

Registration number: 1889348

Harrods (UK) Limited

Annual Report and Unaudited Financial Statements

for the period ended 28 January 2017

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Harrods (UK) Limited

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Harrods (UK) Limited
Directors' Report
for the period ended 28 January 2017

The Directors present their report and the financial statements for the period ended 28 January 2017.

Principal activity

The principal activity of the company is that of a holding company. It also holds fixed asset properties and investments. The principal subsidiaries of the company are retail businesses.

Results and dividends

The profit for the period, after taxation, amounted to £111.4m (2016: £101.5m). The company paid a dividend of £110.0m (2016: £100.1m).

Directors of the Company

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

M A Ward

J P Edgar

J P Healy

Interest rate risk

The company finances its operations principally through retained earnings as the company no longer has any external borrowings. Excess cash balances are placed on deposit to earn higher rates of interest.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Going concern

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

KPIs

There are no KPIs required to be reported other than operating profit/loss that would give a fuller understanding to the business.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Approved by the Board on 5 June 2017 and signed on its behalf by:



.....
D J Webster
Company secretary

Harrods (UK) Limited

Statement of Directors' Responsibilities

The Directors acknowledge their responsibilities for preparing the Annual 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 the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Harrods (UK) Limited

Profit and Loss Account
for the period ended 28 January 2017

		52 weeks ended 28 January 2017 £ m	52 weeks ended 30 January 2016 £ m
	Note		
Administrative expenses		(0.5)	(0.2)
Operating loss		(0.5)	(0.2)
Income from shares in group companies		110.0	100.1
Interest receivable and similar income	3	1.9	1.9
Profit before tax		111.4	101.8
Taxation	6	-	(0.3)
Profit for the period		111.4	101.5

The above results were derived from continuing operations.

Harrods (UK) Limited

Statement of Comprehensive Income for the period ended 28 January 2017

	52 weeks ended 28 January 2017 £ m	52 weeks ended 30 January 2016 £ m
Profit for the period	111.4	101.5
Actuarial (losses)/gains on defined benefit pension schemes	(5.9)	2.4
Movement of deferred tax relating to pension deficit/(surplus)	1.0	(0.4)
Other comprehensive income/(loss) for the period	(4.9)	2.0
Total comprehensive income for the period	106.5	103.5

The notes on pages 7 to 17 form an integral part of these financial statements.

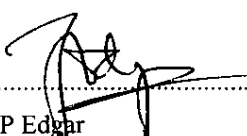
Harrods (UK) Limited
(Registration number: 1889348)
Balance Sheet
As at 28 January 2017

	Note	28 January 2017 £ m	30 January 2016 £ m
Fixed assets			
Tangible assets	7	2.3	2.5
Investments	8	1,465.2	742.6
		<u>1,467.5</u>	<u>745.1</u>
Current assets			
Debtors: amounts falling due after more than one year	6, 9	24.6	26.3
Debtors: amounts falling due within one year	9	-	184.6
Cash at bank and in hand		8.3	4.9
		<u>32.9</u>	<u>215.8</u>
Creditors: Amounts falling due within one year	10	<u>(0.3)</u>	<u>(120.7)</u>
Net current assets		<u>32.6</u>	<u>95.1</u>
Total assets less current liabilities		<u>1,500.1</u>	<u>840.2</u>
Deferred tax	6	-	(0.4)
Net assets excluding pension asset/(liability)		<u>1,500.1</u>	<u>839.8</u>
Pension (liability)/asset	13	<u>(1.9)</u>	<u>2.7</u>
Net assets		<u>1,498.2</u>	<u>842.5</u>
Capital and reserves			
Called up share capital	12	6.1	6.1
Share premium reserve		877.2	218.0
Revaluation reserve		0.2	0.2
Other reserves		576.0	576.0
Profit and loss account		<u>38.7</u>	<u>42.2</u>
Total equity		<u>1,498.2</u>	<u>842.5</u>

For the financial period ending 28 January 2017 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

- The members have not required the company to obtain an audit of its accounts for the period in question in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

Approved and authorised by the Board on 5 June 2017 and signed on its behalf by:


