

Harvey Nichols and Company Limited
Annual report and financial statements

31 March 2018

Registered number 1774537

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Strategic report

The Directors present their Strategic report for Harvey Nichols and Company Limited ("the Company") for the 52 week period ended 31 March 2018.

Review of the business

The Company's principal activity during the period continued to be the operation of the Harvey Nichols store in Knightsbridge, which includes the following categories of merchandise:

- Designer Branded Fashion (Womenswear, Menswear and Childrenswear)
- Fashion Accessories and Shoes
- Beauty
- Food, Beverages and Hospitality

The Company also maintains the Head Office function which supports the entire Broad Gain Group of companies.

The Company has returned to profitability in the period ended 31 March 2018 after significant disruption as a result of the refurbishment works undertaken in the previous periods.

The key financial and other performance indicators during the period were as follows:

	52 weeks ended 31 March 2018 £000	52 weeks ended 1 April 2017 £000	Change
Turnover	85,621	79,480	7.7%
Gross margin	58.3%	56.8%	1.5%
Operating profit/ (loss)	2,151	(350)	714.6%
Depreciation, amortisation and impairment	8,335	6,468	28.9%
Earnings before interest, tax, depreciation and amortisation	10,486	6,118	71.4%
Profit/ (Loss) after tax	2,210	(432)	611.6%
Capital investment	1,006	12,094	(91.7%)

Company turnover increased 8% compared to the prior period despite the trading environment remaining challenging across the retail sector. Operating profit has improved significantly, largely due to the uplift in trading in the newly refurbished areas of the Knightsbridge store, as well as the success of the exclusive launch of Fenty Beauty by Rihanna in September 2017. In addition to this there was an improvement in margin rate which improved gross profit.

During the period, the Company incurred capital expenditure of £1,006,000 (2017: £12,094,000). After two years of extensive refurbishment to the Beauty, Accessories and Menswear floors, during 2017/18 the Company commenced the planning and preparatory works for the next phase of the flagship store redevelopment.

Strategic report (continued)

Principal business risks

The Company faces the same principal business risks as all members of the Broad Gain Group of companies ("the Group") and hence these risks are managed on a Group basis. The Board recognises that there are a number of risks and uncertainties that the Group faces. The principal risks are set out below:

Brand and reputational risk

Given the strength of our brand and reputation, one of the principal risks facing the business is the risk that our brand may be damaged by our actions or the actions of our business partners. The Board is therefore committed to ensuring that for each business decision being taken, due consideration is given to the impact that such decision may have on our brand.

Economic risk

The Group recognises that external events may occur which affect the economic environment in which we operate and hence affect our customers and suppliers. The business is managed by an experienced management team who have a close involvement in the day to day running of the business, which ensures that we are prepared for, and can react quickly by adapting our business, to changes in the economic environment.

On 23 June 2016, the UK electorate voted to discontinue its membership of the EU. The UK Government further triggered article 50 on 29 March 2017 to start the formal process of leaving the EU. Negotiations are currently underway and the UK is expected to leave the European Union in March 2019 with the transition period lasting to December 2020.

While there will be commercial, operational and legal impacts from the UK's eventual exit from the EU, with the UK Government setting out its intention to leave the Single Market, uncertainties remain and make it difficult to forecast future years. Until further clarity is available with regards to the terms of the UK exit, it is too early for the directors to include their assessment of the impact on the Company's trade and customers, regulatory requirements and legal consequences of such an event.

Competitor activity

The Group is facing increased competition from retailers that exclusively operate on-line. To respond to this risk, the Group maintains a high level of market awareness and understanding of both consumer trends as well as digital technological developments to ensure that we continue to respond to the needs of our customers. Furthermore, the maintenance of the highest service standards in all of our retail and hospitality businesses remains a key operational priority.

Key employee retention

The Group's performance is dependent on the effective performance of its employees and, in particular, the leadership of the Management Board. Employee retention is of utmost importance alongside stability of the senior team, which is achieved through rigorous review of effective performance annually and performance-related rewards.

Disruption to technology and information systems

The Group is dependent on its IT infrastructure to ensure that it can continue to service customers in its stores, restaurants and website and also for the Group's Head Office to fully function. The business has a disaster recovery plan to minimise the risk of damage or interruption to information systems.

