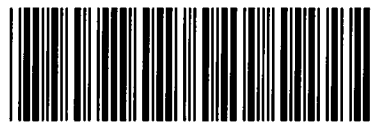


Selfridges Retail Limited
ANNUAL REPORT AND FINANCIAL STATEMENTS
Company registration number 00097117
for the 53 week period ended 03 February 2018

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Selfridges Retail Limited
Annual Report and Financial Statements
For the period ended 03 February 2018

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Selfridges Retail Limited

Company Information

| | |
|--|--|
| Company secretary & Registered office | S Hemsley 400 Oxford Street London W1A 1AB |
| Company's registered number | 00097117 |
| Independent auditors | PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors The Atrium 1 Harefield Road Uxbridge Middlesex UB8 1EX |

Strategic Report for the period ended 03 February 2018

The Directors present their Strategic Report and the audited Financial Statements of Selfridges Retail Limited ("the Company") for the 53 week period ended 03 February 2018 (2017: 52 week period ended 28 January 2017).

Principal activities

The principal activities of the Company are operating department stores and online retailing.

Review of the business

Revenue in the 53 weeks to 03 February 2018 was £771.3m (2017: £673.3m), an increase of 15 per cent.

Operating profit for the 53 weeks to 03 February 2018 was £110.9m (2017: £109.1m), an increase of 2 per cent.

At 03 February 2018 the Company had net assets of £422.7m (2017: £363.4m), which is satisfactory for the directors.

Despite the uncertainty surrounding the UK economy following the UK's decision to leave the EU, the business continues to grow, which is in line with directors' expectations. This has been achieved by good performance in the underlying business, plus continued capital investment in all stores, and the online business.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the consolidated Financial Statements of SHEL Holdings Europe Limited group ("the group"), and therefore are not managed separately. Accordingly, the principal risks and uncertainties of the group, which include those of the Company, are discussed in the Financial Statements of that company. SHEL Holdings Europe Limited is registered in the United Kingdom.

Key performance Indicators ("KPIs")

The Directors believe that other than the statutory KPIs of revenue, gross profit and operating profit set out in the Income Statement and Other Comprehensive Income there are no other KPIs required to be reported to give a full understanding of the business.

Approved by the Board of Directors on 27 April 2018 and signed by its order by:


S Hemsley
Company secretary
27 April 2018

Directors' Report for the period ended 03 February 2018

The Directors present their report for the 53 week period ended 03 February 2018 (2017: 52 week period ended 28 January 2017).

The company is a private company, limited by shares, incorporated and domiciled in the UK. The address of its registered office is 400 Oxford Street, London, W1A 1AB. The immediate parent company is Selfridges & Co Limited. The ultimate parent company is Wittington Investments, Limited.

Future developments

Future growth is planned to be driven by investment in the existing business model and store portfolio.

The Directors have confirmed their continued support of the subsidiary undertaking, Selfridges EU Deliveries Limited, for the 12 months from the date the Financial Statements and Audit Report for the period ended 03 February 2018 are signed.

Financial risk management

The Directors consider the Company's financial risk profile to be low. Liquidity and cash flows continue to be strong and credit risks are low due to the cash-based nature of the business and the strong cash flows generated, although the Company is exposed to counterparty risk due to its cash held with financial institutions. The Company's operations expose it to fluctuations in foreign currency exchange rates due to purchasing from and selling overseas. The Company manages the risk through the use of foreign currency option contracts and the monitoring of foreign exchange rate fluctuations in advance of additional spot rate purchases.

Directors

The Directors who held office during the period and up to the date the Financial Statements were signed are given below:

P G Kelly
A Pitcher
S A West
K Nurse
A Batty (resigned 1 September 2017)
S Forster (appointed 1 September 2017)
S Hemsley (appointed 10 April 2018)
M Wall (appointed 10 April 2018)

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial period and is currently in force. The Company also purchased and maintained throughout the financial period directors' and officers' liability insurance in respect of itself and its directors.

Results and dividends

The full results for the period are set out in the Income Statement and Other Comprehensive Income on page 10.

The Company's profit before income tax for the period is £110.6m (2017: £108.9m). The profit for the 53 week period to 03 February 2018 of £88.5m (2017: £85.9m) has been transferred to reserves.

An interim dividend of £0.37 (2017: £0.36) per ordinary £1 share, amounting to £42.4m (2017: £41.1m) was paid.

After the reporting date, the directors have proposed a final dividend £0.40 per ordinary £1 share, amounting to £45m.

Key performance Indicators ("KPIs")

The Directors believe that other than the statutory KPIs of revenue, gross profit and operating profit set out in the Income Statement and Other Comprehensive Income there are no other KPIs required to be reported to give a full understanding of the business.

Employee involvement

The Company systematically provides employees with information on matters of interest to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Company plays a major role in achieving the Company's business goals.

Disabled employees

The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The Company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company. If members of staff become disabled during their service with the Company arrangements are discussed to enable continuity of employment and development as appropriate.

Directors' Report for the period ended 03 February 2018 (continued)

Political and charitable donations

During the financial period, the Company made charitable donations totalling £2,141,065 (2017: £550,029) to a number of local, national and international charitable organisations.

Political contributions of £40,000 were made to the conservative party in the period (2017 £: nil).

Post Balance Sheet events

Details of important events affecting the Company which have taken place since the end of the financial period are given in note 27 to the Financial Statements.

Disclosure of information to auditors

The Directors believe that they have taken all steps necessary to make themselves aware of any relevant audit information and have established that the statutory auditors are aware of that information. In so far as they are aware, there is no relevant audit information of which the statutory auditors are unaware.

Independent auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors, PricewaterhouseCoopers LLP, Chartered Accountants, will continue in office.

Company's registered number

The Company's registered number in 00097117.

