

# **Harvey Nichols and Company Limited**

## **Annual report and financial statements**

28 March 2020

Registered number 1774537



## **Contents**

Strategic report	1
Directors' report	4
Statement of Directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements	6
Independent auditor's report to the members of Harvey Nichols and Company Limited	7
Profit and Loss Account	9
Other Comprehensive Income	10
Balance Sheet	11
Statement of Changes in Equity	12
Notes	13

## Strategic report

The Directors present their Strategic report for Harvey Nichols and Company Limited ("the Company") for the 52 week period ended 28 March 2020.

### 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.

Like many retail businesses, the Company has been significantly impacted by the COVID-19 pandemic. Sales began to slow from January 2020 due to the absence of international visitors and the Knightsbridge store temporarily closed on 19 March 2020.

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

	52 weeks ended 28 March 2020 £000	52 weeks ended 30 March 2019 £000	Change
Turnover	81,279	90,947	(10.6%)
Gross margin	57.0%	58.2%	(1.2%)
Operating profit	(1,475)	5,686	(125.9%)
(Loss)/ profit after tax	(1,192)	4,653	(125.6%)
Capital investment	2,091	4,697	(55.5%)

Company turnover declined 10.0% compared to the prior period. This is due to a challenging retail environment arising from the impact of COVID-19 which caused sales to slow down and subsequently the flagship Knightsbridge store being temporarily closed from 19 March 2020 causing full year sales to decline. Gross margin has declined 1.6% year on year due to the shortening of the full price selling window.

During the period, the Company incurred capital expenditure of £2,091,000 (2019: £4,697,000). This was largely in relation to investment in IT systems.

## 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.

The COVID-19 pandemic has had a far reaching economic impact and the effects on the retail and hospitality sectors have been significant. This is currently the most significant external risk facing the Group. The Group has taken advantage of government schemes where available and taken steps to scrutinise and reduce all costs and protect cashflow including minimising capital investment and discretionary spending.

On 15 June 2020 the Group commenced a phased reopening of stores and restaurants with additional safety measures in place to protect both customers and employees in line with government guidance. This was followed by a second national lockdown in England in November 2020 and a third from 6 January 2021. Non-essential retail reopened on 12 April 2021 and hospitality reopened on 17 May 2021. Consumer sentiment remains weak and we continue to see the impact of the loss of international visitors to the UK. The Board continually monitors this situation closely in order to prepare and react to changes in the economic environment.

The UK left the European Union (EU) at 11pm on 31st January 2020. The UK then entered into a Transition Period until 31st December 2020. A trade deal was reached before the end of the transition period which has resulted in various changes which impact the Group, particularly with regards to imports and exports to and from the EU.

The Group has formed a Brexit committee to manage the risks and potential implications on all areas of the business, and is continuing to monitor and adapt to changes from a commercial, operational and legal standpoint.

#### *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 its trading loans with other Group companies.

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.

#### S172 Statement

This is the Directors' Section 172 disclosure describing how the Directors considered matters set out in section 172(1) (a) to (f) of the Companies Act 2006 (the Act). It also forms the Directors' statement required under section 414CZA of the Act. This statement describes how the directors have carried out their duties with regard to:

##### *Likely long term impact of decisions*

All decisions which are required to be taken at Board level are tabled at Board meetings where both the short and long term implications for the business and the impact on the various stakeholders are considered. The Board takes these into account when making a decision which they believe is in the best interest of the Group.

##### *Employees*

It is the Group's normal policy to keep its employees informed of the progress of the business and of matters affecting their interests through normal management channels including regular dialogue and the Group's intranet and email. Due consideration is given to employees' interests in making management decisions.

##### *Relationships with customers*

Serving our customers is the main purpose of the Group. Consumer sentiment can be gauged from sales figures which are regularly reviewed by the board and the Directors regularly provide updates on trade and their market view.

##### *Relationships with suppliers*

Suppliers are a key stakeholder in ensuring that we are able to provide quality product. The Group maintains strong relationships with suppliers and has a policy of settling payments within payment terms. Information about the Group's policy on modern slavery including in relation to supply can be viewed on the Group's website.

