

Registration number: 05990648

# Harrods Group (Holding) Limited

Annual Report and Consolidated Financial Statements

for the period ended 30 January 2021



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## **Harrods Group (Holding) Limited**

### **Contents**

Strategic Report	1 to 5
Directors' Report	6 to 15
Statement of Directors' Responsibilities in respect of the annual report and the financial statements	16
Independent Auditor's Report to the Members of Harrods Group (Holding) Limited	17 to 21
Consolidated Profit and Loss Account	22
Consolidated Statement of Comprehensive Income	23
Consolidated Balance Sheet	24
Company Balance Sheet	25
Consolidated Statement of Changes in Equity	26 to 27
Company Statement of Changes in Equity	28
Consolidated Statement of Cash Flows	29
Notes to the Financial Statements	30 to 56

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# Harrods Group (Holding) Limited

## Strategic Report

### for the period ended 30 January 2021

#### Business review

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

On 16 July 2021, the Group concluded an agreement with its banking syndicate to extend by eighteen months the term loan of £620m and the revolving credit facility of £200m, which had been due to be repayable in April 2022. The new repayment date under the amended and restated agreement is now 29 October 2023.

The balances outstanding at the end of the year were £620m for the term loan (2020: £620m) and £nil on the revolving credit facility (2020: £nil).

#### Principal activity

The principal activity of the company is that of an investment holding company.

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

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

#### Results of ordinary activities

For the period ended 30th January 2021, Gross Transaction Value decreased by -51.4% to £1,157.5m (2020: £2,381.1m) whilst group turnover decreased -53.4% to £485.2m (2020: £1,040.5m).

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

	52 weeks 30 January 2021 £M	52 weeks 1 February 2020 £M	Growth £M	Growth %
Gross Transaction Value (Incl VAT)	1,157.5	2,381.1	(1,223.6)	-51.4%
Gross Transaction Value (Excl VAT)	986.6	2,018.4	(1,031.8)	-51.1%
Turnover	485.2	1,040.5	(555.3)	-53.4%

The period saw a reduction in capital expenditure during the Covid-19 pandemic, with total additions of £51.7m (2020: £116.6m).

**Harrods Group (Holding) Limited**  
**Strategic Report (Continued)**  
**for the period ended 30 January 2021**

**Principal risks and uncertainties**

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

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

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

**Covid-19**

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

The safety of our employees and customers is of utmost importance. The difficult decision was taken to close the store following the government mandate that all non-essential shops be closed from 23rd March 2020. During the closure, the Group furloughed the majority of employees under the UK Coronavirus Job Retention Scheme.

The store was re-opened on the 15th of June 2020. As part of the gradual reopening process, extra steps and precautionary measures were implemented to ensure compliance with social distancing and the highest health and safety and sanitation practices. We have followed government guidance in all re-opening plans, as well as leading industry best practices, as informed by our stakeholders and industry bodies.

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

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

Harrods Limited, Harrods International Limited (which includes the airport terminal sites) and Harrods Aviation Limited, have been significantly impacted by the reduction in international travel due to the pandemic.

**Brexit**

It is anticipated that the predominate impact of Brexit on the Harrods Group (Holding) Limited group revolves around the removal of the Retail Export Scheme which may impact on trade at the Knightsbridge store and Tax Free Shopping which may impact on trade at the airport terminal stores that came into effect from 1 January 2021. It is not possible at this stage to quantify the impact on future trade as a result of the loss of this benefit to overseas customers, given international travel has still not returned to pre-covid levels.

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

**Harrods Group (Holding) Limited**  
**Strategic Report (Continued)**  
**for the period ended 30 January 2021**

**Credit risk**

The group's principal credit risk relates to the recovery of trade debtors, although it is not considered significant due to the nature of the business which is predominantly a retail business with purchases settled at the time of the transaction. In order to manage credit risk relating to other trade debtors, subsidiary credit controllers and directors review the aged debtors and collection history on a regular basis and take follow up action where required.

There are no long overdue debts or non-current group receivables at 30 January 2021 (2020: £nil).

**Currency risk**

The group is exposed to foreign exchange risk on overseas purchasing, but only approximately 12% (2020: 12%) of the group's purchases are contracted in a foreign currency. Transaction exposures are hedged partially using forward currency contracts or currency options, up to one year in advance. Additionally, the group accepts foreign currency in the Knightsbridge store and airport outlets and retains this currency to settle foreign currency obligations.

**KPIs**

There are no other KPIs required to be reported at a group level other than turnover and loss after tax, that would give a fuller understanding of the groups business.

## **Harrods Group (Holding) Limited**

### **Strategic Report (Continued)**

### **for the period ended 30 January 2021**

#### **Harrods Group Section 172(1) statement**

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

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

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

#### **Our customers**

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

#### **Our people**

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

#### **Our brands and suppliers**

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

#### **Our community**

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

#### **Our environmental impact and sustainability**

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

**Harrods Group (Holding) Limited**  
**Group Strategic Report (Continued)**  
**for the period ended 30 January 2021**

**Our long term decision making**

The primary function of the Group Board is to develop the Group's strategy and oversee its implementation in order to promote the long-term success of the business for the benefit of its stakeholders and deliver sustainable shareholder value. The business aim to ensure that decisions support the Group's purpose and values, together with its strategic priorities.

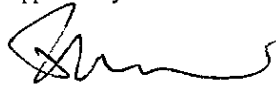
**Our standards**

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

**Our members**

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

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



.....  
D J Webster  
Company secretary

Harrods Group (Holding) Limited  
87 - 135 Brompton Road  
Knightsbridge  
London  
SW1X 7XL

**Harrods Group (Holding) Limited**  
**Directors' Report**  
**for the period ended 30 January 2021**

The directors present their Report together with the audited Consolidated Financial Statements of Harrods Group (Holding) Limited and its subsidiary companies ("the group") for the 52 week period ended 30 January 2021 (2020: 52 weeks).

**Results and dividends**

Turnover for the period ended 30 January 2021 totalled £485.2m (2020: £1,040.5m).

The loss for the period, after taxation, amounted to £-132.1m (2020: profit £130.5m), this is due to the government imposed lockdowns and international travel interruption due to the pandemic. The group did not declare a dividend in the period. (2020: £0m).

**Directors of the group**

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

H.E. H A Al-Abdulla  
M E S I Al-Mahmoud  
M A Ward  
S J Brown

**Future developments**

The company has considerable financial resources together with long term contracts with a number of customers across different geographic areas and industries (including retail concessionaires, aviation services and wholesale customers). As a consequence, the directors believe that the company is well placed to manage its business risks successfully.

**Going Concern**

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

**Current position:**

At the balance sheet date, the Group had cash of £85.2m and £200.0m available in the undrawn committed revolving credit facilities with Qatar National Bank S.A.Q .

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

By the end of the first half (six months ending 31 July 2021), through careful management of its stock purchases as well as its operating and capital spend, the Group had managed to increase its cash position to £131.2m.

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

A subsidiary of the Group holds a loan from a related party company, Qatar Holdings LLC, which matures in 2025 and requires annual payments of the principal and interest amounts. Qatar Holdings LLC has indicated that it does not intend to seek repayment of amounts due for the period covered by the forecasts.

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



**Harrods Group (Holding) Limited**  
**Directors' Report (Continued)**  
**for the period ended 30 January 2021**

**Employment of disabled persons**

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

**Charitable donations**

The charitable donations made by the group and charged in the Financial Statements were £22k (2020: £98k). In addition, during the period the group supported various charities by hosting fundraising events within the Harrods store in Knightsbridge. There were no political donations.

