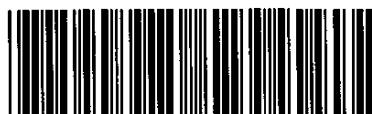


Fortnum & Mason Plc
(Registered number 84909)

Directors' Report and Consolidated Financial Statements
For the 53 week period ended 15 July 2018



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Fortnum & Mason Plc
53 week period ended 15 July 2018

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Fortnum & Mason Plc

53 week period ended 15 July 2018

Strategic report

The Directors present their strategic report on the group for the 53 week period ended 15 July 2018.

Principal activities

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

Strategy

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

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

Business review and results

Turnover for the 53 weeks ended 15 July 2018 grew by 12% (2017: 14%) to £126.0 million (2017: £113.0 million) and profit before taxation increased by 26% (2017: 23%) to £9.6 million (2017: £7.6 million). Net assets at the period end were £48.5 million (2017: £40.5 million).

We continue to invest for the long-term growth of the business with capital investment of £6.8 million (2017: £7.1 million) whilst driving further improvements in working capital.

The financial statements on pages 13 to 33 record the results of Fortnum & Mason Plc and its subsidiary undertakings.

Dividends

The Directors do not propose the payment of a dividend for the period (2017: £nil).

Fortnum & Mason Plc

53 week period ended 15 July 2018

Strategic report (continued)

Outlook

Sales growth in the current financial period has continued to be positive and the directors believe that the Company is well positioned to make further progress through our flagship store in Piccadilly, prestigious 45 Jermyn St restaurant, supplemented by owner operated stores at St Pancras and Heathrow Terminal 5, Royal Exchange (opens in November 18) and collaborations around the world, all underpinned by our www.fortnumandmason.com website.

Principal business risks

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

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

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

More recently, the decision of the UK citizens to leave the EU made on 23 June 2016 created a level of uncertainty in the economic and political environment. The impact of this decision is not completely measurable at this time. However, management continue to assess the risk (and opportunities) through a Brexit working party with the key risks included as: employee stability, elements of stock supply, sterling weakness and consumer confidence.

Financial risk management

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

Credit risk

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

Fortnum & Mason Plc

53 week period ended 15 July 2018

Strategic report (continued)

Financial risk management (continued)

Currency risk

The company invoices its exports in Sterling and US Dollars. Direct imports, which represent 11% of purchases (2017: 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 £6.2 million (2017: £3.4 million) and the fair value of the contracts was £0.2 million (2017: £ (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 15 July 2018, the Company had outstanding non-sterling short-term creditors, predominantly in Euros, of £0.1 million (2017: £0.2 million).

Interest rate cash flow risk

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

At 15 July 2018 and during the period then ended the Company had no interest bearing financial liabilities (2017: none).

Interest bearing sterling cash deposits at the period-end were £17.7 million (2017: £12.9 million) at an average interest rate of 0.6% (2017: 0.4%).

Key performance indicators

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

The strategic report was approved by the Board of Directors on 9 January 2019 and signed by its order by:



Mr J Carmichael
Company Secretary

9 January 2019

Fortnum & Mason Plc

53 week period ended 15 July 2018

Directors' report

The directors present their report and the audited financial statements of the Group and Company for the 53 week period ended 15 July 2018.

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

53 week period ended 15 July 2018

Directors' report (continued)

Environmental policy

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

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

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

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

Sourcing

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

Employee involvement

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

Employment of disabled persons

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

Fixed assets

Changes in fixed assets are set out in notes 9 and 10. A valuation carried out on 2 November 2001 by an independent valuer indicated that the market value of the Company's leasehold interests was £38.8 million. This exceeds the amount at which they are shown in the balance sheet by £16.3 million (2017: exceeded by £15.0 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

53 week period ended 15 July 2018

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 £69,704 (2017: £61,426) 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.

Dividends

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

Future developments

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

Financial risk management

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

Post balance sheet events

On the 7th December 2018 the Company repaid £4,000,000 of an intercompany loan issued by Wittington Investments Limited (note 14). There were no other significant events affecting the Company or Group since the period end.

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 53 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.

Fortnum & Mason Plc
53 week period ended 15 July 2018

Directors' report (continued)

Statement of directors' responsibilities in respect of the financial statements (continued)

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.

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 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 and company's auditors are aware of that information.

