

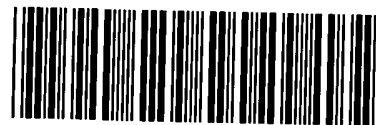
Registration number: 00030209

Harrods Limited

Annual Report and Consolidated Financial Statements

for the period ended 28 January 2017

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Harrods Limited

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Harrods Limited

Group Strategic Report for the period ended 28 January 2017

The Directors present their Group Strategic Report for the period ended 28 January 2017.

Results of ordinary activities before exceptional items

For the period ended 28 January 2017, Harrods gross transaction value grew by 23.3% to £2,098.8m (2016: £1,702.3m) whilst group turnover grew 16.6% to £919.7m (2016: £788.9m). While the Business witnessed a robust start to the year in its trade, there was a substantial positive impact seen in demand from its overseas customers after the weakening of the British currency following the “Brexit” vote on 23 June 2016.

Below is a table showing Gross Transaction Value which is a measure of retail turnover on a gross basis before adjusting for concessions, consignments, staff discounts and the cost of loyalty scheme points. The Gross Transaction Value also includes turnover of other non-retail subsidiaries. The board believes that Gross Transaction Value represents a good guide to the overall activity of the group.

Gross Transaction Value

| | Period ended 28 January 2017 | Period ended 30 January 2016 | Growth | Growth |
|--|---------------------------------|------------------------------------|--------------|-------------|
| | £m | £m | £m | % |
| Gross Transaction Value (Incl. VAT) | 2,098.8 | 1,702.3 | 396.5 | 23.3 |
| Gross Transaction Value (Excl. VAT) | 1,774.7 | 1,442.4 | 332.3 | 23.0 |
| Turnover | 919.7 | 788.9 | 130.8 | 16.6 |

Profit after tax for the period, was up 44.9% to £187.9m (2016: £129.7m), a result of a significant boost in trade following the weakening of the British currency as highlighted above. Included in the profit after tax was also the profit on transfer of a subsidiary, Harrods Commercial Property Limited, to a related party, at a gain of £32.4m.

Excluding the impact of the sale of Harrods Commercial Property Limited, operating profit for the period was up 24% to £220.9m.

The period also saw a confirmed programme of significant capital expenditure, with total additions of £55.1m (2016: £35.7m). Focus has continued on investing in luxury boutiques primarily in our Knightsbridge store but also at the airports. This level of capital expenditure is expected to continue in 2017.

On the 16 August 2016 and 6 December 2016, the Knightsbridge Store building and its ancillary properties were transferred from Harrods Property Limited to its parent Harrods Limited, as part of a corporate rationalisation initiative. Although the sale resulted in a gain in the books of the subsidiary, this was adjusted out on consolidation.

Business review

Principal risks and uncertainties

The major business risks and uncertainties for the Harrods business relate to:

- (i) Events impacting the level of international travel to the UK, including terrorism and natural disasters
- (ii) The state of the economy and its impact on the retail environment
- (iii) Staff retention and recruitment

The Directors continue to reassess and monitor risk through the risk management committee and mitigation plans are put in place accordingly. Security and internal audit work together and with our insurers to monitor and remedy operational risks on an on going basis.

Harrods Limited

Group Strategic Report for the period ended 28 January 2017 (continued)

Credit risk

The group's principal credit risk relates to the recovery of trade debtors, although it is not considered significant due to the nature of the business which is primarily a retail business with purchases settled at the time of the transaction.

In order to manage credit risk relating to other trade debtors, subsidiary credit controllers and Directors review the aged debtors and collection history on a regular basis and take follow up action where required.

Harrods Limited has a significant loan to a related party, Harrods Corporate Management Limited, amounting to £465.0m (2016: £488.0m). The loan bears interest at 3% plus base rate. The related party finances its interest obligation from royalties received. There is sufficient interest cover to provide the Directors with comfort that the risk in this case is negligible.

Currency risk

The group is exposed to foreign exchange risk on overseas purchasing.

Approximately 10% of the group's purchases are contracted in a foreign currency. Transaction exposures are hedged partially using forward currency contracts or currency options, up to one year in advance. Whilst the aim is to achieve an economic hedge the group does not adopt an accounting policy of hedge accounting in these financial statements.

Finally, the group accepts foreign currency in the Knightsbridge store and airport outlets and retains this currency to settle foreign currency obligations.

Interest rate risk

The group finances its operations through retained earnings as the group has no significant external borrowings. Excess cash balances are placed on deposit to earn higher rates of interest.

KPIs

There are no KPIs required to be reported other than turnover and operating profit that would give a fuller understanding of the business.

Approved by the Board on 5 June 2017 and signed on its behalf by:



.....
D J Webster
Company secretary

Harrods Limited
Directors' Report
for the period ended 28 January 2017

The Directors present their Report together with the audited Consolidated Financial Statements of Harrods Limited and its subsidiary companies ("the group") Financial Statements for the 52 week period ended 28 January 2017.

Principal activity

The group operates Harrods, the world renowned store in Knightsbridge, London. Since the store first opened its doors in 1849, Harrods has always prided itself on a reputation for service excellence and for offering the finest quality merchandise.

Other group activities include concessions at London's Heathrow and Gatwick airports, export of Harrods branded merchandise to overseas department stores and airport terminals, and direct sales via the internet at Harrods.com. The group also operates in the real estate business through Harrods Estates Limited.

Profit for the financial period and the dividend

The turnover for the period was £919.7m (2016: £788.9m). The profit for the period after taxation amounted to £192.5m (2016: £129.7m). Dividends of £110m have been declared in relation to the period ended 28 January 2017 (2016: £100.1m).

Directors of the Group

The directors who served during the period were:

H.E. Sheikh Hamad Bin Jassim Bin Jaber Al Thani

H.E. Sheikh Abdulla Bin Mohammed Bin Saoud Al Thani

H.E. H A Al-Abdulla

M A Ward

J P Edgar

R L Assanand

J P Healy

Future developments

The group has considerable financial resources together with long term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the group is well placed to manage its business risks successfully.

The directors have every expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Employment of disabled persons

It is the policy of the group to give full and fair consideration to applications for employment from disabled persons, to continue wherever possible the employment of members of staff who may become disabled and to ensure that suitable training, career development and promotion is afforded to such persons.

Charitable donations

The charitable donations made by the group and charged in the financial statements were £0.1m (2016: £0.1m). In addition, during the period the group supported various charities by hosting fundraising events within the Harrods store in Knightsbridge. There were no political donations.

Harrods Limited
Directors' Report
for the period ended 28 January 2017 (continued)

Payment of creditors

It is the group's policy to agree payment terms as part of any formal contract with a supplier and to make every endeavour to abide by the agreed terms. Where a purchase is not covered by a formal contract, and no agreement is reached in advance of raising an order, the group's policy is to pay suppliers within 30 days after the end of the month of receipt of goods or services.