**Environmental matters**

Harrods Limited have commissioned a carbon footprint study of their UK operation including the Knightsbridge Store, distribution centres, associated offices and car park for the time coinciding with the financial period ending 30 January 2021, covering Scope 1 and 2 under the principles of the World Business Council for Sustainable Development (WBCSD) GHG Protocol. The Harrods total carbon footprint is 12,063.6 Co2 tonnes (2020: 21,892 Co2 tonnes).

**Payment of creditors**

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

The group is sympathetic to, and pays particular attention to, the cash flow needs of its smaller suppliers. At period end the number of days payable outstanding was 33 days (2020: 33 days).

**Post balance sheet events**

Apart from the extension to the finance agreement mentioned in the business review, there are no other events affecting the company since the year end.

**Harrods Group (Holding) Limited**  
**Directors' Report (Continued)**  
**for the period ended 30 January 2021**

**Governance Statement**

**1. Overview**

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

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

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

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

**2. The Wates Principles**

**2.1. Purpose and Leadership**

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

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

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

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

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

The Harrods Framework has been developed to formalise the role of the Group Board and how it interacts with the rest of the business and its ultimate shareholder, the Qatar Investment Authority (Shareholder). The relationship between the Shareholder and the Group is designed to create alignment and to support the development of the business for the benefit of the shareholders and stakeholders to deliver long-term continuity and success. The Harrods Framework provides the business with direction, objectives, structure and processes that ultimately create stakeholder and Shareholder value through a complementary balance of control and flexibility.

**Harrods Group (Holding) Limited**  
**Directors' Report (Continued)**  
**for the period ended 30 January 2021**

**2.2 Board Composition**

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

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

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

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

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

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

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

**2.3 Director Responsibilities**

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

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

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

**Harrods Group (Holding) Limited**  
**Directors' Report (Continued)**  
**for the period ended 30 January 2021**

**2.4 Opportunity and Risk**

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

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

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

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

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

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

**2.5 Remuneration**

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

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

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

**Harrods Group (Holding) Limited**  
**Directors' Report (Continued)**  
**for the period ended 30 January 2021**

**2.6 Stakeholder Relationships and Engagement**

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

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

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

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

Harrods is committed to meaningful engagement with its workforce and two-way communication through both formal and informal channels. These include: quarterly business-wide forums which provide the workforce with updates on business strategy and performance, weekly news bulletins, employee surveys and an informative employee intranet; an employee listening forum through which employees meet with senior management to discuss work-related issues; and two employee networks (a LGBTQ+ network and a Mental Health network) each of which is sponsored by a member of senior management.

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

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

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

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

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

**Harrods Group (Holding) Limited**  
**Directors' Report (Continued)**  
**for the period ended 30 January 2021**

**Employee Engagement**

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

**Business Relationships**

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

# Harrods Group (Holding) Limited

## Directors' Report (Continued)

### for the period ended 30 January 2021

#### Streamlined Energy & Carbon Reporting

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

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

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

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

Reporting	kWh Consumption		Tonnes CO <sub>2</sub> e	
		%		%
<b>Scope 1 Energy</b>				
Natural Gas Consumption	10,194,673 kWh	19.0%	1,874.5 t	15.50%
Heating Oil	957,868 kWh	1.8%	245.9 t	2.00%
Diesel - Generator Fuel	83,322 kWh	0.2%	21.1 t	0.20%
Diesel - Haulage Fleet	2,287,439 kWh	4.3%	550.3 t	4.60%
<b>Scope 2 Energy</b>				
Electricity Purchases	40,175,664 kWh	74.8%	9,366.6 t	77.6%
<b>Scope 3 Energy</b>				
Employee Mileage Claims	22,200 kWh	0.0%	5.3 t	0.0%
<b>Total Reported</b>	<b>53,721,165 kWh</b>		<b>12,063.6 t</b>	

SECR regulations require us to report an energy intensity metric, and we have chosen to use annual turnover as the divisor for our intensity metric. Our energy consumption per million pounds of gross turnover was 125,078 kWh, and the CO<sub>2</sub>e emissions were 28,088 kg per million pounds.

Note: The above ratios have been calculated using the Harrods Limited Turnover for the year ending 30 January 2021.

**Harrods Group (Holding) Limited**  
**Directors' Report (Continued)**  
**for the period ended 30 January 2021**

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

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

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

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

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

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



**Harrods Group (Holding) Limited**  
**Directors' Report (Continued)**  
**for the period ended 30 January 2021**

**Notes:**

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

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

-Following a change in supplier, we have had to estimate electricity consumption at several minor sites, and this has been based upon verified consumption at the end of the reporting period.

-We have estimated gas consumption at one minor retail outlet, and this has been based upon CIBSE benchmarks.

-Diesel fuel consumption associated with generators and road freight has been based upon verified data for the twelve months prior to the reporting period.


**Disclosure of information to the Auditor**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's Auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the Auditor is unaware.

**Reappointment of Auditors**

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

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



.....  
D J Webster

Company secretary

Harrods Group (Holding) Limited

87 - 135 Brompton Road

Knightsbridge

London

SW1X 7XL

## **Harrods Group (Holding) Limited**

### **Statement of Directors' Responsibilities for the period ended 30 January 2021**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARRODS GROUP (HOLDING) LIMITED

### Opinion

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

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent Company's affairs as at 30 January 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Going concern

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

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

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

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



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

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 2 to be acceptable.

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

#### **Fraud and breaches of laws and regulations – ability to detect**

##### *Identifying and responding to risks of material misstatement due to fraud*

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

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

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

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

We did not identify any additional fraud risks.



We also performed procedures including:

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

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

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

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

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

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

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



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

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

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

**Strategic report and directors' report**

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

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

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

**Matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.

**Directors' responsibilities**

As explained more fully in their statement set out on page 16, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent Company or to cease operations, or have no realistic alternative but to do so.



### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

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

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

**Harrods Group (Holding) Limited**  
**Consolidated Profit and Loss Account**  
**for the period ended 30 January 2021**

		Total 52 weeks ended 30 January 2021 £M	Total 52 weeks ended 1 February 2020 £M  As restated*
Turnover	3	485.2	1,040.5
Cost of sales		(239.0)	(433.2)
<b>Gross profit</b>		<b>246.2</b>	<b>607.3</b>
Distribution costs	2	(261.3)	(290.6)
Administrative expenses	2	(97.3)	(92.5)
Other operating income	4	48.0	34.2
Fair value movement	2	1.6	(1.3)
<b>Operating (loss) / profit</b>	<b>5</b>	<b>(62.8)</b>	<b>257.1</b>
Loss on closure of Harrods Estates branch	7	-	(0.6)
<b>(Loss) / Profit on ordinary activities before interest and taxation</b>		<b>(62.8)</b>	<b>256.5</b>
Interest receivable and similar income	10	1.9	3.3
Interest payable and similar charges	11	(57.7)	(84.1)
<b>(Loss) / Profit before tax</b>		<b>(118.6)</b>	<b>175.7</b>
Taxation	13	(13.5)	(45.2)
<b>(Loss) / Profit for the financial period</b>		<b>(132.1)</b>	<b>130.5</b>

\*See note 2 in respect of the prior year reclassification.

The notes on pages 30 to 56 form an integral part of these Financial Statements.



