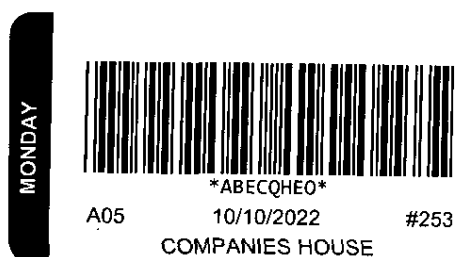


Selfridges Retail Limited
ANNUAL REPORT AND FINANCIAL STATEMENTS
Company registration number 00097117
for the 52 week period ended 29 January 2022



Selfridges Retail Limited

Selfridges Retail Limited
Annual report and financial statements
For the period ended 29 January 2022

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Selfridges Retail Limited

Company information

| | |
|--|---|
| Company secretary & Registered office | S Hemsley 400 Oxford Street London W1A 1AB England |
| Company's registered number | 00097117 |
| Independent auditors | PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 40 Clarendon Road Watford Hertfordshire WD17 1JJ |

Selfridges Retail Limited

Strategic report for the period ended 29 January 2022

The Directors present their strategic report and the audited financial statements of Selfridges Retail Limited ("Selfridges" or "the Company") for the 52 week period ended 29 January 2022 (2021: 52 week period ended 30 January 2021).

Principal activities

The principal activities of the Company are retail, operating four stores in the UK as well as a digital retail business through our website and mobile application. Selfridges is incorporated in the UK and headquartered in London. The Company is a subsidiary within the Selfridges group of companies ("Selfridges Group" or "the Group"), whose principal business is holding retail investments, and which consists of SHEL Holdings Europe Limited ("SHEL") and its key operating subsidiaries.

Since 1909 Selfridges has been at the forefront of retail, offering amazing destinations and unique shopping experiences for both domestic and international customers.

Selfridges' Vision is to reinvent retail and our Purpose is to imagine and create a sustainable future for our customers. The guiding principles for the Vision are putting the customer at the heart of everything we do, creating experiences that keep customers coming back and changing the way we shop. These principles speak directly to our customer outcomes: we want to know one million more customers; we want each customer to make two more visits a year; and we will encourage our customers to each make one sustainable choice.

Selfridges aims to help customers shop more sustainably in three ways: by addressing the materials used in products; by launching and exploring new retail models such as repair, rental, refill and resale, and by engaging with teams, partners and customers to inspire a shift in mindsets.

Selfridges' trade and revenue continued to feel the effects of the Covid-19 pandemic throughout the financial period, with stores closed for the first 10 weeks of the year and some restrictions affecting business throughout. The Company's key priorities continued to be protecting the health and wellbeing of its customers and team members, and the Company has continued to closely monitor and follow the guidance issued by the UK Government. Despite the challenges, Selfridges is set up for a long and sustainable future.

Review of the business

In 2021, Selfridges Retail Limited's ultimate parent company, Wittington Investments, Limited ("WIL"), undertook a review of strategic options for its European retail trading businesses in the United Kingdom, the Netherlands, and Ireland, which included online and digital businesses and real estate holdings used in the retail businesses. As a result of this review, WIL, through a subsidiary, entered into a sale and purchase agreement ("SPA") signed on 23 December 2021 with entities jointly controlled by Central Group and Signa Holding (collectively, the "Buyers"). Pursuant to the SPA, WIL's subsidiary has agreed to sell to the Buyers the companies operating its European retail businesses including the indirect parent of the Company, SHEL Holdings Europe Limited (the "Transaction"). The Transaction is expected to close in the coming months upon satisfaction of closing conditions.

Revenue in the 52 weeks to 29 January 2022 was £653.4m (2021: £508.5m), an increase of 28 per cent. The Company's stores were closed at the start of 2021 but overall were open for a greater proportion of the 2021/22 financial period than they were during the comparative period in 2020/21, leading to the increase in revenue.

The operating loss for the 52 weeks to 29 January 2022 was £38.1m (Restated 2021: loss of £136.9m). The closure of stores at the beginning of the financial period adversely impacted the Company's profitability and caused the Company to record an operating loss, but the adverse impact was lower than in the previous financial period.

At 29 January 2022 the Company had net assets of £187.6m (Restated 2021: £203.7m), with the reduction again largely driven by the impact of the Covid-19 pandemic.

During the year the Company took a number of steps which strengthened its balance sheet. The Company received investments from its immediate parent company totalling £130.0m, undertook a share capital reduction, and paid a dividend of £80.0m which was retained by its immediate parent, providing an overall net benefit of £50.0m to the Company. The dividend arose from an internal restructuring of the Company's corporate structure prior to the signing of the SPA.

The dividend represented £0.14 per ordinary £0.20 share and was paid during the period (2021: no dividend was paid).

Principal risks and uncertainties

Selfridges recognises that risks are inherent in the operation of its business and takes a proactive approach to managing and mitigating risks.

The Board of Directors is ultimately responsible for determining the nature and extent of the principal risks the Company is willing to take to achieve its Vision and Purpose; day to day responsibility for this is delegated to and actively managed by the Executive Committee. An Executive Risk Management Committee meets quarterly to support the Board of Directors in identifying and managing principal risks and uncertainties, with strategies developed to mitigate risk and minimise impact. Bi-annually, principal risks are discussed at a meeting of the Audit Committee, as appointed by the Board of Directors.

The Executive Committee's review of risks and risk appetite takes into consideration the Company's risk tolerance level across the following four risk factors: strategic, operational, financial, and regulatory. This analysis provides direction and boundaries for consistent, risk-aware decision-making throughout the business.

The Company accepts a certain level of risk to achieve growth and successfully meet its objectives; though the extent of risk appetite varies by risk factor. Complying with applicable laws and doing the right thing is an important part of the Company's culture and values. The interests and safety of customers and team members remain a top priority, as well as protecting the long-term value and reputation of the brand. The Code of Ethics describes how we use our values to guide us through a range of topics, including exploring new initiatives and opportunities, and seeking to maximise commercial benefits to support responsible and sustainable growth.

Selfridges Retail Limited

Strategic report for the period ended 29 January 2022 (continued)

Principal risks and uncertainties (continued)

The principal risks affecting the Company's strategy and business relate to:

- * The global Covid-19 pandemic – supported by key business experts, the Executive Committee meet regularly to evaluate the latest information, review controls, and monitor the impact on team members, customers, operations, stock, liquidity and capital management;
- * Meeting the needs and expectations of our customers – ensuring the customer offer, sales, experience and retention remain a key focus through all channels, the end-to-end customer experience, and supporting sustainable growth;
- * Environment, social and governance issues (ESG) – ESG issues impact across all of the business and are important to people and to the planet. The Company recognises the need to respond proactively to external ESG factors, regulations and customer expectations and to adapt retail models, mindsets, brand offers and ways of working to create a sustainable future business;
- * Cyber and information security, including data privacy and security – the Company takes a structured approach to strategy and governance in these areas, with a roadmap for future improvement and investment;
- * External factors impacting the Company – these include post-Brexit trade and export challenges, economic challenges due to Covid-19, and increasing regulatory environment, which the Company monitors proactively in order to understand and adapt to new requirements, and
- * Major incidents – crisis response and recovery planning remains well tested, and the process of continuous improvement enhances business resilience.

Key performance indicators ("KPIs")

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

Section 172(1) Statement
Directors and Decision Making

Section 172 of the Companies Act 2006 requires a director of a company to act in the 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. In doing so, a director should have regard (amongst other matters) to:-

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

In discharging their duties, the Directors have regard to these matters. Other factors may be relevant to certain decisions and may also be taken into account as appropriate. The Directors aim to ensure that decisions are made in accordance with the Company's Vision and Purpose.

Selfridges has a Board of Directors and an Executive Committee. The Executive Committee is comprised of executive directors, including certain board directors. Each of the Board of Directors and the Executive Committee have had training in directors' duties. The Executive Committee has delegated responsibility for the day to day running of the business, adhering to and implementing the Vision and Purpose, supervising the management of the business and reporting to Selfridges' parent company.

The Directors support principles of good governance. The Wates Corporate Governance Principles for Large Private Companies (the "Wates Principles") continued to be applied by the Company in the current period, and the Board has set out in the Directors' report on pages 8 and 9 how it applied those principles to make decisions.

Selfridges continues to ensure that Board meetings are held when appropriate, that clear terms of reference are in place and that the meetings are adequately recorded. Key decisions of the Board of Directors during the reporting period included

Financial Matters

During the period, the Directors continued to take decisive action to provide financial resilience and flexibility to manage the adverse impact of the Covid-19 pandemic on the liquidity and profitability of the business. The Company renegotiated the covenants relating to its £50.0m revolving bank facility, continued to draw on the revolving facility throughout the financial period, increased the maximum size of a borrowing facility with another company within the Selfridges Group from £80.0m to £120.0m, and drew on a portion of that facility during the year. At the balance sheet date the Company continued to borrow £50.0m under the revolving credit facility but had repaid all borrowings under the facility with another company within the Selfridges Group. In addition, costs and cash flow continued to be tightly controlled, and the Company availed itself of the business rates relief offered to retail and hospitality in the early part of the year.

During the year the Company took a number of steps which strengthened its balance sheet. The Company received investments from its immediate parent company totalling £130.0m, undertook a share capital reduction, and paid a dividend of £80.0m which was retained by its immediate parent, providing an overall net benefit of £50.0m to the Company. The dividend arose from an internal restructuring of the Company's corporate structure prior to the signing of the SPA.

In March 2021 the IFRS Interpretations Committee (IFRIC) published an agenda decision that clarified how the costs of Software as a Service (SaaS) arrangements should be accounted for. The IFRIC stated that a SaaS arrangement that conveys to the customer only the right to receive access to the supplier's application software is a service contract (rather than a software lease or the acquisition of a software intangible asset) as the customer does not have control of the software. The consequence of the agenda decision is that that SaaS related costs that would previously have been capitalised as intangible assets should instead be expensed against profit or loss.

As a result of this decision, the Group has revised its accounting policy, assessed the impact of this change in policy on the current and prior year and accounted for this change as a prior year adjustment as disclosed in note 2(c) of the financial statements.

Covid-19 response

The Company continued to respond to the Covid-19 pandemic and Government Regulations and guidance, which included closing stores at the beginning of the period, adopting and monitoring rules requiring face coverings, continuing to support office-based team members to work from home when this was advised, introducing a hybrid and flexible working model as offices reopened; managing suppliers, customers, inventories, travel and other business impacts. Clear, relevant, compliant and effective communication with team members and customers has remained a focus throughout the period.

Other Matters

The Board of Directors met to approve corporate reports to be published on Selfridges' tax strategy, gender pay gap and modern slavery.