The group is sympathetic to, and pays particular attention to, the cash flow needs of its smaller suppliers. At period end the number of days payable outstanding was 33 days (2016: 34 days).

Carbon footprint

Harrods Limited have commissioned a Carbon footprint study of their UK operation including the Knightsbridge Store, Distribution Centres, associated offices and car park for the time coinciding with the financial period ending 28 January 2017, covering Scope 1 and 2 under the principles of the World Business Council for Sustainable Development (WBCSD) GHG Protocol. The Harrods Total Carbon Footprint is 21,267 Co2 tonnes (2016: 22,114 Co2 tonnes).

Harrods is committed to a year on year carbon reduction.

Disclosure of information to the Auditor

Each Director has taken 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 Auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the Auditor is unaware.

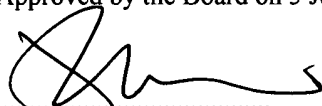
Post Balance Sheet events

There have been no significant events affecting the group since the period end.

Reappointment of Auditors

The Auditor, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Approved by the Board on 5 June 2017 and signed on its behalf by:



.....
D J Webster
Company secretary

Registered office:
87-135 Brompton Road
Knightsbridge
London
SW1X 7XL

Harrods Limited

Statement of Directors' Responsibilities for the period ended 28 January 2017

The Directors acknowledge their responsibilities for preparing the Annual Report and the Consolidated Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 of the profit or loss of the group for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of Harrods Limited

We have audited the Financial Statements of Harrods Limited for the period ended 28 January 2017, which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and notes to financial statements, set out on pages 8 to 38. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the group's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the group's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the group and the group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities (set out on page 5), the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors to the financial statements.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Consolidated Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the company's affairs as at 28 January 2017 and of the group's profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report and the Directors' Report.

Independent Auditor's Report to the Members of Harrods Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the group, or returns adequate for our audit have not been received from branches not visited by us; or
- the group financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Julie Carlyle (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

1 More London Place
London
SE1 2AF

Date: *9 June 2017*

Harrods Limited

Consolidated Profit and Loss Account for the period ended 28 January 2017

| | | 52 weeks ended 28 January 2017 £M | 52 weeks ended 30 January 2016 £M |
|--|----|---|---|
| Turnover | 3 | 919.7 | 788.9 |
| Cost of sales | | (380.6) | (326.8) |
| Gross profit | | 539.1 | 462.1 |
| Distribution costs | | (323.7) | (294.7) |
| Administrative expenses | | (26.4) | (25.1) |
| Other operating income | 4 | 32.8 | 31.4 |
| Fair value movement | | (0.9) | 4.4 |
| Profit on disposal of subsidiaries | | 32.4 | - |
| Operating profit | 5 | 253.3 | 178.1 |
| Other interest receivable and similar income | 9 | 17.9 | 18.0 |
| Interest payable and similar expenses | 10 | (38.0) | (28.1) |
| | | (20.1) | (10.1) |
| Profit before tax | | 233.2 | 168.0 |
| Taxation | 11 | (40.7) | (38.3) |
| Profit for the financial period | | 192.5 | 129.7 |

The above results were derived from continuing operations.

The group has no recognised gains or losses for the period other than the results above.

Harrods Limited

Consolidated Statement of Comprehensive Income for the period ended 28 January 2017

| | | 52 weeks ended 28 January 2017 £M | 52 weeks ended 30 January 2016 £M |
|--|------|---|---|
| | Note | | |
| Profit for the period | | 192.5 | 129.7 |
| Actuarial (losses)/gains on defined benefit pension scheme | 23 | (43.7) | 17.3 |
| Movement of deferred tax relating to pension deficit/(surplus) | 23 | 7.7 | (3.1) |
| Other comprehensive (loss)/income for the period | | <u>(36.0)</u> | <u>14.2</u> |
| Total comprehensive income for the period | | <u>156.5</u> | <u>143.9</u> |

The notes on pages 15 to 38 form an integral part of these financial statements.

Harrods Limited

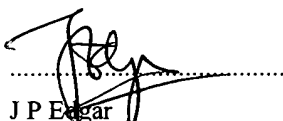
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Consolidated Balance Sheet

As at 28 January 2017

| | Note | 28 January 2017 £M | 30 January 2016 £M |
|--|------|--------------------------|--------------------------|
| Fixed assets | | | |
| Intangible assets | 13 | 20.0 | 9.8 |
| Tangible assets | 14 | 1,165.9 | 1,274.8 |
| | | <u>1,185.9</u> | <u>1,284.6</u> |
| Current assets | | | |
| Stocks | 17 | 102.9 | 92.3 |
| Debtors | 18 | 1,060.9 | 973.8 |
| Cash at bank and in hand | | 31.4 | 72.7 |
| Deferred tax asset | 11 | 10.4 | 41.8 |
| | | <u>1,205.6</u> | <u>1,180.6</u> |
| Creditors: Amounts falling due within one year | 19 | <u>(360.8)</u> | <u>(373.6)</u> |
| Net current assets | | <u>844.8</u> | <u>807.0</u> |
| Total assets less current liabilities | | 2,030.7 | 2,091.6 |
| Creditors: Amounts falling due after more than one year | 19 | <u>(257.5)</u> | <u>(1,077.9)</u> |
| Net assets excluding pension asset/(liability) | | 1,773.2 | 1,013.7 |
| Pension (liability)/asset | 23 | <u>(14.7)</u> | <u>19.3</u> |
| Net assets | | <u>1,758.5</u> | <u>1,033.0</u> |
| Capital and reserves | | | |
| Called up share capital | 22 | 19.2 | 19.2 |
| Share premium reserve | 22 | 722.6 | - |
| Revaluation reserve | | 0.4 | 0.4 |
| Profit and loss account | | <u>1,016.3</u> | <u>1,013.4</u> |
| Equity attributable to owners of the company | | <u>1,758.5</u> | <u>1,033.0</u> |
| Total equity | | <u>1,758.5</u> | <u>1,033.0</u> |

Approved and authorised by the Board on 5 June 2017 and signed on its behalf by:


 J P Edgar
 Director

The notes on pages 15 to 38 form an integral part of these financial statements.