##### *Operational impacts on communities and the environment*

The Group strives to have a positive impact on the communities in which it operates and to minimise any adverse impact on the environment. The Group is proud to work with Macmillan Cancer support and MS Ireland as our charity partners.

##### *Interests of shareholders*

The Group's ultimate parent is Dickson Investment Holding (PTC) Corporation. Sir Dickson Poon serves as Chairman of the Group as a representative of these interests.

##### *Desirability of maintaining a reputation for high standards of business conduct*

The Directors are fully committed to maintaining the Group's reputation and conducting all affairs according to the Group code of conduct, which can be viewed here <https://www.harveynichols.com/about/corporate-responsibility/code-of-conduct/>

By order of the Board



Manju Malhotra

Director

30 June 2021

Registered Office

361-365 Chiswick High Road

London

W4 4HS

## Directors' report

The Directors present their report for the Company for the 52 week period ended 28 March 2020.

### Directors

The persons who served as directors during the period and to the date of this report were:

Sir Dickson Poon

Manju Malhotra

Pearson Poon

Daniela Rinaldi (resigned 20 December 2019)

Barry Tallintire (resigned 16 August 2019)

The Company did not provide qualifying third party indemnity provisions to its directors during the financial period at the date of this report (2019: nil).

### Dividends

The Directors do not recommend the payment of a dividend in respect of the period (2019: £nil).

### Political and charitable donations

During the period, the Company made charitable donations of £281,000 (2019: £269,000). The Company has not made any political donations during the period (2019: £nil).

### Future prospects and going concern

With the ongoing support of its shareholder, the Company will continue to invest in its store after reopening in order to drive future profitable growth.

There is still ongoing uncertainty around the impact of Covid-19 on the business over the next 12 months. On 22 February 2021, the Prime Minister announced a roadmap out of lockdown which suggested a reopening date of 12 April 2021 for non-essential retail and outdoor hospitality and 17 May 2021 for indoor hospitality. The Broad Gain Group has modelled a cautious yet realistic base case assuming footfall over the next 12 months will be well below pre-Covid levels. The Directors have considered this uncertainty in their reviews of the forecast and have stress tested the assumptions used including a severe but plausible downside scenario of a further two months of lockdown over the next 12 months, a delay of one month in the Government's roadmap for exit and a slower recovery of trade. The Group has also taken several mitigating actions with regards to cost savings and optimising cash flow. These include repurchasing capital spend, utilising the government support where available (including the coronavirus job retention scheme and the business rates holiday), deferrals of tax payments and reducing discretionary spend.

Notwithstanding a loss for the year then 28 March 2020 of £1,192,000, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons. The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, and the anticipated impact of COVID-19 on the operations and its financial resources (as discussed above), the company will have sufficient funds, through funding from its intermediate parent company, Broad Gain (UK) Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Broad Gain (UK) Limited providing additional financial support during that period. Broad Gain (UK) Limited has indicated its intention to continue to make available such funds as are needed by the company 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.

## Directors' report (continued)

### Future prospects and Going concern (continued)

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

### Financial risks and Financial Instruments

Please refer to the Strategic report on page 3.

### 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 and the notes to the financial statements. For information on how the Directors have had regard to the need to foster business relationships with suppliers, customers and others refer to S172 statement on page 3.

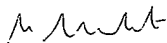
### Disclosure of information to the auditor

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

30 June 2021

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 28 March 2020 which comprise the Statement of Profit and Loss and Other Comprehensive Income, Balance Sheet, Statement of Changes in 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 28 March 2020 and of its loss for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Going concern**

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

We 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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

### **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 period 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.

We have nothing to report in these respects.