Selfridges Retail Limited

Strategic report for the period ended 29 January 2022 (continued)

Engaging with stakeholders

Selfridges and its Directors understand that strong engagement with key stakeholders is vital to continued business success and the effective delivery of the Vision and Purpose. The key stakeholders for Selfridges are:

1. Team members

Those employed by Selfridges and others working on our sites, employed by our partners, concessions and suppliers

Selfridges and its Directors recognise the importance of team members feeling informed, involved in and inspired by the Company's Vision and Purpose. The need for supportive and clear communication and strong engagement has been paramount throughout the period, particularly as the pandemic and its impact continued.

The Company uses email, a Yammer platform, Workday, manager briefings, small and large group meetings (many of which continued to be held virtually in 2021), pulse surveys and open channels of communication to ask for, listen to and respond to the views, questions, concerns and ideas of team members. Promoting diversity and inclusion, responding to the Covid-19 pandemic, and focusing on health and wellbeing remained a key area of focus throughout the period.

There are many communities for team members to join and they provided essential support and communication channels for team members, such as a Well-Being community and volunteering opportunities with charity partners.

The Company's focus on diversity and inclusion continued in 2021; the recently established Diversity Board made up of elected team members established its role with support from the Board; its areas of focus centred around awareness and education, the products and brands offered to customers and driving a culture where everyone is welcome. The Company undertook a cultural assessment across the business and encouraged all team members to update their records to provide their personal data in order to establish the Company's baseline from which to build an approach to recruitment and retention which promotes true diversity and inclusion at all levels of the Company.

The Company's strategy, budget and plans are shared with team members at the outset of the year. The Company's financial performance is discussed regularly throughout the period, with webcasts from the Directors, trade meetings, financial performance review meetings, updates on strategic initiatives and other big and small group meetings across the Company to ensure all team members are kept up to date, noting the events, economic factors, trends or other matters which impact business and financial performance.

2. Customers

Selfridges puts the customer at the heart of everything we do and asks for customer feedback through numerous channels; at point of sale in-store and net promoter score feedback through digital sales; via independently conducted customer surveys and through listening to customer feedback through Personal Shopping and clienteling appointments; through social channels and also via the customer contact centre. In 2021, there continued to be a focus on digital and social channel engagement, as well as virtual shopping services and appointments. Selfridges and its Directors strive to consistently drive innovation, success and amazing customer experiences by listening and responding to the customer.

3. Shareholder and parent company

There are regular meetings between Selfridges and the Directors and executive management of its parent company. There is ongoing engagement and monthly business review meetings to provide the Company with appropriate oversight and approvals of key matters such as strategic plans, capital expenditures and budgets. In addition, there is a governance structure in place that includes bi-annual Audit Committee meeting which are attended by representatives of the Company and the shareholders.

4. Suppliers – concessions, brand partners, suppliers of IT, tech and digital products and services, other suppliers of goods not for re-sale and services.

Directors and senior managers hold regular meetings with large and small suppliers throughout the year to discuss products and services supplied, to collaborate on new ideas, to discuss performance and KPIs, as well as to engage suppliers on sustainability, ethical trade requirements and modern slavery. Key suppliers and partners are invited to a launch event referred to as Open House at Selfridges at the beginning of the year to see and hear the strategy and initiatives for the upcoming year. Selfridges has very strong relationships with the partner brands supplying goods for sale and operating as concessions, with regular meetings, frequent collaborations and a product offer which is special, sometimes unique and often has exclusive products on sale in Selfridges. Selfridges has continued to find and introduce to its customers new and upcoming brands and diverse designers, many with a focus on sustainability.

5. Community

This includes the local communities physically sited around Selfridges' business locations; charities we partner with in our communities; customer communities, such as those passionate about certain products; or suppliers we have brought together for a campaign or event. Selfridges also recognises the impact of its business on the wider community and its responsibility in the face of the global climate crisis to play its part in addressing this, as noted above, and will continue to work closely with Non-Governmental-Organisation (NGO) partners in pursuing our Vision and Purpose in its response to the climate crisis.

Across all stores, Selfridges engages with neighbouring businesses, local authorities and councils, landlords, customers and the wider community. This includes support for national and local charities and charitable initiatives, as well as social mobility initiatives.

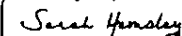
Selfridges also actively engages on a regular basis with NGOs, particularly around sustainability topics; as well as local law enforcement, public health authorities and the Environmental Health teams of local authorities. In 2021, this continued to have a focus on managing the business safely through the pandemic.

Other stakeholders engaged include: local law enforcement, regulators including Trading Standards, HM Revenue & Customs (HMRC), legal authorities, the Information Commissioner's Office (ICO) and the Financial Conduct Authority (FCA).

Selfridges welcomes feedback and the Board of Directors and the Executive Committee will continue to review how the Company can improve engagement with team members and other stakeholders to drive the success of the business in line with our Vision and Purpose.

Approved by the Board of Directors on 13 July 2022 and signed by its order by:

DocuSigned by:



Selfridges Retail Limited

8 Hemsley

Company Secretary

13 July 2022

Selfridges Retail Limited

Directors' report for the period ended 29 January 2022

The Directors present their report for the 52 week period ended 29 January 2022 (2021: 52 week period ended 30 January 2021).

The Company is a private company, limited by shares, incorporated and domiciled in the UK with headquarters in London. The address of its registered office is 400 Oxford Street, London, W1A 1AB, England. The immediate parent company is Selfridges & Co. Limited. The ultimate parent company is Wittington Investments, Limited. Since 1909 Selfridges has been at the forefront of retail, operating a flagship store in London, three further stores in Manchester and Birmingham, and a digital retail business via our website and mobile application.

Future developments and going concern

Future growth is planned to be driven by investment in retail stores and digital channels.

Covid-19 continued to have a significant short-term impact on the Company's profitability and the Directors took a number of steps to manage the associated liquidity risk, including fully drawing down on its £50.0m revolving credit facility, renegotiating the terms of that facility, and partially drawing down on a £120.0m facility with a company within the Selfridges Group. Trading conditions improved in the latter part of the period and the Company had repaid its borrowings from a fellow Group company at the balance sheet date. The £50.0m revolving credit facility remained fully drawn at the balance sheet date.

The Directors have also stress-tested forecasts and under a severe but plausible downside scenario of ongoing adverse impacts from the pandemic, the Company currently has access to sufficient borrowing facilities and on this basis the Directors continue to adopt the going concern basis in preparing the financial statements for the Company. However, in light of the pending sale of the Company to the Buyers, the completion of the sale process will result in a change of control that will trigger provisions within the borrowing facilities that could result in them becoming unavailable to the Company, although this is not anticipated. The Directors expect that on completion of the sales process, current facilities will either continue (subject to agreement with the financing provider), or be replaced with at least equivalent facilities. As the completion of the sale and the availability of funding is not yet finalised as of the date of signing the financial statements, this represents a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern. Further details are given in note 2(e) to the financial statements.

Financial risk management

The principal risks faced by the Company are liquidity, counterparty exposures, foreign currency and interest rate fluctuations. The Company identifies, evaluates and hedges financial risks. For further details of the Company's financial risk management objectives and policies, see note 22 to the financial statements.

Directors

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

A Pitcher
S Hemmley
M Wall
M Smith
A Keith
P S Binning (appointed 24 June 2022)
C Wright (appointed 24 June 2022)

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 statement of comprehensive income on page 14.

The Company's loss before income tax for the period is £121.5m (Restated 2021: £217.4m). The loss for the 52-week period to 29 January 2022 of £83.9m (Restated 2021: £175.4m) has been transferred to reserves.

During the year the Company took a number of steps which strengthened its balance sheet. The Company received investments from its immediate parent company totalling £130.0m, undertook a share capital reduction, and paid a dividend of £80.0m which was retained by its immediate parent, providing an overall net benefit of £50.0m to the Company. The dividend arose from an internal restructuring of the Company's corporate structure prior to the signing of the SPA.

The dividend of £0.14 per ordinary £0.20 share, amounting to £80.0m, was paid during the period (2021: no dividend was paid).

The Directors do not recommend the payment of a final dividend.

Diversity, equity and inclusivity (including employees with disabilities)

Selfridges is proud to say that 'Everyone is Welcome' and recognises that diversity in all areas is vital to commercial success and to the democratic vitality of the business. Selfridges is committed to employment policies, which follow best practice and are based on equal opportunities for all.

The Company has a diversity policy which applies to all team members working in Selfridges. Selfridges aims to encourage a diverse and inclusive community amongst team members, customers and suppliers.

The Company has appointed a Diversity Board with a view to advancing diversity and equity in Selfridges. More information on the Diversity Board is set out in the Strategic report.

As part of its commitment to diversity, equity and inclusion and as part of recognising all protected characteristics and the Company's legal obligations, as set out in the Equality Act 2010, the Company gives full and fair consideration to applications for employment from all backgrounds, including those with disabilities.

Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company. If team members become disabled during their employment with the Company, arrangements are discussed to enable continuity of employment and development as appropriate.

Selfridges Retail Limited

Directors' report for the period ended 29 January 2022 (continued)

Engagement with employees and business relationships

Details on how the Company and Selfridges has its Directors engaged with Selfridges' employees (team members) and other stakeholders throughout the period are outlined within the Strategic report. The Company and its Directors will continue to review and adapt their approach during the year.

Code of Ethics

The Selfridges Group Code of Ethics sets out our values and behaviours required to achieve the Vision and Purpose. It applies to Selfridges directors and team members but also to those we engage with, including our partners.

Political and charitable donations

During the financial period, the Company made payments in relation to charitable donations amounting to £1,280,000 (2021: £726,000) to a number of local, national and international charitable organisations. At the period end the Company had not committed to any further charitable donations (2021: £nil).

No political contributions were made during the period (2021: £nil).

Post balance sheet events

The Company's £120.0m facility agreement with another entity under common control was due to mature on 10 June 2022. On 7 June 2022 the facility agreement was reduced to £80.0m, with £40.0m maturing early, and the remaining facility extended for six months.

In the normal course of business, the Company and its subsidiary are subject to legal proceedings, including regulatory audits, reviews and investigations. Management regularly reviews such proceedings and establishes provisions when a loss is assessed to be probable and the amount of the loss is reasonably estimable. On 17 May 2022, the Company received a letter from the European Commission in connection with its investigation of the fashion sector and requested information regarding the Company's activities within the European Economic Area. The Company has provided the requested information and assessed the financial risk as remote.

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 is 00097117.

Corporate Governance Statement

As noted in the Strategic report, the Company's Board of Directors has adopted the Wates Principles. The Board has also considered the Companies (Miscellaneous Reporting) Regulations 2018 (the Regulations) and the directors' duties to promote the success of the Company as set out in Section 172 of the Companies Act 2006.