Harrods Limited

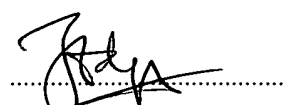
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Company Balance Sheet

As at 28 January 2017

| | Note | 28 January 2017 £M | 30 January 2016 £M |
|--|------|--------------------------|--------------------------|
| Fixed assets | | | |
| Intangible assets | 13 | 20.0 | 9.8 |
| Tangible assets | 14 | 1,433.0 | 175.0 |
| Investments | 15 | 225.2 | 258.6 |
| | | <u>1,678.2</u> | <u>443.4</u> |
| Current assets | | | |
| Stocks | 17 | 88.8 | 78.6 |
| Debtors: amounts falling due after more than one year | 18 | 0.5 | 0.5 |
| Debtors | 18 | 809.6 | 980.2 |
| Cash at bank and in hand | | 19.7 | 49.5 |
| Deferred tax asset | 11 | 5.5 | 1.2 |
| | | <u>924.1</u> | <u>1,110.0</u> |
| Creditors: Amounts falling due within one year | 19 | <u>(586.6)</u> | <u>(326.8)</u> |
| Net current assets | | <u>337.5</u> | <u>783.2</u> |
| Total assets less current liabilities | | 2,015.7 | 1,226.6 |
| Creditors: Amounts falling due after more than one year | 19 | <u>(257.2)</u> | <u>(241.4)</u> |
| Net assets excluding pension asset/(liability) | | 1,758.5 | 985.2 |
| Pension (liability)/asset | 23 | <u>(14.1)</u> | <u>18.5</u> |
| Net assets | | <u>1,744.4</u> | <u>1,003.7</u> |
| Capital and reserves | | | |
| Called up share capital | 22 | 19.2 | 19.2 |
| Share premium reserve | 22 | 722.6 | - |
| Revaluation reserve | | 0.4 | 0.4 |
| Profit and loss account | | <u>1,002.2</u> | <u>984.1</u> |
| Total equity | | <u>1,744.4</u> | <u>1,003.7</u> |

Approved and authorised by the Board on 5 June 2017 and signed on its behalf by:



J P Edgar

Director

The notes on pages 15 to 38 form an integral part of these financial statements.

Harrods Limited

Consolidated Statement of Changes in Equity for the period ended 28 January 2017

| | Share capital £M | Revaluation reserve £M | Profit and loss account £M | Total equity £M |
|---|---------------------|------------------------------|----------------------------------|--------------------|
| At 1 February 2015 | 19.2 | 0.4 | 971.3 | 990.9 |
| Profit | - | - | 129.7 | 129.7 |
| Actuarial gains on pension scheme | - | - | 14.2 | 14.2 |
| Total comprehensive income | - | - | 143.9 | 143.9 |
| Dividends | - | - | (100.1) | (100.1) |
| Adjustment on acquisition of subsidiary | - | - | (1.7) | (1.7) |
| At 30 January 2016 | 19.2 | 0.4 | 1,013.4 | 1,033.0 |

| | Share capital £M | Share premium £M | Revaluation reserve £M | Profit and loss account £M | Total equity £M |
|---|---------------------|---------------------|------------------------------|----------------------------------|--------------------|
| At 31 January 2016 | 19.2 | - | 0.4 | 1,013.4 | 1,033.0 |
| Profit for the period | - | - | - | 192.5 | 192.5 |
| Actuarial losses on pension scheme | - | - | - | (36.0) | (36.0) |
| Total comprehensive income | - | - | - | 156.5 | 156.5 |
| Dividends | - | - | - | (110.0) | (110.0) |
| New share capital subscribed | - | 722.6 | - | - | 722.6 |
| Reserve movement on intragroup transfer | - | - | - | (43.6) | (43.6) |
| At 28 January 2017 | 19.2 | 722.6 | 0.4 | 1,016.3 | 1,758.5 |

The notes on pages 15 to 38 form an integral part of these financial statements.
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Harrods Limited

Company Statement of Changes in Equity for the period ended 28 January 2017

| | Share capital £M | Revaluation reserve £M | Profit and loss account £M | Total £M |
|-----------------------------------|---------------------|------------------------------|----------------------------------|----------------|
| At 1 February 2015 | 19.2 | 0.4 | 943.0 | 962.6 |
| Profit for the period | - | - | 127.6 | 127.6 |
| Actuarial gains on pension scheme | - | - | 13.6 | 13.6 |
| Total comprehensive income | - | - | 141.2 | 141.2 |
| Dividends | - | - | (100.1) | (100.1) |
| At 30 January 2016 | 19.2 | 0.4 | 984.1 | 1,003.7 |

| | Share capital £M | Share premium £M | Revaluation reserve £M | Profit and loss account £M | Total £M |
|------------------------------------|---------------------|---------------------|------------------------------|----------------------------------|----------------|
| At 31 January 2016 | 19.2 | - | 0.4 | 984.1 | 1,003.7 |
| Profit for the period | - | - | - | 162.6 | 162.6 |
| Actuarial losses on pension scheme | - | - | - | (34.5) | (34.5) |
| Total comprehensive income | - | - | - | 128.1 | 128.1 |
| Dividends | - | - | - | (110.0) | (110.0) |
| New share capital subscribed | - | 722.6 | - | - | 722.6 |
| At 28 January 2017 | 19.2 | 722.6 | 0.4 | 1,002.2 | 1,744.4 |

The notes on pages 15 to 38 form an integral part of these financial statements.
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Harrods Limited

Consolidated Statement of Cash Flows for the period ended 28 January 2017

| | 52 weeks ended 28 January 2017 £M | 52 weeks ended 30 January 2016 £M |
|---|---|---|
| Cash flows from operating activities | | |
| Profit for the period | 192.5 | 129.7 |
| Adjustments to cash flows from non-cash items | | |
| Depreciation and amortisation | 44.0 | 43.3 |
| Profit from disposals of investments | (32.4) | - |
| Finance income | (17.9) | (18.0) |
| Finance costs | 38.0 | 28.1 |
| Income tax expense | 40.7 | 38.3 |
| Fair value movements | 0.9 | (4.4) |
| Non-cash forex adjustment on stock | (2.2) | 0.1 |
| | <u>263.6</u> | <u>217.1</u> |
| Working capital adjustments | | |
| Increase in stocks | (8.4) | (1.8) |
| Increase in trade debtors | (82.3) | (46.4) |
| Increase in trade creditors | 3.8 | 5.7 |
| Defined retirement benefit contributions | (5.2) | (16.3) |
| | <u>171.5</u> | <u>158.3</u> |
| Cash generated from operations | | |
| Corporation taxes paid | (52.6) | (14.0) |
| | <u>118.9</u> | <u>144.3</u> |
| Net cash flow from operating activities | | |
| Cash flows from investing activities | | |
| Interest received | 17.9 | 17.6 |
| Acquisitions of tangible assets | (55.1) | (40.2) |
| | <u>(37.2)</u> | <u>(22.6)</u> |
| Net cash flows from investing activities | | |
| Cash flows from financing activities | | |
| Interest paid | (13.0) | (14.0) |
| Dividends paid | (110.0) | (100.3) |
| | <u>(123.0)</u> | <u>(114.3)</u> |
| Net cash flows from financing activities | | |
| Net (decrease)/increase in cash and cash equivalents | <u>(41.3)</u> | <u>7.4</u> |
| Cash and cash equivalents at 31 January 2016 | 72.7 | 65.3 |
| Cash and cash equivalents at 28 January 2017 | <u>31.4</u> | <u>72.7</u> |

The notes on pages 15 to 38 form an integral part of these financial statements.