Directors' Report for the period ended 03 February 2018 (continued)

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

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

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

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

Approved by the Board of Directors on 27 April 2018 and signed by its order by:


S Hemsley
Company secretary

Independent auditors' report to the members of Selfridges Retail Limited

Report on the audit of the financial statements

Opinion

In our opinion, Selfridges Retail Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 3 February 2018 and of its profit for the 53 week period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 3 February 2018; the Income Statement and Other Comprehensive Income, the Statement of Changes in Equity for the 53 week period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 3 February 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Selfridges Retail Limited

Independent Auditors' Report to the members of Selfridges Retail Limited (continued)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

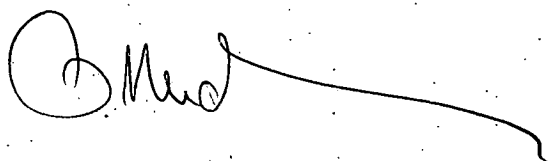
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Owen Mackney (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
27 April 2018

Selfridges Retail Limited

Income Statement and Other Comprehensive Income
for the period ended 03 February 2018

| | Note | 53 weeks ended 03 February 2018 £m | 52 weeks ended 28 January 2017 £m |
|---|------|--|---|
| Revenue | 3 | 771.3 | 673.3 |
| Cost of sales | 4 | (317.8) | (273.2) |
| Gross profit | | 453.5 | 400.1 |
| Distribution costs | 4 | (231.5) | (204.8) |
| Administrative expenses | 4 | (111.1) | (86.2) |
| Operating profit | | 110.9 | 109.1 |
| Finance costs | 9 | | (0.3) |
| Finance income | 9 | 0.2 | 0.4 |
| Fair value losses on derivative financial instruments | 9 | (0.5) | (0.3) |
| Net finance charge | | (0.3) | (0.2) |
| Profit before income tax | | 110.6 | 108.9 |
| Income tax expense | 10 | (22.1) | (23.0) |
| Profit for the financial period | | 88.5 | 85.9 |
| Other comprehensive income/(expense) | | | |
| Items that will not be reclassified to profit or loss | | | |
| Remeasurements of post-employment benefit obligations | 21 | 15.9 | (25.9) |
| Related tax | 10 | (2.7) | 3.7 |
| Total other comprehensive income/(expense) | | 13.2 | (22.2) |
| Total comprehensive income for the period | | 101.7 | 63.7 |

The results for the period reflect trading from continuing operations.

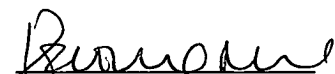
Total comprehensive income is allocated in full to the owners of the Company.

Selfridges Retail Limited

Balance Sheet as at 03 February 2018

| | Note | At 03 February 2018 £m | At 28 January 2017 £m |
|--|------|---------------------------|--------------------------|
| Fixed assets | | | |
| Intangible assets | 12 | 56.5 | 32.2 |
| Property, plant and equipment | 13 | 228.6 | 224.5 |
| Investments in subsidiary undertakings | 14 | - | - |
| Total fixed assets | | 285.1 | 256.7 |
| Current Assets | | | |
| Inventories | 16 | 77.9 | 63.7 |
| Debtors | 17 | 141.9 | 138.8 |
| Cash and cash equivalents | | 128.5 | 97.3 |
| Total current assets | | 348.3 | 299.8 |
| Creditors - amounts falling due within one year | 18 | (199.8) | (165.7) |
| Net current assets | | 148.5 | 134.1 |
| Total assets less current liabilities | | 433.6 | 390.8 |
| Creditors - amounts falling due after more than one year | 19 | (1.3) | (1.3) |
| Net assets excluding pension liability | | 432.3 | 389.5 |
| Pension liability | 21 | (9.6) | (26.1) |
| Net assets including pension liability | | 422.7 | 363.4 |
| Equity | | | |
| Called up share capital | 22 | 113.1 | 113.1 |
| Retained earnings | | 309.6 | 250.3 |
| Total shareholders' funds | | 422.7 | 363.4 |

The Financial Statements on pages 10 to 26 were authorised for issue by the board of directors on 27 April 2018 and were signed on its behalf by:


R. Nurse
Director

Selfridges Retail Limited

Statement of Changes In Equity for the period ended 03 February 2018

| | Note | Called up share capital £m | Retained earnings £m | Total shareholders' funds £m |
|--|------|----------------------------------|----------------------------|---------------------------------------|
| Balance at 30 January 2016 | | 113.1 | 227.7 | 340.8 |
| Profit for the financial period | | - | 85.9 | 85.9 |
| Other comprehensive expense | | - | (22.2) | (22.2) |
| Total comprehensive income for the period | | - | 63.7 | 63.7 |
| Transactions with owners, recorded directly in equity: | | | | |
| Dividends | 11 | - | (41.1) | (41.1) |
| Balance at 28 January 2017 | | 113.1 | 250.3 | 363.4 |
| Profit for the financial period | | - | 88.5 | 88.5 |
| Other comprehensive income | | - | 13.2 | 13.2 |
| Total comprehensive income for the period | | - | 101.7 | 101.7 |
| Transactions with owners, recorded directly in equity: | | | | |
| Dividends | 11 | - | (42.4) | (42.4) |
| Balance at 03 February 2018 | | 113.1 | 309.6 | 422.7 |

All changes in equity are attributable to the owners of the company.

1 General information

Selfridges Retail Limited operates four department stores in the UK and an online retail site. Through the online service goods are sold globally. The Company is a private company limited by shares and is incorporated and domiciled in the UK. The address of its registered office is 400 Oxford Street, London, W1A 1AB.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

a) Basis of preparation

The Financial Statements of Selfridges Retail Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS101). The Financial Statements have been prepared under the historical cost convention, as modified by derivative financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The preparation of Financial Statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2(w).