**Harrods Group (Holding) Limited**  
**Consolidated Statement of Comprehensive Income**  
**for the period ended 30 January 2021**

		52 weeks ended 30 January 2021 £M	52 weeks ended 1 February 2020 £M
	Note		
<b>(Loss) / Profit for the period</b>		<b>(132.1)</b>	<b>130.5</b>
Gain/(Loss) on hedging reserve	21	2.1	(2.5)
Actuarial (losses)/gains on defined benefit pension scheme	25	(16.2)	6.1
Movement of deferred tax relating to pension surplus		1.9	(1.1)
Prior year adjustment (in relation to the year ending 2 February 2019)		-	1.9
<b>Other comprehensive (loss) / income for the period</b>		<b>(12.2)</b>	<b>4.4</b>
<b>Total comprehensive (loss) / income for the period</b>		<b>(144.3)</b>	<b>134.9</b>

The notes on pages 30 to 56 form an integral part of these Financial Statements.

# Harrods Group (Holding) Limited

## Consolidated Balance Sheet as at 30 January 2021

		30 January 2021 £M	1 February 2020 £M
	Note		
<b>Fixed assets</b>			
Intangible assets	15	401.1	402.0
Tangible assets	16	1,336.7	1,358.7
		<u>1,737.8</u>	<u>1,760.7</u>
<b>Current assets</b>			
Stocks	19	87.6	112.0
Debtors: amounts falling due within one year	20	84.2	70.2
Cash at bank and in hand		85.2	224.8
		<u>257.0</u>	<u>407.0</u>
<b>Creditors: Amounts falling due within one year</b>	21	<u>(320.5)</u>	<u>(363.6)</u>
<b>Net current (liabilities)/assets</b>		<u>(63.5)</u>	<u>43.4</u>
<b>Total assets less current liabilities</b>		<b>1674.3</b>	<b>1804.1</b>
<b>Creditors: Amounts falling due after more than one year</b>	21	<u>(1,521.3)</u>	<u>(1,522.0)</u>
<b>Net assets excluding pension asset</b>		<b>153.0</b>	<b>282.1</b>
Net pension asset	25	101.9	117.1
<b>Net assets</b>		<u><b>254.9</b></u>	<u><b>399.2</b></u>
<b>Capital and reserves</b>			
Called up share capital	23	3.8	3.8
Share premium reserve	23	264.5	264.5
Other reserves		(11.1)	(13.2)
Profit and loss account		(2.3)	144.1
<b>Equity attributable to owners of the company</b>		<u><b>254.9</b></u>	<u><b>399.2</b></u>

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

M A Ward  
Director

The notes on pages 30 to 56 form an integral part of these Financial Statements.

# Harrods Group (Holding) Limited

## Company Balance Sheet as at 30 January 2021

		30 January 2021 £M	1 February 2020 £M
	Note		
<b>Fixed assets</b>			
Investments	17	262.6	262.6
<b>Current assets</b>			
Debtors: amounts falling due within one year	20	35.6	35.1
Cash at bank and in hand		0.2	1.2
		<u>35.8</u>	<u>36.3</u>
<b>Creditors: Amounts falling due within one year</b>	21	<u>(0.1)</u>	<u>(0.2)</u>
<b>Net current assets</b>		<u>35.6</u>	<u>36.1</u>
<b>Net assets</b>		<u>298.3</u>	<u>298.7</u>
<b>Capital and reserves</b>			
Called up share capital	23	3.8	3.8
Share premium reserve	23	264.5	264.5
Profit and loss account		30.0	30.4
<b>Total equity</b>		<u>298.3</u>	<u>298.7</u>

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

M A Ward  
Director

The notes on pages 30 to 56 form an integral part of these Financial Statements.

# Harrods Group (Holding) Limited

## Consolidated Statement of Changes in Equity for the period ended 1 February 2020 Equity attributable to the parent company

	Share capital £M	Share premium £M	Revaluation reserve £M	Other reserves £M	Profit and loss account £M	Non-controlling interest £M	Total equity £M
At 1 February 2019	3.8	264.5	-	(10.7)	0.2	6.5	264.3
Profit for the financial period	-	-	-	-	130.5	-	130.5
Actuarial gain on pension scheme	-	-	-	-	5.0	-	5.0
Movement in hedging reserve	-	-	-	(2.5)	-	-	(2.5)
Prior year adjustment (in relation to the year ending 2 February 2019)	-	-	-	-	1.9	-	1.9
<b>Total comprehensive income</b>	-	-	-	(2.5)	137.4	-	134.9
Movement in non-controlling interest	-	-	-	-	6.5	(6.5)	-
Dividends	-	-	-	-	-	-	-
<b>At 1 February 2020</b>	<b>3.8</b>	<b>264.5</b>	<b>-</b>	<b>(13.2)</b>	<b>144.1</b>	<b>-</b>	<b>399.2</b>

The notes on pages 30 to 56 form an integral part of these Financial Statements.

# Harrods Group (Holding) Limited

## Consolidated Statement of Changes in Equity (Continued) for the period ended 30 January 2021 Equity attributable to the parent company

	Share capital £M	Share premium £M	Other reserves £M	Profit and loss account £M	Total equity £M
At 2 February 2020	3.8	264.5	(13.2)	144.1	399.2
Loss for the financial period	-	-	-	(132.1)	(132.1)
Actuarial loss on pension scheme	-	-	-	(14.3)	(14.3)
Movement in hedging reserve	-	-	2.1	-	2.1
<b>Total comprehensive income</b>	-	-	2.1	(146.4)	(144.3)
Dividends	-	-	-	-	-
<b>At 30 January 2021</b>	<b>3.8</b>	<b>264.5</b>	<b>(11.1)</b>	<b>(2.3)</b>	<b>254.9</b>

The notes on pages 30 to 56 form an integral part of these Financial Statements.

**Harrods Group (Holding) Limited**  
**Company Statement of Changes in Equity**  
**for the period ended 30 January 2021**

	Share capital £M	Share premium £M	Profit and loss account £M	Total £M
At 2 February 2019	3.8	264.5	30.6	298.9
Profit for the financial period	-	-	0.4	0.4
Dividends	-	-	(0.6)	(0.6)
<b>At 1 February 2020</b>	<b>3.8</b>	<b>264.5</b>	<b>30.4</b>	<b>298.7</b>

	Share capital £M	Share premium £M	Profit and loss account £M	Total £M
At 1 February 2020	3.8	264.5	30.4	298.7
Loss for the financial period	-	-	(0.4)	(0.4)
Dividends	-	-	-	-
<b>At 30 January 2021</b>	<b>3.8</b>	<b>264.5</b>	<b>30.0</b>	<b>298.3</b>

The notes on pages 30 to 56 form an integral part of these Financial Statements.