Strategic report (continued)

Principal business risks (continued)

Financial risks

The Group has exposure to credit, currency and interest rate risks.

The Group's exposure to credit risk is not considered to be material due to the nature of retail transactions being settled at the time of the transaction.

The Company's interest rate risk is due to acting as a Guarantor for the bank loan in Broad Gain (UK) Limited.

In relation to its currency risk, the Group is exposed to both translation and transactional risks resulting from movements in the Sterling: Euro exchange rate and transactional risks resulting from movements in the Sterling: US Dollar exchange rate.

These risks are derived from a significant amount of inventory purchases being denominated in Euros and US Dollars. Transactional currency risk is managed by continually monitoring the fluctuations in the exchange rates of the US Dollar and Euro with Sterling and, based on an assessment of the forecast rates, the Group may, from time to time, enter into forward currency contracts to hedge future inventory purchases.

Going concern

The financial statements have been prepared on the going concern basis for the period ended 31 March 2018.

The Directors believe the going concern basis is appropriate on the basis that the Company is in a net asset position (as at 31 March 2018 the Company had net assets of £72.1m (2017: £70.9m)). The Directors consider funds available to be sufficient for at least 12 months after the date of approval of these financial statements.

Based on forecasts prepared for the period to March 2020, resources available should enable the Company to meet its liabilities as they fall due for payment and continue to operate for the foreseeable future. Based on this assertion, the Directors believe that it remains appropriate to prepare the financial statements on the going concern basis.

By order of the Board



Manju Malhotra

Director

Registered Office
361-365 Chiswick High Road
London
W4 4HS

23 August 2018

Directors' report

The Directors present their report for the Company for the 52 week period ended 31 March 2018.

Directors

The persons who served as directors during the period were:

Sir Dickson Poon, Chairman

Stacey Cartwright (resigned 30 April 2018)

Manju Malhotra

Daniela Rinaldi

Barry Tallintire

Pearson Poon

The Company did not provide qualifying third party indemnity provisions to its directors during the financial period at the date of this report (2017: nil).

Dividends

The Directors do not recommend the payment of a dividend in respect of the period (2017: £nil).

Political and charitable donations

During the period, the Company made charitable donations of £296,000, (2017: £2,666,000). The Company has not made any political donations during the period (2017: £nil).

Future prospects

The business environment continues to be uncertain but the Directors remain confident that the Board's strategy is able to respond to the changing economic conditions and that the Company will maintain its current level of performance.

In terms of future developments, from March 2018, the Company will continue its Knightsbridge store refurbishment programme, with the first floor (Womenswear and Shoes).

Financial risks and Financial Instruments

Please refer to the Strategic report on page 3.

Directors' report (continued)

Employment policy

It is the Company's normal policy to keep its employees informed of the progress of the business and of matters affecting their interests through normal management channels. Due consideration is given to employees' interests in making management decisions. The involvement of employees in the Company's performance is encouraged through participation in the performance related incentive schemes.

The Company is committed to ensuring that all employees receive fair and equal treatment irrespective of gender, ethnic origin, age, sexuality, disability or religion.

It is the Company's policy to give fair consideration to applications for employment by disabled people and to continue the employment and training of employees that may become disabled, to provide an opportunity for them to remain within the Company.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial period have been included in the Strategic Report on page 1.

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor is deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board



Manju Malhotra

Director

Registered Company number: 1774537

23 August 2018

Registered Office

361-365 Chiswick High Road

London

W4 4HS

Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law 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 then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 Harvey Nichols and Company Limited

Opinion

We have audited the financial statements of Harvey Nichols and Company Limited ("the Company") for the period ended 31 March 2018 which comprise the Statement of Profit and Loss and Other Comprehensive Income, Balance Sheet, Statement of Changes of Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of its profit for the period then
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Harvey Nichols and Company Limited (continued)

Auditors responsibilities

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

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

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

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



Aimie Kekel (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL

29 August 2018

Profit and Loss Account

for the period ended 31 March 2018

		52 weeks ended 31 March 2018	52 weeks ended 1 April 2017
	Note	Total £000	Total £000
Turnover	2	85,621	79,480
Cost of sales		(35,688)	(34,375)
Gross profit		49,933	45,105
Selling and distribution costs		(34,526)	(31,846)
Administrative expenses		(13,256)	(13,609)
Operating profit/ (loss)	3	2,151	(350)
Interest receivable and similar income	6	2,494	2,443
Interest payable and similar expenses	7	(2,105)	(2,072)
Profit before tax		2,540	21
Tax on profit	8	(330)	(453)
Profit/ (loss) for the period		2,210	(432)

The results for the current and preceding periods arise from continuing business activities.