The following exemptions from the requirements of IFRS have been applied in the preparation of these Financial Statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment;
 - (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)

The following paragraphs of IAS 1, 'Presentation of financial statements':

- 10(d) (statement of cash flows)
- 16 (statement of compliance with all IFRS),
- 38A (requirement for minimum of two primary statements, including cash flow statements),
- 38B-D (additional comparative information),
- 111 (cash flow statement information), and
- 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group
- Paragraphs 91 to 99 of IFRS 13 'fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurements of assets and liabilities)

b) Accounting periods

The Financial Statements are drawn up to either a 52 or 53 week period, to the nearest Saturday ending within one week of 31 January in each year, being 28 January in 2017 and 03 February in 2018.

c) Going concern

In adopting the going concern basis for preparing the Financial Statements, the Directors have considered the business activities as set out on page 4 as well as the Company's principal risks and uncertainties as set out on page 4. Based on the Company's cash flow forecasts and projections, the Board is satisfied that the Company will be able to operate within the level of its facilities for the foreseeable future. For this reason the Company continues to adopt the going concern basis in preparing its Financial Statements.

d) Functional and presentation currency

These Financial Statements are presented in Great British Pounds ("GBP"), which is the Company's functional currency. All financial information presented in GBP has been rounded to the nearest hundred thousand.

e) Foreign currencies

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Foreign currency monetary assets and liabilities held at the end of the reporting period are translated at the closing balance sheet rate. The resulting exchange gain or loss is recognised within the income statement.

f) Consolidation

The Financial Statements contain information about Selfridges Retail Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated Financial Statements as it and its subsidiary undertakings are included by full consolidation in the consolidated Financial Statements of its intermediate parent, SHEL Holdings Europe Limited.

g) Revenue accounting policy

Revenue, which excludes value added tax, comprises:

- (i) Sales to external customers of products and services, and
- (ii) Concession income earned in respect of sales made through concession outlets.

Revenue from sales to external customers is recognised upon the dispatch of the goods and services to the customers. Where payment is received in advance of the delivery of the goods or services, it is deferred and included in accruals and deferred income until delivery occurs. Concession income is recognised when sales are made through the concession outlets upon the delivery of goods and services to customers. Discounts provided to staff have been classified as deductions against revenue.

h) Dividends

Final dividends are recorded in the Financial Statements in the period in which they are approved by the Company's shareholders. Interim dividends are recorded in the period in which they are approved and paid.

i) Computer licenses

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over the life of the associated support contract.

j) Computer software

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

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it;
- there is an ability to use the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs.

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

Computer software development costs recognised as assets are amortised on a straight line basis over their estimated useful lives of between three to eight years.

k) Property, Plant and Equipment

Property, plant and equipment is stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided to write down the estimated residual cost of fixed assets over their estimated useful lives by equal annual instalments as follows:

| | % |
|-----------------------|----------------|
| Structural assets | 3.33 to 6.67 |
| Plant and machinery | 20.00 to 50.00 |
| Fixtures and fittings | 16.67 to 50.00 |

Freehold land is not depreciated

Assets in the course of construction are not depreciated until they have been brought into use.

l) Financial assets and liabilities**Borrowings**

Interest-bearing bank loans, loan notes, promissory notes and overdrafts are initially recorded at fair value, which equals the proceeds received, net of direct issue costs. They are subsequently held at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for using an effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Derivative financial instruments

The Company primarily uses forward foreign currency contracts to manage its exposures to fluctuations foreign exchange rates. These instruments are not hedged and therefore all derivatives are measured at fair value through Profit and Loss.

m) Investments in subsidiaries

The carrying value of investments in subsidiary undertakings is stated after deducting any provision for impairment in value. An investment is deemed to be impaired when its carrying amount is greater than its estimated recoverable amount, which is the higher of net realisable value and value in use. Future cash flows arising from investments, discounted at an appropriate rate, are used to determine value in use. Any impairment arising is charged to the income statement.

n) Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in Other Comprehensive Income or directly in equity. In this case, the tax is also recognised in Other Comprehensive Income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated Financial Statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

o) Trade and other receivables

Trade and other receivables include amounts receivable in the ordinary course of business for customer transactions paid on credit and charge cards.

p) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated as a weighted average. All inventories are finished goods. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

q) Cash and cash equivalents

Cash and cash equivalents includes short-term deposits with banks and other financial institutions, with an initial maturity of three months or less.

r) Employee benefits***Defined benefit pension schemes***

The liability recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

Selfridges Retail Limited operates the Selfridges Pension Scheme for the benefit of all employees who were members at 31 October 2001, the date at which the scheme was closed to new members.

The Scheme is a funded defined benefit scheme which is periodically valued and has contributions assessed by a qualified actuary. The assets of the Scheme are held by Trustees in independent funds which are separate from the assets of the Company.

Defined contribution pension schemes

Selfridges Retail Limited also operates a separate defined contribution pension scheme. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Defined contributions payable in respect of defined contribution plans are charged to operating profit as incurred.

Employee incentive schemes

The Group operates a long term incentive plan (LTIP) for certain employees, including directors. New schemes are set up each period. The probable pay out to employees is accrued through the year, using management's best estimates of profit and overall company achievement.

For schemes on and after 2015, redemption payments are calculated based on the financial and non-financial performance of the business. Incentive units are redeemable after three years' service.

A separate bonus scheme which covers most employees within the business is also in operation. Payments are made based on Company and individual's performance.

s) Trade and other payables

Trade and other payables are recorded initially at fair value and subsequently measured at amortised cost. Generally this results in their recognition at their nominal value.