Harrods Limited

Notes to the Financial Statements for the period ended 28 January 2017

1 General information

The address of its registered office is:
87-135 Brompton Road
Knightsbridge
London
SW1X 7XL

2 Accounting policies

Basis of preparation

The Financial Statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of Financial Statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgment in applying the group's accounting policies.

Basis of consolidation

The consolidated Financial Statements present the results of the group and its own subsidiaries ("the group") as they formed a single entity.

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the Company and its subsidiaries, which are related parties, are eliminated in full.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 February 2015.

Harrods Limited

Notes to the Financial Statements for the period ended 28 January 2017 (continued)

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the group's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the group.

The group recognises revenue when:

- the amount of revenue can be reliably measured;
- it is probable that future economic benefits will flow to the entity; and
- specific criteria have been met for each of the group's activities.

Concession sales

In calculating turnover a distinction is made between transactions where the seller is deemed to act as principal and those where it is agent. Where concessionaires sell their goods through the group's retail operations, the group is considered to act as an agent. Accordingly, only commission and other income receivable from the concessionaires are presented within turnover.

Estimated sales returns

Turnover excludes the sales value of estimated returns. The group has recognised a provision for estimated refunds, representing an estimate of the value of the goods sold during the year which will be returned and refunded after the year end date.

Investments

The group and the company account for their fixed asset investments at the lower of cost or recoverable amount less any provision required for permanent diminution in value.

Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years

Tangible assets

Tangible assets are stated in the Balance Sheet at cost, less any accumulated depreciation and accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and assets under construction over their estimated useful lives, as follows:

| Asset class | Depreciation method and rate |
|--|-------------------------------------|
| Freehold and long leasehold properties | 25 - 50 years |
| Short-term leasehold property | Remaining period of lease |
| Plant and machinery | 5 - 25 years |
| Vehicles and equipment | 4 - 7 years |
| Fixtures and fittings | 3 - 20 years |

Harrods Limited

Notes to the Financial Statements for the period ended 28 January 2017 (continued)

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

It is the practice of the group to maintain its properties to a high standard. Accordingly, for the Harrods Department store in Knightsbridge, the directors consider that the life of this asset is so long, and the residual value (based upon prices prevailing at the time of the acquisition or subsequent valuation) is so high, that the depreciation is immaterial. Any permanent diminution in the value of this property is charged to the profit and loss account as appropriate.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Profit and loss account.

Revaluation of investment property

Investment property is presented within 'freehold property' and is stated at fair value at the date of the revaluation, with changes in fair value recognised in profit or loss. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Leased assets

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between interest payable and similar expenses in the Profit and Loss Account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment losses.

Stock

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss account.

Harrods Limited

Notes to the Financial Statements for the period ended 28 January 2017 (continued)

Tax

The tax expense for the period comprises current tax. Tax is recognised in profit or loss account, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in the statement of other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on unused tax losses or tax credits in the Group. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

Cash at bank and in hand

Cash at bank and in hand comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Creditors

Trade creditors 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 the group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Finance costs

Finance costs are charged to the Profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Dividends

Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Harrods Limited

Notes to the Financial Statements for the period ended 28 January 2017 (continued)

Defined contribution pension obligation

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

Defined benefit pension obligation

Certain group employees are members of the Harrods Group Pension Plan under which retirement benefits are funded by contributions from the group. Payment is made to the pension trust, which is separate from the group, in accordance with calculations made periodically by consulting actuaries.

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet.

A net deficit is recognised only to the extent that it is recoverable by the group. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits includes the interest cost on the scheme liabilities for the period and the interest income on the scheme assets and are included in finance costs. In addition, administrative expenses which are funded by the group are also charged to the profit and loss account under operating costs.

Actuarial gains and losses including return on assets in excess or short of the interest income as well as movement in the liabilities due to changes in assumptions net of the interest costs as well as experience adjustments are recorded in the statement of other comprehensive income.

Disclosure has been made of the assets and liabilities under FRS102 sections 28.41 and 28.41A.

Interest income

Interest income is recognised in the Profit and loss account using the effective interest method.

Provisions for liabilities

Provisions are made where an event has taken place that gives the group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and loss account in the year that the group becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

Foreign currency transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currency are translated at exchange rates ruling at the transaction date. Realised gains and losses are dealt with in the profit and loss account.

Loyalty points

Loyalty points are treated as a deduction in sales. Part of the fair value of consideration received is deferred and subsequently recognised when the award is redeemed. The fair value of the points awarded is determined with reference to the fair value of the customer redemption rate.

Harrods Limited

Notes to the Financial Statements for the period ended 28 January 2017 (continued)

Financial instruments

The group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and Loss Account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

Harrods Limited

Notes to the Financial Statements for the period ended 28 January 2017 (continued)

3 Revenue

The analysis of the group's turnover for the period by market is as follows:

| | 52 weeks ended 2017 £M | 52 weeks ended 2016 £M |
|---------------|---------------------------------|---------------------------------|
| UK | 914.5 | 782.6 |
| Europe | 1.2 | 1.5 |
| Rest of world | 4.0 | 4.8 |
| | <u>919.7</u> | <u>788.9</u> |

4 Other operating income

The analysis of the group's other operating income for the period is as follows:

| | 52 weeks ended 2017 £M | 52 weeks ended 2016 £M |
|-------------------------------|---------------------------------|---------------------------------|
| Advertising and rebate income | <u>32.8</u> | <u>31.4</u> |

5 Operating profit

Operating profit is stated after charging:

| | 52 weeks ended 2017 £M | 52 weeks ended 2016 £M |
|---|---------------------------------|---------------------------------|
| Depreciation and amortisation of assets | 44.0 | 43.3 |
| Royalties to Harrods Corporate Management | 42.5 | 36.9 |
| Operating lease - rent payable to related party | <u>-</u> | <u>12.2</u> |

6 Auditor's remuneration

| | 52 weeks ended 2017 £M | 52 weeks ended 2016 £M |
|---|---------------------------------|---------------------------------|
| Fees payable to the group's Auditor and its associates for the audit of the group's annual accounts | <u>0.2</u> | <u>0.2</u> |

Harrods Limited

Notes to the Financial Statements for the period ended 28 January 2017 (continued)

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

| | 52 weeks ended 2017 £M | 52 weeks ended 2016 £M |
|--|---------------------------------|---------------------------------|
| Wages and salaries | 142.5 | 125.1 |
| Social security costs | 13.4 | 12.8 |
| Defined contribution pension scheme cost | 4.5 | 4.3 |
| | <u>160.4</u> | <u>142.2</u> |