 J P Edgar
 Director

Harrods (UK) Limited

Statement of Changes in Equity for the period ended 28 January 2017

	Share capital £ m	Share premium £ m	Revaluation reserve £ m	Merger reserve £ m	Profit and loss account £ m	Total £ m
At 31 January 2015	6.1	218.0	0.2	576.0	38.8	839.1
Profit for the period	-	-	-	-	101.5	101.5
Other comprehensive income	-	-	-	-	2.0	2.0
Total comprehensive income	-	-	-	-	103.5	103.5
Dividends	-	-	-	-	(100.1)	(100.1)
At 30 January 2016	6.1	218.0	0.2	576.0	42.2	842.5
At 31 January 2016	6.1	218.0	0.2	576.0	42.2	842.5
Profit for the period	-	-	-	-	111.4	111.4
Other comprehensive income	-	-	-	-	(4.9)	(4.9)
Total comprehensive income	-	-	-	-	106.5	106.5
Dividends	-	-	-	-	(110.0)	(110.0)
New share capital subscribed	-	659.2	-	-	-	659.2
At 28 January 2017	6.1	877.2	0.2	576.0	38.7	1,498.2

The notes on pages 7 to 17 form an integral part of these financial statements.
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Harrods (UK) Limited
Notes to the Financial Statements
for the period ended 28 January 2017

1 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Summary of disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures.

This information is included in the consolidated financial statements of Harrods Group (Holding) Limited, the ultimate UK parent undertaking, as at 28 January 2017 and these financial statements may be obtained from the Registrar of Companies.

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

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

Asset class	Depreciation method and rate
Land	Not depreciated
Freehold property	20 - 35 years
Long-term leasehold property	35 years

Investments

Investments are included at cost less amounts written off.

Dividends

Revenue is recognised when the company's right to receive payment is established.

Harrods (UK) Limited

Notes to the Financial Statements for the period ended 28 January 2017

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Defined benefit pension obligation

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

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet.

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

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

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

Harrods (UK) Limited

Notes to the Financial Statements for the period ended 28 January 2017

2 Other income

	52 weeks ended 28 January 2017 £ m	52 weeks ended 30 January 2016 £ m
Dividends received from group undertakings	110.0	100.1

3 Interest receivable

	52 weeks ended 28 January 2017 £ m	52 weeks ended 30 January 2016 £ m
Interest receivable from group companies	1.8	1.9
Other finance income	0.1	-
	1.9	1.9

4 Staff costs

The Company has no employees other than the directors, who did not receive any remuneration (2016: £nil).

5 Directors remuneration

Aggregate remuneration in respect of qualifying services during the period was £3.2m (2016: £2.8m).

The highest paid director received remuneration of £2.0m (2016: 1.6m).

Included in emoluments for the period ended 28 January 2017 are pension contributions of £nil (2016: £49,551).

The value of emoluments incurred directly by the company was £nil (2016: £nil). Emoluments incurred by the company's subsidiary undertakings was £3.2m (2016: £2.8m).

There is 1 director to whom retirement benefits are accruing under a defined benefit pension scheme (2016: 1) and no directors to whom retirement benefits are accruing under a defined contribution scheme (2016: 2).

Harrods (UK) Limited

Notes to the Financial Statements for the period ended 28 January 2017

6 Taxation

Tax charged/(credited) in the income statement

	52 weeks ended 28 January 2017 £ m	52 weeks ended 30 January 2016 £ m
Current taxation		
Group Relief receivable/(payable)	0.2	(0.1)
Total current income tax	0.2	(0.1)
Deferred taxation		
Arising from origination and reversal of timing differences	(0.2)	0.4
Taxation on profit on ordinary activities	-	0.3

Tax relating to items recognised in other comprehensive income or equity

	52 weeks ended 28 January 2017 £ m	52 weeks ended 30 January 2016 £ m
Current tax related to items recognised as items of other comprehensive income	(1.0)	0.4

Factors affecting tax charge for the period

The tax on profit before tax for the period is lower than the standard rate of corporation tax in the UK (2016 - lower than the standard rate of corporation tax in the UK) of 20% (2016 - 20.16%).

The differences are reconciled below:

	52 weeks ended 28 January 2017 £ m	52 weeks ended 30 January 2016 £ m
Profit before tax	111.4	101.8
Corporation tax at standard rate	22.3	20.5
Losses previously not recognised	(0.4)	-
Income not taxable	(21.9)	(20.2)
Total tax charge	-	0.3

Harrods (UK) Limited

Notes to the Financial Statements for the period ended 28 January 2017

6 Taxation (continued)

The standard rate of tax applied to profit on ordinary activities is 20% (2016: 20.16%). The Finance (No 2) Act 2015 introduced a reduction in the corporation tax rate to 19% from 1 April 2017. The Finance Act 2016 further reduces the corporation tax rate to 17% from 1 April 2020 (previously 18%).

As a result, deferred tax balances have been calculated using 17% on the basis that the assets/liabilities are expected to unwind over a number of years.