This report sets out the Six Wates Principles and how Selfridges applies these:

1. Purpose and Leadership

* Selfridges was founded in 1908 by Harry Gordon Selfridge and the first Selfridges store opened its doors in 1909; today, the Company and its Directors continue to carry out our business in line with the principle that Everyone is Welcome and aim to offer an extraordinary customer experience.

* Selfridges has a clear and defined Vision and Purpose, as outlined in the Strategic report on page 4.

* The Board of Directors and the Executive Committee lead the business with Vision and Purpose across physical stores and digitally.

* The Vision and Purpose are embedded at every level of the business, alongside Selfridges' sustainability commitments. Project Earth, outlined in more detail in the Directors' report on page 10, embodies these commitments and targets to achieve science-based carbon reduction targets in goods and services.

* The Selfridges Values of embrace every self, create the extraordinary, and lead with purpose, resonate across all levels of the Company and inform how business decisions are made and how team members are recognised and rewarded.

* Our Code of Ethics, further described in the Directors' report above, sets out the high standards we expect as we work to achieve our Vision and Purpose.

* The Executive Committee encourages all managers to recognise team members who demonstrate their commitment to our Values and sustainability through recognition and reward schemes as well as bi-annual Extraordinary People Awards, although these activities continued to be curtailed in 2021 due to the impact of Covid-19.

2. Board Composition

* The size and composition of the Board is considered to be appropriate with all members making a valuable contribution. There is a balance of skills, backgrounds, experience and knowledge. The Board is supported by the Company Secretary. The list of Board members can be found in the Directors' report on page 7.

* Board meetings are held four times a year and more often if required. The Directors ensure that the decision making is in line with the Vision and Purpose.

* An induction is provided upon joining, and specific training on directors' duties is provided once a year.

* Other training on key areas of risk or compliance (e.g. data protection, health and safety, competition law, Corporate Finances Act, anti-bribery and corruption) is provided from time to time, as appropriate. This ensures awareness remains current and decision making across the Company is underpinned by considerations of compliance and good governance.

Selfridges Retail Limited

Directors' report for the period ended 29 January 2022 (continued)

Corporate Governance Statement (continued)

3. Director Responsibilities

* The Board recognises the importance of having an effective corporate governance framework with clear lines of accountability and responsibility to support effective decision making as part of promoting the Company's success. The Board has developed and adopted the Vision and Purpose, reviews financial performance and approves budgets, makes strategic decisions and ensures that adequate leadership is in place to implement decisions. The Board of Directors approves reports required to be published by the Company each year, including statutory accounts, gender pay gap report, modern slavery report, tax strategy and others.

* The Executive Committee is supported by the senior management team from across the Company. Members of senior management will join members of the Executive Committee for other executive led, decision making committees; for example, the Information Security Steering Committee, which oversees data protection, information security and cyber risk in the Company. This enables decision making to be delegated to individuals with appropriate specialist skills and introduces diversity of thinking to the benefit of the Company and its Directors.

* The Executive Committee and Board of Directors, as well as other members of the senior management team, are aware of their duty to avoid conflicts of interest and a formal confirmation of any conflicts is requested once a year.

* A whistleblowing / complaints reporting process (managed by a third party) is in place for all team members working in Selfridges. This ensures that there is a secure, anonymous route for any concerns to be escalated to and addressed by the General Counsel and Managing Director or Selfridges Group, as appropriate.

4. Opportunity and Risk

* The Executive Committee and Board of Directors are committed to regularly reviewing the Company's Vision and Purpose to ensure that these meet the aim of promoting and delivering long term value.

* Principal risks have been identified across the Company at a department, project and corporate level. Risks are assessed on a matrix of impact (financial and reputational) and likelihood, with target risks noted and a plan to address, mitigate or improve the risk position where possible. Risks are regularly reviewed, and the overarching corporate risk register is discussed at the quarterly Executive Risk Management Committee meetings, as well as bi-annually at the meeting of the directors with the Audit Committee.

* The Executive Risk Management Committee supports the Board of Directors in identifying and managing key corporate risk and identifying actions for directors/managers to address or mitigate those risks. The Executive Risk Management Committee meetings are normally chaired by the Stores Director.

* The key corporate risks are outlined in the principal risks and uncertainties section of the Strategic report.

* The Audit Committee is appointed by the Board of Directors in consultation with the shareholders and its responsibilities include reviewing the integrity of the financial statements, relationship with the external auditors and effectiveness of internal financial controls. The Audit Committee's terms of reference are reviewed each year.

* Other risks are managed by Executive led sub-committees, such as data protection, cyber and information security via the Information Security Steering Committee, and strategic projects (stores and technology) via programme governance meetings led by members of the Executive Committee.

* Capital expenditure is governed by a dedicated framework including monthly meetings, which are attended by members of the Executive Committee and Selfridges Group. A Contracts Authorisation Policy is in place across the Company.

* There are policies and procedures in place for other key risk areas - e.g. anti-money laundering, anti-bribery and corruption and safe deposit management procedures.

5. Remuneration

* Selfridges Group has a Remuneration Committee which reviews compensation for the Company's directors, Executive Committee and senior team members once a year.

* The Company has clear pay structures based on grade, seniority and responsibility, with commission schemes in place in retail areas and bonus schemes in place for retail managers and head office or back of house roles. Bonus schemes are aligned with the Company's performance and individual performance, as well as behaviours in line with the Company's Vision, Purpose and Values.

* There is a long-term incentive plan in place for the Executive Committee and a small additional group of senior management in key roles to assist with retention and to align decisions and behaviours with the long-term success of the Company.

6. Stakeholder Relationships and Engagement

* The Board and Executive Committee believe that engagement with stakeholders is key to the success of the business.

* Details of how Selfridges engages with team members, customers, suppliers and other stakeholders is addressed above within the Strategic report.

Selfridges Retail Limited

Directors' report for the period ended 29 January 2022 (continued)

Streamlined Energy and Carbon Reporting

Under the requirements of the Companies Act 2006 (Strategic report and Directors' report) Regulations 2013 and the Companies (Directors' report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 Selfridges sets out here its Streamlined Energy and Carbon Reporting (SECR).

Selfridges is a UK business with a store in each of London and Birmingham and two in Manchester which are the most significant users of energy. Selfridges also occupies office spaces, owns a limited number of vehicles; and there are team members who travel for business. These aspects, including all stores and offices where we are responsible for the consumption of energy, are included in the below figures. Selfridges does not own any production sites and distribution is managed by a third-party partner, so not included in the figures reported below

| Streamlined Energy and Carbon Reporting | | | | | |
|---|--|---|------------|------------|----------|
| Area | | Unit | FY2021-22 | FY2020-21 | % change |
| Energy consumed | | kWh | 50,419,629 | 41,922,022 | 20% |
| Greenhouse gas (GHG) emissions | Scope 1 emissions | tonnes CO ₂ e | 1,816 | 1,292 | 41% |
| | Scope 2 emissions | tonnes CO ₂ e | 8,596 | 8,128 | 6% |
| | Scope 3 emissions | tonnes CO ₂ e | 5 | 8 | -38% |
| | Total location-based scope 1, 2 and 3 emissions | tonnes CO ₂ e | 10,417 | 9,428 | 10% |
| | GHG intensity (location-based emissions) per sq ft of floor area | tonnes CO ₂ e / '000 sq ft | 4.8 | 4.4 | |
| | Total market-based scope 1, 2 and 3 emissions | tonnes CO ₂ e | 1,077 | 1,074 | 0% |
| | GHG intensity (market-based emissions) per sq ft of floor area | tonnes CO ₂ e / '000 sq ft | 0.5 | 0.5 | |
| Definitions | | <ul style="list-style-type: none">Energy consumed: Natural gas combusted, fuel used in owned vehicles or for business travel where fuel is paid for, and purchased electricity consumed.Scope 1: Emissions from the combustion of natural gas and fuel used in owned vehicles.Scope 2: Emissions from the generation of purchased electricity.Scope 3: Emissions from business travel in rental cars or employee-owned vehicles. | | | |
| Methodology | | <ul style="list-style-type: none">Methodology: The Greenhouse Gas Reporting Protocol – Corporate Standard (2015 revised edition).Conversion factors: UK Government GHG Conversion Factors for Company Reporting (2021).Market-based electricity: Renewable electricity is reported where evidenced by Renewable Electricity Certificates, renewable energy supply is detailed on invoices, or REGO backed supply is confirmed.Market-based gas: Green gas (biomethane) is reported where evidenced by GGCS certificates of supply. The associated CH₄ and N₂O emissions are accounted for in line with current guidance as set out in the UK Government GHG Conversion Factors for Company Reporting (2021). | | | |

The Company continues to invest to improve operational efficiency across its stores and other locations. As part of a programme of investment, maintenance and management, the Company continued to switch to LED lighting; invested in upgrading boilers, control valves, pipework and pumps and installed motion detector controls. The Company also continued to purchase electricity and gas from certified renewable sources and maintained its Carbon Trust Standard for carbon, water and waste. However, energy consumption increased versus the prior period as Covid-19 restrictions were lifted and so the stores were open for longer and so required lighting, heating and power. Looking forward, Selfridges expects energy usage, and resulting greenhouse gas emissions, to increase as Covid-19 related restrictions are fully lifted. However, on-going efficiency investments will continue to help Selfridges to manage its energy usage.

With a vision to reinvent retail, Selfridges launched its sustainability strategy, Project Earth, in 2020, with a bold commitment to change the way we shop and the way we do business. Built on three themes: driving a transition to more sustainable materials, exploring new business models, and challenging the mindsets of our partners and customers as well as our own teams; Project Earth is underpinned by science-based targets as we look to a net-zero future.

Selfridges has committed to reduce absolute scope 1 and 2 emissions by 64% by 2030, and to reduce absolute scope 3 emissions from purchased goods and services by 30% by 2030, (both from a 2018 base year). Selfridges is developing a scope 1, 2 and 3 greenhouse gas reduction roadmap to help identify the further actions needed to meet these targets. An update on the Company's actions to reduce its greenhouse gas emissions will be provided in Selfridges' first full Sustainability Report which will be published later in 2022.

Selfridges Retail Limited

Directors' report for the period ended 29 January 2022 (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 year. 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, 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 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.

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.