The average number of persons employed by the group (including directors) during the period, analysed by category was as follows:

| | 2017 No. | 2016 No. |
|-----------------------------------|--------------|--------------|
| Production | 398 | 402 |
| Administration and support | 83 | 92 |
| Sales, marketing and distribution | 3,716 | 3,644 |
| | <u>4,197</u> | <u>4,138</u> |

8 Directors' remuneration

The directors' remuneration for the period was as follows:

| | 52 weeks ended 2017 £M | 52 weeks ended 2016 £M |
|-----------------------|---------------------------------|---------------------------------|
| Directors' emoluments | <u>3.6</u> | <u>3.1</u> |

Included in emoluments for the period ended 28 January 2017 are pension contributions of £nil (2016: £0.1m). The value of emoluments incurred directly by the company was £3.1m (2016: £2.8m). Emoluments incurred by the group's subsidiary undertakings was £0.5m (2016: £0.3m). There is 1 director to whom retirement benefits are accruing under a defined benefit pension scheme (2016: 1) and no directors to whom retirement benefits are accruing under a defined contribution scheme (2016: 3).

The aggregate remuneration of the highest paid director in respect of qualifying services was £2m (2016: £1.6m).

9 Other interest receivable and similar income

| | 52 weeks ended 2017 £M | 52 weeks ended 2016 £M |
|----------------------------------|---------------------------------|---------------------------------|
| Interest income on bank deposits | 0.1 | 0.4 |
| Other finance income | 17.8 | 17.6 |
| | <u>17.9</u> | <u>18.0</u> |

Harrods Limited

Notes to the Financial Statements for the period ended 28 January 2017 (continued)

10 Interest payable and similar expenses

| | 52 weeks ended 2017 £M | 52 weeks ended 2016 £M |
|---|---------------------------------|---------------------------------|
| Other finance costs | 0.2 | 1.1 |
| Interest payable on loans from group undertakings | 37.8 | 27.0 |
| | <u>38.0</u> | <u>28.1</u> |

11 Taxation

Tax charged / (credited) in the income statement

| | 52 weeks ended 2017 £M | 52 weeks ended 2016 £M |
|---|---------------------------------|---------------------------------|
| Current taxation | | |
| UK corporation tax | 6.9 | 19.2 |
| UK corporation tax adjustment to prior periods | (1.2) | 0.5 |
| Double taxation relief | - | 8.6 |
| Foreign tax | 0.1 | 0.1 |
| Total current income tax | <u>5.8</u> | <u>28.4</u> |
| Deferred taxation | | |
| Accelerated capital allowances | - | 1.5 |
| Origination and reversal of timing differences | 23.7 | 0.5 |
| FRS102 adjustments | - | 0.6 |
| Derivatives | - | 4.4 |
| Deferred tax on pension scheme | - | 2.8 |
| Adjustment in respect to previous periods | 6.0 | - |
| Other adjustments | 5.2 | 0.1 |
| Total deferred taxation | <u>34.9</u> | <u>9.9</u> |
| Total tax on profit on ordinary activities | <u>40.7</u> | <u>38.3</u> |
| Tax included in the other comprehensive income | | |
| Deferred tax on pension scheme | (7.7) | 3.1 |
| Tax on total comprehensive income | <u>33.0</u> | <u>41.4</u> |

Harrods Limited

Notes to the Financial Statements for the period ended 28 January 2017 (continued)

11 Taxation (continued)

The tax on profit before tax for the period is lower than the standard rate of corporation tax in the UK (2016 - higher than the standard rate of corporation tax in the UK) of 20% (2016 - 20.16%).

The differences are reconciled below:

| | 52 weeks ended 2017 £M | 52 weeks ended 2016 £M |
|--|---------------------------------|---------------------------------|
| Profit before tax | 233.2 | 168.0 |
| Corporation tax at standard rate | 46.6 | 33.9 |
| Adjustments to tax charge in respect of changes in rates | (4.3) | (0.8) |
| Effects of income/expenses not deductible | (6.3) | 4.6 |
| Adjustments to tax charge in respect of prior periods | 4.7 | 0.4 |
| Income and expenses relieved on a cash basis | - | 0.2 |
| Total tax charge | 40.7 | 38.3 |

The standard rate of tax applied to profit on ordinary activities is 20% (2016: 20.16%). The Finance (No 2) Act 2015 introduced a reduction in the corporation tax rate to 19% for financial years 2017, 2018 and 2019. The Finance Act 2016 further reduces the corporation tax rate to 17% from 1 April 2020 (previously 18%).

Deferred tax

| | Group | | Company | |
|---------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 28 January 2017 £M | 30 January 2016 £M | 28 January 2017 £M | 30 January 2016 £M |
| Fixed asset timing differences | 2.6 | 1.2 | 2.2 | 1.1 |
| Losses (Derivatives) | 4.3 | 45.0 | - | 0.1 |
| Short term timing differences | 3.5 | 0.7 | 3.3 | 0.5 |
| Revaluations/fair value adjustments | - | (5.1) | - | (0.5) |
| Deferred tax asset/(liability) | 10.4 | 41.8 | 5.5 | 1.2 |

Deferred tax reconciliation

| | Group £M | Company £M |
|---|-------------|---------------|
| At 30 January 2016 | 41.8 | 1.2 |
| Deferred tax on pensions brought forward | (4.2) | (4.0) |
| Deferred tax charged to profit and loss | (28.9) | 3.3 |
| Add: Deferred tax on defined benefit pension scheme | 7.7 | 7.3 |
| Adjustment in respect of prior years | (6.0) | (2.3) |
| At 28 January 2017 | 10.4 | 5.5 |

Harrods Limited

Notes to the Financial Statements for the period ended 28 January 2017 (continued)

12 Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent Company for the period was £162.6m (2016: £127.6m profit).