Gift cards

Unredeemed gift cards are carried on the Balance Sheet unless the likelihood of redemption is remote in which case they are recognised as income. This is based on historical non-redemption rates. These balances are reviewed regularly and updated to reflect management's latest best estimates. However, actual redemptions could vary from those estimates.

t) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are valued at discounted amounts.

u) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

v) Commercial income and capital contributions

The amount recognised in the income statement account for elements of commercial income may require the application of judgement based on the contractual terms in place with suppliers and estimates of amounts a company is entitled to where transactions span the financial period-end. For our retail stores and our online business, such arrangements including volume rebates, promotional support and media income agreements do not have a material impact on our revenue, gross margins or reported profit. Contributions received in respect of property fit-out costs are amortised over the shorter of the lease term or the period to the first rent review, or useful economic life of the associated store fit.

w) Significant accounting assumptions and judgements

In preparing the Financial Statements, judgments, estimates and assumptions are made by management, which affect the reported amounts in the financial statements. Actual results may differ from these estimates. Changes in the assumptions can affect the Financial Statements, particularly as regards the following:

- Reviewing the level of obsolescence of inventories and its impact on the expected net realisable value, being the estimated selling price in the ordinary course of business less the estimated costs to be incurred in bringing the inventories to their selling location and in selling condition, and consequently the measurement of inventories. 100% of obsolete stock is provided for. If the provision were reduced to cover 90% of the obsolete stock, it would result in an increase in the net income of the Company of approximately £65,000 (2017: £50,000).
- Calculations made to determine the amount of tax provisions to be recognised. The calculation of the amount to be recognised is based on the estimated future taxable results and an estimate of the ultimate tax effect of certain transactions.
- The Company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the Balance Sheet. The assumptions reflect historical experience and current trends.

See note 21 for the disclosures of the defined benefit pension scheme.

- The annual depreciation charge for property, plant and equipment and the amortisation of intangible assets are sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

See notes 12 and 13 for the carrying amounts of the intangible assets and the property, plant and equipment, and note 2(k) for the useful economic lives for each class of assets.

- Gift cards are issued without expiry dates. An annual exercise is performed to estimate future expected non redemption rates by reviewing historic redemption patterns, recent issuances of cards and expected future trends.

3 Segmental analysis

The Company views segments based on the location of assets. All assets are based in the UK and therefore the Company concludes that there is only one segment.

The Company has overseas sales through its online portal. Revenue by geographical area was as follows:

| | 53 weeks ended 03 February 2018 | 52 weeks ended 28 January 2017 |
|----------------------|------------------------------------|-----------------------------------|
| | £m | £m |
| UK | 688.5 | 640.4 |
| European Union | 3.4 | 2.6 |
| Rest of World | 79.4 | 30.3 |
| Total revenue | 771.3 | 673.3 |

4 Expenses by nature

Operating profit is stated after charging/(crediting) the items set out below:

| | Note | 53 weeks ended 03 February 2018 | 52 weeks ended 28 January 2017 |
|--|------|------------------------------------|-----------------------------------|
| | | £m | £m |
| Charge of inventory of finished goods | | 316.8 | 274.2 |
| Foreign exchange losses/(gains) (within Cost of sales) | | 1.0 | (1.0) |
| Staff costs | 5 | 113.8 | 95.8 |
| Depreciation of tangible fixed assets | 13 | 40.6 | 35.4 |
| Amortisation of intangibles | 12 | 9.1 | 6.0 |
| Loss on disposal of tangible fixed assets | | 3.1 | 5.0 |
| Loss on disposal of intangible fixed assets | | 0.3 | 0.5 |
| Premises rent payable to entities under common control | 25 | 51.3 | 49.0 |
| Premises rent payable to third parties under operating leases: | | | |
| Minimum lease payments | | 6.1 | 4.8 |
| Contingent rents | | 0.9 | 0.9 |
| Impairment of trade receivables | | 0.1 | (0.4) |
| Other distribution and administrative expenses | | 117.3 | 94.0 |
| Total cost of sales, distribution and administrative expenses | | 660.4 | 564.2 |

5 Employee costs

Employee costs during the period amounted to:

| | Note | 53 weeks ended 03 February 2018 | 52 weeks ended 28 January 2017 |
|---|------|------------------------------------|-----------------------------------|
| | | £m | £m |
| Wages and salaries | | 97.2 | 84.4 |
| Social security costs | | 8.2 | 7.1 |
| Amount payable under long term incentive plan | | 6.1 | 2.3 |
| Contributions to defined contribution plans | 21 | 2.3 | 2.0 |
| Total employee costs | | 113.8 | 95.8 |

Selfridges Retail Limited

Notes to the Financial Statements for the period ended 03 February 2018 (continued)

6 Employee numbers

The average monthly number of employees during the period was:

| | 53 weeks ended 03 February 2018 | 52 weeks ended 28 January 2017 |
|------------------------|------------------------------------|-----------------------------------|
| Full time | 2,085 | 1,971 |
| Part time | 959 | 837 |
| Total employees | 3,044 | 2,808 |
| Head office | 769 | 726 |
| Retail operations | 2,275 | 2,082 |
| Total employees | 3,044 | 2,808 |

7 Directors' emoluments

| | 53 weeks ended 03 February 2018 £m | 52 weeks ended 28 January 2017 £m |
|--|--|---|
| Aggregate emoluments | 2.9 | 2.5 |
| Aggregate amounts receivable under long-term incentive schemes | 3.0 | 0.9 |
| Total directors' emoluments | 5.9 | 3.4 |

The highest paid director received total emoluments of £3.4m (2017: £1.8m).

During both the current and prior periods two directors were remunerated by other group companies. It is not practicable to allocate a charge for the services of these directors between the group companies they serve.

During the period retirement benefits were accruing to three (2017: three) directors under a money purchase scheme. In the financial period, contributions of £141,955 (2017: £128,009) were paid into the money purchase scheme.