The accompanying notes on pages 13 to 32 form an integral part of the financial statements.

Other Comprehensive Income

for the period ended 31 March 2018

		52 weeks ended 31 March 2018	52 weeks ended 1 April 2017
	Note	£000	£000
Profit/ (Loss) for the period		2,210	(432)
Other comprehensive expense:			
Remeasurements of the net defined benefit liability	20	(1,160)	(1,050)
Income tax on other comprehensive expense	8	195	46
Other comprehensive expense for the period, net of income tax		(965)	(1,004)
Total comprehensive income/(expense) for the period		1,245	(1,436)

The accompanying notes on pages 13 to 32 form an integral part of the financial statements.


Balance Sheet

as at 31 March 2018

	Note	31 March 2018 £000	1 April 2017 £000
Fixed assets			
Intangible assets	9	2,227	5,305
Tangible assets	10	33,334	37,090
Other non-current assets			
Net deferred tax asset	15	2,662	1,829
		38,223	44,224
Current assets			
Stocks	11	19,031	15,036
Debtors: including £129,977,000 (2017: £121,285,000) due after more than one year	12	137,504	131,412
Tax receivable		1,134	1,037
		157,669	147,485
Creditors: amounts falling due within one year	13	(18,893)	(20,929)
Net current assets		138,776	126,556
Total assets less current liabilities		176,999	170,780
Creditors: amounts falling due after more than one year	14	(88,424)	(84,886)
Provisions for liabilities			
Other provisions	16	(817)	(617)
Pensions and similar obligations	20	(15,639)	(14,403)
Net assets		72,119	70,874
Capital and reserves			
Called up share capital	17	11,000	11,000
Profit and loss account		61,119	59,874
Shareholder's funds		72,119	70,874

The accompanying notes on pages 13 to 32 form an integral part of the financial statements.

These financial statements were approved by the Board of Directors on 23 August 2018 and were signed on its behalf by:



Manju Malhotra

Director

Registered Company number: 1774537

Statement of Changes in Equity

for the period ended 31 March 2018

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 2 April 2016	11,000	61,310	72,310
Total comprehensive income for the period			
Loss for the period	-	(432)	(432)
Other comprehensive expense for the period	-	(1,004)	(1,004)
Total comprehensive expense for the period	-	(1,436)	(1,436)
Balance at 1 April 2017	11,000	59,874	70,874
Total comprehensive income for the period			
Profit for the period	-	2,210	2,210
Other comprehensive expense for the period	-	(965)	(965)
Total comprehensive income for the period	-	1,245	1,245
Balance at 31 March 2018	11,000	61,119	72,119

The accompanying notes on pages 13 to 32 form an integral part of the financial statements.

Notes

1. Accounting policies

General information

Harvey Nichols and Company Limited (the "Company") is a private company limited by shares, incorporated, domiciled and registered in England in the UK.

The registered number is 1774537 and the registered address is 361-365 Chiswick High Road, London, W4 4HS.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000. The accounts are prepared for the period ending on the Saturday nearest to 31 March each year. The financial statements are prepared on the historical cost basis.

Exemptions for qualifying entities under FRS 102

The Company's ultimate parent undertaking, Broad Gain (UK) Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Broad Gain (UK) Limited are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Broad Gain (UK) Limited include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Going concern

The financial statements have been prepared on the going concern basis for the period ended 31 March 2018.

The Directors believe the going concern basis is appropriate on the basis that the Company is in a net asset position (as at 31 March 2018 the Company had net assets of £72.1m (2017: £70.9m)). The Directors consider funds available to be sufficient for at least 12 months after the date of approval of these financial statements. Based on forecasts prepared for the period to March 2020, resources available should enable the Company to meet its liabilities as they fall due for payment and continue to operate for the foreseeable future. Based on this assertion, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Notes (continued)

1. Accounting policies (continued)

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and other short-term deposits held by the Group with maturities of less than three months. Bank overdrafts are presented within current liabilities.