**Harrods Group (Holding) Limited**  
**Consolidated Statement of Cash Flows**  
**for the period ended 30 January 2021**

	52 weeks ended 30 January 2021 £M	52 weeks ended 1 February 2020 £M
<b>Cash flows from Operating activities</b>		
(Loss)/Profit for the financial period	(132.1)	130.5
Adjustments to cash flows from non-cash items	-	
Depreciation and amortisation	74.6	72.4
Loss on disposal of tangible assets	-	0.3
Disposal of branch/ subsidiary	-	0.6
Finance income	(1.9)	(3.3)
Finance costs	57.7	84.1
Income tax (credit)/expense	13.5	45.2
Asset write offs	-	1.4
Fair value movement	(1.6)	1.3
	10.2	332.5
<b>Working capital adjustments</b>		
Decrease/(Increase) in stocks	24.5	(2.6)
Increase in debtors	(14.0)	(4.6)
(Decrease)/Increase in creditors	(65.0)	14.9
Defined retirement benefit contributions	-	(1.6)
Cash generated from operations	(44.4)	338.6
Income taxes paid	(18.0)	(32.6)
<b>Net cash flows from Operating activities</b>	<b>(62.4)</b>	<b>306.0</b>
<b>Cash flows from Investing activities</b>		
Interest received	0.4	1.1
Acquisitions of tangible assets	(61.8)	(109.6)
<b>Net cash flows from Investing activities</b>	<b>(61.4)</b>	<b>(108.5)</b>
<b>Cash flows from Financing activities</b>		
Repayment of loans and financial leases	-	(52.2)
Interest paid	(15.8)	(85.8)
Dividends paid	-	(32.3)
<b>Net cash flows from Financing activities</b>	<b>(15.8)</b>	<b>(170.3)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(139.6)</b>	<b>27.2</b>
Cash and cash equivalents at 2 February 2020	224.8	197.6
<b>Cash and cash equivalents at 30 January 2021</b>	<b>85.2</b>	<b>224.8</b>

The notes on pages 30 to 56 form an integral part of these Financial Statements.

**Harrods Group (Holding) Limited**  
**Notes to the Financial Statements**  
**for the period ended 30 January 2021**

**1 General information**

Harrods Group (Holding) Limited is a private company limited by share capital, incorporated in England and Wales.

The registered number is 05990648 and the address of its registered office is:

87 - 135 Brompton Road  
Knightsbridge  
London  
SW1X 7XL

**2 Accounting policies**

**Basis of preparation**

These Group and parent company Financial Statements have been prepared under the historical cost convention except for the treatment of financial derivatives, investment properties and loyalty scheme liabilities, which are accounted for under the fair value convention, and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £m to 1 decimal place.

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

**Going concern**

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

At the balance sheet date, the Group had cash of £85.2m and £200.0m available in the undrawn committed revolving credit facilities with Qatar National Bank S.A.Q .

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

By the end of the first half (six months ending 31 July 2021), through careful management of its stock purchases as well as its operating and capital spend, the Group had managed to increase its cash position to £131.2m.

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

A subsidiary of the Group holds a loan from a related party company, Qatar Holdings LLC, which matures in 2025 and requires annual payments of the principal and interest amounts. Qatar Holdings LLC has indicated that it does not intend to seek repayment of amounts due for the period covered by the forecasts.



**Harrods Group (Holding) Limited**  
**Notes to the Financial Statements**  
**for the period ended 30 January 2021**

**Going concern (continued)**

**Forecasting assumptions:**

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

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

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

- The Knightsbridge store to remain open with significantly lower footfall (compared to pre-pandemic levels) for the rest of the 2021 calendar year.
- A reduction in forecast revenue as a result of the removal of the VAT-free sales export scheme.
- The overlay of certain mitigating actions already taken in the previous year, including a cost savings initiative driving lower payroll costs and a reduction in inventory purchases. It has also been assumed that the Group will not make any payments to its shareholders for the period covered by the forecasts.
- For next 12-month period, assume some resumption of travel leading to a 25% increase in trade over the current year. This remains significantly below the levels of trade experienced before the pandemic.

**Stress test scenarios:**

Management stress tested the cash flows with pessimistic but plausible downside scenarios. The following assumptions were used:

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

**Conclusions:**

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

Qatar Holdings LLC has indicated that it does not intend to seek repayment of interest, principal or the payment of dividends, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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

**Harrods Group (Holding) Limited**  
**Notes to the Financial Statements**  
**for the period ended 30 January 2021**

**Going concern (continued)**

As well as maintaining a stable cash position, the group has access to a £200m committed revolving credit facility that it has not needed to draw down on during the third lock down from December 2020 to April 2021 and does not anticipate requiring it but is available to help meet any unexpected circumstances. The forecasts, including under the stress test scenarios, indicate that there will be sufficient headroom to meet the banking covenants. The Group is also regularly updating its forecasts to ensure that it is expected to continue to be able to meet its banking covenants for the foreseeable future and that no remedial action is required. This remains the case in the stress test scenario described above.

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

**Basis of consolidation**

The Consolidated Financial Statements consolidate the Financial Statements of the company and its subsidiary undertakings drawn up to 30 January 2021.

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

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

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

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

## **Harrods Group (Holding) Limited**

### **Notes to the Financial Statements (Continued) for the period ended 30 January 2021**

#### **Revenue recognition**

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

The group recognised turnover when:

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

E-commerce sales are treated consistent with the Groups revenue recognition policy and relevant accounting standards.

#### **Concession sales**

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

#### **Estimated sales returns**

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

#### **Investments**

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

#### **Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

#### **Impairment excluding stocks, investment properties and deferred tax assets**

##### *Financial assets (including trade and other debtors)*

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

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

##### *Non-financial assets*

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

## **Harrods Group (Holding) Limited**

### **Notes to the Financial Statements (Continued) for the period ended 30 January 2021**

#### **2 Accounting policies (continued)**

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss recognised for goodwill is not reversed. Impairment losses recognised for other assets is reversed only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### **Intangible assets**

##### **Goodwill**

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is stated at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Profit and Loss Account over its useful economic life, with current goodwill being amortised over a period of fifty years.

##### **Other intangible assets**

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

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

##### **Tangible assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method. The estimated useful lives range as follows:

## Harrods Group (Holding) Limited

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

#### 2 Accounting policies (continued)

##### Depreciation

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

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

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Consolidated Statement of Comprehensive Income.

##### Revaluation of investment property

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

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

##### Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

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

Lease payments are apportioned between finance costs in the Profit and Loss Account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability. Where the group transfers substantially all the risks and rewards of ownership, the arrangement is classified as a finance lease and a receivable is recognised at an amount equal to the net investment in the lease. Recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

## **Harrods Group (Holding) Limited**

### **Notes to the Financial Statements (Continued) for the period ended 30 January 2021**

#### **2 Accounting policies (continued)**

##### **Leased assets: Lessee**

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

##### **Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis.

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

##### **Tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in Profit or Loss Account, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in Statement of Other Comprehensive Income.

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

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

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

Where the amount of tax payable is uncertain, the Group establishes provisions based on Management's judgement and estimates of the probable amount of the future liability.

##### **Debtors**

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

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

##### **Cash at bank and in hand**

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

## **Harrods Group (Holding) Limited**

### **Notes to the Financial Statements (Continued) for the period ended 30 January 2021**

#### **2 Accounting policies (continued)**

##### **Creditors**

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

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

##### **Provision for liabilities**

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the Profit and Loss Account in the year that the group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

##### **Hedge accounting**

The company has entered into variable and fixed rate interest swaps to manage its exposure to interest rate cash flow risk on its variable rate debt. These derivatives are measured at fair value at each balance sheet date. To the extent the hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in Profit or Loss for the period.

##### **Foreign currency transactions and balances**

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

##### **Finance costs**

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

##### **Dividends**

Final equity dividends are recognised when they become legally payable. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

##### **Defined contribution pension obligation**

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

##### **Defined benefit pension obligation**

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

The group's defined benefit pension scheme is assessed annually in accordance with FRS 102. Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the Balance Sheet.

## **Harrods Group (Holding) Limited**

### **Notes to the Financial Statements (Continued) for the period ended 30 January 2021**

#### **2 Accounting policies (continued)**

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

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

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

Further details are included in note 24.

