

Registration number: 00030209

Harrods Limited

Annual Report and Financial Statements

for the period ended 30 January 2021



Harrods Limited

Contents

Strategic Report	1 to 5
Directors' Report	6 to 16
Statement of Directors' Responsibilities in respect of the annual report and the financial statements	17
Independent Auditor's Report to the Members of Harrods Limited	18 to 21
Profit and Loss Account	22
Statement of Comprehensive Income	23
Balance Sheet	24
Statement of Changes in Equity	25
Statement of Cash Flows	26
Notes to the Financial Statements	27 to 52

Harrods Limited
Strategic Report
for the period ended 30 January 2021

The directors present their Strategic Report for the 52 week period ended 30 January 2021 (2020: 52 weeks).

Principal activity

The principal activity of the company is that it 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 activities include direct sales via the internet at Harrods.com.

Results of ordinary activities

For the period ended 30 January 2021, Harrods gross transaction value decreased by 50.1% to £1,097.7m (2020: £2,201.8m) whilst turnover fell 50.7% to £429.5m (2020: £870.8m). 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 board believes that Gross Transaction Value represents a good guide to the overall activity of the company.

Gross Transaction Value

	52 weeks ended 30 January 2021	52 weeks ended 1 February 2020	Movement	Movement
	£m	£m	£m	%
Gross Transaction Value (Incl. VAT)	£1,097.7	£2,201.8	(£1,104.1)	-50.1
Gross Transaction Value (Excl. VAT)	£930.5	£1,848.8	(£918.3)	-49.7
Turnover	£429.5	£870.8	(£441.3)	-50.7

The business generated a loss after tax for the period, of (£57.3m) (2020: profit of £191.4m). Operating loss for the period was (£66.4m), down from profit of £203.3m in 2020. The operating loss has been generated due to the government-imposed lockdown which led to store closure and a large reduction in sales activity in the year.

The period saw a reduction in capital expenditure during the Covid-19 pandemic, with total additions of £44.7m (2020: £114.1m).

Harrods Limited
Strategic Report
for the period ended 30 January 2021 (continued)

Business review

Principal risks and uncertainties

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

- (i) Covid-19 and its impact on the UK and global economy
- (ii) Events impacting the level of international travel to the UK, including terrorism, natural disasters and movements in currency exchange;
- (iii) Cyber-attack and general threat to information security;
- (iv) Evolving customer needs and expectations, creating the need for constant business transformation; and
- (v) Brexit and its impact on the economic and commercial environment as well as human resources.

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 ongoing basis.

Covid-19

The Covid-19 pandemic has been a significant challenge for the business. The impact of the crisis, and subsequent closure of Harrods, has reached our employees, customers, supply chain and store, together with the local and wider community.

The safety of our employees and customers is of utmost importance. The Knightsbridge store was closed during the three lockdowns mandated by the UK government during the period. The online channel experienced year on year growth, in line with what the rest of the retail industry has experienced during the physical closure of the stores. During the closures, the Group, 'Harrods Group (Holding) Limited' furloughed the majority of its store-based employees under the UK Coronavirus Job Retention Scheme.

As part of the gradual reopening process following each lockdown, extra steps and precautionary measures were implemented to ensure compliance with social distancing and the highest health and safety and sanitation practices. We have followed government guidance in all re-opening plans, as well as leading industry best practices, as informed by our stakeholders and industry bodies.

Additionally, we stand by our suppliers by continuing to pay punctually and in line with our agreements, to ensure strong supplier relationships through the pandemic and beyond.

Our focus has been on ensuring that Harrods reopened in as strong a position as possible to ensure a successful business in the long-term.

Brexit

It is anticipated that the predominate impact of Brexit on Harrods Limited, revolves around the removal of the Retail Export Scheme that came into effect from 1 January 2021. It is not possible at this stage to quantify the impact on future trade as a result of the loss of this benefit to overseas customers, given international travel has still not returned to pre-covid levels.

Importing costs have also risen as a result of Brexit. The additional costs per annum have been estimated at £0.5m in additional duty and admin fees. However, this only relates to imports which Harrods is directly responsible for, being approximately 20% of such imports. It is therefore reasonable to expect that the costs that Harrods will incur will be higher coming eventually through increased prices from suppliers.

Harrods Limited
Strategic Report
for the period ended 30 January 2021 (continued)

Credit risk

The company'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, company 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 £422.0m (2020: £431.0m). The loan bears interest at 3% plus base rate. The related party finances its interest obligation from royalties received from Harrods Limited and other group companies. There is sufficient interest cover to provide the directors with comfort that the risk in this case is negligible.

Currency risk

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

Approximately 12% (2020: 12%) of the company'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 company does not adopt an accounting policy of hedge accounting in these Financial Statements.

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

Interest rate risk

The company finances its operations through retained earnings as the company 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 loss after tax, that would give a fuller understanding of the business.

Harrods Limited
Strategic Report
for the period ended 30 January 2021 (continued)

Harrods Ltd Section 172(1) statement

The directors of the company act in a way they consider, in good faith, is most likely to promote the success of the company for the benefit of its' members as a whole, and in doing so have regard to the:

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

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

Our customers

Harrods' customers are fundamental to its success and Harrods strives to offer the highest possible standards of customer service and experience to ensure that customer expectations are exceeded. Harrods prides itself on being a business that is built around the needs of our customers and adapts and reacts to ensure we are at the forefront of customer experience. During this financial year, Harrods significantly invested in measures to ensure the absolute safety of our customers during the pandemic, including the installation of sophisticated footfall counting technology and an extensive screen network around the store to support social distancing. Harrods also opened a temporary secondary store, Harrods Outlet, to enable better social distancing across a larger footprint.

Our people

Our newly launched Employee Values - We are Human, We Strive to Exceed, We Build Trust, We Take Pride and We are One - are closely aligned to the achievement of Harrods' strategic priorities. Our People Promise - Uniquely You, Together Harrods - ensures that we put our People at the centre of the organisation. During this financial year, Harrods established new employee assistance programmes and support services to support our employees' wellbeing and mental health throughout the pandemic.

Our brands and suppliers

Harrods maintains a close working relationship with both 'own bought' and 'concession' suppliers, to align our respective cultures for our mutual economic benefit and to ensure the best possible retail offering to Harrods' The Harrods store operates both an 'own bought' and a 'concession' model and maintains a close working relationship with these stakeholders, to align our respective cultures for our mutual economic benefit and to ensure the best possible retail offering to Harrods' customers. .

Refer to section 2.6 of the Corporate Governance statement for further information on our customer, people and brands and suppliers strategies.

Our community

Harrods has been a London institution for over 170 years and is keenly aware of its responsibilities both as a local London business and member of the London business community. Harrods is committed to making a meaningful impact within our communities. We support both local and national charities and encourage employees to take part in volunteering and fundraising initiatives. In response to the pandemic, Harrods ensured that food and supplies were donated to reduce food waste but to also to support several local London food banks.

Harrods Limited

Strategic Report for the period ended 30 January 2021 (continued)

Our environmental impact and sustainability

This financial year, Harrods has revisited and relaunched its sustainability strategy. The strategy has been given a vision and identity and is now a strong voice within the decision-making practices of the business and is a core part of Harrods' strategy and purpose. Our Corporate Responsibility strategy, "Harrods Path to Sustainability" is built on five pillars that are aligned to our people, products, partnerships, business operations and our local communities. Each pillar is underpinned by bold initiatives that are designed to have a meaningful impact. During the financial year, Harrods introduced a plastic and packaging reduction policy, which has so far included the removal of all plastic across outbound distribution and replacing our plastic carrier bags with a fully-recyclable paper alternative. The business also introduced platforms to ensure better supplier transparency and sourcing standards across its own-label product ranges, which continue to be rolled out.

Our long-term decision making

The primary function of the Harrods Group Holding Limited board (which oversees all the subsidiaries in its Group, including Harrods Limited) is to develop the Group's strategy and oversee its implementation in order to promote the long-term success of the business for the benefit of its stakeholders and deliver sustainable shareholder value. The business aim to ensure that decisions support the Group's purpose and values, together with its strategic priorities.

Our standards

Harrods has carried out a review of its company values during this financial year and has developed five core values which underpin its behaviours and ways of working: We are Human, We Strive to Exceed, We Build Trust, We Take Pride and We are One. Harrods has robust company policies and practices which align with these values and are regularly monitored and reviewed. These company policies include clear procedures setting out how employees can raise any concerns.