Intangible assets

Purchased intangible assets relating to trademarks and certain other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

patents and trademarks	-	over 10 years straight line
computer software	-	over 3 years straight line

Intangibles are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that an intangible asset may be impaired.

Tangible fixed assets

Tangible fixed assets are stated at cost, less accumulated depreciation and accumulated impairment losses. The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account over the estimated useful economic lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

land and buildings	-	over 35 years straight line
plant and machinery	-	10% per annum straight line
fixtures and fittings	-	16.6% per annum straight line
computer equipment	-	25% per annum straight line
motor vehicles	-	25% per annum reducing balance

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

Notes (continued)

1. Accounting policies (continued)

Tangible fixed assets (continued)

Tangible fixed assets include amounts in respect of interest paid, gross of taxation, on funds specifically related to the financing of assets in the course of construction. Land is not depreciated.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories, conversion costs and other costs in bringing them to their existing location and condition. The Directors have used their knowledge and experience of the fashion industry in determining the level and rates of provisioning required to calculate the appropriate stock carrying values.

Impairment of financial assets

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.

Employee benefits

Defined contribution schemes

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense/ income on the net defined benefit liability/ asset for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability/ asset taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed every 3 years by a qualified actuary using the projected unit credit method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Re-measurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

Notes (continued)

1. Accounting policies (continued)

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Turnover

Turnover represents the amounts (excluding VAT) derived from the provision of goods and services and income from concessions within the store. Turnover also includes royalty income derived from the overseas licensees and other sundry income.

Revenue is recognised when the significant risks and rewards of the ownership of the goods or services have been passed to the buyer, it is probable that the economic benefit will flow to the Company and the amount of revenue can be measured reliably.

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 is presented within turnover. Revenue in respect of concession sales is stated at the value of the margin that the group received on the transaction.

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.

Expenses

Operating lease rentals

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable on group undertakings and on the pension scheme with these recognised in the profit and loss account.

Other interest receivable and similar income include interest receivable on funds invested in bank accounts and from group undertakings.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Notes (continued)

1. Accounting policies (continued)

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Key sources of estimation uncertainty

The key areas of estimation uncertainty in relation to the carrying amounts in the Company's balance sheet relate to accounting assumptions used for the defined benefit scheme and the impairment review of property, plant and equipment and intangible assets. Details of the key assumptions are disclosed in notes 20, 10 and 26.

Notes (continued)

2. Turnover

Turnover excludes the non-commission element of sales made by concession outlets.

	52 weeks ended 31 March 2018 £000	52 weeks ended 1 April 2017 £000
Turnover including concession sales (excluding VAT) and other income	119,661	110,338
Concession sales excluding commission	(34,040)	(30,858)
Total turnover	85,621	79,480

The Directors have elected not to disclose an analysis of turnover by geographic market.

3. Profit on ordinary activities before taxation

	52 weeks ended 31 March 2018 £000	52 weeks ended 1 April 2017 £000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Auditor's remuneration	47	46
Loss on disposal of tangible fixed assets	154	459
Management charges	(15,970)	(14,916)
Charitable donations	296	2,666
Depreciation, amortisation and impairment	8,335	6,468
Operating rent	7,218	7,018

Notes (continued)

4. Directors' emoluments

The emoluments of the Directors were as follows:

	52 weeks ended 31 March 2018 £000	52 weeks ended 1 April 2017 £000
Director's emoluments:		
As executives	521	512
Employer's contributions to pension scheme	3	3
	<u>524</u>	<u>515</u>

Emoluments in respect of the highest paid Director were £356,000 (2017: £444,000).

5. Staff costs and numbers

	52 weeks ended 31 March 2018 £000	52 weeks ended 1 April 2017 £000
The aggregate payroll costs including Directors were as follows:		
Wages and salaries	23,431	22,082
Social security costs	2,280	2,294
Other pension costs	1,181	1,025
	<u>26,892</u>	<u>25,401</u>

The average number of persons, calculated on a full time equivalent basis, employed by the Company (including Directors) during the period, analysed by category, was as follows:

	Number	Number (restated)
Administration	251	256
Retail and restaurant operations	436	439
	<u>687</u>	<u>695</u>

Classification of certain staff functions has been revised in the current period. Comparatives have been restated.

Note 20 includes additional information about the pension arrangements of the Company.