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

### **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.


### **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](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.



**Julie Wheeldon (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

1 Forest Gate,  
Brighton Road

Crawley  
RH11 9PT

1 July 2021

## Profit and Loss Account

for the period ended 28 March 2020

		52 weeks ended 28 March 2020	52 weeks ended 30 March 2019
	Note	Total £000	Total £000
Turnover	2	81,279	90,947
Cost of sales		(34,950)	(38,024)
<b>Gross profit</b>		<b>46,329</b>	<b>52,923</b>
Selling and distribution costs		(37,099)	(34,709)
Administrative expenses		(10,705)	(12,528)
<b>Operating (loss)/ profit</b>	3	<b>(1,475)</b>	<b>5,686</b>
Interest receivable and similar income	6	2,667	2,582
Interest payable and similar expenses	7	(2,345)	(2,133)
<b>(Loss)/profit before tax</b>		<b>(1,153)</b>	<b>6,135</b>
Tax on loss/profit	8	(39)	(1,482)
<b>(Loss)/ profit for the period</b>		<b>(1,192)</b>	<b>4,653</b>

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 28 March 2020

		52 weeks ended 28 March 2020	52 weeks ended 30 March 2019
	Note	£000	£000
(Loss)/ profit for the period		(1,192)	4,653
<b>Other comprehensive income/(expense):</b>			
Remeasurements of the net defined benefit liability	20	1,327	(1,790)
Income tax on other comprehensive income	8	99	304
<b>Other comprehensive income/ (expense for the period), net of income tax</b>		<b>1,426</b>	<b>(1,486)</b>
<b>Total comprehensive income for the period</b>		<b>234</b>	<b>3,167</b>

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

## Balance Sheet

as at 28 March 2020

	Note	28 March 2020 £000	30 March 2019 £000
<b>Fixed assets</b>			
Intangible assets	9	1,714	1,175
Tangible assets	10	29,859	33,286
<b>Other non-current assets</b>			
Net deferred tax asset	15	3,165	3,064
		34,738	37,525
<b>Current assets</b>			
Stocks	11	25,360	23,927
Debtors: including £138,127,000 (2019: £132,125,000) due after more than one year	12	146,010	141,336
Tax receivable		-	1,103
		171,370	166,366
<b>Creditors: amounts falling due within one year</b>	13	(21,291)	(19,364)
<b>Net current assets</b>		150,079	147,002
<b>Total assets less current liabilities</b>		184,817	184,527
<b>Creditors: amounts falling due after more than one year</b>	14	(92,185)	(90,926)
Other provisions	16	(704)	(770)
Pensions and similar obligations	20	(16,408)	(17,545)
<b>Net assets</b>		75,520	75,286
<b>Capital and reserves</b>			
Called up share capital	17	11,000	11,000
Profit and loss account		64,520	64,286
<b>Shareholder's funds</b>		75,520	75,286

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 30 June 2021 and were signed on its behalf by:



**Manju Malhotra**

Director

Registered Company number: 1774537

## Statement of Changes in Equity

for the period ended 28 March 2020

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 31 March 2018	11,000	61,119	72,119
<b>Total comprehensive income for the period</b>			
Profit for the period	-	4,653	4,653
Other comprehensive expense for the period	-	(1,486)	(1,486)
Total comprehensive income for the period	-	3,167	3,167
<b>Balance at 30 March 2019</b>	<b>11,000</b>	<b>64,286</b>	<b>75,286</b>
<b>Total comprehensive income for the period</b>			
Loss for the period	-	(1,192)	(1,192)
Other comprehensive income for the period	-	1,426	1,426
Total comprehensive income for the period	-	234	234
<b>Balance at 28 March 2020</b>	<b>11,000</b>	<b>64,520</b>	<b>75,520</b>

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 accounting standards in conformity with the requirements of the Companies Act 2006 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.
- Reconciliation of the number of shares outstanding from the beginning to the end of the period.

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*

There is still ongoing uncertainty around the impact of Covid-19 on the business over the next 12 months. On 22 February 2021, the Prime Minister announced a roadmap out of lockdown which suggested a reopening date of 12 April 2021 for non-essential retail and outdoor hospitality and 17 May 2021 for indoor hospitality. The Broad Gain Group has modelled a cautious yet realistic base case assuming footfall over the next 12 months will be well below pre-Covid levels. The Directors have considered this uncertainty in their reviews of the forecast and have stress tested the assumptions used including a severe but plausible downside scenario of a further two months of lockdown over the next 12 months, a delay of one month in the Government's roadmap for exit and a slower recovery of trade. The Group has also taken several mitigating actions with regards to cost savings and optimising cash flow. These include rephasing capital spend, utilising the government support where available (including the coronavirus job retention scheme and the business rates holiday), deferrals of tax payments and reducing discretionary spend.