Refer to sections 2.1 and 2.6 of the Corporate Governance statement for further information on the five core values and our focus on high standards.

Our members

The company is an indirect 100% subsidiary of Qatar Holding LLC. The interests and views of the ultimate partner company are included in our long-term decision making and strategic priorities. The Group Board is currently comprised of two representatives of the Shareholder and the Managing Director of Harrods (all of whom also sit on the Harrods board) and a non-executive director, which allows their interests to be represented.

Approved by the Board on 22 October 2021 and signed on its behalf by:



D J Webster
Company secretary

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

Harrods Limited
Directors' Report
for the period ended 30 January 2021

The directors present their report and the financial statements for the period from 2 February 2020 to 30 January 2021.

Profit for the financial period and the dividend

The turnover for the period was £429.5m (2020: £870.8m). The loss for the period after taxation amounted to (£57.3m) (2020: profit of £191.4m). No dividends were declared in relation to the period ended 30 January 2021 (2020: £125.0m).

Directors of the company

The directors who held office during the period were as follows:

H.E. Sheikh Hamad Bin Jassim Bin Jaber Al Thani (resigned 19 May 2020)

H.E. H A Al-Abdulla

M E S I Al-Mahmoud

M A Ward

R L Assanand (resigned 6 April 2021)

J P Healy

Future developments

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

Harrods Limited
Directors' Report
for the period ended 30 January 2021 (continued)

Going concern

The Covid-19 pandemic has been a significant challenge for the Harrods Group (Holding) Limited group (the "Group"). The impact of the crisis, and subsequent temporary closure of the Harrods store, has reached the groups' employees, customers, supply chain and store, together with the local and wider community.

Harrods Limited (the "Company") operates Harrods, the world-renowned store in Knightsbridge, London and is the main trading entity within the Harrods Group (Holding) Limited group (the "Group").

Current position:

At the balance sheet date, the Company had cash of £60.0m and £200.0m available in the committed undrawn revolving credit facilities with Qatar National Bank S.A.Q through other group entities.

In line with government directives, the Knightsbridge store remained closed for the first ten weeks after the financial year ended 30 January 2021. During that time, however, trade continued mainly through the online channel as well as virtual shopping. The store re-opened its doors to trade on 12 April 2021.

By the end of the first half (six months ending 31 July 2021), through careful management of its stock purchases as well as its operating and capital spend, the Company had managed to increase its cash position to £97.2m

On 16 July 2021, the Group also concluded an agreement with its banking syndicate to extend by eighteen months the term loan of £620m and the revolving credit facility of £200m, which was due to be repayable in April 2022. The new repayment date under the amended and restated agreement is now 29 October 2023. The covenant commitments under the new agreement involve a minimum liquidity test measured at the end of each month and a minimum quarterly EBITDA until June 2022. These will be superseded by the original covenant measures of net leverage ratios and interest cover albeit at revised thresholds from July 2022 until October 2023. Sufficient headroom has been built into the covenants against the conservative cash and profit forecasts of the group.

In addition, the Company has an intercompany loan of £257.7m at the balance sheet date owing to a fellow group company, Harrods Property Limited, which is due to mature in April 2022. Harrods Property Limited has indicated that it does not intend to seek repayment of amounts due for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although at the date of approval of these financial statements, they have no reason to believe that it will not do

There is further analysis of the going concern basis of preparation in Note 2.

Harrods Limited
Directors' Report
for the period ended 30 January 2021 (continued)

Employment of disabled persons

It is the policy of the company 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 company and charged in the financial statements were £22k (2020: £98k).

Payment of creditors

It is the company'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 company's policy is to pay suppliers within 30 days after the end of the month of receipt of goods or services.

The company 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 (2020: 32 days).

Harrods Limited

Directors' Report
for the period ended 30 January 2021 (continued)

Streamlined Energy & Carbon Reporting

At Harrods Group we are committed to reducing our energy and green house gas emissions in line with our corporate targets. We are participants in the Energy Savings Opportunity Scheme (ESOS), and we are also developing a detailed strategy to dramatically reduce our energy consumption and associated emissions. For the financial year ending 30th January 2021, we are also reporting under the Streamlined Energy and Carbon Reporting legislation (SECR) for the first time.

Following an evaluation of the SECR qualification criteria and our various UK operations, we are reporting on the energy and emissions for Harrods Group (Holding) Limited, Harrods (UK) Limited and Harrods Limited¹. Harrods Group (Holding) Limited is submitting this SECR report at a group level for all affected UK entities.

In the reporting year, the reporting entities consumed 53,698,965kWh of energy associated with Scope 1 and 2 greenhouse gas emissions. Electricity consumption accounted for 40,175,664kWh (74.8%) of the reported energy use, whilst natural gas purchases accounted for 10,194,673kWh (19%). Heating oil consumption accounted for 957,868kWh, whilst our diesel use accounted for 2,370,761kWh. Employee travel, which was claimed through expenses, accounted for 22,200kWh of energy use, and this is classified as Scope 3 emissions.

The greenhouse gas emissions associated with the above supplies have been calculated to be 12,063.6 tonnes of CO₂e. 'Scope 1' emissions were 2,691.7 tonnes (22.3%) and were associated with natural gas purchases (1,874.5 tonnes), heating oil (245.9 tonnes) and diesel fuel (571.4 tonnes). 'Scope 2' emissions were 9,366.6 tonnes (77.6%) and were associated with electricity purchases. Employee mileage claims accounted for a further 5.3 tonnes of CO₂e, and this is classified as Scope 3 emissions.

Reporting	kWh Consumption	%	Tonnes CO ₂ e	%
Scope 1 Energy				
Natural Gas Consumption	10,194,673 kWh	19.0%	1874.5 t	15.50%
Heating Oil	957,868 kWh	1.8%	245.9 t	2.00%
Diesel - Generator Fuel	83,322 kWh	0.2%	21.1 t	0.20%
Diesel - Haulage Fleet	2,287,439 kWh	4.3%	550.3 t	4.60%
Scope 2 Energy				
Electricity Purchases	40,175,664 kWh	74.8%	9,366.6 t	77.6%
Scope 3 Energy				
Employee Mileage Claims	22,200 kWh	0.0%	5.3 t	0.0%
Total Reported	53,721,165 kWh		12,063.6 t	

Harrods Limited
Directors' Report
for the period ended 30 January 2021 (continued)

SECR regulations require us to report an energy intensity metric, and we have chosen to use annual turnover as the divisor for our intensity metric. Our energy consumption per million pounds of gross turnover was 125,078 kWh, and the CO₂e emissions were 28,088 kg per million pounds.

Our energy consumption has been calculated based upon metered kWh consumption stated on invoiced supplies in all instances, plus employee mileage claimed when travelling on company business. We have removed electricity supplies which were not consumed by Harrods, and which were passed onto third party tenants via a kWh sub-metering arrangement. During this first round of SECR reporting, we have had to estimate some elements of our energy consumption, and this estimate is 5% of our reported energy usage². Any adjustments to these estimated quantities will be reported in the next round of SECR reporting.

Our reporting incorporates all Scope 1 and 2 supplies, and our green house gas emissions have been calculated using location based reporting practices and relevant conversion factors as published by DEFRA and BEIS for 2020 reporting (Version 1.0). It is possible that we may adopt market based reporting in future SECR returns, and we will keep this matter under review.

During 2020/21 we implemented the following key initiatives to reduce our energy use and emissions;

The business began to focus on building the strategy and frameworks to mitigate and reduce emissions, including the hiring of energy consultants to support the reporting of data and identifying initiatives to reduce emissions in the short and longer-term. The business also put appropriate measurement tools in place to comprehensively analyse energy usage, allowing us to build frameworks for emission reduction initiatives. This reporting year covers extensive periods when a number of Harrods sites were closed, or operating under limited capacity, due to the Covid-19 pandemic. Every effort was taken during these periods of closure to minimise energy usage as much as possible, through appropriate shut-down protocols.

Looking towards 2021/22, we are continuing to develop our energy and carbon reduction strategy for the business. We have engaged external consultants to develop our longer-term carbon reduction strategy, and to work with our internal teams to develop a range of initiatives, including;

- Introducing measurable targets, driven by extensive data collection across all Scope 1 & 2 emissions
- Reducing our overall energy consumption, supported by more efficient lighting solutions and switching off power where possible, as well as developing an energy retrofit programme for Harrods sites.
- Identifying projects that further reduce carbon emissions in the short and longer-term
- Conducting energy audits across all sites to give an accurate emissions across Scope 1 & 2
- Continuing to migrate to more energy efficient vehicles across Harrods-owned fleet. 50% small van fleet will move to electric during 2021/2022 financial year
- Investigating the use of renewable energy across our sites, as well as beginning the process of contracting specific renewable energy for demand across the business.