8 Auditors' remuneration

During the period the Company obtained the following services from the Company's auditors and their associates:

| | 53 weeks ended 03 February 2018 £m | 52 weeks ended 28 January 2017 £m |
|--|--|---|
| Auditors' remuneration - for the audit of the Company's Financial Statements | 0.2 | 0.2 |
| | 0.2 | 0.2 |

9 Net finance charge

| | 53 weeks ended 03 February 2018 £m | 52 weeks ended 28 January 2017 £m |
|---|--|---|
| Pension finance income / (cost) (note 21) | 0.1 | (0.3) |
| Interest income on short term bank deposits | 0.1 | 0.4 |
| Fair value losses on derivative financial instruments | (0.5) | (0.3) |
| Net finance charge | (0.3) | (0.2) |

Selfridges Retail Limited

Notes to the Financial Statements for the period ended 03 February 2018 (continued)

10 Income tax expense

| | 53 weeks ended 03 February 2018 £m | 52 weeks ended 28 January 2017 £m |
|--|--|---|
| Current tax | | |
| UK corporation tax on profits of the period | 20.7 | 20.2 |
| Adjustments in respect of prior periods | (0.8) | (0.9) |
| Group relief payable | 3.4 | 4.8 |
| Total current tax | 23.3 | 24.1 |
| Deferred tax | | |
| Origination and reversal of timing differences | (1.8) | (1.8) |
| Adjustments in respect of prior periods | 0.3 | 0.7 |
| Effect of Change in tax rates | 0.3 | - |
| Total deferred tax | (1.2) | (1.1) |
| Tax on profit on ordinary activities | 22.1 | 23.0 |

Reconciliation of total tax charge

The UK standard rate of corporation tax for the period is 19.16% (2017: 20%). The tax charge for the current period differs from (2017: differs from) the standard rate for the reasons set out in the following reconciliation:

| | 53 weeks ended 03 February 2018 £m | 52 weeks ended 28 January 2017 £m |
|--|--|---|
| Profit on ordinary activities before taxation | 110.6 | 108.9 |
| Tax on profit on ordinary activities at standard rate of 19.16% (2017: 20%) | 21.2 | 21.8 |
| Tax effects of: | | |
| Expenses not deductible for tax purposes (including ineligible depreciation) | 1.1 | 1.1 |
| Adjustment to prior periods (excluding group relief) | (0.5) | (0.2) |
| Prior period group relief payable | - | 0.5 |
| Difference between current and deferred tax rates | 0.3 | (0.2) |
| Total tax charge for the period | 22.1 | 23.0 |

Tax components of Other Comprehensive Income

| | 53 weeks ended 03 February 2018 £m | 52 weeks ended 28 January 2017 £m |
|---|--|---|
| <i>Tax on items that will not be reclassified to the income statement</i> | | |
| Remeasurement of net defined benefit liability | 2.7 | (3.7) |
| Total tax in Other Comprehensive Income | 2.7 | (3.7) |
| Deferred tax | 2.7 | (3.7) |

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2017 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

11 Dividends

| | 53 weeks ended 03 February 2018 £m | 52 weeks ended 28 January 2017 £m |
|---|--|---|
| Equity - ordinary | | |
| Interim paid 37p (2017: 36p) per £1 share | 42.4 | 41.1 |
| Total dividends | 42.4 | 41.1 |

Selfridges Retail Limited

Notes to the Financial Statements for the period ended 03 February 2018 (continued)

12 Intangible assets

| | Computer software £m | Computer software under development £m | Total £m |
|---------------------------------|-------------------------|---|-------------|
| Cost or valuation | | | |
| As at 29 January 2017 | 37.9 | 19.8 | 57.7 |
| Additions | - | 33.7 | 33.7 |
| Disposals | (2.2) | (0.3) | (2.5) |
| Reclassification | 20.7 | (20.7) | - |
| As at 03 February 2018 | 56.4 | 32.5 | 88.9 |
| Accumulated amortisation | | | |
| As at 29 January 2017 | 25.5 | - | 25.5 |
| Charge for the period | 9.1 | - | 9.1 |
| Disposals | (2.2) | - | (2.2) |
| As at 03 February 2018 | 32.4 | - | 32.4 |
| Net book value | | | |
| As at 29 January 2017 | 12.4 | 19.8 | 32.2 |
| As at 03 February 2018 | 24.0 | 32.5 | 56.5 |

Amortisation of £9.1m (2017: £6m) is included in administrative expenses in the Income Statement.

Of the £20.7m transfer between computer software under development and Computer software £15.7m relates to spend in prior years. This spend was included in the £19.8m brought forward balance.

13 Property, plant and equipment

| | Structural assets £m | Plant and machinery £m | Fixtures and fittings £m | Assets in the course of construction £m | Total £m |
|---------------------------------|-------------------------|---------------------------|-----------------------------|--|-------------|
| Cost or valuation | | | | | |
| As at 29 January 2017 | 182.6 | 19.9 | 198.0 | 14.3 | 414.8 |
| Additions | - | 0.2 | 1.6 | 46.0 | 47.8 |
| Disposals | (4.5) | (1.7) | (4.8) | - | (11.0) |
| Reclassification | 10.7 | 1.2 | 4.4 | (16.3) | - |
| As at 03 February 2018 | 188.8 | 19.6 | 199.2 | 44.0 | 451.6 |
| Accumulated depreciation | | | | | |
| As at 29 January 2017 | 74.1 | 11.7 | 104.5 | - | 190.3 |
| Charge for the period | 10.1 | 3.2 | 27.3 | - | 40.6 |
| Disposals | (1.9) | (1.6) | (4.4) | - | (7.9) |
| As at 03 February 2018 | 82.3 | 13.3 | 127.4 | - | 223.0 |
| Net book value | | | | | |
| As at 29 January 2017 | 108.5 | 8.2 | 93.5 | 14.3 | 224.5 |
| As at 03 February 2018 | 106.5 | 6.3 | 71.8 | 44.0 | 228.6 |

Of the £16.3m transfer between assets in the course of construction and other asset categories £0.1m relates to spend in prior years. This spend was included in the £14.3m brought forward balance.