Notwithstanding a loss for the year then 28 March 2020 of £1,192,000, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, and the anticipated impact of COVID-19 on the operations and its financial resources (as discussed above), the company will have sufficient funds, through funding from its intermediate parent company, Broad Gain (UK) Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Broad Gain (UK) Limited providing additional financial support during that period. Broad Gain (UK) Limited has indicated its intention to continue to make available such funds as are needed by the company 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.

## Notes (continued)

### 1. Accounting policies (continued)

#### *Going concern (continued)*

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

#### *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 or the lease term
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.

#### *Impairment of non-financial assets*

The carrying amounts of the Company's non-financial assets, other than 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. 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").

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.

#### *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.

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.

## Notes (continued)

### 1. Accounting policies (continued)

#### *Defined benefit plans - continued*

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.

#### *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 Company's retail operations, the Company 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 Company received on the transaction.

#### *Royalty income*

Royalty income is recognised over the term of the relevant contract.

#### *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.

#### *Government Grants*

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account in periods in which the related costs are incurred.

#### *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, provisions for liabilities and the impairment review of property, plant and equipment and intangible assets. Details of the key assumptions are disclosed in notes 10, 20 and 26.

## Notes (continued)

### 2. Turnover

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

	52 weeks ended 28 March 2020 £000	52 weeks ended 30 March 2019 £000
Turnover including concession sales (excluding VAT) and other income	111,687	123,777
Concession sales excluding commission	(30,408)	(32,830)
Total turnover	81,279	90,947

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

Turnover includes £237,000 received in respect of the Coronavirus Job Retention Scheme (2019: £nil).

### 3. (Loss)/ profit on ordinary activities before taxation

	52 weeks ended 28 March 2020 £000	52 weeks ended 30 March 2019 £000
(Loss)/ profit on ordinary activities before taxation is stated after charging/(crediting):		
Auditor's remuneration	47	47
Loss on disposal of intangible assets	-	52
Management charges	(20,553)	(17,829)
Charitable donations	281	269
Depreciation, amortisation and impairment	4,979	5,797
Operating rent	7,221	7,181

## Notes (continued)

### 4. Directors' emoluments

The emoluments of the Directors were as follows:

	52 weeks ended 28 March 2020 £000	52 weeks ended 30 March 2019 £000
Director's emoluments:		
As executives	403	442
	<u>403</u>	<u>442</u>

Emoluments in respect of the highest paid Director were £353,000 (2019: £362,000).

### 5. Staff costs and numbers

	52 weeks ended 28 March 2020 £000	52 weeks ended 30 March 2019 £000
The aggregate payroll costs including Directors were as follows:		
Wages and salaries	23,269	24,105
Social security costs	2,285	2,292
Other pension costs	1,597	1,303
	<u>27,151</u>	<u>27,700</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
Administration	279	257
Retail and restaurant operations	402	413
	<u>681</u>	<u>670</u>

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

## Notes (continued)

### 6. Interest receivable and similar income

	52 weeks ended 28 March 2020 £000	52 weeks ended 30 March 2019 £000
Interest receivable from group undertakings	2,656	2,582
Interest receivable from debt securities	11	-
	<u>2,667</u>	<u>2,582</u>

### 7. Interest payable and similar expenses

	52 weeks ended 28 March 2020 £000	52 weeks ended 30 March 2019 £000
Interest payable to group undertakings	1,926	1,731
Net interest on pension scheme (see note 20)	419	402
	<u>2,345</u>	<u>2,133</u>

### 8. Taxation

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

	52 weeks ended 28 March 2020 £000	52 weeks ended 28 March 2020 £000	52 weeks ended 30 March 2019 £000	52 weeks ended 30 March 2019 £000
<i>Current tax</i>				
Current tax on profit for the period	-		1,422	
Adjustments to tax charge in respect of prior periods	41		158	
Total current tax	<u>41</u>	41	<u>158</u>	1,580
<i>Deferred tax</i>				
Origination and reversal of temporary differences	185		(76)	
Effect of change in tax rate	(2)			
Adjustment to deferred tax charge in respect of defined benefit pension scheme	(34)		(22)	
Deferred tax on losses carried forward	(151)		-	
Total deferred tax (note 15)	<u>(151)</u>	(2)	<u>(98)</u>	(98)
Total tax expense		<u>39</u>		<u>1,482</u>

All current tax arises from UK operations.