Notes:

1. Our reporting includes those legal entities which qualify for SECR reporting as a result of meeting two of the three qualification criteria. We not reported on the emissions of those entities which are dormant, have any energy consumption below the 40kWh p.a. de-minimis or which fall below the SECR thresholds.

2. Some 95% of our SECR reporting is based upon metered and invoiced energy consumption as invoiced by our suppliers. We have made estimates in the following areas;

- Following a change in supplier, we have had to estimate electricity consumption at several minor sites, and this has been based upon verified consumption at the end of the reporting period.
- We have estimated gas consumption at one minor retail outlet, and this has been based upon CIBSE benchmarks.
- Diesel fuel consumption associated with generators and road freight has been based upon verified data for the twelve months prior to the reporting period.

Harrods Limited
Directors' Report
for the period ended 30 January 2021 (continued)

Governance Statement

1. Overview

Harrods is subject to new reporting requirements under the Companies (Miscellaneous Reporting) Regulations 2018 (MRR). These include a requirement to make a statement stating which corporate governance code Harrods applies for its governance arrangements (and how the code is applied, including explanations for any departure from application), and if no code is applied, why and what governance arrangements are in place.

Harrods has chosen to apply the Wates Corporate Governance Principles for Large Private Companies 2018 (Wates Principles), which comprise six key principles. This statement provides an account of how Harrods applies the Wates Principles in its corporate governance arrangements.

In addition, Harrods' parent company, Harrods Group (Holding) Limited, launched a new bespoke governance framework (Harrods Governance Framework) which was formally implemented in January 2020 and has since been reviewed in April 2021. The Harrods Framework applies to Harrods Group (Holding) Limited and its subsidiaries (together the Group). Prior to formally creating and adopting the Harrods Framework, the Group had a simpler governance arrangement in place which primarily focused on the key decision-making authorities for the Group.

Harrods delegates authority to Harrods Group (Holding) Ltd's statutory board of directors (Group Board) for the day to day operation of the business as the parent company of the Group and accordingly this statement explains how the Wates Principles are applied by the Group Board.

2. The Wates Principles

2.1. Purpose and Leadership

An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.

Harrods operates its 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.

Harrods' purpose is to deliver exceptional sales through exceptional experience and exceptional service. Harrods is focused on offering world-class assistance on an incredibly diverse range of products, in a way that drives shareholder and stakeholder value and ensures the happiness and success of its employees.

Harrods has five core values which underpin its behaviours and ways of working: We are Human, We Strive to Exceed, We Build Trust, We Take Pride and We are One. These values are used to illustrate how the business wants its relationships to be with its employees, with customers, with suppliers and other stakeholders and are closely aligned to Harrods' purpose and strategy.

Harrods Limited

Directors' Report for the period ended 30 January 2021 (continued)

The primary function of the Group Board is to develop the Group's strategy and oversee its implementation in order to promote the long-term success of the business for the benefit of its stakeholders and deliver sustainable shareholder value. The Group Board has ultimate responsibility for the management, performance and governance of the business.

The Harrods Framework has been developed to formalise the role of the Group Board and how it interacts with the rest of the business and its ultimate shareholder, the Qatar Investment Authority (Shareholder).

The relationship between the Shareholder and the Group is designed to create alignment and to support the development of the business for the benefit of the shareholders and stakeholders to deliver long-term continuity and success. The Harrods Framework provides the business with direction, objectives, structure and processes that ultimately create stakeholder and Shareholder value through a complementary balance of control and flexibility.

2.2 Board Composition

Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.

The Group Board is currently comprised of two representatives of the Shareholder and the Managing Director of Harrods (all of whom also sit on the Harrods board) and a non-executive director. An expansion of the Group Board is currently under consideration and this will potentially include new non-executive directors.

The Managing Director together with other representatives of the Group's senior management and the Shareholder are also members of the Management Executive Committee, which is responsible for the day to day operation of the business.

Members of the Group Board also make up membership of the Group Board's other committees: the Audit Committee, the Governance, Risk and Compliance Committee and the HR (Nominations and Remuneration) Committee. Members of the Group's senior management are invited to attend these committee meetings when required.

All these committees report directly into the Group Board. Whilst the Group Board is currently comprised of four members, in practice other individuals in the Group's senior management team attend board meetings to provide input and debate on relevant issues (albeit they do not have voting rights).

The CEO of the Shareholder is one of the shareholder representatives on the Group Board and acts as the Chairman. He leads the Group Board and is responsible for ensuring its effectiveness and facilitating constructive discussion. The roles of Chairman and Managing Director are undertaken by different individuals which ensures a balance of power and effective decision-making. The division of responsibilities between these roles is set out in the Harrods Governance Framework.

The Group Board is comprised of members with a balance of skills and experience, including one non-executive director who offers independent expertise and challenge. The non-executive director's primary focus is on corporate responsibility. All members of the Group Board are given appropriate information to ensure meaningful discussions and decision-making. The Group Board holds a minimum of four board meetings a year which provide an open and collaborative forum.

The Group has an Equal Opportunities policy setting out its policies and procedures on diversity which is applied across the business.

Harrods Limited

Directors' Report for the period ended 30 January 2021 (continued)

2.3 Director Responsibilities

The Board and individual directors should have a clear understanding of their accountability and responsibilities. The Board's policies and procedures should support effective decision-making and independent challenge.

The Harrods Framework includes the statutory duties set out in the Companies Act 2006 and, in accordance with these duties, all directors are required to act in good faith to promote the success of the business for the benefit of its stakeholders and its shareholders.

The Group Board has access to a broad range of information sources, including financial reporting and consumer data, and professional advisers are appointed as required to advise on specific matters. Non-Group Board members (including professional advisers) are regularly invited to attend and address the Group Board in relation to their specific areas of expertise. The Group Company Secretary is responsible for ensuring that board papers and supporting information are accurate and comprehensive and provided in a timely manner before meetings.

2.4 Opportunity and Risk

A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.

The Group Board has overall oversight of the Group ensuring a sustainable business through consistent, profitable growth and driving a culture of continuous improvement in standards and performance. It is responsible for agreeing the overall Group strategy and corporate vision in a way that maximises value creation and manages risks.

The Group Board is responsible for considering and assessing how the business creates value over the long-term and for identifying strategic opportunities and initiatives for the Group. All material opportunities and new strategies are considered and approved by the Group Board. The Harrods Framework sets out the types of matters which are reserved for Group Board approval and contains processes for ensuring that the Management Executive Committee escalates material matters to the Group Board.

The Group has robust procedures to identify, monitor and manage risk to ensure the long-term success of the Group. The Group ensures that the value of Shareholder investment is enhanced by maintaining sound risk management and internal control systems. The Group Board also provides guidance regarding the nature and extent of the risks the business is willing to take in achieving its strategic objectives and safeguarding Group assets.

The Group Board has delegated responsibility to the Governance, Risk and Compliance Committee for reviewing and advising on the current risk exposures of the Group and future risk strategy. The Governance, Risk and Compliance Committee periodically carries out assessments of the Group's risk management systems and controls for review by the Group Board.

Harrods Limited

Directors' Report for the period ended 30 January 2021 (continued)

The Group's Internal Audit team meets regularly with the Group's internal stakeholders to facilitate the identification, review and mitigation of business risks within each directorate, which are then collated and reported to the Governance, Risk and Compliance Committee. At its six-monthly meetings, the Governance, Risk and Compliance Committee considers these risk reports and carries out assessments of the Group's risk management systems and controls. The Committee confirms the significant Enterprise Risks facing the business at that point in time and reports them upwards for review by the Group Board. For any crisis situation which arises and which requires an immediate emergency response, the Group has a Crisis Management Policy through which a Crisis Management Team (comprising the appropriate senior management, as dictated by the nature of the crisis) would be convened immediately in order to take the necessary steps to safeguard the business and its stakeholders.

2.5 Remuneration

A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.

The Group Board has delegated responsibility to the HR Committee for determining remuneration policies and procedures.