The Directors' report was approved by the Board of Directors on 9 January 2019 and signed by its order by:



Mr J Carmichael
Company Secretary

9 January 2019

Registered Number 84909
Registered Office
181 Piccadilly
London W1A 1ER

Fortnum & Mason Plc

53 week period ended 15 July 2018

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 15 July 2018 and of the group's and the company's profit for the 53 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 (the "Annual Report"), which comprise: the Consolidated and Company balance sheets as at 15 July 2018; the Consolidated and Company statements of comprehensive income, and the Consolidated and Company statements of changes in equity for the 53 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 when:

- 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

53 week period ended 15 July 2018

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 15 July 2018 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 Directors' Responsibilities Statement, 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
53 week period ended 15 July 2018

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. 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.

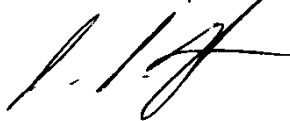
Other required reporting

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
9 January 2019

Fortnum & Mason Plc
53 week period ended 15 July 2018

Consolidated and Company statements of comprehensive income

	Note	53 weeks ended 15 July 2018 £'000	52 weeks ended 9 July 2017 £'000
Turnover	4	126,013	112,952
Cost of sales		(73,254)	(65,575)
Gross profit		52,759	47,377
Distribution costs		(4,674)	(3,753)
Administrative expenses		(38,602)	(36,112)
Operating profit	5	9,483	7,512
Interest receivable and similar income	6	95	72
Profit before taxation		9,578	7,584
Tax on profit	8	(1,561)	(1,844)
Profit for the financial period		8,017	5,740
Other comprehensive income for the period		-	-
Total comprehensive income attributable to shareholders		8,017	5,740

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

The notes on pages 16 to 33 form part of these financial statements.

Fortnum & Mason Plc
53 week period ended 15 July 2018

Consolidated and Company balance sheets

	Note	As at 15 July 2018 £'000	As at 9 July 2017 £'000
Fixed assets			
Intangible assets	9	6,792	4,841
Tangible assets	10	33,333	34,849
Investments	11	-	-
		40,125	39,690
Current assets			
Stocks	12	7,742	7,907
Debtors	13	6,918	6,176
Cash at bank and in hand		21,250	15,377
		35,910	29,460
Creditors: Amounts falling due within one year	14	(26,210)	(26,993)
Net current assets		9,700	2,467
Total assets less current liabilities		49,825	42,157
Provisions for liabilities	16	(1,302)	(1,651)
Net assets		48,523	40,506
Capital and reserves			
Called up share capital	17	807	807
Share premium account		25,208	25,208
Profit and loss account		22,508	14,491
Total shareholders' funds		48,523	40,506

The notes on pages 16 to 33 form part of these financial statements.

These financial statements were authorised for issue by the Board of Directors on 9 January 2019 and were signed on its behalf by:



Mr E A Venters
 Chief Executive
 9 January 2019
 Registered Number 84909

Fortnum & Mason Plc
53 week period ended 15 July 2018

Consolidated and Company statements of changes in equity

		Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total shareholders' funds £'000
Balance as at 11 July 2016	17	807	25,208	8,751	34,766
Profit and total comprehensive income for the period		-	-	5,740	5,740
Balance as at 9 July 2017		807	25,208	14,491	40,506
Profit and total comprehensive income for the period		-	-	8	8,017
Balance as at 15 July 2018		807	25,208	8	48,523

Fortnum & Mason Plc

53 week period ended 15 July 2018

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

Accounting reference date

The registered accounting reference date is 15 July, however financial statements are prepared on a 53 week basis (2017: 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. The only reportable transactions in the period were those set out in note 22.

Fortnum & Mason Plc
53 week period ended 15 July 2018

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 and presentation currency is the pound sterling.

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

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

Turnover

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

Fortnum & Mason Plc
53 week period ended 15 July 2018

Notes to the financial statements (continued)

3 Accounting policies (continued)

Intangible assets and amortisation

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

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

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

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

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

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

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

Tangible fixed assets and depreciation

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

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

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

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

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

Fortnum & Mason Plc

53 week period ended 15 July 2018

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
53 week period ended 15 July 2018

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 had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

(ii) Financial liabilities

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

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

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

(iii) Derivatives

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

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

Employee benefits

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

Fortnum & Mason Plc

53 week period ended 15 July 2018

Notes to the financial statements (continued)

3 Accounting policies (continued)

Employee benefits (continued)