14 Investments in subsidiary undertakings

The Company has the following investments in subsidiaries

| | Nature of business | Country of incorporation | Class of shares held | Ownership | |
|---|--------------------|--------------------------|----------------------|-----------|------|
| | | | | 2018 | 2017 |
| Selfridges EU Deliveries Limited | Distribution | England & Wales | Ordinary | 100% | 100% |
| Selfridges Worldwide Deliveries Limited | Distribution | England & Wales | Ordinary | 100% | 100% |
| Selfridges Trustee Company Limited | Dormant | England & Wales | Ordinary | 100% | 100% |

The registered office for all the above subsidiaries is 400 Oxford Street, London, W1A 1AB.

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

In accordance with section 409 of the Companies Act 2006, a full list of subsidiaries, the country of incorporation and effective percentage ownership has been disclosed above with this note.

Selfridges Retail Limited

Notes to the Financial Statements for the period ended 03 February 2018 (continued)

15 Deferred tax balances

The deferred tax balance consists of the following deferred tax assets:

| | 2018 £m | 2017 £m |
|---|------------|-------------|
| Deferred tax assets due within 12 months | 0.8 | 0.7 |
| Total | 0.8 | 0.7 |
| Deferred tax assets due after more than 12 months | 8.4 | 10.0 |
| Total | 8.4 | 10.0 |
| Total deferred tax position | | |
| Total asset | 9.2 | 10.7 |

The gross movement on the deferred income tax account is as follows:

| | 2018 £m | 2017 £m |
|--|------------|-------------|
| As at beginning of period | 10.7 | 5.9 |
| Credited to the income statement | 1.2 | 1.1 |
| (Charged)/credited to other comprehensive income | (2.7) | 3.7 |
| As at end of period | 9.2 | 10.7 |

| | Accelerated Capital Allowances £m | Pension Liability £m | Derivative Financial Instruments £m | Short Term Timing Differences £m | Total £m |
|---------------------------------------|--|-------------------------|--|---|-------------|
| As at 28 January 2017 | 3.1 | 5.2 | 0.1 | 2.3 | 10.7 |
| Prior year adjustments | (0.3) | - | - | - | (0.3) |
| Credited to the income statement | 2.4 | (0.7) | - | (0.2) | 1.5 |
| Charged to other comprehensive income | - | (2.7) | - | - | (2.7) |
| As at 03 February 2018 | 5.2 | 1.8 | 0.1 | 2.1 | 9.2 |

16 Inventories

| | 2018 £m | 2017 £m |
|------------------|------------|------------|
| Goods for resale | 77.9 | 63.7 |

17 Debtors

| | 2018 £m | 2017 £m |
|--|--------------|--------------|
| Amounts falling due within one year | | |
| Trade debtors | 38.6 | 34.3 |
| Amounts owed by group undertakings | 3.5 | 8.1 |
| Amounts owed by entity undertakings under common control | 73.8 | 75.9 |
| Other debtors | 1.6 | 2.3 |
| Prepayments and accrued income | 16.9 | 12.1 |
| Derivative financial instruments (note 20) | 0.1 | 0.5 |
| Deferred tax asset excluding pension liability (note 15) | 7.4 | 5.5 |
| Total Debtors | 141.9 | 138.7 |

Trade receivables are stated after provisions for impairment of £0.6m (2017: £0.4m).

Amounts owed to group undertakings and entities under common control are non-interest bearing, are unsecured and have no fixed date of repayment.

Notes to the Financial Statements for the period ended 03 February 2018 (continued)

18 Creditors - amounts falling due within one year

| | 2018 | 2017 |
|---|--------------|--------------|
| | £m | £m |
| Current | | |
| Trade creditors | 95.0 | 77.8 |
| Amounts owed to group undertakings | 5.1 | 5.1 |
| Corporation tax creditor | 10.2 | 9.6 |
| Other creditors | 3.6 | 3.5 |
| Taxation and social security | 6.6 | 6.2 |
| Derivative financial instruments (note 20) | 0.1 | - |
| Accruals and deferred income | 79.2 | 63.4 |
| Total trade and other payables due within one year | 199.8 | 165.6 |

Amounts owed to group undertakings and entity undertakings under common control are non-interest bearing, are unsecured and have no fixed date of repayment.

19 Creditors - amounts falling due after more than one year

In the current and prior period the balance of £1.3m relates to the long-term portion of a lease incentive.

20 Financial Instruments

The Company has the following financial assets measured at fair value through profit or loss:

| | 2018 | 2017 |
|----------------------------------|------|------|
| | £m | £m |
| Derivative financial instruments | 0.1 | 0.5 |

The Company has the following financial liabilities measured at fair value through profit or loss:

| | 2018 | 2017 |
|----------------------------------|------|------|
| | £m | £m |
| Derivative financial instruments | 0.1 | - |

Derivative financial Instruments

The Company enters into forward currency contracts to mitigate the exchange rate risk for certain foreign currency payables. At 3 February 2018, the outstanding contracts all mature within 3 or 9 months (2017: 3 or 9 months) of the year end.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the exchange rates GBP:EUR.

Selfridges Retail Limited

Notes to the Financial Statements for the period ended 03 February 2018 (continued)

21 Employee benefits

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

Defined benefit schemes

Selfridges Retail Limited operates a defined benefit pension scheme in the UK, the Selfridges Pension Scheme providing benefits to its members. The scheme closed to new entrants on 31 October 2001 and closed to future accrual of benefits on 29 February 2012. Following closure to future accrual, benefits now increase broadly in line with price inflation. The weighted average duration to payment of the scheme's expected cash flows is 18 years.