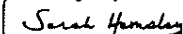
Directors' confirmations

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

- so far as the Director is aware, there is no relevant audit information of which the 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 13 July 2022 and signed by its order by:

DocuSigned by:



EFADCCD75D14C2

S Hemsley
Company Secretary
13 July 2022

Selfridges Retail Limited

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 29 January 2022 and of its loss for the 52 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 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, which comprise: the Balance sheet as at 29 January 2022; the Statement of comprehensive income and Statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

We remained independent of the 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, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 9 to the financial statements, we have provided no non-audit services to the company in the period under audit.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the company's ability to continue as a going concern. In 2021, the company's ultimate parent company, Wittington Investments, Limited ("WIL"), undertook a review of strategic options for its retail trading businesses in the United Kingdom, the Netherlands, and Ireland ("the group"). As a result of this review, WIL, through a subsidiary, entered into a sale and purchase agreement ("SPA") signed on 23 December 2021 with entities jointly controlled by Central Group and SIGMA Group (collectively, the "Buyers"). Pursuant to the SPA, WIL's subsidiary has agreed to sell to the Buyers the companies operating its European retail businesses including the company, Selfridges Retail Limited. The acquisition is expected to close in the coming months upon the satisfaction of closing conditions. The company's existing borrowing facilities have a change in control clause and as a result these facilities may need to be replaced. The group and the company are reliant on external financing facilities to allow it to meet its liabilities as they fall due. At the date of signing, these facilities have not been agreed and as a result the Directors do not currently have visibility of the source, nature and extent of this funding. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

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

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- We have reviewed management's base case and severe but plausible scenario and the funding facilities currently available
- We challenged management on the assumptions used in the scenarios and considered alternative downside scenarios.
- We reviewed the directors' going concern disclosures noting the material uncertainty above and found them to be consistent with the conclusions reached.

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

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 the Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and the Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and the Directors' report for the period ended 29 January 2022 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 the 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, 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 audit of the financial statements

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

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

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

- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Identifying and testing journal entries mainly relating to entries with unusual account combinations, entries posted by unusual users, and entries including specific words;
- Challenging assumptions and judgements made by management in significant accounting estimates, in particular in relation to assumptions associated with defined benefit pensions, and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the 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
Watford
13 July 2022

Selfridges Retail Limited

Statement of comprehensive income
for the period ended 29 January 2022

| | | 52 weeks ended 29 January 2022 | Restated 52 weeks ended 30 January 2021 |
|---|------|-----------------------------------|---|
| | Note | £m | £m |
| Revenue | 3 | 653.4 | 508.5 |
| Cost of sales | 4 | (286.5) | (250.7) |
| Gross profit | | 366.9 | 257.8 |
| Distribution costs | 4 | (294.0) | (282.6) |
| Administrative expenses | 4 | (113.0) | (124.8) |
| Other operating income | 5 | 2.0 | 12.7 |
| Operating loss | | (38.1) | (136.9) |
| Income from shares in group undertakings | | - | 1.4 |
| Amounts written off investments | | - | (0.5) |
| Loss before interest and income tax | | (38.1) | (136.0) |
| Finance costs | 10 | (83.4) | (81.4) |
| Loss before income tax | | (121.5) | (217.4) |
| Income tax credit | 11 | 37.6 | 42.0 |
| Loss for the financial period | | (83.9) | (175.4) |
| Other comprehensive income/(expense) | | | |
| Items that will not be reclassified to profit or loss | | | |
| Remeasurements of post-employment benefit obligations | 24 | 22.4 | (10.1) |
| Related tax | 11 | (4.6) | 2.1 |
| Total other comprehensive income/(expense) | | 17.8 | (8.0) |
| Total comprehensive expense for the period | | (66.1) | (183.4) |

The results for the period reflect trading from continuing operations.

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

The statement of comprehensive income for the 52 weeks ended 30 January 2021 has been restated as detailed in note 2(c).

Selfridges Retail Limited

Balance sheet as at 29 January 2022

| | | At 29 January 2022 £m | Restated At 30 January 2021 £m | Restated At 02 February 2020 £m |
|--|-------|-----------------------------|---|--|
| | Note | | | |
| Fixed assets | | | | |
| Intangible assets | 13 | 117.3 | 117.3 | 119.2 |
| Property, plant and equipment | 14 | 200.7 | 221.8 | 258.7 |
| Right-of-use assets | 15 | 1,815.9 | 1,852.3 | 1,893.6 |
| Investments | 16 | - | - | - |
| Total fixed assets | | <u>2,133.9</u> | <u>2,191.4</u> | <u>2,271.5</u> |
| Defined benefit pension asset | 24 | <u>7.2</u> | <u>-</u> | <u>-</u> |
| Current assets | | | | |
| Inventories | 18 | 90.2 | 77.1 | 100.1 |
| Debtors | 19 | 119.8 | 65.5 | 110.8 |
| Cash and cash equivalents | | <u>76.9</u> | <u>39.1</u> | <u>56.1</u> |
| Total current assets | | <u>286.9</u> | <u>181.7</u> | <u>267.0</u> |
| Creditors - amounts falling due within one year | 20 | <u>(277.1)</u> | <u>(138.8)</u> | <u>(208.9)</u> |
| Net current assets | | <u>9.8</u> | <u>42.9</u> | <u>58.1</u> |
| Total assets less current liabilities | | <u>2,150.9</u> | <u>2,234.3</u> | <u>2,329.6</u> |
| Creditors - amounts falling due after more than one year | 21 | <u>(1,959.0)</u> | <u>(2,013.2)</u> | <u>(1,931.7)</u> |
| Provisions for liabilities | 23/24 | <u>(4.3)</u> | <u>(17.4)</u> | <u>(11.6)</u> |
| Net assets | | <u>187.6</u> | <u>203.7</u> | <u>386.3</u> |
| Equity | | | | |
| Called up share capital | 25 | 112.8 | 113.9 | 113.1 |
| Retained earnings | | <u>74.8</u> | <u>89.8</u> | <u>273.2</u> |
| Total shareholders' funds | | <u>187.6</u> | <u>203.7</u> | <u>386.3</u> |

The balance sheets at 30 January 2021 and 02 February 2020 have been restated as disclosed in note 2(c) of the financial statements.

The notes on pages 17 to 31 form an integral part of these financial statements.

The financial statements on pages 14 to 31 were authorised for issue by the Board of Directors on 13 July 2022 and were signed on its behalf by:

DocuSigned by:



EC72E0C8EAD641D

Matthew Smith

Director

13 July 2022

Selfridges Retail Limited

Statement of changes in equity for the period ended 29 January 2022

| | Note | Called up share capital £m | Retained earnings £m | Total shareholders' funds £m |
|--|------|----------------------------------|----------------------------|---------------------------------------|
| Balance at 02 February 2020 (reported) | | 113.1 | 280.2 | 393.3 |
| Restatement | 2 | - | (7.0) | (7.0) |
| Balance at 02 February 2020 (restated) | | <u>113.1</u> | <u>273.2</u> | <u>386.3</u> |
| Loss for the financial period (restated) | | - | (175.4) | (175.4) |
| Other comprehensive expense | | - | (8.0) | (8.0) |
| Total comprehensive expense for the period (restated) | | <u>-</u> | <u>(183.4)</u> | <u>(183.4)</u> |
| Transactions with owners, recorded directly in equity: | | | | |
| Ordinary share capital issued | 25 | 0.8 | - | 0.8 |
| Balance at 30 January 2021 (restated) | | <u>113.9</u> | <u>89.8</u> | <u>203.7</u> |
| Loss for the financial period | | - | (83.9) | (83.9) |
| Other comprehensive income | | - | 17.8 | 17.8 |
| Total comprehensive expense for the period | | <u>-</u> | <u>(66.1)</u> | <u>(66.1)</u> |
| Transactions with owners, recorded directly in equity: | | | | |
| Ordinary share capital issued | 25 | 130.0 | - | 130.0 |
| Reduction in issued share capital | 25 | (131.1) | 131.1 | - |
| Dividends paid | 12 | - | (80.0) | (80.0) |
| Balance at 29 January 2022 | | <u>112.8</u> | <u>74.8</u> | <u>187.6</u> |

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

Selfridges Retail Limited

Notes to the financial statements for the period ended 29 January 2022

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, England.

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 as applicable to companies under FRS 101.

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(2).

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, and
 - (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':
 - (i) 10(d) (statement of cash flows);
 - (ii) 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
 - (iii) 16 (statement of compliance with all IFRS);
 - (iv) 38A (requirement for minimum of two primary statements, including cash flow statements);
 - (v) 38B-D (additional comparative information);
 - (vi) 40A-D (requirements for a third statement of financial position);
 - (vii) 111 (cash flow statement information); and
 - (viii) 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) Adoption of new and revised International Financial Reporting Standards

In March 2021 the IFRS Interpretations Committee (IFRIC) published an agenda decision that clarified how the costs of Software as a Service (SaaS) arrangements should be accounted for. The IFRIC stated that a SaaS arrangement that conveys to the customer only the right to receive access to the supplier's application software is a service contract (rather than a software lease or the acquisition of a software intangible asset) as the customer does not have control of the software. The consequence of the agenda decision is that that SaaS related costs that would previously have been capitalised as intangible assets should instead be expensed against profit or loss. The decision has had a material impact on the Company's financial statements, which is disclosed in note 2(c).

For the year ended 29 January 2022, the Company has adopted amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 as issued in August 2020. In accordance with the transition provisions, the amendments have been adopted retrospectively to financial instruments. Comparative amounts have not been restated, and there was no impact on the current period opening reserves amounts on adoption.

There were no other amendments to accounting standards, or IFRIC interpretations that are effective for the period ended 29 January 2022 that have a material impact on the Company's financial statements.

c) Restatements

In response to the IFRIC's agenda decision relating to the costs of SaaS arrangements the Company has retrospectively revised its accounting policy, assessed the impact of this change in policy on the current and prior year and accounted for this change as a prior year adjustment. Accordingly, the prior period balance sheets at 30 January 2021 and 02 February 2020 have been restated in accordance with IAS 8, and, in accordance with IAS 1 (revised), a balance sheet at 02 February 2020 has been presented. The following table demonstrates the impact of the change in accounting policy on previously reported financial statements.

| | | | | 2021 | | | |
|-----------------------------------|-------------------------------|---------------------------------|------------|---------------------------------|--------------------------------|------------|--------------------------------|
| Statements adjusted | Line Item | At 02 February 2020 Reported | Adjustment | At 02 February 2020 Restated | At 30 January 2021 Reported | Adjustment | At 30 January 2021 Restated |
| | | £m | £m | £m | £m | £m | £m |
| Statement of comprehensive income | Operating loss (*) | - | - | - | (136.7) | (0.2) | (136.9) |
| | Income tax credit | - | - | - | 42.0 | - | 42.0 |
| | Loss for the financial period | - | - | - | (175.2) | (0.2) | (175.4) |
| Balance sheet | Intangible assets | 127.9 | (8.7) | 119.2 | 126.2 | (8.9) | 117.3 |
| | Trade and other receivables | 109.1 | 1.7 | 110.8 | 63.8 | 1.7 | 65.5 |
| | Retained earnings | 280.2 | (7.0) | 273.2 | 97.0 | (7.2) | 89.8 |

(*) The adjustments relate to cost of sales (decrease of £0.1m), distribution costs (decrease of £0.8m) and administrative expenses (increase of £1.1m).