Notes (continued)

6. Interest receivable and similar income

	52 weeks ended 31 March 2018 £000	52 weeks ended 1 April 2017 £000
Interest receivable on bank accounts	-	4
Interest receivable from group undertakings	2,494	2,439
	<u>2,494</u>	<u>2,443</u>

7. Interest payable and similar expenses

	52 weeks ended 31 March 2018 £000	52 weeks ended 1 April 2017 £000
Interest payable to group undertakings	1,734	1,627
Net interest on pension scheme (see note 20)	371	445
	<u>2,105</u>	<u>2,072</u>

8. Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	52 weeks ended 31 March 2018 £000	52 weeks ended 31 March 2018 £000	52 weeks ended 1 April 2017 £000	52 weeks ended 1 April 2017 £000
<i>Current tax</i>				
Current tax on profit for the period	806		281	
Adjustments to tax charge in respect of prior periods	162		421	
Total current tax		968		702
<i>Deferred tax</i>				
Origination and reversal of temporary differences	(187)		(90)	
Adjustment to deferred tax charge in respect of defined benefit pension scheme	(14)		-	
Effect of change in rate	(14)		-	
Prior year adjustment	(423)		(159)	
Total deferred tax (note 15)		(638)		(249)
Total tax expense		<u>330</u>		<u>453</u>

All current tax arises from UK operations.

Notes (continued)

8. Taxation (continued)

	52 weeks ended 31 March 2018 £000	52 weeks ended 31 March 2018 £000
Income tax recognised in other comprehensive income		
Deferred tax on remeasurements of defined benefit pension asset	195	46

Reconciliation of effective tax rate

	52 weeks ended 31 March 2018 £000	52 weeks ended 1 April 2017 £000
Profit/(loss) for the period	2,210	(432)
Tax on profit/(loss)	330	453
Profit before tax	2,540	21
Tax using the UK corporation tax rate of 19% (2017: 20%)	483	4
<i>Effects of:</i>		
Expenses not deductible for tax purposes	108	208
Adjustments to tax charge in respect of the defined benefit pension scheme	14	-
Adjustments to tax charge in respect of prior periods	162	421
Effect of change in tax rate	(14)	-
Deferred tax prior period adjustment	(423)	(159)
Other permanent differences	-	(21)
Total tax expense	330	453

Reductions in the UK corporation tax from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax asset at 31 March 2018 has been calculated based on these rates.

Notes (continued)

9. Intangible fixed assets

	Software £000	Trademarks £000	Total £000
Cost			
At 2 April 2017	9,658	791	10,449
Additions	273	22	295
At 31 March 2018	9,931	813	10,744
Amortisation			
At 2 April 2017	4,649	495	5,144
Charge for the period	3,315	58	3,373
At 31 March 2018	7,964	553	8,517
Net book value			
At 31 March 2018	1,967	260	2,227
At 1 April 2017	5,009	296	5,305
Amortisation charge			

The amortisation and impairment charge is included within the item "selling and distribution costs" in the profit and loss account:

	31 March 2018	1 April 2017
Selling and distribution costs	4,022	2,625

For details of assumptions used in the impairment calculations, refer to note 10.

Notes (continued)

10. Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Fixtures, fittings, tools, equipment and vehicles £000	Assets in course of construction £000	Total £000
Cost					
At 2 April 2017	27,597	11,443	18,793	-	57,833
Additions	158	46	148	359	711
Disposals	(161)	-	(27)	-	(188)
At 31 March 2018	27,594	11,489	18,914	359	58,356
Depreciation					
At 2 April 2017	8,839	3,167	8,737	-	20,743
Charge for the period	980	885	2,448	-	4,313
Depreciation on disposals	(18)	-	(16)	-	(34)
At 31 March 2018	9,801	4,052	11,169	-	25,022
Net book value					
At 31 March 2018	17,793	7,437	7,745	359	33,334
At 1 April 2017	18,758	8,276	10,056	-	37,090

As at 31 March 2018, there was property plant and equipment under construction of £359,000 (2017: nil).

The amount of borrowing costs capitalised during the period was £nil (2017: £17,848).

Notes (continued)

10. Tangible fixed assets (continued)

The Company has determined that each store is a cash generating unit. Recoverable amounts for cash generating units are based upon value in use, which is calculated from cash flow projections using data from the Company's internal forecasts, the results of which are reviewed by the Board.