The HR Committee is responsible for establishing and reviewing the remuneration policy and approach. It ensures that changes in remuneration are fair and consistent, performance-based where appropriate and take into account external benchmarking. Remuneration for directors and senior management is proposed by the HR Committee, taking into account the performance and achievement of the Group's strategy, and is subject to final approval by the Management Executive Committee, Group Board and Shareholder as appropriate.

2.6 Stakeholder Relationships and Engagement

Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

The Group is committed to fostering and maintaining strong relationships with stakeholders, including the Shareholder, its employees, customers, suppliers and community.

Harrods' aforementioned five core values underpin its desired behaviours and ways of working and are closely aligned to the achievement of Harrods' strategic priorities and are used as key principles by the business to enable strong stakeholder relationships, to engage and connect with Harrods' employees, provide the benchmark for Harrods leaders and to set the tone for the desired workplace environment.

Harrods has robust company policies and practices which align with these values and are regularly monitored and reviewed. These company policies include clear procedures setting out how employees can raise any concerns. The Group Board is responsible for reviewing and approving any material change in the Group's Health & Safety, Equal Opportunities, Ethics in Business, Disclosing Confidential Information (Whistleblowing), Disciplinary & Grievance, and Media policies.

Harrods Limited

Directors' Report for the period ended 30 January 2021 (continued)

Harrods is committed to meaningful engagement with its workforce and two-way communication through both formal and informal channels. These include: quarterly business-wide forums which provide the workforce with updates on business strategy and performance, weekly news bulletins, employee surveys and an informative employee intranet.; an employee listening forum through which employees meet with senior management to discuss work-related issues; and

two employee networks (a LGBTQ+ network and a Mental Health network) each of which is sponsored by a member of senior management.

In addition, Harrods operates its annual Harrods Awards for Excellence recognition scheme which celebrates and rewards employees who have contributed to the success of the business and who exemplify the core values. Harrods also has a long service award scheme to reward and demonstrate appreciation for employees for their ongoing loyalty and commitment to Harrods.

Harrods' people strategy focuses on 3 key pillars; workplace culture and employee experience, building management capability and talent acquisition and retention. The intention is to create an environment where exceptional people want to work and supports Harrods in nurturing a culture where everyone feels valued, productive and supported to reach their potential. Recent initiatives include launching the aforementioned five core values, a relaxation of the dress code and the introduction of more flexible working practices.

Harrods' customers are fundamental to its success and Harrods strives to offer the best possible customer service and experience to ensure that customer expectations are met. As part of this, Harrods has a large customer loyalty team which builds and maintains strong relationships with customers through various channels and it also operates a rewards programme for its customers.

The Harrods store operates both an 'own bought' model (whereby products are purchased directly from suppliers and sold to customers) and a 'concession' model (whereby a brand operates its own shop-in-shop within the Harrods store). Harrods maintains close working relationships with these stakeholders, to align our respective cultures, for our mutual economic benefit and to ensure the best possible retail offering to Harrods' customers. The Group Board closely monitors Harrods' retail operations and fully appreciates that the success of these stakeholders within Harrods is key to the economic success and reputation of the Group. Harrods also works with many other suppliers of goods and services, including in relation to IT services, construction and utilities. Where practicable, such suppliers will be selected via a tendering process, part of which is designed to find suppliers whose values align with those of the Group. The Group Board generally delegates direct oversight of such suppliers to the Management Executive Committee, save in respect of key large-scale projects.

The Group Board has overall responsibility for ensuring that the Group's business is conducted in a responsible, transparent and ethical manner. The Group has a corporate responsibility programme which aims to create a positive and long-lasting impact through its four corporate responsibility pillars of ethical trade, environment, community and legacy.

Harrods Limited

Directors' Report for the period ended 30 January 2021 (continued)

Employee Engagement

Sch.7.11(1)(b) of the Companies (Miscellaneous Reporting) Regulations 2018 ("CMRR 2018") requires the directors to state how they have engaged with employees, and had regard to employee interests during the year. Please refer to the Section 172(1) Statement on page 4 and s.2.6 of the Corporate Governance Statement on page 12 where this is explained in detail.

Business Relationships

Sch.7.11(1)(b) of the CMRR 2018 also requires disclosure of how the directors have had regard to the need to foster the company's business relationships with suppliers, customers and others, and the effect of this on principal business decisions. Please refer to the Section 172(1) Statement on page 4 and s.2.6 of the Corporate Governance Statement on page 12.

Disclosure of information to the auditors

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 company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditors

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

Approved by the Board on 22 October 2021 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 in respect of the annual report and the financial statements for the period ended 30 January 2021

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

Company law requires the directors to prepare Financial Statements for each financial year. Under that law the directors have elected to prepare the Financial Statements in accordance with the UK accounting standards and applicable law (United Kingdom Generally Accepted Accounting Practice), including FRS 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 company and of the profit or loss of the company 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARRODS LIMITED

Opinion

We have audited the financial statements of Harrods Limited ("the Company") for the year ended 30 January 2021 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 January 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Company, its industry and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources over this period were:

- an inability to achieve the revenue growth targets in the Company's forecasts largely due to the removal of the retail VAT export scheme as a result of Brexit; and
- an inability to achieve the revenue growth targets in the Company's forecasts due to the impact of COVID-19.

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe, but plausible, downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Company's financial forecasts.

We considered whether the going concern disclosure in note 2 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks and related sensitivities.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified and concur with the directors' assessment that there is not a material uncertainty related to events or conditions that, individually or collectively, may cast



significant doubt on the Company's ability to continue as a going concern for the going concern period; and

- we found the going concern disclosure in note 2 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, internal audit and inspection of policy documentation as to the Company’s high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.
- Considering remuneration incentive schemes and performance targets for management.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition for any revenue streams because there are limited judgements and revenue is predominantly recognised at the point of sale, reducing the opportunity and incentive to commit fraud.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included:
 - Manual journal entries posted relating to inventory and revenue
 - Journal entries associated with key words including ‘instruct’, ‘error’, ‘fine’, ‘fraud’, ‘bribe’, ‘illegal’ and ‘litigation’
 - Unexpected journal entries posted to revenue
 - Journal entries associated with related parties, specifically directors
 - Journal entries with a debit to assets and a credit to expenses
 - Journal entries associated with the Job Retention Scheme
 - Journal entries posted by specific users

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through



discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of Company legislation recognising the financial nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.



Matters on which we are required to report by exception

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

- a adequate accounting records have not been kept, or returns a dequate for our audit have not been received from branches not visited by us; or
- the fina ncial statements are not in a greement with the a accounting records and returns; or
- certa in disclosures of directors' remuneration specified by la w are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 17, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company'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 Company'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 Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Chrissy Douka (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
Date: 25 October 2021

Harrods Limited

Profit and Loss Account for the period ended 30 January 2021

		52 weeks ended 30 January 2021 £ m	52 weeks ended 01 February 2020 £ m As restated*
Turnover	3	429.5	870.8
Cost of sales		<u>(209.4)</u>	<u>(346.3)</u>
Gross profit		220.1	524.5
Distribution costs		(273.3)	(305.5)
Administrative expenses		(58.3)	(48.3)
Other operating income	4	43.5	33.9
Fair value movement	2	<u>1.6</u>	<u>(1.3)</u>
Operating (loss)/profit	5	<u>(66.4)</u>	<u>203.3</u>
(Loss)/Profit on ordinary activities before interest and taxation		<u>(66.4)</u>	<u>203.3</u>
Income from shares in group companies	10	-	25.0
Interest receivable and similar income	11	16.9	21.2
Interest payable and similar charges	12	<u>(18.8)</u>	<u>(17.9)</u>
(Loss)/profit before tax		(68.3)	231.6
Taxation	13	<u>11.0</u>	<u>(40.2)</u>
(Loss)/profit for the financial period		<u>(57.3)</u>	<u>191.4</u>

*See Note 2 in respect of the prior year restatement.