Selfridges Retail Limited

Notes to the financial statements for the period ended 29 January 2022 (continued)

2 Summary of significant accounting policies (continued)

d) 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 30 January in 2021 and 29 January in 2022.

e) Going concern

In adopting the going concern basis for preparing the financial statements, the Directors have considered the Company's business activities, and the Company's principal risks and uncertainties, as set out in the Strategic report.

In particular, the Directors have considered the impact of Covid-19 on the Company's financial standing and sought to obtain the best possible information to enable them to assess the risks posed to the business. Covid-19 has had a significant short-term impact on the Company's profitability and the Directors have taken a number of actions to manage the associated liquidity risk. These include focusing on cost mitigation plans, rephasing investment spend, and claiming business tax relief offered to retail and hospitality businesses in the early part of the financial period. The Company also renegotiated the covenants relating to its £50.0m revolving bank facility, continued to draw on the revolving facility throughout the year, increased the maximum size of a borrowing facility with another company within the Selfridges Group from £20.0m to £120.0m, and drew on a portion of that facility during the year. At the balance sheet date the Company continued to borrow £50.0m under the revolving credit facility but had repaid all borrowings under the facility with another company within the Selfridges Group.

The Directors have also stress-tested forecasts and under a severe but plausible downside scenario of ongoing adverse impacts from the pandemic, the Company currently has access to sufficient borrowing facilities and on this basis the Directors continue to adopt the going concern basis in preparing the financial statements for the Company. However, in 2021, the Company's ultimate parent company, Wittington Investments, Limited ("WIL"), undertook a review of strategic options for its European retail trading businesses in the United Kingdom, the Netherlands, and Ireland, which included online and digital businesses and real estate holdings used in the retail businesses. As a result of this review, WIL, through a subsidiary, entered into a sale and purchase agreement ("SPA") signed on 23 December 2021 with entities jointly controlled by Central Group and SIGMA Group (collectively, the "Buyers"). Pursuant to the SPA, WIL's subsidiary has agreed to sell to the Buyers the companies operating its European retail businesses including the indirect parent of the Company, SHEL Holdings Europe Limited. The acquisition is expected to close in the coming months upon satisfaction of closing conditions. In light of the pending sale of the Company to the Buyers, the completion of the sale process will result in a change of control that will trigger provisions within the borrowing facilities that could result in them becoming unavailable to the Company, although this is not anticipated. The Directors expect that on completion of the sale process, current facilities will either continue (subject to agreement with the financing provider), or be replaced with at least equivalent facilities. As the completion of the sale and the availability of funding is not yet finalised as of the date of signing the financial statements, this represents a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

f) 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.

g) 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 statement of comprehensive income.

h) Consolidation

The Company is a wholly owned subsidiary of Selfridges & Co. Limited, and of its intermediate parent, SHEL Holdings Europe Limited. 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 SHEL Holdings Europe Limited. Copies of SHEL Holdings Europe Limited consolidated financial statements can be obtained from the Company Secretary at 103 Wigmore Street, London, W1U 1QS.

i) 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 delivery of the goods and services to the customers, being the point at which control of the goods is passed. 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.

j) Government grants

Other operating income includes Government grants received by the Company, including amounts received from the UK Government through the Coronavirus Job Retention Scheme. The Company recognises Government grants when there is reasonable assurance that both the Company has complied with the conditions of the grant and that the grant will be received. Government grants are recognised in the statement of comprehensive income on a systematic basis over the periods in which the related costs towards which they are intended to compensate are recognised as expenses. No amounts from the UK Government Coronavirus Job Retention Scheme were received by the Company during the current period.

k) Dividends

- Dividend income

Dividend income is recognised when the right to receive payment is established. Dividend income is presented as income from shares in group undertakings in the statement of comprehensive income.

- Dividends payable

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.

l) 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. Licence costs relating to SaaS arrangements are expensed as incurred.

Selfridges Retail Limited

Notes to the financial statements for the period ended 29 January 2022 (continued)

2 Summary of significant accounting policies (continued)

m) 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.

Costs directly relating to SaaS arrangements are expensed as incurred, unless the Company has control of the underlying SaaS software. Where SaaS arrangements form part of wider capitalised Information Technology ("IT") projects where it is not possible to separately identify the design, testing, implementation and other general project costs that relate specifically to the SaaS arrangement then a judgemental allocation of such costs is calculated and expensed. Further details on this accounting judgement can be found in Note 2(z).

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 dependent on the nature of the specific software, history of usage and replacement of such software within the business and detailed project plans and strategy for future usage within the business.

n) Property, plant and equipment

Property, plant and equipment is stated at historical 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 50.00 |
| Plant and machinery | 5.00 to 50.00 |
| Fixtures and fittings | 5.00 to 50.00 |

Freehold land is not depreciated.

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if it is greater than its estimated recoverable amount.

The useful life determined is based on the nature of the specific asset, history of usage and replacement of such assets within the Company.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, and they are recognised within 'Administrative expenses' in the statement of comprehensive income.

o) Financial assets and liabilities

(i) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss; and
- those to be measured at amortised cost.

No financial assets are designated as fair value through other comprehensive income.

(ii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortised cost: assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of comprehensive income.
- Fair value through profit or loss (FVPL): assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(iii) Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. For longer-term financial assets, the impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 22 contains further details on how the Company determines the impact of credit risk on financial assets.

Selfridges Retail Limited

Notes to the financial statements for the period ended 29 January 2022 (continued)

2 Summary of significant accounting policies (continued)

o) Financial assets and liabilities (continued)

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 or loss

p) 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 statement of comprehensive income.

q) Current and deferred taxation

The tax credit for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, 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 operates and generates 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 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.

r) 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 and amounts due from suppliers including marketing contributions and inventory returns.

s) 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.

Provisions for impairment are made where necessary for obsolete inventories.

t) 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.

u) Employee benefits

Defined benefit pension scheme

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.

The asset/(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. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating to the terms of the related pension obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. The amount charged or credited to finance costs is a net interest amount calculated by applying the liability discount rate to the net defined benefit liability or asset. Past service costs are recognised immediately in the statement of comprehensive income.

Defined contribution pension scheme

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 loss as incurred.

Notes to the financial statements for the period ended 29 January 2022 (continued)

2 Summary of significant accounting policies (continued)

u) Employee benefits (continued)

Employee incentive schemes

The Company introduced a new Bonus Banking Plan (BBP) for certain employees, including directors in February 2021. The BBP fully replaces the previous long term incentives plan and is designed to measure delivery of targets over one year performance periods based on in-year project deliverables and profit targets.

Each scheme is a four year cycle, with annual awards being 'banked' into a virtual BBP account. For each cycle, awards are earned annually over the first three years with payments staged over a four year period. 50% of the value of a participant's virtual BBP account will be paid out annually over the first three years, with the balance being paid out at the end of year four. The portion not paid out annually (50%) is deferred and becomes the opening balance for the following year. At the end of each four year cycle, any remaining balance pertaining to that cycle will be fully paid out.

The cost of the scheme is accrued over the first three years, under a non-staged vesting accounting approach, with the costs related to each year recognised fully in the statement of comprehensive income that year, as under the rules of the plan the relevant employees become entitled to the amount that vests each year, although an element of the cash payment is deferred. The next scheme will begin in the fourth year, accruing over another three year term.

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

v) 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.

w) 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.

x) Leases

The Company's principal lease arrangements are for property. IFRS 16 requires that the Company's leased assets are recognised as right-of-use assets with a corresponding lease liability.

Lease liabilities are measured at the present value of the following lease payments:

- fixed payments less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable by the Company under residual value guarantees;
- exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payment of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

The lease payments are discounted using an incremental borrowing rate for which the Company uses a risk-free interest rate adjusted for specifications in the lease including the lease term and country, as well as adjusting for whether the asset is likely to be secured or unsecured.

Subsequent to recognition, each lease payment is allocated between the principal repayment of the liability and the finance cost or interest expense element. The finance cost is charged to the statement of comprehensive income over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- restoration costs.

Subsequently, right-of-use assets are depreciated on a straight-line basis over the shorter of the asset's useful economic life or the lease term. Right-of-use assets are adjusted when lease liabilities are remeasured and are also subject to impairment assessment.

The Company subleases some of its right-of-use assets to third parties. Where substantially all of the risks and rewards transfer to the lessee, the sublease is classified as a finance lease, otherwise the sublease is an operating lease. Payments received under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the period of the sublease.

y) Commercial income and capital contributions

The amount recognised in the statement of comprehensive income 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.

z) Critical accounting estimates and judgements

In preparing the financial statements, judgements, estimates and assumptions are made by management, which affect the reported amounts in the financial statements. Actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial period are addressed below.

- 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 24 for the disclosures of the defined benefit pension scheme, including illustrative impacts on the value of the defined benefit obligation from changing key assumptions.

Selfridges Retail Limited

Notes to the financial statements for the period ended 29 January 2022 (continued)

2 Summary of significant accounting policies (continued)

z) Critical accounting estimates and judgements (continued)

- 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 13 and 14 for the carrying amounts of the intangible assets and the property, plant and equipment, and notes 2(m) and 2(n) 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 historical redemption patterns, recent issuances of cards and expected future trends.
- The Company has significant deferred tax assets created by carried forward operating losses. These assets are only recoverable if it is probable that taxable profits will be available in the future against which the losses can be utilised. Management have reviewed forecasts of the Company's future profitability and in their judgement it is appropriate to continue to recognise the deferred tax assets.
- SaaS arrangements: Where the Company undertakes IT projects that include both SaaS arrangements and enhancements to the Company's own IT assets it is sometimes not possible to directly identify the design, testing, implementation and other general project costs that relate to the SaaS arrangement, which can be material. In such cases management makes a judgemental allocation of such costs based on the relative size of the directly identifiable SaaS costs in relation to the total cost of the project, and these allocated costs are then expensed in line with the accounting policy described in note 2(m). If a different judgement was taken, this could materially impact the result for a period where there has been highly material expenditure on relevant projects that are subject to this allocation.

IFRS 16 requires judgement and estimates to be applied in assessing a lease. The main elements of judgement and estimate are:

- Discount rate: The lease payments are discounted using incremental borrowing rates, as in the majority of leases held by the Company, the interest rate implicit in the lease is not readily identifiable. Calculating the discount rate is an estimate made in calculating the lease liability. This rate is the rate that Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms and conditions. To determine the incremental borrowing rate, the Company uses a risk-free interest rate adjusted for specifications in the lease including the lease term and country, as well as adjusting for whether the asset is likely to be secured or unsecured.