The key assumptions of this calculation are shown below:

	31 March 2018	1 April 2017
	2017/18	2016/17
Period on which management approved forecasts are based		
Average growth rate in perpetuity	3.00%	3.00%
Discount rate	9.10%	8.26%

Management estimate discount rates using pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the Company. Changes in selling prices and direct costs are based on past experience and expectations of future changes in the market.

The pre-tax discount rate used to calculate value in use is derived from the Company's weighted average cost of capital.

11. Stocks

	31 March 2018 £000	1 April 2017 £000
Finished goods, goods for resale, beverages and food ingredients	19,031	15,036

The cost of inventories recognised as an expense and included in cost of sales amounted to £35,688,000 (2017: £34,375,000). The net movement in inventory provisions included in cost of sales was £673,000.

12. Debtors

	31 March 2018 £000	1 April 2017 £000
Due within one year:		
Trade debtors	2,996	5,275
Other debtors	1,485	1,706
Prepayments and accrued income	3,046	3,146
	7,527	10,127
Due after more than one year:		
Amounts owed by group undertakings	129,977	121,285
	137,504	131,412

Loans to subsidiary undertakings are repayable on 31 March 2020 and earn interest at LIBOR plus 1.75% per annum.

Notes (continued)

13. Creditors: amounts due within one year

	31 March 2018 £000	1 April 2017 £000
Trade creditors	7,785	7,230
Other taxation and social security	3,311	3,561
Other creditors	3,157	2,659
Accruals	4,356	7,052
Deferred Revenue	284	427
	18,893	20,929

14. Creditors: amounts falling due after more than one year

	31 March 2018 £000	1 April 2017 £000
Amounts owed to group undertakings	88,424	84,886

Loans from subsidiary undertakings are repayable on 31 March 2020 and incur interest at LIBOR plus 1.75%.

15. Deferred taxation

	31 March 2018 £000	1 April 2017 £000
Deferred tax asset	2,783	2,450
Deferred tax liability	(121)	(621)
Net deferred tax asset	<u>2,662</u>	<u>1,829</u>

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	31 March 2018 £000	1 April 2017 £000	31 March 2018 £000	1 April 2017 £000
Property, plant and equipment	124	-	(121)	(621)
Employee benefits	2,659	2,450	-	-
Net tax assets/(liabilities)	<u>2,783</u>	<u>2,450</u>	<u>(121)</u>	<u>(621)</u>

Movement in deferred tax during the period

	1 April 2017 £000	Recognised in income £000	Recognised in equity £000	31 March 2018 £000
Property, plant and equipment	(621)	624	-	3
Employee benefits	2,450	14	195	2,659
	<u>1,829</u>	<u>638</u>	<u>195</u>	<u>2,662</u>

Movement in deferred tax during the prior period

	2 April 2016 £000	Recognised in income £000	Recognised in equity £000	01 April 2017 £000
Property, plant and equipment	(863)	242	-	(621)
Employee benefits	2,397	7	46	2,450
	<u>1,534</u>	<u>249</u>	<u>46</u>	<u>1,829</u>

The Directors believe that the deferred tax asset is recoverable as it relates to deductible temporary differences which will reverse over time.

Notes (continued)

16. Other provisions

	Other provisions £000
At 2 April 2017	617
Additional provision raised	212
Utilisation of provisions	(12)
At 31 March 2018	817

The provision relates to works of the Knightsbridge Store, which will be released during the course of the store refurbishment programme. The provision is calculated based on the actual costs of works completed to date and the works expected to be completed in the future.

17. Capital and reserves

	31 March 2018 £000	1 April 2017 £000
Share capital		
<i>Allotted, called up and fully paid:</i>		
Ordinary shares of £1 each (11,000,000 shares)	11,000	11,000
Reserves		

The reserves of the Company represent retained earnings, comprising of cumulative profits and losses, net of distributions to owners.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Company.

18. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings 31 March 2018 £000	1 April 2017 £000
Less than one year	7,156	7,066
Between one and five years	28,869	28,571
More than five years	55,545	61,625
	91,570	97,262

During the period £7,156,000 was recognised as an expense in the profit and loss account in respect of operating leases (2017: £7,018,000).