The scheme is registered with HMRC for tax purposes, and is operated separately from the Company and managed by an independent Trustee. The Trustee is responsible for payment of the benefits and management of the scheme's assets. The scheme is subject to UK regulations overseen by the Pensions Regulator, which require the company and Trustee to agree a funding strategy and contribution schedule for the scheme every three years. The most recent triennial review of the scheme was undertaken as at 6 April 2017 and identified a funding deficit. The company has agreed to pay an additional £4m per annum for the three years to 2021 in order to cover this deficit.

The results of the formal actuarial valuation as at 6 April 2017 were updated to the accounting date by an independent qualified actuary in accordance with IAS 19 'Employee Benefits'.

Net amount recognised in the balance sheet for the scheme

| | 2018 £m | 2017 £m |
|-------------------------------------|------------|------------|
| Present value of scheme liabilities | (310.3) | (322.9) |
| Fair value of scheme assets | 298.9 | 291.6 |
| Deficit in the scheme | (11.4) | (31.3) |
| Related deferred tax asset | 1.8 | 5.2 |
| Net pension liability | (9.6) | (26.1) |

Changes in the net liabilities recognised in the Balance Sheet

| | 2018 £m | 2017 £m |
|---|------------|------------|
| Opening deficit in the scheme | (31.3) | (8.9) |
| Expense to Income Statement | 0.1 | (0.3) |
| Amount recognised in other comprehensive income | 15.9 | (25.9) |
| Contributions paid | 3.9 | 3.8 |
| Closing deficit in the scheme | (11.4) | (31.3) |

The following amounts are included in finance income:

| | 2018 £m | 2017 £m |
|---|------------|------------|
| Net interest on net defined benefit liability | (0.9) | (0.3) |
| Past Service Credit | 0.4 | - |
| Settlement gain | 0.6 | - |
| Total charge to net finance cost | 0.1 | (0.3) |

The costs of administering the scheme are met directly by the Company.

The allocation of the scheme's assets was as follows

| | 2018 £m | 2017 £m |
|-----------------------------|------------|------------|
| Equity linked bond funds | 103.2 | 94.7 |
| Diversified growth funds | 37.0 | 34.3 |
| Property | 17.1 | 16.6 |
| Bonds | 38.7 | 65.0 |
| Liability driven investment | 38.6 | 20.9 |
| Partnership interests | 52.9 | 53.2 |
| Other | 11.4 | 6.9 |
| Fair value of scheme assets | 298.9 | 291.6 |

21 Employee benefits (continued)

Investment strategy

The Trustee determines the scheme's investment strategy after taking appropriate advice from its investment consultants. The Trustee's investment objective is to ensure that the scheme has adequate resources to meet its liabilities and thereafter to maximise the long-term total rate of return on the assets. Investment risk is managed by diversifying the assets across asset classes whose return patterns are not highly correlated, and by periodically rebalancing asset classes. The assets include an interest in a Scottish Limited Partnership involving an agreed income stream paid to the scheme until no later than September 2032. Holdings shown in bonds are mainly corporate bonds. The equity-linked bond funds provide both equity and index-linked gilt exposure. The LDI funds provide leveraged exposure to changes in long-term interest rates and inflation.

The majority of the scheme assets (all of those except the interest in the Scottish Limited Partnership) have quoted prices in active markets. The scheme does not invest directly in financial securities issued by the Company.

Reconciliation of present value of defined benefit obligation

| | 2018 | 2017 |
|--|--------|-------|
| | £m | £m |
| Opening defined benefit obligation | 322.9 | 268.4 |
| Interest on defined benefit obligation | 9.4 | 10.0 |
| Actuarial losses/(gains) due to | | |
| - Changes in demographic assumptions | (13.0) | - |
| - Changes in financial assumptions | 11.1 | 56.4 |
| - Experience on benefit obligations | 2.3 | (2.1) |
| Benefits paid | (17.0) | (9.8) |
| Past service credit and gains on settlements | (5.4) | - |
| Closing defined benefit obligation | 310.3 | 322.9 |

Movement in present value of scheme assets

| | 2018 | 2017 |
|---|--------|-------|
| | £m | £m |
| Opening fair value of scheme assets | 291.6 | 259.5 |
| Interest income | 8.5 | 9.7 |
| Actual return excluding interest income | 16.3 | 28.4 |
| Payments from plans/settlements | (4.4) | - |
| Contributions by the company | 3.9 | 3.8 |
| Benefits paid | (17.0) | (9.8) |
| Closing fair value of scheme assets | 298.9 | 291.6 |

Expected contributions to the scheme over the coming period ended 2 February 2019 are £4.0m.

The major assumptions used by the actuary were:

| | 2018 | 2017 |
|---|------|------|
| Rate of increase in pensions in payment | 3.1% | 3.3% |
| Discount rate | 2.7% | 3.0% |
| Retail Prices Index (RPI) inflation | 3.3% | 3.4% |
| Consumer Prices Index (CPI) inflation | 2.2% | 2.4% |

In valuing the liabilities of the scheme, mortality assumptions have been made. The assumptions relating to longevity underlying the pension scheme liabilities at the Balance Sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 61-year old to have the following life expectancy:

| Life expectancy at age 61 for current pensioners | 2018 | 2017 |
|--|------|------|
| - Men | 25.0 | 26.5 |
| - Women | 28.1 | 28.8 |
| Life expectancy at age 61 for members retiring in 20 years' time | | |
| - Men | 26.5 | 28.4 |
| - Women | 29.7 | 30.8 |

Sensitivity analysis

Set out in the table below are the illustrative impacts on the value of the defined benefit obligation of changing key assumptions.