13 Intangible assets

Group

| | Software £M | Total £M |
|---------------------------|----------------|-------------|
| Cost | | |
| At 31 January 2016 | 13.6 | 13.6 |
| Additions | 11.8 | 11.8 |
| At 28 January 2017 | 25.4 | 25.4 |
| Amortisation | | |
| At 31 January 2016 | 3.8 | 3.8 |
| Amortisation charge | 1.6 | 1.6 |
| At 28 January 2017 | 5.4 | 5.4 |
| Carrying amount | | |
| At 28 January 2017 | 20.0 | 20.0 |
| At 31 January 2016 | 9.8 | 9.8 |

Company

| | Software £M | Total £M |
|---------------------------|----------------|-------------|
| Cost | | |
| At 31 January 2016 | 13.6 | 13.6 |
| Additions | 11.1 | 11.1 |
| At 28 January 2017 | 24.7 | 24.7 |
| Amortisation | | |
| At 31 January 2016 | 3.8 | 3.8 |
| Amortisation charge | 0.9 | 0.9 |
| At 28 January 2017 | 4.7 | 4.7 |
| Carrying amount | | |
| At 28 January 2017 | 20.0 | 20.0 |
| At 31 January 2016 | 9.8 | 9.8 |

Harrods Limited

Notes to the Financial Statements for the period ended 28 January 2017 (continued)

14 Tangible assets

Group

Cost

At 31 January 2016

Additions

Disposals and other adjustments

Disposal of subsidiary

At 28 January 2017

Depreciation

At 31 January 2016

Charge for the period

Eliminated on disposal

Disposal of subsidiary

At 28 January 2017

Carrying amount

At 28 January 2017

At 31 January 2016

| | Freehold property £M | Fixtures and fittings £M | Plant and machinery £M | Other tangibles £M | Total £M |
|---------------------------------|-------------------------|--------------------------------|------------------------------|-----------------------|-------------|
| At 31 January 2016 | 1,056.4 | 223.9 | 139.9 | 29.8 | 1,450.0 |
| Additions | - | 30.3 | 3.4 | 9.6 | 43.3 |
| Disposals and other adjustments | (2.6) | (10.0) | (1.1) | - | (13.7) |
| Disposal of subsidiary | (89.3) | (13.8) | (7.7) | - | (110.8) |
| At 28 January 2017 | 964.5 | 230.4 | 134.5 | 39.4 | 1,368.8 |
| At 31 January 2016 | 4.6 | 113.6 | 56.9 | 0.1 | 175.2 |
| Charge for the period | 2.3 | 29.9 | 10.1 | - | 42.3 |
| Eliminated on disposal | - | (8.0) | (0.9) | - | (8.9) |
| Disposal of subsidiary | (2.3) | (0.4) | (3.0) | - | (5.7) |
| At 28 January 2017 | 4.6 | 135.1 | 63.1 | 0.1 | 202.9 |
| At 28 January 2017 | 959.9 | 95.3 | 71.4 | 39.3 | 1,165.9 |
| At 31 January 2016 | 1,051.8 | 110.3 | 83.0 | 29.7 | 1,274.8 |

Harrods Limited

Notes to the Financial Statements for the period ended 28 January 2017 (continued)

Company

Cost

At 31 January 2016

Additions

Disposals

At 28 January 2017

Depreciation

At 31 January 2016

Charge for the period

Eliminated on disposal

At 28 January 2017

Carrying amount

At 28 January 2017

At 31 January 2016

| | Land and buildings £M | Fixtures and fittings £M | Plant and Machinery £M | Other tangibles £M | Total £M |
|--|-----------------------------|--------------------------------|------------------------------|--------------------------|-------------|
| | 4.1 | 196.0 | 96.7 | 29.0 | 325.8 |
| | 1,235.2 | 23.0 | 30.7 | 10.0 | 1,298.9 |
| | - | (6.6) | (0.4) | - | (7.0) |
| | 1,239.3 | 212.4 | 127.0 | 39.0 | 1,617.7 |
| | 0.4 | 100.6 | 49.7 | 0.1 | 150.8 |
| | 1.2 | 27.5 | 10.3 | - | 39.0 |
| | - | (4.7) | (0.4) | - | (5.1) |
| | 1.6 | 123.4 | 59.6 | 0.1 | 184.7 |
| | 1,237.7 | 89.0 | 67.4 | 38.9 | 1,433.0 |
| | 3.7 | 95.4 | 47.0 | 28.9 | 175.0 |

Harrods Limited

Notes to the Financial Statements for the period ended 28 January 2017 (continued)

15 Investments

Group

Details of undertakings

The group has the following wholly owned (100% of equity) trading and non-trading subsidiary undertakings which are registered and operate in the United Kingdom.

| Undertaking | Registered office | Class of shares | Holding | Principal activity |
|-------------------------------|-------------------|-----------------|---------|----------------------------------|
| Harrods International Limited | England and Wales | Ordinary | 100% | Tax free retailer and wholesaler |
| Harrods (Continental) Limited | England and Wales | Ordinary | 100% | Exporter |
| Harrods Estates Limited | England and Wales | Ordinary | 100% | Estate agents |
| PL Management Limited | England and Wales | Ordinary | 100% | Property management |
| Harrods Estates Paris S.A. | England and Wales | Ordinary | 100% | Property management |
| Harrods Property Limited | England and Wales | Ordinary | 100% | Property holding company |
| Harrods Management Limited | England and Wales | Ordinary | 100% | Dormant company |
| 5A Watches Limited | England and Wales | Ordinary | 100% | Dormant company |
| Wylie and Company limited | England and Wales | Ordinary | 100% | Dormant company |
| Featurecode 2A Holdings | England and Wales | Ordinary | 100% | Holding company |
| Featurecode 2A | England and Wales | Ordinary | 100% | Dormant company |

Company

| | 28 January 2017 £M | 30 January 2016 £M |
|-----------------------------|--------------------------|--------------------------|
| Investments in subsidiaries | 225.2 | 258.6 |
| Subsidiaries | | £M |
| Cost | | |
| At 31 January 2016 | | 270.4 |
| Disposals | | (33.4) |
| At 28 January 2017 | | 237.0 |
| Provision | | |
| At 31 January 2016 | | 11.8 |
| At 28 January 2017 | | 11.8 |
| Carrying amount | | |
| At 28 January 2017 | | 225.2 |
| At 31 January 2016 | | 258.6 |

Harrods Limited

Notes to the Financial Statements for the period ended 28 January 2017 (continued)

16 Audit exemptions

The Company has guaranteed the outstanding liabilities of all subsidiaries within the group and has fulfilled all requirements under s479A of the Companies Act 2006 ('The Act'), thus enabling those subsidiaries to apply for audit exemption; provided their financial statements are not subject to audit under any other provisions of The Act.

The following subsidiary companies have applied for audit exemption:

| Name | Country of incorporation | Registration number | Holding | Principal activity |
|-------------------------------|--------------------------|---------------------|---------|----------------------------------|
| Harrods International Limited | England and Wales | 676533 | 100% | Tax free retailer and wholesaler |
| Harrods (Continental) Limited | England and Wales | 0156158 | 100% | Exporter |
| Harrods Estates Limited | England and Wales | 0835993 | 100% | Estate agent |
| PL Management Limited | England and Wales | 4130915 | 100% | Property management |

17 Stocks

| | Group | | Company | |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 28 January 2017 | 30 January 2016 | 28 January 2017 | 30 January 2016 |
| | £M | £M | £M | £M |
| Finished goods and goods for resale | 102.9 | 92.3 | 88.8 | 78.6 |

An adjustment of foreign exchange of £2.2m gain (2016: £0.1m gain) was recognised in cost of sales against stock purchased in foreign currency.