The impact of an increase/(decrease) of 0.5% on the discount rate applied to the right-of-use asset, depreciation charge, lease liability and finance cost for the reporting period is presented below.

| | | |
|--------------------|---------|---------------------|
| Right-of-use asset | £175.8m | (decrease)/increase |
| Depreciation | £3.4m | (decrease)/increase |
| Lease liability | £178.1m | (decrease)/increase |
| Finance cost | £1.1m | increase/(decrease) |

- Extension periods (or periods after termination options): These are only included in the lease term if management's judgement is that the lease is reasonably certain to be extended (or not terminated). Management assessed extension periods on a lease by lease basis, considering all factors and circumstances that create an economic incentive to exercise, including the operational significance of the lease, especially where utilised for store retail activities.

3 Revenue

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 website. Revenue by geographical area was as follows:

| | 2022 | 2021 |
|----------------------|--------------|--------------|
| | £m | £m |
| UK | 554.2 | 357.6 |
| European Union | 1.0 | 5.3 |
| Rest of World | 98.2 | 145.6 |
| Total revenue | 653.4 | 508.5 |

4 Operating loss

Operating loss is stated after charging/(crediting) the items set out below.

| | Note | 2022 | Restated 2021 |
|---|------|--------------|------------------|
| | | £m | £m |
| Charge of inventory | | 276.5 | 235.9 |
| Other cost of sales | | 12.9 | 12.6 |
| Foreign exchange (gains)/losses (within cost of sales) | | (1.4) | 0.1 |
| (Reversal of impairment)/impairment of inventory (within cost of sales) | | (1.4) | 2.1 |
| Staff costs | 6 | 118.3 | 108.5 |
| Depreciation of property, plant and equipment | 14 | 43.6 | 48.7 |
| Amortisation of intangible assets | 13 | 24.4 | 21.5 |
| Depreciation of right-of-use assets | 15 | 41.0 | 41.5 |
| Loss on disposal of property, plant and equipment | | - | 0.1 |
| Premises rent payable to third parties under operating leases: | | | |
| Minimum lease payments | | - | 0.1 |
| Contingent rents | | 1.3 | 1.2 |
| (Reversal of impairment)/impairment of trade receivables | 19 | (0.6) | 1.9 |
| Provision for guaranteed minimum pension liabilities | | - | 0.2 |
| Other distribution and administrative expenses | | 178.9 | 183.7 |
| Total cost of sales, distribution and administrative expenses | | 693.5 | 658.1 |

The operating loss for the 52 weeks ended 30 January 2021 has been restated to reflect the impact of the IFRIC decision on configuration and customisation costs in a cloud computing arrangement relating to IAS 38 'Intangible Assets' as disclosed in note 2(c).

Staff costs in the 52 weeks ended 30 January 2021 include £8.2m of costs relating to a restructuring programme that took place in mid-2020. There was not an equivalent cost in the 52 weeks ended 29 January 2022.

5 Other operating income

For the period ended 29 January 2022 there was £2.0m of other operating income (2021: £12.7m of government grants received).

Selfridges Retail Limited

Notes to the financial statements for the period ended 29 January 2022 (continued)

6 Employee costs

Employee costs during the period amounted to:

| | 2022 | 2021 |
|---|--------------|--------------|
| | £m | £m |
| Wages and salaries | 94.6 | 93.6 |
| Social security costs | 10.9 | 11.2 |
| Amount payable under long term incentive plan | 9.2 | - |
| Other pension costs | 3.6 | 3.7 |
| Total employee costs | 118.3 | 108.5 |

7 Employee numbers

The average monthly number of employees during the period was:

| | 2022 | 2021 |
|------------------------|--------------|--------------|
| | No. | No. |
| Full time | 1,769 | 2,059 |
| Part time | 942 | 981 |
| Total employees | 2,711 | 3,040 |
| Head office | 895 | 957 |
| Retail operations | 1,816 | 2,083 |
| Total employees | 2,711 | 3,040 |

8 Directors' emoluments

| | 2022 | 2021 |
|---|------------|------------|
| | £m | £m |
| Aggregate emoluments | 3.7 | 1.7 |
| Aggregate amounts receivable under long term incentive plan | 2.5 | 0.1 |
| Total directors' emoluments | 6.2 | 1.8 |

The highest paid director received total emoluments of £3.7m (2021: £0.8m).

During the period one director (2021: one director) was remunerated by other group companies and the Company has received a charge for their services.

During the period retirement benefits were accruing to three (2021: two) directors under a money purchase scheme. In the financial period, contributions of £135,387 (2021: £20,639) were paid into the money purchase scheme.

9 Auditors' remuneration

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

| | 2022 | 2021 |
|--|------------|------------|
| | £m | £m |
| Auditors' remuneration - for the audit of the Company's financial statements | 0.3 | 0.3 |
| | 0.3 | 0.3 |

Non-audit fees charged to the Company during the period amounted to £3,000 (2021: £2,500).

10 Finance costs

| | 2022 | 2021 |
|---------------------------------------|-------------|-------------|
| | £m | £m |
| Pension finance cost (note 24) | 0.3 | 0.2 |
| Loan interest expense | 2.5 | 1.1 |
| Interest expense on lease liabilities | 80.6 | 80.1 |
| Total finance costs | 83.4 | 81.4 |

11 Income tax credit

| | 2022 | 2021 |
|--|---------------|---------------|
| | £m | £m |
| Current tax | | |
| UK corporation tax on loss for the period | (8.1) | (19.2) |
| Adjustments in respect of prior periods | (0.3) | (0.6) |
| Total current tax | (8.4) | (19.8) |
| Deferred tax | | |
| Origination and reversal of timing differences | (18.7) | (21.5) |
| Adjustments in respect of prior periods | 0.4 | 0.5 |
| Effect of change in tax rates | (10.9) | (1.2) |
| Total deferred tax | (29.2) | (22.2) |
| Tax on loss | (37.6) | (42.0) |

Selfridges Retail Limited

Notes to the financial statements for the period ended 29 January 2022 (continued)

11 Income tax credit (continued)

Reconciliation of total tax credit

The UK standard rate of corporation tax for the period is 19% (2021: 19%). The tax credit for the current and prior period varies from the standard rate for the reasons set out in the following reconciliation:

| | 2022 £m | Restated 2021 £m |
|--|--------------------|------------------------|
| Loss before taxation | (121.5) | (217.4) |
| Tax on loss before taxation at standard rate of 19% (2021: 19%) | (23.1) | (41.3) |
| Tax effects of: | | |
| Expenses not deductible for tax purposes (including ineligible depreciation) | 0.8 | 0.8 |
| Non taxable receipts | - | (0.2) |
| Adjustments in respect of prior periods | 0.1 | (0.1) |
| Difference between current and deferred tax rates | (4.5) | - |
| Effect of change in tax rate on deferred tax balance | (10.9) | (1.2) |
| Total tax credit for the period | (37.6) | (42.0) |
| Tax components of other comprehensive income/(expense) | 2022 £m | 2021 £m |
| <i>Tax on items that will not be reclassified to the statement of comprehensive income</i> | | |
| Remeasurement of net defined benefit asset/(liability) | 4.6 | (2.1) |
| Total tax in other comprehensive income/(expense) | 4.6 | (2.1) |
| Deferred tax | 4.6 | (2.1) |

Deferred tax balances are measured at a corporation tax rate of 25%, being the substantively enacted rate of tax at the balance sheet date. In March 2021 UK budget legislation was announced to increase the main rate of UK corporation tax from 19% to 25%, effective 01 April 2023. As this was substantively enacted at the balance sheet date, deferred tax balances as at 29 January 2022 are measured at 25%.

The loss before taxation for the 52 weeks ended 30 January 2021 has been restated to reflect the impact of the IFRIC decision on configuration and customisation costs in a cloud computing arrangement relating to IAS 38 'Intangible Assets' as disclosed in note 2(c).

12 Dividends paid

| | 2022 £m | 2021 £m |
|---|-------------|------------|
| Equity - ordinary | | |
| Interim paid £0.14 (2021: £nil) per £0.20 share | 80.0 | - |
| Total dividends paid | 80.0 | - |

13 Intangible assets

| | Computer software £m | Computer software under development £m | Total £m |
|-----------------------------------|----------------------------|---|-------------|
| Cost or valuation | | | |
| As at 02 February 2020 (reported) | 122.9 | 58.9 | 181.8 |
| Restatement | (5.6) | (4.7) | (10.3) |
| As at 02 February 2020 (restated) | 117.3 | 54.2 | 171.5 |
| Additions (restated) | - | 19.6 | 19.6 |
| Disposals | (0.1) | - | (0.1) |
| Reclassification (restated) | 29.7 | (29.7) | - |
| As at 31 January 2021 (restated) | 146.9 | 44.1 | 191.0 |
| Additions | - | 24.8 | 24.8 |
| Disposals | (0.8) | - | (0.8) |
| Reclassification | 19.0 | (19.0) | - |
| Derecognition | - | (0.4) | (0.4) |
| As at 29 January 2022 | 165.1 | 49.5 | 214.6 |
| Accumulated amortisation | | | |
| As at 02 February 2020 (reported) | 53.9 | - | 53.9 |
| Restatement | (1.6) | - | (1.6) |
| As at 02 February 2020 (restated) | 52.3 | - | 52.3 |
| Charge for the period (restated) | 21.5 | - | 21.5 |
| Disposals | (0.1) | - | (0.1) |
| As at 31 January 2021 (restated) | 73.7 | - | 73.7 |
| Charge for the period | 24.4 | - | 24.4 |
| Disposals | (0.8) | - | (0.8) |
| As at 29 January 2022 | 97.3 | - | 97.3 |
| Net book value | | | |
| As at 02 February 2020 (restated) | 65.0 | 54.2 | 119.2 |
| As at 30 January 2021 (restated) | 73.2 | 44.1 | 117.3 |
| As at 29 January 2022 | 67.8 | 49.5 | 117.3 |

Amortisation of £24.4m (Restated 2021: £21.5m) is included in administrative expenses in the statement of comprehensive income. Computer software is amortised over its useful economic life of three to eight years and the remaining amortisation period for material intangible assets is between one and seven years.

Selfridges Retail Limited

Notes to the financial statements for the period ended 29 January 2022 (continued)

13 Intangible assets (continued)

Computer software for periods ended 02 February 2020 and 30 January 2021 have been restated to reflect the impact of the IFRIC decision on configuration and customisation costs in a cloud computing arrangement relating to IAS 38 'Intangible Assets' as disclosed in note 2(c).