#### **Interest income**

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

#### **Foreign currency transactions and balances**

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

#### **Loyalty points**

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

#### **Gift cards**

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

#### **Financial instruments**

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

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

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



## **Harrods Group (Holding) Limited**

### **Notes to the Financial Statements (Continued) for the period ended 30 January 2021**

#### **2 Accounting policies (continued)**

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

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

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

Derivatives include foreign exchange forward contracts and are initially recognised at fair value on the date the derivative contract is entered into. Derivatives are subsequently remeasured at their fair value. Changes in the fair value of derivatives are recognised in Profit or Loss Account.

#### **Prior year restatement due to reclassification of expenses**

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

#### **Government Grants**

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

## Harrods Group (Holding) Limited

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

#### 3 Revenue

Analysis of turnover by activity is given below:

	52 weeks ended 30 January 2021 £M	52 weeks ended 1 February 2020 £M
Retail	450.8	977.7
Aviation services	32.2	59.9
Property related income	2.3	2.9
	<u>485.2</u>	<u>1040.5</u>

Analysis of turnover by country of destination is given below:

	52 weeks ended 30 January 2021 £M	52 weeks ended 1 February 2020 £M
UK	484.2	1,036.9
Europe	-	-
Rest of world	1.1	3.6
	<u>485.2</u>	<u>1,040.5</u>

#### 4 Other operating income

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

	52 weeks ended 30 January 2021 £M	52 weeks ended 1 February 2020 £M
Advertising, royalties and similar income	20.2	34.2
Government Grants	27.8	-
	<u>48.0</u>	<u>34.2</u>

#### 5 Operating (Loss)/Profit

Arrived after charging:

	52 weeks ended 30 January 2021 £M	52 weeks ended 1 February 2020 £M
Depreciation and amortisation of assets	74.6	72.4

**Harrods Group (Holding) Limited**  
**Notes to the Financial Statements (Continued)**  
**for the period ended 30 January 2021**

**6 Government grants**

The Harrods group received funds in respect of the Coronavirus Job Retention Scheme during the year. The total amount received during the year was £27.8m (2020: £Nil). This amount was recognised in the financial statements through the Profit and Loss Account under Other income.

**7 Loss on closure of branch**

	52 weeks ended 30 January 2021 £M	52 weeks ended 1 February 2020 £M
Loss on closure of Harrods Estates branch	-	0.6
	-	0.6

**8 Auditor remuneration**

	52 weeks ended 30 January 2021 £M	52 weeks ended 1 February 2020 £M
Fees payable to the group's Auditor for the audit of the group's annual accounts	0.5	0.3

**9 Staff costs**

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

	52 weeks ended 30 January 2021 £M	52 weeks ended 1 February 2020 £M
Wages and salaries	155.1	158.4
Social security costs	14.4	15.2
Pension costs, defined contribution scheme	6.5	6.6
	176.0	180.2

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

	2021 No.	2020 No. as restated
Production	657	713
Administration and support	374	414
Sales, marketing and distribution	3,384	3,486
	4,415	4,613

## Harrods Group (Holding) Limited

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

#### 10 Directors' remuneration

The directors' remuneration for the period was as follows:

	52 weeks ended 30 January 2021 £M	52 weeks ended 1 February 2020 £M
Directors' emoluments	1.1	1.8

The value of emoluments incurred directly by the company (Harrods Group (Holding) Limited) was £0.1m (2020: £0.1m). Emoluments incurred by the group's subsidiary undertakings were £1.0m (2020: £1.7m). Included in emoluments for the period ended 30 January 2021 are pension contributions of £nil (2020: £nil). There are no directors to whom retirement benefits are accruing under a defined contribution scheme (2020: none).

There are no directors to whom retirement benefits are accruing under a defined benefit pension scheme (2020: none).

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

#### 11 Interest receivable and similar income

	52 weeks ended 30 January 2021 £M	52 weeks ended 1 February 2020 £M
Bank interest receivable	0.4	1.1
Other interest receivable	1.5	2.2
	1.9	3.3

#### 12 Interest payable and similar charges

	52 weeks ended 30 January 2021 £M	52 weeks ended 1 February 2020 £M
Bank interest payable	15.8	16.2
Other interest payable	41.9	67.9
	57.7	84.1

## Harrods Group (Holding) Limited

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

#### 13 Taxation

Tax charged in the Income Statement:

	52 weeks ended 30 January 2021 £M	52 weeks ended 1 February 2020 £M
<b>Current taxation</b>		
UK Corporation tax	13.9	43.7
Adjustment in respect of prior years - corporation tax	(1.0)	(0.4)
	<u>12.9</u>	<u>43.3</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	0.4	2.0
Adjustment in respect of prior period	0.3	(0.1)
<b>Total deferred taxation</b>	<u>0.7</u>	<u>1.9</u>
<b>Total tax on profit on ordinary activities</b>	<u>13.5</u>	<u>45.2</u>
<b>Tax included in the other comprehensive income</b>		
Deferred tax (credited) / debited to other comprehensive income	(1.9)	1.1
<b>Tax on total comprehensive income</b>	<u><u>11.6</u></u>	<u><u>46.3</u></u>

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

The differences are reconciled below:

	52 weeks ended 30 January 2021 £M	52 weeks ended 1 February 2020 £M
(Loss) / Profit before tax	(118.6)	175.7
Corporation tax at standard rate	(22.5)	33.4
Tax rate changes	0.5	(0.2)
Effect of income/expenses not deductible	4.7	4.6
Movement in provision for uncertain tax position	21.3	8.0
Adjustment in respect of prior periods	(1.0)	(0.6)
Movement in unrecognised deferred tax	10.5	-
<b>Total tax charge</b>	<u><u>13.5</u></u>	<u><u>45.2</u></u>

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

Where the amount of tax payable is uncertain, the Group recognises a provision based on management's estimate of the probable amount of the future liability. As at 30 January 2021, the Group has recorded provisions of £29.3m (2020: £8.0m) in relation to the expected value of the uncertain tax positions. The increase follows a re-evaluation of the likely probable outflow following ongoing discussions with the tax authorities.

## Harrods Group (Holding) Limited

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

#### 13 Taxation (continued)

##### Deferred tax

	Group		Company	
	30 January	1 February	30 January	1 February
	2021	2020	2021	2020
	£M	£M	£M	£M
Fixed asset timing differences	4.4	3.6	-	-
Losses (Derivatives)	1.4	0.8	-	-
Short term timing differences	(14.9)	(14.4)	-	-
Non trading timing differences	(3.4)	(3.3)	-	-
Pensions timing differences	-	(0.5)	-	-
<b>Deferred tax (liability)</b>	<b>(12.5)</b>	<b>(13.8)</b>	<b>-</b>	<b>-</b>

##### Deferred tax reconciliation

	Group	Company
	£M	£M
At 2 February 2020	13.8	-
Deferred tax charged to profit and loss	0.6	-
Deferred tax on defined benefit pensions scheme	(1.9)	-
Adjustment in respect of prior periods	0.1	-
<b>At 30 January 2021</b>	<b>12.5</b>	<b>-</b>

The deferred tax balance consists of the following deferred tax assets/(liabilities):

	Group	Company
	£M	£M
<b>Deferred tax due within 12 months</b>		
Deferred tax assets	5.1	-
Deferred tax liabilities	(0.1)	-
	<b>5.0</b>	<b>-</b>
<b>Deferred tax due after more than 12 months</b>		
Deferred tax assets	1.0	-
Deferred tax liabilities	(18.5)	-
	<b>(17.5)</b>	<b>-</b>
<b>Deferred tax liability</b>	<b>(12.5)</b>	<b>-</b>

#### 14 Parent company profit for the year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these Financial Statements. The loss after tax of the parent company for the period was £0.3m (2020: profit of £0.4m).