Harrods Limited

Notes to the Financial Statements for the period ended 28 January 2017 (continued)

18 Debtors

| | Group | | Company | |
|--------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 28 January 2017 £M | 30 January 2016 £M | 28 January 2017 £M | 30 January 2016 £M |
| Trade debtors | 41.1 | 28.4 | 37.6 | 25.2 |
| Amounts owed by related parties | 1,006.6 | 932.0 | 759.3 | 942.7 |
| Other debtors | 0.7 | 1.0 | 0.5 | 0.7 |
| Prepayments and accrued income | 7.8 | 11.4 | 7.5 | 10.6 |
| Derivatives - Forex contracts | 0.1 | 1.0 | 0.1 | 1.0 |
| Income tax asset | 4.6 | - | 4.6 | - |
| | 1,060.9 | 973.8 | 809.6 | 980.2 |
| Non-current debtors | - | - | 0.5 | 0.5 |
| Total trade and other debtors | 1,060.9 | 973.8 | 810.1 | 980.7 |

Details of non-current trade and other debtors

Company

£498,817 (2016 - £498,817) of Amounts owed by group undertakings is classified as non-current.

Group

The amount owed by group undertakings includes the following significant group loans:

- A loan to Harrods Corporate Management of £465.0m (2016: £488.0m) bearing interest at a rate of 3% per annum above the base rate. The debt is unsecured and repayable on 30 days prior written notice.
- A loan facility for the group, arising on acquisition of Harrods Property Limited in the prior period, of £290.0m issued to QH Partners Limited of which £265.5m has been drawn down to date (2016: £265.5m). The loan is non-interest bearing and repayable on demand.
- An amount is owed by QH Partners Limited, in consideration for the sale of Harrods Commercial Property Limited on 1 February 2016, of £65.8m. The amount is non-interest bearing.
- A non-interest bearing current account between Harrods Limited and Harrods Holdings Limited of £210.1m (2016: £55.0m).

In January 2017, a previously held loan to Harrods (UK) Limited of £120.7m was repaid.

Debts are paid within 30 days on average. Group receivables are repayable on demand.
There are no long outstanding debtors at year end.

Harrods Limited

Notes to the Financial Statements for the period ended 28 January 2017 (continued)

19 Creditors

| | Group | | Company | |
|---------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 28 January 2017 £M | 30 January 2016 £M | 28 January 2017 £M | 30 January 2016 £M |
| Due within one year | | | | |
| Loans and borrowings | 0.4 | - | 0.4 | - |
| Trade creditors | 162.1 | 113.8 | 158.2 | 110.5 |
| Amounts due to related parties | 76.3 | 111.5 | 277.8 | 80.4 |
| Corporation tax liability | 6.8 | 48.2 | 37.8 | 42.1 |
| Social security and other taxes | 3.6 | 8.8 | 3.7 | 8.8 |
| Other payables | 26.5 | 25.1 | 26.1 | 25.0 |
| Accruals and deferred income | 85.1 | 66.2 | 82.6 | 60.0 |
| | <u>360.8</u> | <u>373.6</u> | <u>586.6</u> | <u>326.8</u> |
| Due after one year | | | | |
| Loans and borrowings | 254.8 | 1,074.7 | 254.7 | 238.3 |
| Accruals and deferred income | 2.7 | 2.8 | 2.5 | 2.6 |
| Other creditors | - | 0.4 | - | 0.5 |
| | <u>257.5</u> | <u>1,077.9</u> | <u>257.2</u> | <u>241.4</u> |

In the preceding period ending 30 January 2016, the amounts owed to group undertakings included two new group loans, the first an unsecured loan facility of £850.0m granted on 30 April 2015, from Harrods Holdings Limited to Harrods Property Limited, of which £835.6m had been drawn down as at 30 January 2016. On 27 January 2017, this loan was settled as part of a group rationalisation initiative. As at 28 January 2017 the amount of the loan was £nil (2016: £835.6m).

Another unsecured group loan was granted by 5A Property Holdings Limited (previously known as "Harrods Property Holdings Limited") to Harrods Limited on 8 May 2015 of £225.1m. Interest is charged at 7% per annum above LIBOR and is payable annually, with payment of the principle due by 8 May 2025. The outstanding amount, with interest, as at 28 January 2017 was £254.6m (2016: £238.2m).

There are no long outstanding debts.

Harrods Limited

Notes to the Financial Statements for the period ended 28 January 2017 (continued)

20 Dividends

| | 52 weeks ended 28 January 2017 £M | 52 weeks ended 30 January 2016 £M |
|---------------------------|---|---|
| Interim dividend declared | 110.0 | 100.1 |
| | <u>110.0</u> | <u>100.1</u> |

21 Financial instruments

| | Group | | Company | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | 28 January 2017 £M | 30 January 2016 £M | 28 January 2017 £M | 30 January 2016 £M |
| Financial assets | | | | |
| Financial assets measured at fair value through profit or loss | 0.1 | 1.0 | 0.1 | 1.0 |
| Financial assets measured at amortised cost | 1,092.2 | 1,045.5 | 829.7 | 1,029.2 |
| | <u>1,092.3</u> | <u>1,046.5</u> | <u>829.8</u> | <u>1,030.2</u> |
| Financial liabilities | | | | |
| Financial liabilities measured at amortised cost | 618.3 | 1,407.6 | 843.8 | 570.3 |
| | <u>618.3</u> | <u>1,407.6</u> | <u>843.8</u> | <u>570.3</u> |

Financial assets and liabilities measured at fair value through profit or loss is comprised of foreign currency forward contracts.

Financial assets measured at amortised cost include cash and debtors. Financial liabilities measured at amortised cost include both short and long term creditors.

Harrods Limited

Notes to the Financial Statements for the period ended 28 January 2017 (continued)

22 Share capital

Allotted, called up and fully paid shares

| | 28 January 2017 | | 30 January 2016 | |
|-------------------------------|--------------------|-------|--------------------|-------|
| | No. m | £M | No. m | £M |
| Ordinary shares of £0.10 each | 192 | 19.20 | 192 | 19.20 |

| | 28 January 2017 | 30 January 2016 |
|---------------|--------------------|--------------------|
| | £M | £M |
| Share premium | 722.6 | - |
| | 722.6 | - |

On 27 January 2017, Harrods UK Limited issued to Harrods Limited, one ordinary share with a nominal value of £0.1, and at a share premium of £722.6m, as part of a loan rationalisation transaction.

Each ordinary share represents one vote. There are no restrictions or preferences placed on the shares.

Dividends are declared and paid at the discretion of the directors.

Harrods Limited

Notes to the Financial Statements for the period ended 28 January 2017 (continued)

23 Pension and other schemes

The group operates a defined contribution pension scheme and a defined benefit pension scheme.