Harrods Limited

Statement of Comprehensive Income for the period ended 30 January 2021

		52 weeks ended 30 January 2021 £ m	52 weeks ended 01 February 2020 £ m
	Note		
(Loss)/profit for the period		<u>(57.3)</u>	<u>191.4</u>
Actuarial (losses)/ gains on defined benefit pension scheme	23	(12.6)	4.7
Movement of deferred tax relating to pension surplus		<u>1.6</u>	<u>(0.8)</u>
Other comprehensive (loss)/income for the period		<u>(11.0)</u>	<u>3.9</u>
Total comprehensive (loss)/income for the period		<u><u>(68.3)</u></u>	<u><u>195.3</u></u>

Harrods Limited

(Registration number: 00030209)

Balance Sheet as at 30 January 2021

	Note	30 January 2021 £ m	01 February 2020 £ m
Fixed assets			
Intangible assets	14	16.6	7.8
Tangible assets	15	1,503.9	1,524.4
Investments	16	225.1	225.1
		<u>1,745.6</u>	<u>1,757.3</u>
Current assets			
Stocks	17	72.3	93.0
Debtors: amounts falling due after more than one year	18	0.5	0.5
Debtors: amounts falling due within one year	18	763.1	716.0
Cash at bank and in hand		60.0	174.6
		<u>895.9</u>	<u>984.1</u>
Creditors: Amounts falling due within one year	19	<u>(348.1)</u>	<u>(414.2)</u>
Net current assets		<u>547.8</u>	<u>569.9</u>
Total assets less current liabilities		2,293.4	2,327.2
Creditors: Amounts falling due after more than one year	19	<u>(274.8)</u>	<u>(252.1)</u>
Net assets excluding pension asset/(liability)		2,018.6	2,075.1
Pension asset	23	77.8	89.6
Net assets		<u>2,096.4</u>	<u>2,164.7</u>
Capital and reserves			
Called up share capital	22	19.2	19.2
Share premium reserve	22	921.0	921.0
Revaluation reserve		0.4	0.4
Profit and loss account		1,155.8	1,224.1
Total equity		<u>2,096.4</u>	<u>2,164.7</u>

Approved and authorised by the Board on 22 October 2021 and signed on its behalf by:

M A Ward
Director

Harrods Limited

Statement of Changes in Equity for the period ended 30 January 2021

	Share capital £ m	Share premium £ m	Revaluation reserve £ m	Profit and loss account £ m	Total £ m
At 3 February 2019	19.2	921.0	0.4	1,153.8	2,094.4
Profit for the period	-	-	-	191.4	191.4
Actuarial gains on pension scheme	-	-	-	3.9	3.9
Total comprehensive income	-	-	-	195.3	195.3
Dividends	-	-	-	(125.0)	(125.0)
At 1 February 2020	19.2	921.0	0.4	1,224.1	2,164.7

	Share capital £ m	Share premium £ m	Revaluation reserve £ m	Profit and loss account £ m	Total £ m
At 2 February 2020	19.2	921.0	0.4	1224.1	2164.7
Loss for the period	-	-	-	(57.3)	(57.3)
Other comprehensive income	-	-	-	(11.0)	(11.0)
Total comprehensive income	-	-	-	(68.3)	(68.3)
At 30 January 2021	19.2	921.0	0.4	1155.8	2096.4

The notes on pages 27 to 52 form an integral part of these financial statements.

Harrods Limited

Statement of Cash Flows for the period ended 30 January 2021

	52 weeks ended 30 January 2021 £ m	52 weeks ended 01 February 2020 £ m
Cash flows from operating activities		
(Loss)/profit for the period	(57.3)	191.4
<u>Adjustments to cash flows from non-cash items</u>		
Depreciation and amortisation	56.3	54.5
Finance income	(16.9)	(21.2)
Finance costs	18.8	17.9
Income tax (credit)/ expense	(11.0)	40.2
Income from subsidiaries	-	(25.0)
Assets written off	-	0.4
Fair value movement	(1.6)	1.3
Non-cash forex adjustment on stock	-	0.1
	<u>(11.7)</u>	<u>259.6</u>
<u>Working capital and other adjustments</u>		
Decrease/(increase) in stocks	20.7	(0.6)
(Increase)/decrease in debtors	(35.5)	18.6
Decrease in creditors	(29.0)	(12.0)
Decrease in retirement benefit obligation net of actuarial changes	-	(1.3)
	<u>(55.5)</u>	<u>264.3</u>
Cash generated from operations	(55.5)	264.3
Corporation taxes paid	<u>(18.1)</u>	<u>(31.5)</u>
Net cash flow from operating activities	<u>(73.6)</u>	<u>232.8</u>
Cash flows from investing activities		
Acquisitions of tangible and intangible assets	(55.6)	(104.3)
Proceeds from sale of intangible assets	-	0.2
Interest received	<u>15.3</u>	<u>19.0</u>
Net cash flows from investing activities	<u>(40.3)</u>	<u>(85.1)</u>
Cash flows from financing activities		
Dividends paid	-	(125.0)
Dividends received	-	8.0
Interest paid	<u>(0.7)</u>	<u>(0.6)</u>
Net cash flows from financing activities	<u>(0.7)</u>	<u>(117.6)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(114.6)</u>	<u>30.1</u>
Cash and cash equivalents at 2 February 2020	<u>174.6</u>	<u>144.5</u>
Cash and cash equivalents at 30 January 2021	<u><u>60.0</u></u>	<u><u>174.6</u></u>

The notes on pages 27 to 52 form an integral part of these financial statements.

Harrods Limited

Notes to the Financial Statements for the period ended 30 January 2021

1 General information

The company is a private company limited by share capital, incorporated in United Kingdom.

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 except for the treatment of financial derivatives, investment properties and loyalty scheme liabilities, which are accounted for under the fair value 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 presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £m to 1 decimal place.

The preparation of Financial Statements in compliance with FRS 102 requires the use of certain critical accounting estimates (including stock provision). It also requires management to exercise judgement in applying the company's accounting policies (see note 29).

Going concern

The Covid-19 pandemic has been a significant challenge for the Harrods Group (Holding) Limited group (the "Group"). The impact of the crisis, and subsequent temporary closure of the Harrods store, has reached the groups' employees, customers, supply chain and store, together with the local and wider community.

Harrods Limited (the "Company") operates Harrods, the world-renowned store in Knightsbridge, London and is the main trading entity within the Harrods Group (Holding) Limited group (the "Group").

Current position:

At the balance sheet date, the Company had cash of £60m and £200m available in the committed undrawn revolving credit facilities with Qatar National Bank S.A.Q through other group entities.

In line with government directives, the Knightsbridge store remained closed for the first ten weeks after the financial year ended 30 January 2021. During that time, however, trade continued mainly through the online channel as well as virtual shopping. The store re-opened its doors to trade on 12 April 2021.

By the end of the first half (six months ending 31 July 2021), through careful management of its stock purchases as well as its operating and capital spend, the Company had managed to increase its cash position to £97.2m.

Harrods Limited

Notes to the Financial Statements for the period ended 30 January 2021 (continued)

2 Accounting policies (continued)

Going concern (continued)

On 16 July 2021, the Group also concluded an agreement with its banking syndicate to extend by eighteen months the term loan of £620m and the revolving credit facility of £200m, which was due to be repayable in April 2022. The new repayment date under the amended and restated agreement is now 29 October 2023. The covenant commitments under the new agreement involve a minimum liquidity test measured at the end of each month and a minimum quarterly EBITDA until June 2022. These will be superseded by the original covenant measures of net leverage ratios and interest cover albeit at revised thresholds from July 2022 until October 2023. Sufficient headroom has been built into the covenants against the conservative cash and profit forecasts of the group.

In addition, the Company has an intercompany loan of £257.7m at the balance sheet date owing to a fellow group company, Harrods Property Limited, which is due to mature in April 2022. Harrods Property Limited has indicated that it does not intend to seek repayment of amounts due for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although at the date of approval of these financial statements, they have no reason to believe that it will not do.

Forecasting assumptions:

The main focus of the going concern review is on the cash flow of the Company over a period of at least 12 months after the approval of these accounts.

Management have carried out a cash flow forecast for the next 12-month period. The uncertainty arising from the impact of Covid-19 as well as the removal of the VAT-free sales export scheme creates difficulty in forecasting the performance of the business through the next financial year. However, management has worked hard to obtain a meaningful understanding of the impact the pandemic will have on trade including the effect of overseas and tourist travel.

Management modelled a base case plan with realistic but cautious assumptions to understand the impact on cash flows and covenant headroom. The principal assumptions include:

- The Knightsbridge store to remain open with significantly lower footfall (compared to pre-pandemic levels) for the rest of the 2021 calendar year.
- A reduction in forecast revenue as a result of the removal of the VAT-free sales export scheme.
- The overlay of certain mitigating actions already taken in the previous year, including a cost savings initiative driving lower payroll costs and a reduction in inventory purchases
- For next 12-month period, assume some resumption of travel leading to a 25% increase in trade over the current year. This remains significantly below the levels of trade experienced before the pandemic.