## Notes (continued)

### 8. Taxation (continued)

	52 weeks ended 28 March 2020 £000	52 weeks ended 30 March 2019 £000
Income tax recognised in other comprehensive income		
Deferred tax on remeasurements of defined benefit pension liability	99	304

### Reconciliation of effective tax rate

	52 weeks ended 28 March 2020 £000	52 weeks ended 30 March 2019 £000
(Loss)/ profit for the period	(1,192)	4,653
Tax on loss/ profit	39	1,482
(Loss)/ profit before tax	(1,153)	6,135
Tax using the UK corporation tax rate of 19% (2019: 19%)	(219)	1,166
Effects of:		
Expenses not deductible for tax purposes	181	136
Adjustments to tax charge in respect of the defined benefit pension scheme	34	22
Adjustments to tax charge in respect of prior periods	41	158
Effect of change in tax rate	2	-
Total tax expense	39	1,482

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 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. The deferred tax asset at 28 March 2020 has been calculated at 19% (2019: 17%).

In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the Company's future tax charge.

## Notes (continued)

### 9. Intangible fixed assets

	Software £000	Trademarks £000	Total £000
<b>Cost</b>			
At 30 March 2019	10,251	882	11,133
Additions	1,109	103	1,212
At 28 March 2020	11,360	985	12,345
<b>Amortisation</b>			
At 30 March 2019	9,348	610	9,958
Charge for the period	608	65	673
At 28 March 2020	9,956	675	10,631
<b>Net book value</b>			
At 28 March 2020	1,404	310	1,714
At 30 March 2019	903	272	1,175

#### Amortisation charge

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

	28 March 2020 £000	30 March 2019 £000
Selling and distribution costs	673	1,441

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
<b>Cost</b>					
At 30 March 2019	28,748	12,667	20,906	343	62,664
Additions	115	148	616	-	879
Transfers	-	-	343	(343)	-
At 28 March 2020	<b>28,863</b>	<b>12,815</b>	<b>21,865</b>	<b>-</b>	<b>63,543</b>
<b>Depreciation</b>					
At 30 March 2019	10,817	4,990	13,571	-	29,378
Charge for the period	997	995	2,314	-	4,306
At 28 March 2020	<b>11,814</b>	<b>5,985</b>	<b>15,885</b>	<b>-</b>	<b>33,684</b>
<b>Net book value</b>					
At 28 March 2020	<b>17,049</b>	<b>6,830</b>	<b>5,980</b>	<b>-</b>	<b>29,859</b>
At 30 March 2019	17,931	7,677	7,335	343	33,286

As at 28 March 2020, there was property plant and equipment under construction of £nil (2019: £343,000).

The amount of borrowing costs capitalised during the period was nil (2019: £48,000).

## 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:

	28 March 2020	30 March 2019
Period on which management approved forecasts are based	2020/21	2019/20
Average growth rate in perpetuity	2.00%	3.00%
Discount rate	8.87%	9.62%

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

	28 March 2020 £000	30 March 2019 £000
Finished goods, goods for resale, beverages and food ingredients	25,360	23,927

The cost of inventories recognised as an expense and included in cost of sales amounted to £35,503,000 (2019: £38,024,000). The net movement in inventory provisions included in cost of sales was £101,000 (2019: £469,000).

### 12. Debtors

	28 March 2020 £000	30 March 2019 £000
Due within one year:		
Trade debtors	4,740	5,465
Other debtors	1,184	736
Prepayments and accrued income	1,959	3,010
	<b>7,883</b>	<b>9,211</b>
Due after more than one year:		
Amounts owed by group undertakings	138,127	132,125
	<b>146,010</b>	<b>141,336</b>

Loans to subsidiary undertakings are repayable on 31 March 2024 and earn interest at LIBOR plus 1.75% per annum.

