 2021	10,675	444	1,207	12,326
Accumulated depreciation and impairment				
At 13 July 2020	6,579	74	-	6,653
Charge for the period	1,456	71	-	1,527
Amortisation on disposed assets	(5,323)	-	-	(5,323)
At 11 July 2021	2,712	145	-	2,857
Net book amount 11 July 2021	7,963	299	1,207	9,469
Net book amount 12 July 2020	6,990	290	1,907	9,187

Assets under construction represent the development of new functionality for our Online and ERP business systems that have yet to go live.

Fortnum & Mason Plc
52 week period ended 11 July 2021

Notes to the financial statements (continued)

11 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 2020	34,529	31,978	2,345	454	69,306
Additions	-	3,013	-	353	3,366
Transfer	-	346	-	(346)	-
Disposals of fully depreciated assets	-	(2,215)	-	(181)	(2,396)
At 11 July 2021	34,529	33,122	2,345	280	70,276
Accumulated depreciation and impairment					
At 13 July 2020	15,568	14,569	-	181	30,318
Charge for the period	1,177	4,998	-	-	6,175
Impairment	-	-	-	-	-
Depreciation on disposed assets	-	(2,215)	-	(181)	(2,396)
At 11 July 2021	16,745	17,352	-	-	34,097
Net book amount 11 July 2021	17,784	15,770	2,345	280	36,179
Net book amount 13 July 2020	18,961	17,409	2,345	273	38,988

Assets under construction represents investments made in our Piccadilly flagship store that continues to evolve our propositions and Distribution centre to increase capacity and productivity.

Fortnum & Mason Plc
52 week period ended 11 July 2021

Notes to the financial statements (continued)

12 Investments

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

	Country of	Activity	Share capital	Registered
Subsidiary companies	Registration		held	address
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
Joint venture				
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.

13 Stocks

Group and Company	2021 £'000	2020 £'000
Goods for resale	16,728	13,302
Provision for impairment	(758)	(795)
	<u>15,970</u>	<u>12,507</u>

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

Fortnum & Mason Plc
52 week period ended 11 July 2021

Notes to the financial statements (continued)

14 Debtors

Group and Company	2021 £'000	2020 £'000
Trade debtors	3,371	2,106
Corporation tax	153	-
Other debtors	17	319
Prepayments	2,797	2,639
	<u>6,338</u>	<u>5,064</u>

Trade debtors are stated after provision for impairment of £18,762 (2020: £39,642).

15 Creditors: amounts falling due within one year

Group and Company	2021 £'000	2020 £'000
Trade creditors	7,737	8,136
Corporation tax	-	146
Derivative financial instruments	144	-
Other taxation and social security	1,175	1,120
VAT	445	-
Other creditors	2,954	2,445
Accruals and deferred income	8,150	6,103
	<u>20,605</u>	<u>17,950</u>

Fortnum & Mason Plc
52 week period ended 11 July 2021

Notes to the financial statements (continued)

16 Financial instruments

The Group and Company have the following financial instruments:

	Note	2021 £'000	2020 £'000
Financial assets that are debt instruments measured at amortised cost			
- Trade debtors	14	3,371	2,106
- Other debtors	14	17	319
- Cash at bank and in hand		9,748	11,997
		<u>13,136</u>	<u>14,422</u>
Financial liabilities measured at amortised cost			
- Trade creditors	15	(7,737)	(8,136)
- Other creditors	15	(2,954)	(2,445)
- Accruals	15	(8,150)	(6,103)
		<u>(18,841)</u>	<u>(16,684)</u>
Financial assets measured at fair value through profit or loss			
- Derivative financial instruments	15	<u>(144)</u>	<u>-</u>

The Group enters into forward foreign contracts to mitigate the exchange rate risk for certain foreign currency payable. At 11 July 2021, there are two outstanding contracts with 5.7 month maturity dates (2020: Nil) of the period end. The fair value of the contracts at 11 July 2021 was £6.1 million (2020: Nil). 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 EURO €2.6 million and USD \$5.1 million (2020: Nil) and pay a fixed sterling amount of £6.2 million (2020: Nil).

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.

17 Provisions for liabilities

Group and Company	As at 13 July 2020 £'000	Movement £'000	As at 11 July 2021 £'000
Deferred taxation	2,187	172	2,359

UK deferred tax has been calculated at 25% (2020: 19%)

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Notes to the financial statements (continued)

17 Provisions for liabilities (continued)

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

	2021	2020
	£'000	£'000
Accelerated capital allowances	2,531	2,482
Other temporary differences	(172)	(295)
Total provision for deferred tax	2,359	2,187

18 Called up share capital

Group and Company

	2021	2020
	£'000	£'000
Allotted and fully paid		
16,139,000 (2020: 16,139,000) ordinary shares of £0.05 (2020: £0.05) each	807	807

19 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 11 July 2021 there were 11 (2020: 11) 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 £105,369 (2020: £148,493) 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 11 July 2021 there were 615 (2020: 677) members of the scheme and the Company made contributions of £1,339,343 (2020: £1,277,336) in the period.

The Company pays Hong Kong Mandatory Provident Fund contributions for Hong Kong employees. At 11 July 2021 there were 57 employees enrolled and the Company made contributions of £91,225 (2020: £69,742) in the period.

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Notes to the financial statements (continued)

20 Capital commitments

At the period end there were capital commitments totalling £0.3 million (2020: £0.5million).

21 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 11 July 2021	4,004	12,386	9,115	25,505
Land and buildings at 12 July 2020	3,190	11,369	10,874	25,433

22 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.

23 Related party transactions

There were no related party transactions during the year.

24 Post balance sheet events

A dormant joint venture Fortnum & Mason Events Limited was dissolved on 17th August 2021.

On 31st August 2021 Wittington Investments Limited, the parent company, provided an unsecured, interest bearing working capital facility of £15.0m that is repayable by 31st December 2021 to aid the stock build and investment in our key Christmas trading period. £6.0m of the facility was drawn down on 3rd September 2021 and fully repaid on 13th December 2021.