Stress test scenarios:

Management stress tested the cash flows with pessimistic but plausible downside scenarios.

The following assumptions were used:

- The recurrence of a fourth lockdown in London, resulting in the closure of the Knightsbridge store for a period of three months.
- Slower sales recovery arising from a long-term decline in tourism as a result of the removal of the VAT-free sales scheme. The scenario used was therefore an assumption of no growth for the next 12-month period from the trade recorded since the re-opening of the store save for an anticipated boost for the pre-Christmas trade.

Harrods Limited

Notes to the Financial Statements for the period ended 30 January 2021 (continued)

2 Accounting policies (continued)

Going concern (continued)

Conclusions

Despite the significant impact that the pandemic has had on trade since March 2020, the Company has responded with a number of measures to mitigate the impact of the drop in trade on its cash flow, as well as its operating expenses. Purchase of goods for re-sale has also been curtailed in response to the reduced trade figures.

These measures have resulted in the Company quickly stabilising its cash position and making sure it is well placed to meet any challenging circumstances that may lay ahead over at least the next 12 months.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence and meet its liabilities as they fall due for at least 12 months from the approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

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 company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts.

The company 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 company's activities.

E-commerce sales are treated consistent with the Group's (Harrods (Group) Holding Limited) revenue recognition policy and relevant accounting standards.

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 company's retail operations, the company 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 company 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.

Interest income

Interest income is recognised in the Profit and Loss Account using the effective interest method.

Investments

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.

Harrods Limited

Notes to the Financial Statements for the period ended 30 January 2021 (continued)

2 Accounting policies (continued)

Investments in subsidiaries

Investments in subsidiary undertakings current value is stated net of impairment. Investments are impaired when, the carrying amount is greater than its estimated recoverable amount. Any impairment charge arising, is recognised in the Profit and Loss Account.

Impairment excluding stocks, investment properties and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than investment property, stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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.

Government grants

Government grants refer to the funds received by the Group, in respect of the Coronavirus Job Retention Scheme, which are recognised in the financial statements under Other Income in the Profit and Loss Account.

Tangible assets

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

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

Harrods Limited

Notes to the Financial Statements for the period ended 30 January 2021 (continued)

2 Accounting policies (continued)

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties 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

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 company 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 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 finance costs 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.

Harrods Limited

Notes to the Financial Statements for the period ended 30 January 2021 (continued)

2 Accounting policies (continued)

Stocks

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.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in Profit or Loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in 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 company operates and generates taxable income.

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

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 company will not be able to collect all amounts due according to the original terms of the receivables.

Cash and cash equivalents

Cash and cash equivalents 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 company 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.

Harrods Limited

Notes to the Financial Statements for the period ended 30 January 2021 (continued)

2 Accounting policies (continued)

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 30 January 2021 (continued)

2 Accounting policies (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 company 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 surplus is recognised only to the extent that it is recoverable by the company. 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 company 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.

Provisions for liabilities

Provisions are made where an event has taken place that gives the company 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.

Gift cards

Gift cards are accounted for at the face value of the active accounts, with an allowance for a portion of the expired card balances as a measure of prudence.

Harrods Limited

Notes to the Financial Statements for the period ended 30 January 2021 (continued)

2 Accounting policies (continued)

Financial instruments

The company 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 company 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.

Prior year restatement due to reclassification of expenses

In the current year, management undertook an assessment of the classification of expenses between administration and distribution, resulting in a change of allocation and distribution, resulting in a change of allocation of expenses in the current and prior year to better reflect the true substance of these costs. Therefore, for comparative purposes, the prior year financial statement lines have been restated under the updated classification. This resulted in 2020 administrative expenses increasing by £40m and distribution costs decreasing by the same amount.

Harrods Limited

Notes to the Financial Statements for the period ended 30 January 2021 (continued)

3 Revenue

The analysis of the company's turnover for the period is attributable to continuing operations as follows:

	52 weeks ended 30 January 2021 £ m	52 weeks ended 01 February 2020 £ m
Sale of goods	<u>429.5</u>	<u>870.8</u>

All turnover arose within the United Kingdom.

4 Other operating income

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

	Notes	52 weeks ended 30 January 2021 £ m	52 weeks ended 01 February 2020 £ m
Government grants	6	23.5	-
Advertising and rebate income		<u>20.0</u>	<u>33.9</u>
		<u>43.5</u>	<u>33.9</u>

5 Operating (loss) / profit

Operating (loss)/profit is stated after charging:

	52 weeks ended 30 January 2021 £ m	52 weeks ended 01 February 2020 £ m
Depreciation and amortisation of assets	56.3	54.5
Royalties to Harrods Corporate Management	<u>23.2</u>	<u>46.7</u>

6 Government grants

Harrods Limited received funds in respect of the Coronavirus Job Retention Scheme during the year.

The amount of grants recognised in the financial statements through other income was £23.5m (2020 - £Nil).

Harrods Limited

Notes to the Financial Statements for the period ended 30 January 2021 (continued)

7 Auditors' remuneration

	52 weeks ended 30 January 2021 £ m	52 weeks ended 01 February 2020 £ m
Fees payable to the company's Auditor for the audit of the company's annual accounts	<u>0.3</u>	<u>0.2</u>

8 Staff costs

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

	52 weeks ended 30 January 2021 £ m	52 weeks ended 01 February 2020 £ m
Wages and salaries	140.7	141.5
Social security costs	13.2	13.6
Defined contribution pension scheme cost	<u>5.9</u>	<u>5.9</u>
	<u>159.8</u>	<u>161.0</u>

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

	2021 No.	2020 No.
Production	440	494
Administration and support	330	360
Sales, marketing and distribution	<u>3,176</u>	<u>3,237</u>
	<u>3,946</u>	<u>4,091</u>

9 Directors' remuneration

The directors' remuneration for the period was as follows:

	52 weeks ended 30 January 2021 £ m	52 weeks ended 01 February 2020 £ m
Remuneration	<u>1.6</u>	<u>2.4</u>

Harrods Limited

Notes to the Financial Statements for the period ended 30 January 2021 (continued)

9 Directors' remuneration (continued)

The value of emoluments incurred directly by the company was £1.3m (2020: £2.1m). Emoluments incurred by the company's subsidiary undertakings were £0.3m (2020: £0.3m). Included in emoluments for the period ended 30 January 2021 are pension contributions of £nil (2020: £nil). No directors were members of a defined contribution scheme (2020: none).

There is 1 director to whom retirement benefits are accruing under a defined benefit pension scheme (2020: 1).

The aggregate remuneration of the highest paid director in respect of qualifying services was £1.0m (2020: £1.7m).

10 Dividends

	52 weeks ended 30 January 2021 £ m	52 weeks ended 01 February 2020 £ m
Dividend receivable from group undertakings	<u>-</u>	<u>25.0</u>

11 Interest receivable and similar income

	52 weeks ended 30 January 2021 £ m	52 weeks ended 01 February 2020 £ m
Interest income on bank deposits	0.4	1.1
Other finance income	<u>16.5</u>	<u>20.1</u>
	<u>16.9</u>	<u>21.2</u>

12 Interest payable and similar charges

	52 weeks ended 30 January 2021 £ m	52 weeks ended 01 February 2020 £ m
Other finance costs	0.1	-
Interest payable on loans from group undertakings	<u>18.7</u>	<u>17.9</u>
	<u>18.8</u>	<u>17.9</u>

Harrods Limited

Notes to the Financial Statements for the period ended 30 January 2021 (continued)

13 Taxation

Tax charged in the income statement:

	52 weeks ended 30 January 2021 £ m	52 weeks ended 01 February 2020 £ m
Current taxation		
UK corporation tax	(10.5)	39.5
UK corporation tax adjustment to prior periods	(1.0)	(0.4)
Total current income tax	(11.5)	39.1
Deferred taxation		
Origination and reversal of timing differences	0.2	1.2
Adjustment in respect of previous periods	0.1	(0.1)
Effect of tax rate changes	0.2	-
Total deferred taxation	0.5	1.1
Total tax on profit on ordinary activities	(11.0)	40.2
Tax included in the other comprehensive income		
Deferred tax on pension scheme	(1.6)	0.8
Tax on total comprehensive income	(12.6)	41.0

The tax on profit before tax for the period is lower than the standard rate of corporation tax in the UK (2020 - lower than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	52 weeks ended 30 January 2021 £ m	52 weeks ended 01 February 2020 £ m
(Loss)/profit before tax	(68.3)	231.6
Corporation tax at standard rate	(13.0)	44.0
Effect of expense not deductible and income not taxable in determining taxable profit	1.8	(3.2)
Tax rate changes	0.3	(0.2)
Adjustment in respect of prior periods and other adjustments	(1.2)	(0.4)
Tax increase arising from group relief	1.1	-
Total tax (credit)/charge	(11.0)	40.2

Harrods Limited

Notes to the Financial Statements for the period ended 30 January 2021 (continued)

13 Taxation (continued)

A UK corporation tax rate of 19% (effective 1 April 2020), was substantively enacted on 17th March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. Post year end, in the 2021 Budget, it was announced that from 1 April 2023 the corporation tax rate will rise to 25%. This will have an impact on the Company's deferred tax balances in future periods.