## Notes (continued)

### 13. Creditors: amounts due within one year

	28 March 2020 £000	30 March 2019 £000
Trade creditors	8,605	8,726
Other taxation and social security	2,445	2,029
Other creditors	8,054	3,526
Accruals	2,063	4,911
Tax payable	81	-
Deferred Revenue	43	172
	<u>21,291</u>	<u>19,364</u>

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

	28 March 2020 £000	30 March 2019 £000
Amounts owed to group undertakings	<u>92,185</u>	<u>90,926</u>

Loans from subsidiary undertakings are repayable on 31 March 2024 and incur interest at LIBOR plus 1.75%.

15. Deferred taxation

	28 March 2020 £000	30 March 2019 £000
Deferred tax asset	3,305	3,190
Deferred tax liability	(140)	(126)
Net deferred tax asset	<u>3,165</u>	<u>3,064</u>

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	28 March 2020 £000	30 March 2019 £000	28 March 2020 £000	30 March 2019 £000
Property, plant and equipment	36	205	(140)	(126)
Employee benefits	3,118	2,985	-	-
Losses carried forward	151	-	-	-
Net tax assets/(liabilities)	<u>3,305</u>	<u>3,190</u>	<u>(140)</u>	<u>(126)</u>

Movement in deferred tax during the period

	30 March 2019 £000	Recognised in income £000	Recognised in equity £000	28 March 2020 £000
Property, plant and equipment	79	(183)	-	(104)
Employee benefits	2,985	34	99	3,118
Losses carried forward	-	151	-	151
	<u>3,064</u>	<u>2</u>	<u>99</u>	<u>3,165</u>

Movement in deferred tax during the prior period

	31 March 2018 £000	Recognised in income £000	Recognised in equity £000	30 March 2019 £000
Property, plant and equipment	3	76	-	79
Employee benefits	2,659	22	304	2,985
	<u>2,662</u>	<u>98</u>	<u>304</u>	<u>3,064</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 30 March 2019	770
Additional provision raised	76
Utilisation of provisions	(142)
<b>At 28 March 2020</b>	<b>704</b>

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

Share capital	28 March 2020 £000	30 March 2019 £000
<i>Allotted, called up and fully paid:</i>		
Ordinary shares of £1 each (11,000,000 shares)	11,000	11,000
<b>Reserves</b>		

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 28 March 2020 £000	30 March 2019 £000
Less than one year	7,191	7,181
Between one and five years	29,232	29,144
More than five years	42,317	48,968
	<b>78,740</b>	<b>85,293</b>

During the period £7,221,000 was recognised as an expense in the profit and loss account in respect of operating leases (2019: £7,181,000).

## Notes (continued)

### 19. Financial instruments

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

	28 March 2020 £000	30 March 2019 £000
<b>Current financial assets:</b>		
- Loans and receivables at amortised cost	5,924	6,201
<b>Current financial liabilities:</b>		
- Measured at amortised cost	21,291	19,364

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 £1,668,000 (2019: £1,180,000). The number of members in the Group's defined contribution schemes as at 28 March 2020 was 1,385 (2019: 1,469).

#### 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 28 March 2020, 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

	28 March 2020 £000	30 March 2019 £000
Defined benefit obligation	54,653	57,900
Plan assets	(38,245)	(40,355)
Net pension liability	16,408	17,545

## Notes (continued)

### 20. Employee benefits (continued)

#### *Movement in defined benefit obligation*

	28 March 2020 £000	30 March 2019 £000
At beginning of period	57,900	52,171
Current service cost	-	51
Interest expense	1,375	1,345
Benefits paid	(1,237)	(864)
Actuarial loss on re-measurement	(3,385)	5,197
At end of period	54,653	57,900

#### *Movements in fair value of plan assets*

	28 March 2020 £000	30 March 2019 £000
At beginning of period	40,355	36,532
Return on plan assets	(2,058)	3,407
Contributions by employer	516	516
Interest income	956	943
Administration expenses	(287)	(179)
Benefits paid	(1,237)	(864)
At end of period	38,245	40,355

## Notes (continued)

### 20. Employee benefits (continued)

Expense recognised in the profit and loss account

	28 March 2020 £000	30 March 2019 £000
Current service cost	-	51
Administration expenses	287	179
Net interest on net defined benefit liability	419	402
Total expense recognised in profit or loss	706	632

	28 March 2020 £000	30 March 2019 £000
Remeasurements of the net defined benefit obligation as recognised in Statement of Other Comprehensive income	1,327	(1,790)

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

	28 March 2020 £000	30 March 2019 £000
Equities	14,013	15,729
Diversified Growth Fund	16,722	15,282
Liability Driven Investments	6,976	9,267
Cash	534	77
	38,245	40,355
Actual return on plan assets	(2,058)	3,407

All equity securities and government bonds have quoted prices in active markets.