**Harrods Group (Holding) Limited**  
**Notes to the Financial Statements (Continued)**  
**for the period ended 30 January 2021**

**15 Intangible assets**

**Group**

	Software £M	Goodwill £M	Total £M
<b>Cost</b>			
At 2nd February 2020	36.0	516.2	552.2
Additions	7.0	-	7.0
Disposals	(20.4)	-	(20.4)
Reclassification	8.8	-	8.8
At 30th January 2021	<u>31.4</u>	<u>516.2</u>	<u>547.6</u>
<b>Amortisation</b>			
At 2nd February 2020	28.1	122.1	150.2
Amortisation charge	6.4	10.3	16.7
Amortisation eliminated on disposal	(20.4)	-	(20.4)
At 30th January 2021	<u>14.1</u>	<u>132.4</u>	<u>146.5</u>
<b>Carrying amount</b>			
At 30th January 2021	<u>17.3</u>	<u>383.8</u>	<u>401.1</u>
At 2nd February 2020	<u>7.9</u>	<u>394.1</u>	<u>402.0</u>

The Group has carried out an impairment assessment of the carrying value of goodwill by reference to the future cash flows of the Group, discounted to net present value using the parent group weighted-average cost of capital. A number of future scenarios were considered as part of a sensitivity analysis of the valuation. The Group was satisfied that no impairment was required.

## Harrods Group (Holding) Limited

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

#### 16 Tangible assets

##### Group

	Freehold Property £M	Fixtures and fittings £M	Plant and machinery £M	Other tangibles £M	Total £M
<b>Cost</b>					
At 2nd February 2020	1,075.1	291.5	189.0	88.8	1,644.4
Additions	-	72.0	15.4	(42.7)	44.7
Disposals	-	(6.5)	(1.2)	-	(7.7)
Reclassification	-	-	-	(8.8)	(8.8)
At 30 January 2021	1,075.1	357.0	203.2	37.3	1,672.6
<b>Depreciation</b>					
At 2nd February 2020	30.7	160.1	94.8	0.1	285.7
Charge for the year	7.7	38.9	10.8	0.5	57.9
Eliminated on disposal	-	(6.5)	(1.2)	-	(7.7)
At 30 January 2021	38.4	192.5	104.4	0.6	335.9
<b>Carrying amount</b>					
At 30th January 2021	1,036.7	164.5	98.8	36.7	1,336.7
At 2nd February 2020	1,044.4	131.4	94.2	88.7	1,358.7

The Group has carried out an impairment assessment of the carrying value of its Knightsbridge freehold properties based on the value-in-use method, comparing the carrying value of the properties to the future cashflows and economic benefit derived from the use of these assets. The weighted-average cost of capital was used as the discount rate. Prudent short and medium growth rates were used with a 2% long term growth rate considered to be appropriate although a number of long term growth rate scenarios were considered as part of the sensitivity analysis. The discount rate would need to increase by 1.6% for breakeven at a long term rate at 2%. The Group was satisfied that no impairment was required under any of these scenarios.



## Harrods Group (Holding) Limited

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

#### 17 Investments

##### Company

##### Details of undertaking

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

Subsidiary undertakings	Registered office	Class of shares	Holding	Principal activity
QH Participations Limited	England and Wales	Ordinary	100%	Holding company
QH Partners Limited	England and Wales	Ordinary	100%	Holding company
QH Enterprises Holdings Limited	England and Wales	Ordinary	100%	Holding company
QH Enterprises Limited	England and Wales	Ordinary	100%	Holding company
Harrods Holdings Limited	England and Wales	Ordinary	100%	Holding company
Harrods (UK) Limited	England and Wales	Ordinary	100%	Holding company
Harrods Limited	England and Wales	Ordinary	100%	Department store
Harrods International Limited	England and Wales	Ordinary	100%	Tax free retailers and wholesaler
Harrods (Continental) Limited	England and Wales	Ordinary	100%	Exporter
Harrods Estates Limited	England and Wales	Ordinary	100%	Estate agents
Harrods Commercial property Limited	England and Wales	Ordinary	100%	Property holding company
Harrods Group Trustees Limited	England and Wales	Ordinary	100%	Dormant company

## Harrods Group (Holding) Limited

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

#### 17 Investments (continued)

5A Holdings Limited	England and Wales	Ordinary	100%	Holding company
Genavco Insurance Limited	England and Wales	Ordinary	100%	Insurance broker
Air Harrods Limited	England and Wales	Ordinary	100%	Non-scheduled air transport
Harrods Aviation Holdings Limited	England and Wales	Ordinary	100%	Holding company
Harrods Aviation Limited	England and Wales	Ordinary	100%	Aircraft handling and maintenance service
Harrods Corporate Management Limited	England and Wales	Ordinary	100%	Licensing of trademarks
5A Property Holdings Limited	England and Wales	Ordinary	100%	Holding company
Harrods Property Limited	England and Wales	Ordinary	100%	Property holding company
Harrods Management Limited	England and Wales	Ordinary	100%	Dormant company
5A Leisure Limited	England and Wales	Ordinary	100%	Dormant company
Harrods Beauty Limited (formerly Wylie & Company Limited)	England and Wales	Ordinary	100%	Retail services
Harrods Nominees Limited	England and Wales	Ordinary	100%	Dormant company
Harrods Department Store (Shanghai) Co. Limited	China	Ordinary	100%	Personal Shopping services

The registered address of each entity listed above is 87-135 Brompton Road, Knightsbridge, London, SW1X 7XL, England and Wales except for Harrods Department Store (Shanghai) Co. Limited, whose registered address is 4801 Beijing Avenue, China (Shanghai) Free Trade Zone.

#### Company

	30 January 2021 £M	1 February 2020 £M
Investment in subsidiaries	262.6	262.6
<b>Subsidiaries</b>		<b>£M</b>
<b>Cost</b>		
At 2 February 2020		513.5
Additions		-
Disposals		-
At 30 January 2021		513.5
<b>Provision</b>		
At 2 February 2020		(250.9)
Impairment		-
At 30 January 2021		(250.9)
<b>Carrying amount</b>		
At 2 February 2020		262.6
At 30 January 2021		262.6

Investments in subsidiaries are held at their carrying value.

## Harrods Group (Holding) Limited

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

#### 18 Audit exemptions

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

The following subsidiary companies have applied for audit exemption:

Undertaking	Registered office	Holding	Principal activity
<b>Subsidiary undertakings</b>			
QH Partners Limited	England and Wales	100%	Holding company
QH Enterprises Holdings Limited	England and Wales	100%	Holding company
QH Enterprises Limited	England and Wales	100%	Holding company
Harrods (UK) Limited	England and Wales	100%	Holding company
Harrods International Limited	England and Wales	100%	Tax free retailers and wholesaler
Harrods (Continental) Limited	England and Wales	100%	Exporter
Harrods Estates Limited	England and Wales	100%	Estate agents
Harrods Commercial Property Limited	England and Wales	100%	Property holding company
5A Holdings Limited	England and Wales	100%	Holding company
Air Harrods Limited	England and Wales	100%	Non-scheduled air transport
Harrods Aviation Holdings Limited		100%	Holding company
Harrods Aviation Limited	England and Wales	100%	Aircraft handling and maintenance service
5A Property Holdings Limited	England and Wales	100%	Holding company
Harrods Beauty Limited (formerly Wylie & Company Limited)	England and Wales	100%	Retail of cosmetic products

#### 19 Stocks

	<b>Group</b>	
	<b>30 January</b>	<b>1 February</b>
	<b>2021</b>	<b>2020</b>
	<b>£M</b>	<b>£M</b>
Work in progress	0.1	0.2
Finished goods	87.5	111.8
	<u>87.6</u>	<u>112.0</u>

The above figures include stock provision of £27.5m (2020: £7.0m). Stock provisions are expensed in the Profit or Loss account under Cost of Sales. Provision is calculated with reference to the age of the stock and the seasons, and the scale of the expected future markdowns.