Deferred tax

	30 January 2021 £ m	01 February 2020 £ m
Fixed asset timing differences	4.0	3.6
Short term timing differences	(13.7)	(13.8)
Capital losses	1.0	0.6
Deferred tax liability	<u>(8.7)</u>	<u>(9.6)</u>

Deferred tax reconciliation

	£ m
At 1 February 2020	9.6
Deferred tax charged to profit and loss	0.5
Deferred tax charge in OCI for the period	(1.5)
Adjustment in respect to prior years	0.1
At 1 February 2020	<u>8.7</u>

Harrods Limited

Notes to the Financial Statements for the period ended 30 January 2021 (continued)

14 Intangible assets

	Software £ m	Total £ m
Cost		
At 2 February 2020	35.1	35.1
Additions	6.9	6.9
Disposals	(20.4)	(20.4)
Reclassification	8.8	8.8
At 30 January 2021	30.4	30.4
Amortisation		
At 2 February 2020	27.3	27.3
Amortisation charge	6.4	6.4
Amortisation eliminated on disposals	(20.4)	(20.4)
Reclassification	0.5	0.5
At 30 January 2021	13.8	13.8
Carrying amount		
At 30 January 2021	16.6	16.6
At 1 February 2020	7.8	7.8

Amortisation is recognised in the Profit and Loss Account under Distribution costs.

Harrods Limited
Notes to the Financial Statements
for the period ended 30 January 2021 (continued)

15 Tangible assets

	Land and buildings £ m	Fixtures and fittings £ m	Plant and machinery £ m	Other tangibles £ m	Total £ m
Cost					
At 2 February 2020	1,239.3	263.1	165.1	87.7	1,755.2
Additions / (Reallocations)	-	70.2	11.2	(43.6)	37.8
Disposals	-	(6.5)	(1.2)	-	(7.7)
Reclassification	-	-	-	(8.8)	(8.8)
At 30 January 2021	<u>1,239.3</u>	<u>326.8</u>	<u>175.1</u>	<u>35.3</u>	<u>1,776.5</u>
Depreciation					
At 2 February 2020	10.1	140.3	80.3	0.1	230.8
Charge for the period	2.8	36.2	10.4	0.5	49.9
Eliminated on disposal	-	(6.4)	(1.2)	-	(7.6)
Reclassification	-	-	-	(0.5)	(0.5)
At 30 January 2021	<u>12.9</u>	<u>170.1</u>	<u>89.5</u>	<u>0.1</u>	<u>272.6</u>
Carrying amount					
At 30 January 2021	<u>1,226.4</u>	<u>156.7</u>	<u>85.6</u>	<u>35.2</u>	<u>1,503.9</u>
At 1 February 2020	<u>1,229.2</u>	<u>122.8</u>	<u>84.8</u>	<u>87.6</u>	<u>1,524.4</u>

Harrods Limited
Notes to the Financial Statements
for the period ended 30 January 2021 (continued)

15 Tangible assets (continued)

The company has carried out an impairment assessment of the carrying value of its Knightsbridge freehold properties based on the value-in-use method, comparing the carrying value of the properties to the future cashflows and economic benefit derived from the use of these assets. The weighted-average cost of capital was used as the discount rate.

Prudent short and medium growth rates were used with a 2% long term growth rate considered to be appropriate although a number of long term growth rate scenarios were considered as part of the sensitivity analysis. The discount rate would need to increase by 1.6% for breakeven at a long term rate at 2%. The company was satisfied that no impairment was required under any of these scenarios.

Depreciation is recognised in the Profit and Loss Account under Distribution costs.

Harrods Limited

Notes to the Financial Statements for the period ended 30 January 2021 (continued)

16 Investments

	30 January 2021 £ m	01 February 2020 £ m
Investments in subsidiaries	<u>225.1</u>	<u>225.1</u>

Investments in subsidiaries are held at carrying value.

Subsidiaries	£ m
Cost	
At 2 February 2020	<u>225.8</u>
At 30 January 2021	<u>225.8</u>
Provision	
At 2 February 2020	<u>0.7</u>
At 30 January 2021	<u>0.7</u>
Carrying amount	
At 30 January 2021	<u><u>225.1</u></u>
At 1 February 2020	<u><u>225.1</u></u>

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Class of shares	Holding	Principal activity
Harrods International Limited	United Kingdom	Ordinary	100%	Tax free retailer and wholesaler
Harrods (Continental) Limited	United Kingdom	Ordinary	100%	Exporter
Harrods Estates Limited	United Kingdom	Ordinary	100%	Estate agents
Harrods Department Store (Shanghai) Co. Limited	China	Ordinary	100%	Personal Shopping services
Harrods Property Limited	United Kingdom	Ordinary	100%	Property holding company
Harrods Management Limited	United Kingdom	Ordinary	100%	Dormant company
Harrods Beauty Limited (formerly Wylie and Company Limited)	United Kingdom	Ordinary	100%	Retail services

Harrods Limited

Notes to the Financial Statements for the period ended 30 January 2021 (continued)

16 Investments (continued)

The registered address of each entity listed above is 87-135 Brompton Road, Knightsbridge, London, SW1X 7XL, England and Wales except for Harrods Department Store (Shanghai) Co. Limited, whose registered address is Room Q101, Q201, Building 4, No.420 Weihai Road, Jing'an District, Shanghai.

17 Stocks

	30 January 2021 £ m	01 February 2020 £ m
Finished goods and goods for resale	<u>72.3</u>	<u>93.0</u>

The above figures include stock provision of £25.3m (2020: £6.4m). Stock provisions are expensed in the Profit or Loss account under Cost of Sales. Provision is calculated with reference to the age of the stock and the seasons, and the scale of the expected future markdowns.

18 Debtors

	30 January 2021 £ m	01 February 2020 £ m
Trade debtors	66.0	43.0
Amounts owed by related parties	674.5	662.6
Other debtors	2.8	0.5
Prepayments and accrued income	7.5	9.9
Corporation tax asset	8.8	-
Group Relief - receivable	<u>3.5</u>	<u>-</u>
	763.1	716.0
Debtors: amounts falling due after more than one year	<u>0.5</u>	<u>0.5</u>
Total trade and other debtors	<u><u>763.6</u></u>	<u><u>716.5</u></u>

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

- A loan to Harrods Corporate Management Limited of £422.0m (2020: £431.0m) 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 current account between Harrods Limited and Harrods Holdings Limited of £228.3m (2020: £215.9m).

Debts are paid within 30 days on average. Amounts owned by related parties are repayable on demand. There are no other long outstanding debtors at year end.

Details of non-current trade and other debtors

£0.5m (2020: £0.5m) of amounts owed by group undertakings is classified as non-current.

Harrods Limited

Notes to the Financial Statements for the period ended 30 January 2021 (continued)

19 Creditors

	30 January 2021 £ m	01 February 2020 £ m
Due within one year		
Loans and borrowings	0.6	-
Trade creditors	102.1	159.3
Amounts due to related parties	138.0	109.1
Corporation tax liability	-	17.6
Group relief tax	-	3.7
Social security and other taxes	6.4	8.0
Other payables	31.4	32.0
Accruals and deferred income	69.6	84.5
	<u>348.1</u>	<u>414.2</u>
Due after one year		
Loans and borrowings	259.1	239.7
Accruals and deferred income	7.0	2.8
Deferred Tax Liability	8.7	9.6
	<u>274.8</u>	<u>252.1</u>

Amounts due after one year include a loan granted by Harrods Property Limited on 16 August 2016. The balance as at 30 January 2021 including accrued interest was £257.7m (2020: £239.7m). Interest is charged at 7.5% per annum, and the termination date of the loan is 30 April 2022.