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

	28 March 2020 %	30 March 2019 %
Discount rate	2.3	2.4
RPI inflation	2.6	3.4
CPI inflation	1.9	2.3
Revaluation of deferred pensions (non-GMP)	n/a	2.3

In valuing the liabilities of the pension fund at 28 March 2020, 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)

	28 March 2020		30 March 2019	
	Males	Females	Males	Females
For an individual aged 60 in 2019	25.8	28.5	26.3	28.2
At age 60 for an individual aged 40 in 2019	27.4	30.0	27.7	29.7

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.



## Notes (continued)

### 20. Employee benefits (continued)

#### Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased as a result of a change in the respective assumptions by one percent.

	28 March 2020	30 March 2019
	£000	£000
Discount rate (-1% per annum change)	10,550	11,715
Future salary increases (+1% per annum change)	n/a	n/a
Inflation (RPI, CPI) (+1% per annum change)	8,197	8,398

In valuing the liabilities of the pension fund at 28 March 2020, mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 28 March 2020 would have increased by £1,497,000 before deferred tax.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 March 2016 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

### 21. Guarantees

The fellow subsidiary undertakings of Harvey Nichols and Company Limited, guarantee the Company's overdraft facility. The subsidiary undertakings may be obliged to make good any shortfall in capital and interest payments payable by Harvey Nichols and Company Limited. As at 28 March 2020, Harvey Nichols and Company Limited had borrowings under guarantee of £nil (2019: £nil).

### 22. Commitments

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

	28 March 2020	30 March 2019
	£000	£000
Estimated commitments not included in the accounts	875	516

As at 28 March 2020 the Group had commitments of £875,000 in respect of contributions to the defined benefit pension scheme (2019: £516,000).

### 23. Related party transactions

#### Subsidiaries

A list of subsidiaries with the Group is included below.

#### Relationship

Ultimate holding company	Dickson Investment Holding (PTC) Corporation
Intermediate holding company	Boroughbridge Limited
Intermediate holding company	Broad Gain (UK) Limited
Parent company	Harvey Nichols Group Limited
Subsidiaries	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
	Amazon Café Limited

#### Key Management Personnel

Position	
Chairman	Sir Dickson Poon
Chief Executive Officer	Manju Malhotra
Executive Director	Pearson Poon
Co-Chief Operating Officer (resigned 20 December 2019)	Daniela Rinaldi

## Notes (continued)

### 23. Related party balances (continued)

#### 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

	28 March 2020	30 March 2019
	£000	£000
<i>Intercompany loans due to Harvey Nichols and Company Limited</i>		
Harvey Nichols (Own Brand) Stores Limited	20,833	19,347
Harvey Nichols Regional Stores Limited	14,088	18,639
Harvey Nichols.com Limited	10,840	6,293
Broad Gain (UK) Limited	66,150	64,600
Harvey Nichols (Dublin) Limited	19,197	16,182
Harvey Nichols Beauty Bazaar Limited	3,701	3,703
Chiswick Estates Limited	3,300	3,343
HN Trustees	18	18

	28 March 2020	30 March 2019
	£000	£000
<i>Intercompany loans due from Harvey Nichols and Company Limited</i>		
Harvey Nichols Restaurants Limited	28,834	28,804
Harvey Nichols Group Limited	56,261	55,143
Harvey Nichols (Distribution) Limited	7,090	6,967

### 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, Mandy, Cardiff CF4 3UZ.

### 25. Subsequent events

Subsequent to the balance sheet date, it was announced that during the year ended 27 March 2021 a number of employees will be made redundant as the Company restructures its operations and employee base due to the impact of COVID-19.

### 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. Details of assumptions are given in note 10.