## Harrods Group (Holding) Limited

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

#### 20 Debtors

##### Amounts due within one year

	Group		Company	
	30 January 2021 £M	1 February 2020 £M	30 January 2021 £M	1 February 2020 £M
Trade debtors	70.4	52.1	-	-
Other debtors	3.3	1.1	0.0	0.1
Prepayments and accrued income	10.5	17.0	-	-
Group tax asset	-	-	-	-
Amounts owed by related parties	-	-	35.6	35.0
	<u>84.2</u>	<u>70.2</u>	<u>35.6</u>	<u>35.1</u>

#### 21 Creditors

##### Amounts due within one year

	Group		Company	
	30 January 2021 £M	1 February 2020 £M	30 January 2021 £M	1 February 2020 £M
Trade creditors	104.3	166.8	-	-
Amounts due to related parties	-	-	-	-
Group tax liability	20.4	25.5	-	-
Social security and other taxes	7.0	8.1	-	-
Other payables	108.1	69.0	-	-
Accruals and deferred income	80.7	94.2	0.1	0.2
	<u>320.5</u>	<u>363.6</u>	<u>0.1</u>	<u>0.2</u>

##### Amounts due after more than one year

Bank loans	618.5	617.3	-	-
Finance lease liabilities	1.4	-	-	-
Amounts owed to group undertakings	874.6	874.6	-	-
Accruals and deferred income	3.2	3.1	-	-
Financial instruments	11.1	13.2	-	-
Deferred Tax	12.5	13.8	-	-
	<u>1,521.3</u>	<u>1,522.0</u>	<u>-</u>	<u>-</u>

Loans and borrowings due after more than one year represent a term loan of £620m which was due to be repayable in April 2022. The balances outstanding at the end of the year were £620m for the term loan (2020: £620m) and £nil on the revolving credit facility (2020: £nil). As at 30 January 2021, the change in fair value of the interest rate swaps for the period (+£2.1m) (2020: £-2.5m) has been fully recognised in other comprehensive income. The total liability at 30 January 2021 is £11.1m (2020: £13.2m). On 16 July 2021, the company concluded an agreement with its banking syndicate to extend by eighteen months the term loan of £620m and the revolving credit facility of £200m. The new repayment date under the amended and restated agreement is now 29 October 2023.

The covenant commitments under the new agreement involve a minimum liquidity test measured at the end of each month and a minimum quarterly EBITDA until June 2022. These will be superseded by the original covenant measures of net leverage ratios and interest cover albeit at revised thresholds from July 2022 until October 2023.

## Harrods Group (Holding) Limited

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

#### 21 Creditors (continued)

Sufficient headroom has been built into the covenants against the conservative cash and profit forecasts of the obligor group. On 16 July 2021 interest rate swaps were entered into by Harrods Holdings Limited to hedge future expected cash outflows on the new loan facility of £620m. The interest rate swaps have a total notional value of £545m and terminate on 29 October 2023.

The related party loan facility of £850m is repayable on 31 January 2025 and therefore is due after more than one year. Refer to Note 29, Related Party Transactions, for more detail on this transaction.

During the period, QH Participations Limited held a loan facility agreement of £850.0m with Qatar Holdings LLC, the ultimate controlling party which was fully drawn down. (2020: £850.0m). The facility is in two tranches, the Senior debt of £425.0m which is interest bearing at 3.7% and the Junior debt of £425.0m which is interest bearing at 5.4%.

The facility is repayable on 31 January 2025. During the year ended 30 January 2021, no interest was paid (2020: £67.7m) and £38.5m was accrued (2020: £37.3m accrued).

QH Enterprises Holding Limited has a loan from QH Property Holdings Limited, which is under the common control of the company's ultimate parent undertaking. The debt is non-interest bearing and is repayable with not less than 13 months' notice in writing by the lender. The balance as at 30 January 2021 was £24.6m (2020: £24.6m).

Where the amount of tax payable is uncertain, the Group establishes provisions based on Management's judgement and estimates of the probable amount of the future liability. As at 30 January 2021, the Group has recorded provisions of £29.3m (2020: £8.0m) in relation to the expected value of the uncertain tax positions. The increase follows a re-evaluation of the likely probable outflow following ongoing discussions with the tax authorities.

#### 22 Dividends

	52 weeks ended 30 January 2021 £M	52 weeks ended 1 February 2020 £M
Interim dividend declared	-	-

#### 23 Share capital

Allotted, called up and fully paid shares	30 January 2021	1 February 2020
	No. M      £M	No. M      £M
Ordinary shares of £0.01 each	376      3.8	376      3.8

Share Premium	30 January 2020 £M	1 February 2020 £M
Share premium	264.5	264.5

Each ordinary share represents one vote. There are no restrictions or preferences placed on the shares.  
Dividends are declared and paid at the discretion of the directors.

## Harrods Group (Holding) Limited

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

#### 24 Financial instruments

	Group		Company	
	30 January	1 February	30 January	1 February
	2020	2020	2021	2020
	£M	£M	£M	£M
<b>Financial assets</b>				
Financial assets measured at amortised cost	271.3	412.1	35.8	36.3
	<u>271.3</u>	<u>412.1</u>	<u>35.8</u>	<u>36.3</u>

Financial assets measured at amortised costs include cash and debtors.

	Group		Company	
	30 January	1 February	30 January	1 February
	2020	2020	2021	2020
	£M	£M	£M	£M
<b>Financial liabilities</b>				
Financial liabilities measured at fair value through profit or loss	-	1.7	-	-
Financial liabilities measured at fair value through OCI	11.1	13.2	-	-
Financial liabilities measured at amortised cost	1,830.7	1,870.7	0.1	0.2
	<u>1,841.8</u>	<u>1,885.6</u>	<u>0.1</u>	<u>0.2</u>

Financial liabilities measured at fair value through profit or loss is comprised of foreign currency forward contracts. Financial liabilities measured at fair value through other comprehensive income are comprised of interest rate swaps.

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

#### 25 Pension and other schemes

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

##### Defined contribution pension scheme

The pension charge for the period represents contributions payable by the group to the scheme and amounted to £5.6m (2020: £6.6m).

Contributions totalling £1.0m (2020: £1.1m) were payable to the scheme at the end of the period and are included in creditors.

##### Defined benefit pension schemes

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

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

An actuarial valuation of the Plan as at 5 April 2018 on a technical provision basis was carried out by the Scheme Actuary, with a surplus of £11m being calculated on that basis, a funding level of 102%. At the previous valuation at 5 April 2015, there was a deficit of £45m equating to a funding level of 93%.

## Harrods Group (Holding) Limited

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

#### 25 Pension and other schemes (continued)

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

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

In aggregate, during the period ended 30th January 2021, the participating employers made total contributions to the plan of £30k (2020: £1.6m).