The Company carried out a liability management exercise during the period. The Flexible Retirement Option (FRO) element of this exercise has been treated as a settlement event (being £5.0m reduction in future pension obligations and £4.4m of settlements in the form of payment of plan assets) and the Pension Increase Exchange (PIE) element has been shown as a past service credit of £0.4m. On this basis a credit of £0.6m has been included in the income statement as a settlement gain, in addition to a £0.4m past service credit. These amounts were determined using financial conditions prevailing on 1 September 2017, being the date when the change to pensions under the PIE exercise was effective. It was also on or around this date that the majority of the transfers were paid.

Selfridges Retail Limited

Notes to the Financial Statements for the period ended 03 February 2018 (continued)

21 Employee benefits (continued)

| Assumption | Change in assumption | 2018 £m | 2017 £m |
|-----------------------------------|----------------------|------------|------------|
| Discount rate | Decrease by 0.5% pa | +29 | +32 |
| Future Price Inflation | Increase by 0.5% pa | +17 | +19 |
| Assumed life expectancy at age 61 | increase by 1 year | +10 | +10 |

The calculations in this section have been carried out using the same method and data as the company's pensions and accounting figures with each assumption adjusted as shown above. Each assumption has been varied individually and a combination of changes in assumptions could produce a different result.

By funding its defined benefit pension schemes, the Company is exposed to the risk that the cost of meeting its obligations is higher than anticipated. This could occur for several reasons, for example:

- Investment returns on the schemes' assets may be lower than anticipated, especially if falls in asset values are not matched by similar falls in the value of the schemes' liabilities.
- The level of price inflation may be higher than that assumed, resulting in higher payments from the schemes.
- Scheme members may live longer than assumed, for example due to unanticipated advances in medical healthcare. Members may also exercise (or not exercise) options in a way that leads to increases in the schemes' liabilities, for example through early retirement or commutation of pension for cash.
- Legislative changes could also lead to an increase in the schemes' liabilities.
- The scheme liabilities are calculated using a discount rate set with reference to corporate bond yields. If scheme assets underperform this yield will create a deficit. The Group believes that due to the long term nature of the scheme liabilities, a level of continuing equity investment is an appropriate element of the Group's long term strategy to manage the schemes efficiently.
- A decrease in corporate bond yields will increase plan liabilities, although that will be partially offset by an increase in the value of the schemes' bond holding.

Defined contribution schemes

In addition to the defined benefit scheme, Selfridges Retail Limited has a group defined contribution pension scheme open to all employees, which commenced following the closure of the defined benefit scheme to new entrants. Contributions paid by the company to this arrangement amounted to £2.3m (2017: £2m) during the period.

There are no outstanding contributions payable at the period end (2017: nil).

22 Called up share capital

| | 2018 £m | 2017 £m |
|--|------------|------------|
| Allotted, called up and fully paid | | |
| 113,098,098 (2017: 113,098,098) ordinary shares of £1 each | 113.1 | 113.1 |

23 Commitments for capital expenditure

Capital commitments, for which no provision has been made in these Financial Statements, were as follows:

| | 2018 £m | As re-presented 2017 £m |
|---------------------------------|------------|-------------------------------|
| Contracted but not provided for | 35.8 | 37.4 |
| Property, plant and equipment | 6.2 | 5.8 |
| Structural assets | 23.0 | 29.2 |
| Intangible assets | 6.6 | 2.4 |

The Capital Commitments contracted but not provided for have been re-presented to better re-present the balances required to be disclosed.

24 Commitments for operating leases

The Company has future minimum lease payments under non-cancellable operating lease rentals for land and buildings expiring as follows:

| | 2018 £m | 2017 £m |
|--|------------|------------|
| Not later than one year | 66.8 | 58.7 |
| Later than one year and not later than five years | 271.2 | 235.7 |
| Later than five years and not later than ten years | 362.8 | 300.8 |
| Later than ten years | 1,561.1 | 722.0 |
| Total | 2,261.9 | 1,317.2 |

The Company leases certain properties and items of plant and equipment. The Company also sublets leased property. Rental streams from these subleases are immaterial.

Contingent rent payable is determined by reference to contractual thresholds on the level of turnover.

25 Related party transaction

Property leases

Certain properties utilised by the Company are owned by entity undertakings under common control. The terms and conditions of such arrangements are contracted on an arm's length basis. The total value of rents payable to entities under common control was £51.3m (2017: £49.0m).

Property, plant and equipment

Certain capital expenditure relating to the Oxford Street store is incurred by Selfridges Retail Limited and recharged to Selfridges Properties Limited. At the period end, the amount outstanding was £73.9m (2017: £75.9m).

Cost incurred on behalf of companies under common control

During the period Selfridges Retail Limited incurred £2,833,169 (2017: £75,000) of expenses on behalf of SRL Scottish Limited Partnership. These were recharged to the Partnership and the balance owed to Selfridges Retail Limited at the period end is £49,631.

This includes a one-off lease termination cost relating to a payment to the lessee for the early termination of their lease agreement during the period.

Donations

During the period, donations of £1,800,000 were committed to Selfridges Group Foundation, an entity undertaking under common control. At the period end, the amount outstanding was £900,000 (2017: £0).

26 Ultimate holding company

The immediate parent undertaking is Selfridges & Co Limited.

The Directors consider the ultimate parent company and controlling party to be Wittington Investments, Limited which is incorporated in Canada.

SHEL Holdings Europe Limited, which is registered in the UK, is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements. Copies of SHEL Holdings Europe Limited consolidated Financial Statements can be obtained from the Company Secretary at 400 Oxford Street, London, W1A 1AB.

27 Subsequent events

After the reporting date, the directors have proposed and paid a final dividend £0.40 per ordinary £1 share, amounting to £45m.