Defined contribution pension scheme

The pension cost charge for the period represents contributions payable by the group to the scheme and amounted to £4.4m (2016 - £4.4m).

Contributions totalling £0.8m (2016: £0.8m) were payable to the scheme at the end of the period and are included in creditors.

Defined benefit pension scheme

During the period the group operated the Harrods Group Pension Plan ("the Plan"), an approved defined benefit scheme. This scheme was closed to new membership and new accruals in April 2006.

The funding position of the Plan is monitored by the Trustees and the Harrods Group on a quarterly basis and formally reviewed at each triennial actuarial valuation, or more frequently as required by the Pensions Act 2004.

An actuarial valuation of the Plan as at 5 April 2015 on a Scheme Specific Funding basis was carried out by the Scheme Actuary. The deficit on this basis was £45m as at 5 April 2015, a funding level of 93%. At the previous valuation at 5 April 2012, the shortfall was £77m equating to a funding level of 85%.

A revised recovery plan was subsequently agreed. In order for the Plan to be fully funded by 31 March 2021, the Trustees and Principal Employer agreed the following on 24 March 2016:

- Annual contributions totalling £5.0m per annum payable in each of 2016, 2017, 2018, 2019, 2020 with a final payment of £1.25m in March 2021.
- Plan expenses (including any insurance premiums and PPF levies) estimated at £1.0m per annum to continue to be met by the Employers.
- A number of changes to the investment strategy to be implemented with the aim of de-risking the plan.
- Recognising the risks inherent in the performance of the financial markets during the deficit correction period, the principal employer has also agreed to fund any deficits outside an agreed tolerance band during this period.

During the period ended 28 January 2017, the participating employers made total contributions to the plan of £6.5m (2016: £20.3m).

Due to the deficits falling below the lower agreed tolerance band as indicated above for three consecutive quarters in the period, the participating employers will be making additional contributions in the following year ending 3rd February 2018, commencing with £7.2m in March 2017 and to be reassessed quarterly thereafter. The additional payments will cease once the deficit recovers above the lower tolerance band.

Harrods Limited

Notes to the Financial Statements for the period ended 28 January 2017 (continued)

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

| | 28 January 2017 £M | 30 January 2016 £M |
|--|--------------------------|--------------------------|
| Fair value of scheme assets | 485.8 | 426.4 |
| Present value of defined benefit obligation | (500.5) | (407.1) |
| Defined benefit pension scheme (deficit)/surplus | (14.7) | 19.3 |

Reconciliation of present value of plan liabilities

Changes in the defined benefit obligation are as follows:

| | 28 January 2017 £M |
|----------------------------------|--------------------------|
| Present value at start of period | (407.1) |
| Interest cost | (15.0) |
| Actuarial gains and losses | (92.3) |
| Benefits paid | 12.7 |
| Transfers and other adjustments | 1.2 |
| Present value at end of period | (500.5) |

Reconciliation of present value of plan assets

Changes in the fair value of scheme assets are as follows:

| | 28 January 2017 £M |
|---|--------------------------|
| Fair value at start of period | 426.4 |
| Interest income | 16.0 |
| Actuarial gains and losses | 48.3 |
| Employer contributions | 5.3 |
| Transfers (change in allocation between contributing employers) | 3.3 |
| Benefits paid | (12.7) |
| Administrative Expenses | (0.8) |
| Fair value at end of period | 485.8 |

Harrods Limited

Notes to the Financial Statements for the period ended 28 January 2017 (continued)

Analysis of assets

The major categories of scheme assets are as follows:

| | 28 January 2017 £M | 30 January 2016 £M |
|---------------------------|--------------------------|--------------------------|
| Cash and cash equivalents | 53.0 | 12.2 |
| Equity instruments | 67.5 | 142.2 |
| Debt instruments | 200.6 | 174.2 |
| Other assets | 164.7 | 97.8 |
| | <hr/> 485.8 | <hr/> 426.4 |

Principal actuarial assumptions

The principal actuarial assumptions at the statement of financial position date are as follows:

| | 2017 % | 2016 % |
|--------------------------|-----------|-----------|
| Discount rate | 2.9 | 3.8 |
| Future pension increases | 2.5 | 2.2 |
| Inflation | 3.5 | 3.0 |

Post retirement mortality assumptions

| | 2017 Years | 2016 Years |
|--|---------------|---------------|
| Current UK pensioners at retirement age - male | 28.1 | 28.0 |
| Current UK pensioners at retirement age - female | 29.9 | 29.9 |
| Future UK pensioners at retirement age - male | 30.4 | 30.4 |
| Future UK pensioners at retirement age - female | 32.3 | 32.2 |

24 Contingent liabilities

Group

The group is not aware of any material contingent liabilities existing at the balance sheet date. The group is involved in litigation in the ordinary course of business. However, in the opinion of the directors, no material losses in excess of provisions made are likely to arise.

The Harrods Group (Holding) Limited cash netting facility is guaranteed by Harrods Limited and other group companies.

There were no other contingent liabilities at 28 January 2017 or 30 January 2016.

Harrods Limited

Notes to the Financial Statements for the period ended 28 January 2017 (continued)

25 Commitments

Group

Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £8.1m (2016 - £21.6m).

Other commitments

At 28 January 2017 the company had commitments under concession agreements with Heathrow Airport Limited and Gatwick Airport Limited which were contracted for but not provided for in these financial statements of £8.8m as at the period end (2016: £7.0m).

26 Commitments under operating leases

At 28 January 2017 the group and the Company had future minimum lease payments under non-cancellable operating leases related to the Knightsbridge Property held by Harrods Property Limited.

| | 28 January 2017 £M | 30 January 2016 £M |
|---------------------------|--------------------------|--------------------------|
| Land and buildings | | |
| Within one year | 0.6 | 0.4 |
| Within two and five years | 1.9 | 1.5 |
| Over five years | 1.1 | 1.1 |
| | <hr/> 3.6 | <hr/> 3.0 |
| Other | | |
| Within one year | 0.7 | 0.9 |
| Within two to five years | 1.1 | 1.6 |
| | <hr/> 1.8 | <hr/> 2.5 |

Harrods Limited

Notes to the Financial Statements for the period ended 28 January 2017 (continued)

27 Related party transactions

Group

Harrods Limited is a wholly owned subsidiary of Harrods Group (Holding) Limited, and as permitted by Financial Reporting Standard 102 Section 33 "Related party disclosures" has not disclosed transactions with group undertakings.

There were no material related party transactions.

28 Parent and ultimate parent undertaking

The group's immediate parent undertaking is Harrods (UK) Limited. The ultimate UK parent undertaking of Harrods (UK) Limited is Harrods Group (Holding) Limited which is the largest UK group which consolidates the results of the company.

The company is an indirect 100% subsidiary of Qatar Holding LLC which is the strategic investment arm of Qatar Investment Authority, the ultimate controlling party.