Deferred tax

	28 January 2017 £ m	30 January 2016 £ m
Short term timing differences	0.3	-
Investment property revaluations	-	(0.4)
Deferred tax asset/(liability)	<u>0.3</u>	<u>(0.4)</u>

7 Tangible assets

	Land and buildings £ m	Furniture, fittings and equipment £ m	Total £ m
Cost			
At 31 January 2016	2.7	-	2.7
Additions	-	0.1	0.1
Disposals	(0.3)	-	(0.3)
At 28 January 2017	<u>2.4</u>	<u>0.1</u>	<u>2.5</u>
Depreciation			
At 31 January 2016	<u>0.2</u>	<u>-</u>	<u>0.2</u>
At 28 January 2017	<u>0.2</u>	<u>-</u>	<u>0.2</u>
Carrying amount			
At 28 January 2017	<u>2.2</u>	<u>0.1</u>	<u>2.3</u>
At 30 January 2016	<u>2.5</u>	<u>-</u>	<u>2.5</u>

Harrods (UK) Limited

Notes to the Financial Statements for the period ended 28 January 2017

8 Investments in subsidiaries

	28 January 2017 £ m	30 January 2016 £ m
Investments in subsidiaries	1,465.2	742.6
Subsidiaries		£ m
Cost		
At 31 January 2016		742.6
Additions		722.6
At 28 January 2017		1,465.2
Provision		
At 31 January 2016		-
At 28 January 2017		-
Carrying amount		
At 28 January 2017		1,465.2
At 30 January 2016		742.6

On 27 January 2017, Harrods Limited issued to Harrods (UK) Limited, one ordinary share with a nominal value of £0.10, and at a share premium of £722.6m, as part of a loan rationalisation transaction.

Harrods (UK) Limited

Notes to the Financial Statements
for the period ended 28 January 2017

8 Investments in subsidiaries (continued)

Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Class of shares	Holding	Principal activity
Harrods Limited *	England and Wales	Ordinary shares	100%	Department store
Harrods International Limited	England and Wales	Ordinary shares	100%	Tax free retailer and wholesaler
Harrods (Continental) Limited	England and Wales	Ordinary shares	100%	Exporter
Harrods Estates Limited	England and Wales	Ordinary shares	100%	Estate agency
PL Management Limited	England and Wales	Ordinary shares	100%	Property Management
Harrods Estates Paris S.A.	France	Ordinary shares	100%	Property Management
Genavco Holdings Limited	England and Wales	Ordinary shares	100%	Holding company
Genavco Insurance Limited	England and Wales	Ordinary shares	100%	Insurance broker
Harrods Property Limited	England and Wales	Ordinary shares	100%	Property Management
Harrods Nominees Limited	England and Wales	Ordinary shares	100%	Dormant company
Wylie and Company Limited	England and Wales	Ordinary shares	100%	Dormant company
Featurecode 2A Holdings	England and Wales	Ordinary shares	100%	Dormant company
Featurecode 2A	England and Wales	Ordinary shares	100%	Dormant company
Harrods Management Limited	England and Wales	Ordinary shares	100%	Dormant company
5A Watches Limited	England and Wales	Ordinary shares	100%	Dormant company
Harrods Group Trustees Limited	England and Wales	Ordinary shares	100%	Dormant company

* the whole of the issued ordinary share capital in this company is owned directly by the company. The whole of the ordinary shares capital in the other companies is held by intermediate companies.

Harrods (UK) Limited

Notes to the Financial Statements for the period ended 28 January 2017

9 Debtors

Debtors due within one year

	28 January 2017 £ m	30 January 2016 £ m
Amounts owed by group undertakings	-	184.5
Group Relief receivable	-	0.1
Total current trade and other debtors	-	184.6

Debtors due after more than one year

	28 January 2017 £ m	30 January 2016 £ m
Amounts owed by group undertakings	24.3	26.3
Deferred tax asset	0.3	-
	24.6	26.3

10 Creditors

	28 January 2017 £ m	30 January 2016 £ m
Due within one year		
Amounts owed to group undertakings	-	120.7
Other payables	0.1	-
Group Relief	0.2	-
	0.3	120.7

11 Dividends

	28 January 2017 £ m	30 January 2016 £ m
Declared: £18.04p (2016: £16.42p) per £1 share	110.0	100.1

12 Share capital

Allotted, called up and fully paid shares

	28 January 2017		30 January 2016	
	No. m	£ m	No. m	£ m
Allotted, called up and fully paid of £1 each	6.1	6.1	6.1	6.1

Harrods (UK) Limited

Notes to the Financial Statements for the period ended 28 January 2017

12 Share capital (continued)

Authorised

10,000,000 ordinary shares of £1 each.