Short term benefits

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

Annual bonus plan

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

Long and short term incentive plans

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

Defined contribution scheme

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

Defined benefit scheme

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

Critical accounting judgements and estimation uncertainty

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

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

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

4 Geographical reporting

	53 weeks ended 15 July 2018 £'000	52 weeks ended 9 July 2017 £'000
Turnover		
UK - Group and Company		
- Sale of goods	121,018	108,063
Overseas - Group and Company		
- Sale of goods	4,779	4,498
- Royalty income	216	391
Turnover	<u>126,013</u>	<u>112,952</u>

	53 weeks ended 15 July 2018 £'000	52 weeks ended 9 July 2017 £'000
Operating profit		
UK		
- Group and Company	8,418	6,113
Overseas		
- Group and Company	1,065	1,399
Operating profit	<u>9,483</u>	<u>7,512</u>

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

	2018 £'000	2017 £'000
Net assets		
UK - Group and Company	<u>48,523</u>	<u>40,506</u>

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Notes to the financial statements (continued)

5 Operating profit

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

	53 weeks ended 15 July 2018 £'000	52 weeks ended 9 July 2017 £'000
Amortisation on intangible assets	1,610	1,396
Depreciation on tangible assets	4,708	4,656
Operating leases – other	2,687	2,338
Foreign exchange (gains)/losses	(94)	341
Auditors' remuneration – audit services	68	67
	<hr/>	<hr/>

6 Interest receivable and similar income

	53 weeks ended 15 July 2018 £'000	52 weeks ended 9 July 2017 £'000
Bank interest receivable	95	72
	<hr/>	<hr/>

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Notes to the financial statements (continued)

7 Directors and employees

	2018 Number	2017 Number
Average number of employees:		
Selling	524	512
Administration and distribution	251	245
	<u>775</u>	<u>757</u>
	£'000	£'000
Staff costs – wages and salaries	25,926	22,737
– social security costs	2,565	2,153
– other pension costs	1,043	832
	<u>29,534</u>	<u>25,722</u>
Staff costs include the following remuneration of directors:		
Aggregate emoluments	<u>1,358</u>	<u>1,114</u>

Retirement benefits are accruing to one (2017: one) director under a defined benefit scheme and no directors (2017: one) under a defined contribution scheme, the contributions paid to the defined benefit scheme during the period were £11,842 (2017: £9,723). The aggregate value of Company contributions paid under the defined contribution scheme was nil (2017: nil).

Highest paid director	2018 £'000	2017 £'000
Aggregate emoluments and long term incentive plan	<u>1,195</u>	<u>734</u>

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Notes to the financial statements (continued)

8 Tax on profit

	2018	2017
	£000	£'000
Current tax		
UK Corporation tax	2007	1,978
Adjustments in respect of prior periods	(9)	(87)
Total current tax charge	1910	1,891
Deferred tax (note 16)		
Adjustments in respect of prior periods	(39)	(47)
Total tax charge on profit	1,561	1,844

The tax assessed for the period differs from (2017: differs from) the standard rate of corporation tax in the UK as explained below:

	2018	2017
	£'000	£000
Profit before taxation	9,578	7,584
Profit before taxation at UK average tax rate of 19.00% (2017: 19.71%)	1,820	1,485
Temporary differences in respect of fixed assets	277	488
Expenses (deductible)/not deductible for tax purposes	(90)	(15)
Adjustments in respect of prior periods	(97)	(9)
Adjustments in respect to prior periods – deferred tax	(349)	(9)
Total tax charge for the period	1,561	1,844

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

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Notes to the financial statements (continued)

9 Intangible assets

Group and Company

	Computer software £'000	Design rights and trademarks £'000	Assets under construction £'000	Total £'000
Cost				
At 10 July 2017		32	2,982	7,916
Additions		21	2,609	3,561
Transfer		-	(58)	-
Disposal of fully amortised assets		-	-	(298)
At 15 July 2018		53	5,533	11,179
Accumulated amortisation				
At 10 July 2017		9	-	3,075
Charge for the period		7	-	1,610
Amortisation on disposed assets		-	-	(298)
At 15 July 2018		16	-	4,387
Net book amount 15 July 2018		37	5,533	6,792
Net book amount 9 July 2017		23	2,982	4,841

Assets under construction represent an investment in a new ERP system.