14 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 31 January 2021 | 239.1 | 34.1 | 284.9 | 9.6 | 567.7 |
| Additions | - | - | - | 22.5 | 22.5 |
| Disposals | (0.1) | (4.1) | (0.4) | - | (4.6) |
| Reclassification | 14.0 | 2.7 | 5.8 | (22.5) | - |
| As at 29 January 2022 | 253.0 | 32.7 | 290.3 | 9.6 | 585.6 |
| Accumulated depreciation | | | | | |
| As at 31 January 2021 | 115.6 | 21.8 | 208.5 | - | 345.9 |
| Charge for the period | 13.8 | 4.2 | 25.6 | - | 43.6 |
| Disposals | (0.1) | (4.1) | (0.4) | - | (4.6) |
| As at 29 January 2022 | 129.3 | 21.9 | 233.7 | - | 384.9 |
| Net book value | | | | | |
| As at 30 January 2021 | 123.5 | 12.3 | 76.4 | 9.6 | 221.8 |
| As at 29 January 2022 | 123.7 | 10.8 | 56.6 | 9.6 | 200.7 |

15 Right-of-use assets

| | Property £m | Total £m |
|--------------------------|----------------|-------------|
| Cost or valuation | | |
| As at 31 January 2021 | 1,935.0 | 1,935.0 |
| Additions | 4.6 | 4.6 |
| Disposals | (1.3) | (1.3) |
| As at 29 January 2022 | 1,938.3 | 1,938.3 |
| Accumulated depreciation | | |
| As at 31 January 2021 | 82.7 | 82.7 |
| Charge for the period | 41.0 | 41.0 |
| Disposals | (1.3) | (1.3) |
| As at 29 January 2022 | 122.4 | 122.4 |
| Net book value | | |
| As at 30 January 2021 | 1,852.3 | 1,852.3 |
| As at 29 January 2022 | 1,815.9 | 1,815.9 |

16 Investments

| | |
|---|----|
| Carrying value of investment in subsidiary undertakings | £m |
| As at 29 January 2022/30 January 2021 | - |

The Company has the following investments in subsidiaries

| | Nature of business | Country of incorporation | Class of shares held | Ownership 2022 | 2021 |
|------------------------------------|-----------------------|-----------------------------|-------------------------|-------------------|------|
| 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.

17 Deferred tax balances

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

| | 2022 £m | Restated 2021 £m |
|---|------------|------------------------|
| Deferred tax assets due within 12 months | - | - |
| Total | - | - |
| Deferred tax assets due after more than 12 months | 62.8 | 38.2 |
| Total | 62.8 | 38.2 |
| Total deferred tax position | | |
| Total asset | 62.8 | 38.2 |

Selfridges Retail Limited

Notes to the financial statements for the period ended 29 January 2022 (continued)

17 Deferred tax balances (continued)

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

| | 2022 £m | Restated 2021 £m |
|--|------------|------------------------|
| As at beginning of period | 38.2 | 13.9 |
| Credited to the statement of comprehensive income | 29.2 | 22.2 |
| (Charged)/credited to other comprehensive income/(expense) | (4.6) | 2.1 |
| As at end of period | 62.8 | 38.2 |

| | Tax losses £m | Accelerated capital allowances £m | Pension (asset)/liability £m | Derivative financial instruments £m | Short term timing differences £m | Total £m |
|---|------------------|--|------------------------------------|--|---|-------------|
| As at 31 January 2021 (restated) | 19.1 | 15.3 | 3.1 | - | 0.7 | 38.2 |
| Adjustments in respect of prior periods | (0.4) | (0.1) | - | - | 0.1 | (0.4) |
| Credited/(charged) to the statement of comprehensive income | 23.5 | 6.3 | (0.9) | - | 0.7 | 29.6 |
| Charged to other comprehensive income | - | - | (4.6) | - | - | (4.6) |
| As at 29 January 2022 | 42.2 | 21.5 | (2.4) | - | 1.5 | 62.8 |

The deferred tax assets at 31 January 2021 has been restated to reflect the impact of the IFRIC decision on configuration and customisation costs in a cloud computing arrangement relating to IAS 38 'Intangible Assets' as disclosed in note 2(c).

The Directors regard the deferred tax asset to be recoverable as, on the basis of all available evidence, it can be regarded as probable that future taxable profits will be available against which the temporary differences can be utilised.

18 Inventories

| | 2022 £m | 2021 £m |
|------------------|------------|------------|
| Goods for resale | 90.2 | 77.1 |

Inventories are stated after provisions for impairment of £2.3m (2021: £4.3m).

There is no significant difference between the replacement cost of inventories and their carrying amounts.

19 Debtors

| | 2022 £m | Restated 2021 £m |
|--|------------|------------------------|
| Amounts falling due within one year | | |
| Trade debtors | 39.7 | 22.3 |
| Right-of-return asset | 0.6 | 1.1 |
| Amounts owed by group undertakings | 2.5 | 0.5 |
| Amounts owed by entity undertakings under common control | 0.2 | 0.5 |
| Other debtors | - | 0.1 |
| Prepayments and accrued income | 11.6 | 5.7 |
| Corporation tax debtor | - | 0.2 |
| Deferred tax asset excluding pension (asset)/liability (note 17) | 65.2 | 35.1 |
| Total Debtors | 119.8 | 65.5 |

Trade debtors are stated after provisions for impairment of £1.6m (2021: £2.9m).

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

Deferred tax asset excluding pension liability at 31 January 2021 has been restated to reflect the impact of the IFRIC decision on configuration and customisation costs in a cloud computing arrangement relating to IAS 38 'Intangible Assets' as disclosed in note 2(c).

20 Creditors - amounts falling due within one year

| | 2022 £m | 2021 £m |
|--|------------|------------|
| Trade creditors | 122.8 | 68.7 |
| Amounts owed to entity undertakings under common control | 0.2 | 0.1 |
| Lease liabilities | 6.5 | 5.9 |
| Corporation tax creditor | 0.4 | - |
| Other creditors | 3.2 | 3.1 |
| Taxation and social security | 19.7 | 10.7 |
| Derivative financial instruments (note 22) | 0.1 | 0.3 |
| Deferred income associated with gift card sales | 19.8 | 15.6 |
| Accruals and deferred income | 54.4 | 34.4 |
| Bank loan | 50.0 | - |
| Total trade and other payables due within one year | 277.1 | 138.8 |

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

During the period the Company continued to draw down on its \$50.0m revolving credit facility. On 22 December 2021, this facility was amended as a result of IBOR reform and going forwards interest will be charged at SONIA plus 1.7693% (2021: charged at LIBOR plus 1.65%). The company has applied the practical expedients provided under 'phase 2' to this amendment and as such no modification gain or loss has been recognised. The bank loan is classed as falling due within one year as the lenders have the right to call in the loan upon a change of control of the Company.

Selfridges Retail Limited

Notes to the financial statements for the period ended 29 January 2022 (continued)

21 Creditors - amounts falling due after more than one year

| | 2022 | 2021 |
|--|----------------|----------------|
| | £m | £m |
| Bank loan | - | 50.0 |
| Amounts owed to entity undertakings under common control | - | 20.0 |
| Lease liabilities | 1,959.0 | 1,943.2 |
| | <u>1,959.0</u> | <u>2,013.2</u> |

During the prior period the Company entered into an agreement which will allow it to borrow up to £80.0m from an entity under common control to cover working capital and liquidity commitments. This was subsequently increased to £120.0m in the current period. On 23 December 2021, this facility was amended as a result of IBOR reform and going forwards interest will be charged at SONIA plus 3.3693% (2021: charged at LIBOR plus 3.25%). The facility is available until June 2022.

The total cash outflow in respect of leases during the period was £69.7m (2021: £68.4m).

22 Financial instruments

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

| | 2022 | 2021 |
|----------------------------------|------------|------------|
| | £m | £m |
| Derivative financial instruments | <u>0.1</u> | <u>0.3</u> |

Derivative financial instruments

The Company enters into forward currency contracts to mitigate the exchange rate risk for certain foreign currency payables. At 29 January 2022, the outstanding contracts all mature within nine months (30 January 2021: within nine months) of the period 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.

The Company does not transact in derivative financial instruments for trading or speculative purposes. As hedge accounting is not applied, derivative financial instruments are classified as fair value through profit or loss.

Financial Risk Management

The Directors consider the Company's financial risk profile to be low. The principal financial risks faced by the Company are liquidity, counterparty exposures, foreign currency and interest rate fluctuations. Risk management is controlled by the Company under policies approved by the Board of Directors. The Company identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess cash.

Liquidity is managed by the Company by maintaining borrowing facilities, and by arranging access to borrowing facilities managed by the wider group, at a level that is forecast to provide reasonable headroom in excess of the future needs of the Company. Management estimates the Company's requirements for future liquidity by maintaining detailed rolling forecasts of cash inflows and outflows.

23 Provisions for liabilities

| | Employee benefits | Dilapidations provision | Total |
|--|-------------------|-------------------------|--------------|
| | £m | £m | £m |
| As at 31 January 2021 | (13.4) | (4.0) | (17.4) |
| Amount recognised in statement of comprehensive income (in operating loss) | (1.2) | (0.4) | (1.6) |
| Amount recognised in other comprehensive income | 17.8 | - | 17.8 |
| Contributions paid | 4.0 | - | 4.0 |
| Unwind of discount | - | (0.1) | (0.1) |
| Amount utilised | - | 0.2 | 0.2 |
| Net pension asset presented in note 24 | (7.2) | - | (7.2) |
| As at 29 January 2022 | <u>-</u> | <u>(4.3)</u> | <u>(4.3)</u> |

Dilapidations provision

The dilapidations provision relates to the future costs of reinstating leasehold properties to their original conditions at the end of the lease term. For certain property leases, the Company is required to restore the leased premises of its retail stores and offices to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease and the useful life of the assets.

24 Employee benefits

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

Defined benefit scheme

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 17 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 05 April 2020 and identified a funding deficit of £15.0m. The Company agreed to extend the existing recovery plan, of £4.0m a year, to 05 April 2023 to remove this deficit.

The initial results of the actuarial valuation as at 05 April 2020 were updated to the accounting date by an independent qualified actuary in accordance with IAS 19 'Employee Benefits'.