Each ordinary share represents one vote. There are no restrictions or preferences placed on these shares.

13 Pension and other schemes

Defined benefit pension schemes

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

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

An actuarial valuation of the Plan as at 5 April 2015 on a Scheme Specific Funding basis was carried out by the Scheme Actuary. The deficit on this basis was £45m as at 5 April 2015, a funding level of 93%. At the previous valuation at 5 April 2012, the shortfall was £77m equating to a funding level of 85%.

A revised recovery plan was subsequently agreed. In order for the Plan to be fully funded by 31 March 2021, the Trustees and Principal Employer agreed the following on 24 March 2016:

- Annual contributions totalling £5.0m per annum payable in each of 2016, 2017, 2018, 2019, 2020 with a final payment of £1.25m in March 2021.
- Plan expenses (including any insurance premiums and PPF levies) estimated at £1.0m per annum to continue to be met by the Employers.
- A number of changes to the investment strategy to be implemented with the aim of de-risking the plan.
- Recognising the risks inherent in the performance of the financial markets during the deficit correction period, the principal employer has also agreed to fund any deficits outside an agreed tolerance band during this period.

During the period ended 28 January 2017, the participating employers made total contributions to the plan of £6.5m (2016: £20.3m).

Due to the deficits falling below the lower agreed tolerance band as indicated above for three consecutive quarters in the period, the participating employers will be making additional contributions in the following year ending 3rd February 2018, commencing with £7.2m in March 2017 and to be reassessed quarterly thereafter. The additional payments will cease once the deficit recovers above the lower tolerance band.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	28 January 2017 £ m	30 January 2016 £ m
Fair value of scheme assets	63.7	59.3
Present value of defined benefit obligation	(65.6)	(56.6)
Defined benefit pension scheme (deficit)/surplus	(1.9)	2.7

Harrods (UK) Limited

Notes to the Financial Statements for the period ended 28 January 2017

13 Pension and other schemes (continued)

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	28 January 2017 £ m
Present value at start of period	(56.6)
Interest cost	(2.0)
Actuarial gains and losses	(12.1)
Benefits paid	1.7
Transfers and other adjustments	3.4
Present value at end of period	<u>(65.6)</u>

Fair value of scheme assets

Changes in the fair value of scheme assets are as follows:

	28 January 2017 £ m
Fair value at start of period	59.3
Interest income	2.1
Return on plan assets	6.3
Employer contributions	0.7
Benefits paid	(1.7)
Transfers (change in allocation between contributing employers)	(2.9)
Administrative Expenses	(0.1)
Fair value at end of period	<u>63.7</u>

Analysis of assets

The major categories of scheme assets are as follows:

	28 January 2017 £ m	30 January 2016 £ m
Cash and cash equivalents	6.9	1.7
Equity instruments	8.9	19.8
Debt instruments	26.3	24.2
Other assets	21.6	13.6
	<u>63.7</u>	<u>59.3</u>

Harrods (UK) Limited

Notes to the Financial Statements for the period ended 28 January 2017

13 Pension and other schemes (continued)

Principal actuarial assumptions

The principal actuarial assumptions at the statement of financial position date are as follows:

	2017	2016
	%	%
Discount rate	2.85	3.75
Future pension increases	2.45	2.20
Inflation	3.45	3.00

Post retirement mortality assumptions

	2017	2016
	Years	Years
Current UK pensioners at retirement age - male	28.1	28.0
Current UK pensioners at retirement age - female	29.9	29.9
Future UK pensioners at retirement age - male	30.4	30.4
Future UK pensioners at retirement age - female	32.3	32.2

14 Commitments

The company had no capital commitments at 28 January 2017 or 30 January 2016.

15 Contingent liabilities

The Harrods Group (Holding) Group's cash netting facility is guaranteed by Harrods (UK) Limited and other group companies. There are no other contingent liabilities at 28 January 2017 or 30 January 2016.

16 Related party transactions

The company has taken advantage of the exemption in FRS102, section 33 "Related Party Disclosures" from disclosing transactions with other members of the group.

17 Parent and ultimate parent undertaking

The company's immediate parent undertaking is Harrods Holdings Limited, a company incorporated in the United Kingdom. The ultimate UK parent undertaking of Harrods Holdings Limited is Harrods Group (Holding) Limited. The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by Harrods Group (Holding) Limited.

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