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Notes to the financial statements (continued)

10 Tangible assets

Group and Company

	Long leasehold and leasehold improvements £'000	Fixtures and equipment £'000	Works of art £'000	Assets under construction £'000	Total £'000
Cost					
At 10 July 2017	35,084	21,226	2,185	941	59,436
Additions	56	2,290	127	719	3,192
Transfer	-	861	-	(861)	-
Disposal of fully depreciated assets	(190)	(6,386)	-	-	(6,576)
At 15 July 2018	34,950	17,991	2,312	799	56,052
Accumulated depreciation					
At 10 July 2017	11,320	13,267	-	-	24,587
Charge for the period	1,287	3,421	-	-	4,708
Depreciation on disposed assets	(190)	(6,386)	-	-	(6,576)
At 15 July 2018	12,417	10,302	-	-	22,719
Net book amount 15 July 2018	22,533	7,689	2,312	799	33,333
Net book amount 9 July 2017	23,764	7,959	2,185	941	34,849

Assets under construction represent an investment in a new site at Royal Exchange and developments at our Piccadilly store.

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Notes to the financial statements (continued)

11 Investments

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

Subsidiary companies	Country of Registration	Activity	Share capital held	Registered 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	Eventing	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

Group and Company	2018	2017
	£'000	£'000
Goods for resale	8,596	8,962
Provision for impairment	(854)	(1,055)
	7,742	7,907

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

Group and Company	2018	2017
	£'000	£'000
Trade debtors	4,251	3,857
Derivative financial instruments	156	-
VAT	-	229
Other debtors	44	56
Prepayments and accrued income	2,467	2,034
	6,918	6,176

Trade debtors are stated after provision for impairment of £103,424 (2017: £112,610).

14 Creditors: amounts falling due within one year

Group and Company	2018	2017
	£'000	£'000
Trade creditors	4,877	4,260
Amounts owed to group undertakings	10,042	12,442
Corporation tax	1,007	1,092
Other taxation and social security	255	437
Derivative financial instruments	-	17
VAT	300	-
Other creditors	2,046	1,861
Accruals and deferred income	7,683	6,884
	26,210	26,993

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

During the period a repayment of the amounts owed to group undertakings was made for the amount of £2,400,000 (2017: £5,000,000). A further repayment of £4,000,000 was made after the period end on the 7th December 2018.

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

15 Derivative financial instruments

The Group has the following financial instruments:

	Note	2018	2017
		£	£
Financial assets that are debt instruments measured at amortised cost			
- Trade debtors	13	5	5
- Other debtors	13		
- Cash at bank and in hand		29	9
		<u>34</u>	<u>14</u>
Financial assets/(liabilities) measured at fair value through profit or loss			
- Derivative financial instruments	13,14		
Financial liabilities measured at amortised cost			
- Trade creditors	14	5	5
- Amounts owed to group undertakings	14	(10)	(10)
- Other creditors	14	5	5
- Accruals	14	5	5
		<u>5</u>	<u>5</u>

The Group enters into forward foreign contracts to mitigate the exchange rate risk for certain foreign currency payable. At 15 July 2018, the outstanding contracts have maturity dates within 5.6 months (2017: 5.8 months) of the period end. The fair value of the contracts at 15 July 2018 was £0.2 million (2017: £(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. The Group is committed to buy \$2.5 million and €5.0 million (2017: \$2.5 million and €1.6 million) and pay a fixed sterling amount of £6.2 million (2017: £3.4 million).

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

16 Provisions for liabilities

Group and Company	As at 10 July 2017 £'000	Movement £'000	As at 15 July 2018 £'000
Deferred taxation	1,651	(349)	1,302

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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:

	2018	2017
	£'000	£'000
Accelerated capital allowances	1,760	1,651
Other temporary differences	(458)	-
Total provision for deferred tax	1,302	1,651

17 Called up share capital

Group and Company

	2018	2017
	£'000	£'000
Allotted and fully paid		
16,139,000 (2017: 16,139,000) ordinary shares of £0.05 (2017: £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 15 July 2018 there were 14 (2017: 16) 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 £105,236 (2017: £101,433) 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 15 July 2018 there were 490 (2017: 505) members of the scheme and the Company made contributions of £926,548 (2017: £729,785) 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 £4,707,000 (2017: £3,593,000).

20 Commitments under operating leases

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

Operating lease payments due:

	Within 1 year £'000	Within 2-5 years £'000	More than 5 years £'000	Total £'000
Land and buildings at 15 July 2018	3,311	7,625	3,803	14,739
Land and buildings at 9 July 2017	2,455	6,495	4,682	13,632

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.

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Notes to the financial statements (continued)

22 Related party transactions

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

During the period the only transactions between Do & Co Limited and the Company were £254 (2017: £50) goods sold to Do & Co Limited and these were on normal commercial terms.