Selfridges Retail Limited

Notes to the financial statements for the period ended 29 January 2022 (continued)

24 Employee benefits (continued)

Net amount recognised in the balance sheet for the scheme

| | 2022 | 2021 |
|--|---------|---------|
| | £m | £m |
| Present value of scheme liabilities | (342.7) | (359.8) |
| Fair value of scheme assets | 352.3 | 343.3 |
| Surplus/(deficit) in the scheme | 9.6 | (16.5) |
| Related deferred tax (liability)/asset | (2.4) | 3.1 |
| Net pension asset/(liability) | 7.2 | (13.4) |

Changes in the net assets/(liabilities) recognised in the balance sheet

| | 2022 | 2021 |
|---|--------|--------|
| | £m | £m |
| Opening deficit in the scheme | (16.5) | (10.0) |
| Expense to statement of comprehensive income | (0.3) | (0.4) |
| Amount recognised in other comprehensive income/(expense) | 22.4 | (10.1) |
| Contributions paid | 4.0 | 4.0 |
| Closing surplus/(deficit) in the scheme | 9.6 | (16.5) |

The following amounts are included in the statement of comprehensive income:

| | 2022 | 2021 |
|---|-------|-------|
| | £m | £m |
| Net interest on net defined benefit asset/(liability) (note 10) | (0.3) | (0.2) |
| Past service cost (included within operating loss) | - | (0.2) |
| Total charge to statement of comprehensive income | (0.3) | (0.4) |

The costs of administering the scheme are met directly by the Company. The Directors have received legal advice that the Company can recognise a current or projected future surplus under IFRIC 14. Accordingly, there is no restriction on the recognition of the surplus at 29 January 2022 for the Scheme. Where a surplus remains after the liabilities of the Scheme are met the Company would receive a refund.

The allocation of the scheme's assets was as follows

| | 2022 | 2021 |
|-----------------------------|-------|-------|
| | £m | £m |
| Infrastructure | 43.6 | 39.2 |
| Multi-asset credit | 21.7 | 20.8 |
| Private credit | 38.9 | 28.7 |
| Property | 41.4 | 38.0 |
| Bonds | 51.1 | 51.7 |
| Liability driven investment | 88.0 | 86.3 |
| Partnership interests | 45.1 | 50.4 |
| Other | 22.5 | 28.2 |
| Fair value of scheme assets | 352.3 | 343.3 |

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 maintain an appropriate funding position. The investment strategy aims to deliver greater certainty of investment outcomes by investing largely in assets providing secure, contractual income (primarily bonds, infrastructure and property). Investment risk is managed by diversifying the assets and funds, and by investing in less volatile 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. The LDI funds provide leveraged exposure to changes in long-term interest rates and inflation.

The majority of the scheme's invested assets (all of those except the interest in the Scottish Limited Partnership) have unquoted 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

| | 2022 | 2021 |
|--|--------|-------|
| | £m | £m |
| Opening defined benefit obligation | 359.8 | 342.1 |
| Interest on defined benefit obligation | 5.5 | 6.1 |
| Actuarial losses/(gains) due to | | |
| - Changes in demographic assumptions | 4.5 | - |
| - Changes in financial assumptions | (18.8) | 22.8 |
| - Experience on benefit obligations | 1.2 | (1.8) |
| Benefits paid | (9.5) | (9.6) |
| Past service charge | - | 0.2 |
| Closing defined benefit obligation | 342.7 | 359.8 |

Movement in present value of scheme assets

| | 2022 | 2021 |
|---|-------|-------|
| | £m | £m |
| Opening fair value of scheme assets | 343.3 | 332.1 |
| Interest income | 5.2 | 5.9 |
| Actual return excluding interest income | 9.3 | 10.9 |
| Contributions by the Company | 4.0 | 4.0 |
| Benefits paid | (9.5) | (9.6) |
| Closing fair value of scheme assets | 352.3 | 343.3 |

The actual return on assets over the period was \$14.5m (2021: \$16.8m).

Selfridges Retail Limited

Notes to the financial statements for the period ended 29 January 2022 (continued)

24 Employee benefits (continued)

Expected contributions to the scheme over the coming year are £4.0m.

On 26 October 2018, the High Court handed down a judgment concluding that the Lloyds Bank defined benefit schemes should remove the effect on pension benefits of inequalities between men and women in relation to guaranteed minimum pension (GMP), and concluded on certain methods that were appropriate to do this. In line with UK practice for companies sponsoring schemes with GMP liabilities relating to member service between May 1990 and April 1997, we assume this ruling will apply more widely. The estimated impact on liabilities at the date of the judgment was an increase of £1.6m, which was recognised in the statement of comprehensive income for the period ending 02 February 2019.

On 20 November 2020, the High Court handed down a further judgment, stating that pension schemes should pay uplifts in respect of members who had transferred benefits out in the past (back to 17 May 1990), where those benefits were not equalised in line with the 2018 judgment. The estimated impact on liabilities at the date of the judgment is an increase of £0.2m which was recognised in the statement of comprehensive income during the prior period.

The major assumptions used by the actuary were:

| | 2022 | 2021 |
|---|------|------|
| Rate of increase in pensions in payment | 3.3% | 2.9% |
| Discount rate | 2.2% | 1.5% |
| Retail Prices Index (RPI) inflation | 3.4% | 2.9% |
| Consumer Prices Index (CPI) inflation | 2.7% | 2.1% |

The CPI inflation assumption is set by assuming it is a fixed amount lower than RPI. Following the Government announcement on 25 November 2020 regarding the future of the RPI, the CPI assumption has been set using a different fixed amount before and after 2030. The gap between RPI and CPI is assumed to be 1.1% pa up to 2030 and 0.1% pa thereafter. The figure of 2.7% pa (2021: 2.1% pa) is a weighted average.

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 | 2022 Years | 2021 Years |
|--|---------------|---------------|
| - Men | 25.2 | 25.0 |
| - Women | 28.5 | 28.2 |
| Life expectancy at age 61 for members retiring in 20 years' time | | |
| - Men | 26.6 | 26.5 |
| - Women | 29.9 | 29.8 |

Sensitivity analysis

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

| Assumption | Change in assumption | 2022 £m | 2021 £m |
|-----------------------------------|----------------------------|------------|------------|
| Discount rate | Decrease by 0.5% per annum | +30 | +33 |
| Future Price Inflation | Increase by 0.5% per annum | +19 | +22 |
| Assumed life expectancy at age 61 | Increase by 1 year | +13 | +13 |

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 scheme, 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 scheme's assets may be lower than anticipated, especially if falls in asset values are not matched by similar falls in the value of the scheme's liabilities.
- The level of price inflation may be higher than that assumed, resulting in higher payments from the scheme.
- 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 scheme's liabilities, for example through early retirement or commutation of pension for cash.
- Legislative changes could also lead to an increase in the scheme's liabilities.
- The scheme liabilities are calculated using a discount rate set with reference to corporate bond yields. If scheme assets underperform this yield the deficit will increase.
- A decrease in corporate bond yields will increase the value placed on the scheme liabilities, although that will be partially offset by an increase in the value of the scheme's bond holding.

Defined contribution scheme

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 recognised as an expense by the Company amounted to £3.6m (2021: £3.7m) during the period.

Outstanding contributions payable at the period end were £0.3m (2021: \$nil).

Selfridges Retail Limited

Notes to the financial statements for the period ended 29 January 2022 (continued)

25 Called up share capital

| | 2022 £m | 2021 £m |
|--|------------|------------|
| Allotted, called up and fully paid | | |
| 563,884,098 (2021: 113,884,098) ordinary shares of £0.20 (2021: £1) each | 112.8 | 113.9 |

During the period the Company issued 50,000,000 ordinary shares of £1 each to its immediate parent company, Selfridges & Co. Limited. The Company subsequently undertook a share capital reduction by reducing the nominal value of its shares from £1.00 to £0.20 each. The movement in the nominal value of the shares of £131,107,278 was transferred to distributable reserves. Immediately following the share capital reduction the Company issued 400,000,000 ordinary shares of £0.20 each to Selfridges & Co. Limited.

26 Commitments for capital expenditure

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

| | 2022 £m | Restated 2021 £m |
|---------------------------------|------------|------------------------|
| Contracted but not provided for | 3.6 | 12.8 |
| | | |
| | 2022 £m | Restated 2021 £m |
| Property, plant and equipment | 2.2 | 7.0 |
| Intangible assets | 1.4 | 5.8 |

Commitments for capital expenditure at 30 January 2021 has been restated to reflect the impact of the IFRIC decision on configuration and customisation costs in a cloud computing arrangement relating to IAS 38 'Intangible Assets' as disclosed in note 2(c).

27 Company as Lessor

Future aggregate minimum lease rental receivable under non-cancellable operating leases based on contractual rental income at period end is as follows:

| | 2022 £m | 2021 £m |
|--|------------|------------|
| Not later than one year | 0.5 | 0.5 |
| Later than one year but not later than two years | 0.5 | 0.5 |
| Later than two years but not later than three years | 0.5 | 0.5 |
| Later than three years but not later than four years | 0.5 | 0.5 |
| Later than four years but not later than five years | 0.5 | 0.5 |
| Later than five years | 3.5 | 4.0 |
| Total | 6.0 | 6.5 |

The amounts quoted above represent the minimum amounts payable by the lessee to the Company. The Company is also entitled to a variable rental element at a fixed percentage of the receipts generated by the lessee.

The Company has one lease in issue, entered into in June 2018. The lease is for a term of 15 years. Rents receivable are reviewed every three years.

28 Related party transactions

Property leases

Certain properties utilised by the Company are owned by Selfridges Properties Limited and Selfridges Manchester Limited, 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 paid to entities under common control was £63.6m (2021: £62.6m). At the period end the Company had a balance of £0.1m (2021: £0.4m) payable to (2021: receivable from) Selfridges Properties Limited and £nil (2021: £nil) receivable from Selfridges Manchester Limited.

Transactions with entities under common control

Certain loan facilities owed by the Company have been received from companies under common control. During the period the Company had an agreement which allows the Company to borrow up to £120.0m from Selfridges Financing Limited. The balance payable at the period end was £0.1m (2021: £20.1m).

During the period the Company incurred expenses of £0.3m on behalf of SRL Scottish Limited Partnership (2021: £0.3m). The balance receivable at the period end was £0.2m (2021: £0.1m).

During the period, donations of £1.1m (2021: £0.5m) were paid to Selfridges Group Foundation, an entity undertaking under common control.

Other trading balances

During the period the Company conducted business with other entities under common control as part of its ongoing business operations. The balance receivable by the Company at the period end was £nil (2021: £0.1m). Other balances owed to the Company by group companies at the period end was £2.5m (2021: £0.5m).

Selfridges Retail Limited

Notes to the financial statements for the period ended 29 January 2022 (continued)

29 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 103 Wigmore Street, London, W1U 1QS.

30 Post balance sheet events

The Company's £120.0m facility agreement with another entity under common control was due to mature on 10 June 2022. On 7 June 2022 the facility agreement was reduced to £80.0m, with £40.0m maturing early, and the remaining facility extended for six months.

In the normal course of business, the Company and its subsidiary are subject to legal proceedings, including regulatory audits, reviews and investigations. Management regularly reviews such proceedings and establishes provisions when a loss is assessed to be probable and the amount of the loss is reasonably estimable. On 17 May 2022, the Company received a letter from the European Commission in connection with its investigation of the fashion sector and requested information regarding the Company's activities within the European Economic Area. The Company has provided the requested information and assessed the financial risk as remote.