20 Dividends

	30 January 2021 £ m	01 February 2020 £ m
Interim dividend declared	-	125.0

Harrods Limited

Notes to the Financial Statements for the period ended 30 January 2021 (continued)

21 Financial instruments

	30 January 2021 £ m	1 February 2020 £ m
Financial assets		
Financial assets measured at amortised cost	823.5	890.9
	<u>823.5</u>	<u>890.9</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(619.9)	(666.3)
Financial liabilities measured at fair value	(0.2)	(1.7)
	<u>(620.1)</u>	<u>(668.0)</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.

22 Share capital

Allotted, called up and fully paid shares

	30 January 2021		01 February 2020	
	No. m	£ m	No. m	£ m
Ordinary shares of £0.10 each	<u>192</u>	<u>19.2</u>	<u>192</u>	<u>19.2</u>
			30 January 2021 £ m	1 February 2020 £ m
Share premium			<u>921.0</u>	<u>921.0</u>
			<u>921.0</u>	<u>921.0</u>

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 30 January 2021 (continued)

23 Pension and other schemes

The company 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 company to the scheme and amounted to £5.6m (2020: £5.8m).

Contributions totalling £1.0m (2020: £1.6m) were payable to the scheme at the end of the period and are included in creditors.

Defined benefit pension schemes

Harrods Group Pension Plan

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 Trustee 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 2018 on a technical provision basis was carried out by the Scheme Actuary, with a surplus of £11m being calculated on that basis, a funding level of 102%. At the previous valuation at 5 April 2015, there was a deficit of £45.0m equating to a funding level of 93%.

Following the results of the April 2018 valuation, given that the scheme was now in surplus, the Group and the Pension Trustee agreed the following:

- Annual contributions reduced to nil.
- Plan expenses (including any insurance premiums and PPF levies) estimated at £1.0m per annum to continue to be met by the Employers.
- To bring forward the implementation of the Cashflow Driven Investment strategy involving de-risking the plan's assets.
- Recognising the risks that – albeit reduced – remain in the valuation of the plan, the principal employer has also agreed to fund any deficits outside an agreed tolerance band during this period.

In aggregate, during the period ended 31 January 2021, the participating employers made total contributions to the plan of £30k (2020: £1.3m).

The next triennial valuation scheduled for April 2021 has already commenced and while the workings are still being finalised, the initial draft result indicates a further improvement in the surplus.

Harrods Limited

Notes to the Financial Statements for the period ended 30 January 2021 (continued)

23 Pension and other schemes (continued)

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the Balance Sheet are as follows:

	30 January 2021 £ m	01 February 2020 £ m
Fair value of scheme assets	552.6	545.3
Present value of defined benefit obligation	(474.8)	(455.7)
Defined benefit pension scheme surplus	<u>77.8</u>	<u>89.6</u>

Reconciliation of present value of plan liabilities

Changes in the defined benefit obligation are as follows:

	30 January 2021 £ m
Present value at start of period	(455.7)
Past service cost	(0.1)
Interest cost	(7.6)
Benefits paid	13.8
Effect of experience adjustments	5.5
Effect of change in assumptions	<u>(30.7)</u>
Present value at end of period	<u>(474.8)</u>

The impact of GMP Equalisation costs are included in the Past service cost line above. The impact of the RPI/CPI wedge included in the Effect of change in assumptions above is estimated at £5.4m.

Fair value of scheme assets

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

	30 January 2021 £ m
Fair value at start of period	545.3
Interest income	9.2
Return on plan assets, excluding amounts included in interest income	12.7
Benefits paid	(13.8)
Administrative expenses	<u>(0.8)</u>
Fair value at end of period	<u>552.6</u>

Harrods Limited

Notes to the Financial Statements for the period ended 30 January 2021 (continued)

23 Pension and other schemes (continued)

Analysis of assets

The major categories of scheme assets are as follows:

	30 January 2021 £ m	01 February 2020 £ m
Cash and cash equivalents	14.2	17.3
Debt instruments	426.0	414.3
Other assets	112.4	113.7
	<u>552.6</u>	<u>545.3</u>

Principal actuarial assumptions

The principal actuarial assumptions at the balance sheet date are as follows:

Post retirement (at age 60) mortality assumptions

	2021 Years	2020 Years
Current UK pensioners at retirement age - male	27.6	27.4
Current UK pensioners at retirement age - female	29.3	29.1
Future UK pensioners at retirement age - male	29.4	29.3
Future UK pensioners at retirement age - female	<u>31.2</u>	<u>31.0</u>

24 Contingent liabilities

The company is not aware of any material contingent liabilities existing at the balance sheet date. The company 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 30 January 2021 or 1 February 2020.

25 Capital commitments

Amounts contracted for but not provided in the Financial Statements amounted to £22.2m (2020: £20.6m) in relation to shop fittings and other tangible assets.

26 Commitments under operating leases

At 30 January 2021 the company had future minimum lease payments under non-cancellable operating leases.

Harrods Limited

Notes to the Financial Statements for the period ended 30 January 2021 (continued)

	30 January 2021 £ m	01 February 2020 £ m
Land and buildings		
Within one year	3.7	3.4
Within two and five years	12.9	12.7
Over five years	<u>190.0</u>	<u>190.6</u>
	<u>206.6</u>	<u>206.7</u>
Other		
Within one year	0.8	0.4
Within two and five years	<u>0.2</u>	<u>-</u>
	<u>1.0</u>	<u>0.4</u>

27 Related party transactions

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.

28 Parent and ultimate parent undertaking

The company'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, incorporated in Qatar.

Harrods Limited

Notes to the Financial Statements for the period ended 30 January 2021 (continued)

29 Accounting estimates and judgements

Key sources of estimation uncertainty

Preparation of these financial statements required management to make significant judgements and estimates. The items where these judgments and estimates have been made include:

Stock provisions: stock is accounted for at the lower of cost and net realisable value. In assessing the net realisable value of stock, management uses its judgement with regards to the expected markdowns required to sell the inventory. This requires assessment of the inventory's age and seasonality. In light of the Store closure during the government-imposed lockdowns, the Business experienced a higher percentage of aged stock that necessitated a higher write-down of the value of the inventory. As at 30 January 2021, total stock provisions were £27.5m (2020: £7.0m). Please refer to note 17.

Pensions: The company is a contributing employer to a defined benefit scheme that was closed to new membership and accruals in 2006. The business uses external independent pension actuarial advisors to provide a valuation of the pension fund as at the end of the year. The valuation involves the use of certain assumptions with regards to discount rate, inflation and mortality amongst other factors, which impact on the valuation of the scheme's liabilities. These assumptions are agreed with management. A list of these assumptions are disclosed in note 23.

Finance Leases: where the company enters into a finance lease, the lease is capitalised in the accounts using an appropriate discount rate which requires the use of management's judgement giving regard to the specific nature of the lease. As at 30 January 2021, finance leases of £2.0m were accounted for in the balance sheet (2020: £nil). Please refer to note 25.

Fair value of investment properties: The company holds a small number of residential investment properties that are accounted for at fair value. The fair value of these properties is reviewed at the end of each financial year through consultation with inhouse property experts. As at 30 January 2021, the fair value of these properties were £3.4m (2020: £3.4m).

Provision for irrecoverable debts: Management provides for any debtor where the recoverability is at risk. Management makes judgement based on historical trends as well as knowledge of the particular circumstances of specific debts. The impact of covid on businesses that the company trades with has resulted in a greater level of uncertainty around some of the going concern status of some of these businesses. As at 30 January 2021, the value of provision for irrecoverable debt was £6.2m (2020: £0.6m).

Provision for employment benefits: The company provides an award for long service to its employees at each five-year interval from 5 to 40 years. These awards are in the form of a cash payment through payroll at an increasing scale the longer the period of service. Management provides for these liabilities by reference to the probability of employees reaching each milestone and using an appropriate discount rate. As at 30 January 2021, the value of this provision was £2.8m (2020: £2.8m).

Impairment assessment of own use properties: Freehold properties for own use are accounted for at cost. Impairment reviews are carried out at the end of each year where deemed necessary. These rely on management judgement in forecasting future economic benefits expected to be derived from use of the assets, as well as in the selection of an appropriate rate to discount the future cash flows to their net present value. Please refer to note 15.