Notes (continued)

19. Financial instruments

The carrying values of the Company's financial instruments at the balance sheet date were as follows:

	31 March 2018 £000	1 April 2017 £000
Current financial assets:		
- Loans and receivables at amortised cost	5,615	8,018
Current financial liabilities:		
- Measured at amortised cost	18,893	20,929

Loans and receivables comprise of trade and other debtors but exclude prepayments.

Financial liabilities at amortised cost comprise trade creditors, accruals and other creditors.

20. Employee benefits

Defined contribution schemes

The Group contributes to two defined contribution schemes, one for the UK members and one for members based in the Republic of Ireland. Employer's contributions to the defined contribution schemes by the Group over the period amounted to £909,000 (2017: £896,000). The number of members in the Group's defined contribution schemes as at 31 March 2018 was 1,447 (2017: 1,459).

Defined benefit scheme

The Group participated in the Harvey Nichols Pension Scheme ("the Scheme"), which is a defined benefit scheme providing benefits based on the final pensionable pay and length of service. The scheme was closed in March 2016 to future accrual.

The defined benefit pension is valued at least every three years by a qualified independent actuary, the rates of contribution payable being determined by the actuary. The most recent valuation was performed as at 31 March 2016 and updated to 31 March 2018, in order to assess the liabilities of the Scheme at that date, using the projected unit method. The assumptions that had the most significant effect on the results of the valuation were those relating to the rates of return on investments and the rates of increase in salaries and pensions.

Net pension liability

	31 March 2018 £000	1 April 2017 £000
Defined benefit obligation	52,171	51,553
Plan assets	(36,532)	(37,150)
Net pension liability	15,639	14,403

Notes (continued)

20. Employee benefits (continued)

Movement in defined benefit obligation

	31 March 2018 £000	1 April 2017 £000
At beginning of period	51,553	44,604
Current service cost	-	-
Interest expense	1,329	1,502
Contributions by members	-	-
Benefits paid	(893)	(837)
Actuarial gain on re-measurement	182	6,284
At end of period	52,171	51,553

Movements in fair value of plan assets

	31 March 2018 £000	1 April 2017 £000
At beginning of period	37,150	31,290
Return on plan assets	(978)	5,234
Contributions by employer	516	516
Member contributions	-	-
Interest income	958	1,057
Administration expenses	(221)	(110)
Benefits paid	(893)	(837)
At end of period	36,532	37,150

Notes (continued)

20. Employee benefits (continued)

Expense recognised in the profit and loss account

	31 March 2018 £000	1 April 2017 £000
Current service cost	-	-
Administration expenses	221	110
Net interest on net defined benefit liability	371	445
Total expense recognised in profit or loss	592	555

	31 March 2018 £000	1 April 2017 £000
Remeasurements of the net defined benefit obligation as recognised in Statement of Other Comprehensive income	(1,160)	(1,050)

The fair value of the plan assets and the return on those assets were as follows:

	31 March 2018 £000	1 April 2017 £000
Equities	32,408	31,804
Bonds	2,312	3,248
Property	1,578	1,851
Cash	234	134
Other	-	113
	36,532	37,150
Actual return on plan assets	(978)	5,234

Principal actuarial assumptions (expressed as weighted averages) at the period end were as follows:

	31 March 2018 %	1 April 2017 %
Discount rate	2.6	2.6
Future salary increases	n/a pa	n/a pa
RPI inflation	3.2	3.2
CPI inflation	2.0	2.0
Revaluation of deferred pensions (non-GMP)	2.0	2.0

In valuing the liabilities of the pension fund at 31 March 2018, mortality assumptions have been made as indicated below. The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 60-year old to live for a number of years as follows:

Life expectancy (in years)	31 March 2018		1 April 2017	
	Males	Females	Males	Females
For an individual aged 60 in 2018	26.6	28.6	26.7	28.7
At age 60 for an individual aged 40 in 2018	28.1	30.2	28.3	30.3

The Scheme is no longer open to new members and therefore the age profile of the membership is expected to increase over time. As a result, the service cost will increase as a percentage of pensionable salaries in the future.

During the period ended 31 March 2018, Broad Gain (UK) Limited issued a guarantee for the liabilities of the pension scheme to the value of £1,323,000

Notes (continued)

21. Guarantees

Harvey Nichols and Company Limited, along with its fellow subsidiary undertakings, guarantees some of the bank borrowings of the Company's intermediate holding company, Broad Gain (UK) Limited. The subsidiary undertakings may be obliged to make good any shortfall in capital and interest payments payable by Broad Gain (UK) Limited. As at 31 March 2018, Broad Gain (UK) Limited had bank borrowings under guarantee of £nil (2017: £6,000,000).