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

#### Defined benefit pension schemes

##### Reconciliation of scheme assets and liabilities recognised

The amounts recognised in the Balance Sheet are as follows:

	30 January 2021 £M	1 February 2020 £M
Fair value of scheme assets	713.4	704.0
Present value of defined benefit obligation	(611.5)	(586.9)
Defined benefit pension scheme surplus	<u>101.9</u>	<u>117.1</u>

##### Reconciliation of present value of plan liabilities

Changes in the defined benefit obligation are as follows:

	30 January 2021 £M
Present value at start of period	(586.9)
Interest cost	(9.8)
Past Service Cost	(0.1)
Actuarial gains and losses	(32.4)
Benefits paid	17.8
Present value at end of period	<u>(611.5)</u>

The impact of GMP Equalisation costs are included in the Past service cost line above. The impact of the RPI/CPI wedge included in the Actuarial gains and losses disclosed above is estimated at £7.0m.

## Harrods Group (Holding) Limited

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

#### 25 Pension and other schemes (continued)

##### Reconciliation of present value of plan assets

Changes in the defined benefit obligation are as follows:

	30 January 2021 £M
Fair value at start of period	704.0
Interest income	11.8
Return on scheme assets excluding interest income	16.3
Employer contributions	0.0
Benefits paid	(17.8)
Administrative expenses	(1.0)
Fair value at end of period	<u>713.4</u>

##### Analysis of assets:

Composition of plan assets:

	30 January 2021 £M	2 February 2019 £M
Cash and cash equivalents	20.0	24.0
Debt instruments	548.6	533.6
Other assets	144.8	146.4
	<u>713.4</u>	<u>704.0</u>

##### Principal actuarial assumptions

The principal actuarial assumptions at the Balance Sheet date are as follows:

	30 January 2021 %	1 February 2020 %
Discount rate	1.5	1.70
Future pension increases	2.25	1.95
Inflation	<u>2.95</u>	<u>2.85</u>

##### Post retirement (at age 60) mortality assumptions

	30 January 2021 Years	1 February 2020 Years
Current UK pensioners at retirement age - male	27.6	27.4
Current UK pensioners at retirement age - Female	29.3	29.1
Future UK pensioners at retirement age - male	29.4	29.3
Future UK pensioners at retirement age - female	<u>31.2</u>	<u>31.0</u>



## Harrods Group (Holding) Limited

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

#### 26 Commitments

##### Group

##### Capital commitments

Amounts contracted for but not provided in the Financial Statements amounted to £22.2m (2020: £40.0m).

##### Other commitments

At 30 January 2021 the group had commitments under concession agreements with Heathrow Airport Limited and Gatwick Airport Limited which were contracted for but not provided for in these Financial Statements of £2.1m as at the period end (2020: £9.2m).

#### 27 Commitments under operating leases

	30 January 2021 £M	1 February 2020 £M
<b>Land and buildings</b>		
Within one year	8.3	5.3
Within two and five years	31.0	22.7
Over five years	198.6	109.4
	<u>237.9</u>	<u>137.4</u>
<b>Other</b>		
Within one year	0.9	0.6
Within two and five years	0.4	0.3
	<u>1.3</u>	<u>0.8</u>

#### 28 Contingent liabilities

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

#### 29 Related party transactions

During the period, QH Participations Limited held a loan facility agreement of £850.0m with Qatar Holdings LLC, the ultimate controlling party which was fully drawn down. (2020: £850.0m).

The facility is in two tranches, the Senior debt of £425.0m which is interest bearing at 3.7% and the Junior debt of £425.0m which is interest bearing at 5.4%. The facility is repayable on 31 January 2025.

During the year ended 30 January 2021, no interest was paid (2020: £67.7m) and £38.5m was accrued (2020: £37.3m accrued). There are no other related party transactions.

QH Enterprises Holding Limited has a loan from QH Property Holdings Limited, which is under the common control of the company's ultimate parent undertaking. The debt is non-interest bearing and is repayable with not less than 13 months' notice in writing by the lender. The balance as at 30 January 2021 was £24.6m (2020: £24.6m).

There were no other material related party transactions.

#### 30 Parent and ultimate parent undertaking

The Harrods Group (Holding) Limited Financial Statements will be filed with the Registrar of Companies.

The company's immediate parent undertaking is QH Property Holdings Limited, a company incorporated in Bermuda.

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

## Harrods Group (Holding) Limited

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

#### 31 Accounting estimates and judgements

##### *Key sources of estimation uncertainty*

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

**Stock provisions:** stock is accounted for at the lower of cost and net realisable value. In assessing the net realisable value of stock, management uses its judgement with regards to the expected markdowns required to sell the inventory. This requires assessment of the inventory's age and seasonality. In light of the Store closure during the government-imposed lockdowns, the Business experienced a higher percentage of aged stock that necessitated a higher write-down of the value of the inventory. As at 30 January 2021, total stock provisions were £29.2m (2020: £8.7m). Please refer to note 19.

**Pensions:** The company is a contributing employer to a defined benefit scheme that was closed to new membership and accruals in 2006. The business uses external independent pension actuarial advisors to provide a valuation of the pension fund as at the end of the year. The valuation involves the use of certain assumptions with regards to discount rate, inflation and mortality amongst other factors, which impact on the valuation of the scheme's liabilities. These assumptions are agreed with management. A list of these assumptions are disclosed in note 25.

**Finance Leases:** where the company enters into a finance lease, the lease is capitalised in the accounts using an appropriate discount rate which requires the use of management's judgement giving regard to the specific nature of the lease. As at 30 January 2021, finance leases of £2.0m were accounted for in the balance sheet (2020: £nil). Please refer to note 27.

**Fair value of investment properties:** The company holds a small number of residential investment properties that are accounted for at fair value. The fair value of these properties is reviewed at the end of each financial year through consultation with inhouse property experts. As at 30 January 2021, the fair value of these properties were £5.1m (2020: £5.1m).

**Provision for irrecoverable debts:** Management provides for any debtor where the recoverability is at risk. Management makes judgement based on historical trends as well as knowledge of the particular circumstances of specific debts. The impact of covid on businesses that the company trades with has resulted in a greater level of uncertainty around some of the going concern status of some of these businesses. As at 30 January 2021, the value of provision for irrecoverable debt was £2.3m (2020: £0.9m).

**Provision for employment benefits:** The company provides an award for long service to its employees at each five-year interval from 5 to 40 years. These awards are in the form of a cash payment through payroll at an increasing scale the longer the period of service. Management provides for these liabilities by reference to the probability of employees reaching each milestone and using an appropriate discount rate. As at 30 January 2021, the value of this provision was £3.2m (2020: £3.2m).

**Impairment assessment of own use properties:** Freehold properties for own use are accounted for at cost. Impairment reviews are carried out at the end of each year where deemed necessary. These rely on management judgement in forecasting future economic benefits expected to be derived from use of the assets, as well as in the selection of an appropriate rate to discount the future cash flows to their net present value. Please refer to note 16.

**Impairment assessment of goodwill:** Goodwill is accounted for at cost less accumulated amortisation and historical impairment. Impairment reviews are carried out at the end of each year. These rely on management judgement in estimating the enterprise value of the Business, requiring the forecasting of discounted future cash flows using an appropriate discount rate. As at 30 January 2021, goodwill net of amortisation and historic impairment was £394.1m (2020: £383.8m).