22. Commitments

Capital commitments of the Company at the end of the financial period for which no provision has been made are as follows:

	31 March 2018 £000	1 April 2017 £000
Estimated commitments not included in the accounts	2,954	-

During the year ended 31 March 2018 the Company entered into a contract to purchase property, plant and equipment for £2,954,000 (2017: £nil).

23. Related party transactions

Subsidiaries

Relationship

Ultimate holding company
Parent company
Subsidiaries

Dickson Investment Holding (PTC) Corporation
Harvey Nichols Group Limited
Harvey Nichols Restaurants Limited
Harvey Nichols (Distribution) Limited
Harvey Nichols (Own Brand) Stores Limited
Harvey Nichols Regional Stores Limited
Harvey Nichols Beauty Bazaar Limited
Harvey Nichols.com Limited
Harvey Nichols (Dublin) Limited
Chiswick Estates Limited
Rainforest Café Limited
Amazon Café Limited

Key Management Personnel

Position	
Chairman	Sir Dickson Poon
Chief Executive Officer (resigned 30 April 2018)	Stacey Cartwright
Co-Chief Operating Officer	Manju Malhotra
Co-Chief Operating Officer	Daniela Rinaldi
Group Stores and Trading Director	Paul Finucane
Group Property Director	Barry Tallintire
Executive Director	Pearson Poon

Transactions with key management personnel

Certain key management personnel receive emoluments in their capacity as Directors. The Directors' emoluments are disclosed in note 4.

Related party balances

	31 March 2018 £000	1 April 2017 £000
<i>Intercompany loans due to Harvey Nichols and Company Limited</i>		
Harvey Nichols (Own Brand) Stores Limited	17,640	15,768
Harvey Nichols Regional Stores Limited	21,212	24,285
Harvey Nichols.com Limited	4,388	4,231
Broad Gain (UK) Limited	61,642	54,603
Harvey Nichols (Dublin) Limited	18,247	15,644
Harvey Nichols Beauty Bazaar Limited	3,305	2,953
Chiswick Estates Limited	3,525	3,783
HN Trustees	18	18

Notes (continued)

23. Related party balances (continued)

	31 March 2018 £000	1 April 2017 £000
<i>Intercompany loans due from Harvey Nichols and Company Limited</i>		
Harvey Nichols Restaurants Limited	27,484	25,363
Harvey Nichols Group Limited	54,061	52,979
Harvey Nichols (Distribution) Limited	6,879	6,544

24. Ultimate parent company

Harvey Nichols and Company Limited is an indirect wholly-owned subsidiary of Dickson Investment Holding Corporation, the ultimate parent company, registered in the British Virgin Islands.

The parent company of the largest and smallest group of which Harvey Nichols and Company Limited is a member and for which group financial statements are drawn up is Broad Gain (UK) Limited whose registered address is 361-365 Chiswick High Road, London, W4 4HS. Copies of the consolidated financial statements of Broad Gain (UK) Limited can be obtained from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.

25. Subsequent events

Subsequent to the balance sheet date, there have been no material events requiring disclosure in the financial statements.

26. Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of the financial statements requires management to make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, be likely to differ from the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial are discussed below:

i. Retirement benefits

Pension accounting requires certain assumptions to be made in order to value our obligations and to determine the charges to be made to the income statement. These figures are particularly sensitive to assumptions for discount rates, mortality and inflation rates. Details of assumptions are given in note 20.

ii. Provisions and liabilities

Provisions and liabilities are reviewed on a regular basis and adjusted to reflect management's best current estimates. The judgemental nature of these items means that future amounts settled may be different from those provided. Provisions at period end include those for inventories and doubtful debts.

iii. Impairment

The Company is required to test whether assets in use in operations have suffered any impairment. The recoverable amounts of cash generating units have been determined based on the higher of fair value less costs to sell and value in use. The calculation of value in use requires the estimation of future cash flows expected to arise from the continuing operation of the cash generating unit and the selection of a suitable discount rate in order to calculate the present value. Given the degree of subjectivity involved, actual outcomes could vary significantly from these estimates.