

Registration number: 1889348

Harrods (UK) Limited

Annual Report and Unaudited Financial Statements

for the period ended 3 February 2018



Harrods (UK) Limited

Contents

Directors' Report	1
Statement of Directors' Responsibilities	2
Profit and Loss Account	3
Statement of Comprehensive Income	4
Balance Sheet	5
Statement of Changes in Equity	6
Notes to the Financial Statements	7 to 18

Harrods (UK) Limited
Directors' Report
for the period ended 3 February 2018

The Directors present their report and the financial statements for the period from 29 January 2017 to 3 February 2018.

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 £126.3m (2017: £111.4m). The company paid a dividend of £125.0m (2017: £110.0m).

Directors of the company

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

M A Ward

J P Healy

J P Edgar (resigned 10 November 2017)

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 profit, after tax, for the period that would giving a further 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 19 June 2018 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 3 February 2018

		53 weeks ended 03 February 2018 £ m	52 weeks ended 28 January 2017 £ m
	Note		
Turnover	2	0.2	-
Administrative expenses		<u>(0.3)</u>	<u>(0.5)</u>
Operating loss		(0.1)	(0.5)
Income from shares in group companies	3	125.0	110.0
Interest receivable and similar income	4	<u>1.6</u>	<u>1.9</u>
Profit before tax		126.5	111.4
Taxation	7	<u>(0.2)</u>	<u>-</u>
Profit for the financial period		<u>126.3</u>	<u>111.4</u>

Harrods (UK) Limited

Statement of Comprehensive Income for the period ended 3 February 2018

	53 weeks ended 03 February 2018 £ m	52 weeks ended 28 January 2017 £ m
Profit for the period	<u>126.3</u>	<u>111.4</u>
Actuarial gains/(losses) on defined benefit pension schemes	0.2	(5.9)
Movement of deferred tax relating to pension (surplus)/deficit	<u>(0.1)</u>	<u>1.0</u>
Other comprehensive income/(loss) for the period	<u>0.1</u>	<u>(4.9)</u>
Total comprehensive income for the period	<u><u>126.4</u></u>	<u><u>106.5</u></u>

Harrods (UK) Limited
(Registration number: 1889348)
Balance Sheet
as at 3 February 2018

	Note	03 February 2018 £ m	28 January 2017 £ m
Fixed assets			
Tangible assets	8	2.2	2.3
Investments	9	1,663.6	1,465.2
		<u>1,665.8</u>	<u>1,467.5</u>
Current assets			
Debtors: amounts falling due after more than one year	10	20.1	24.6
Cash at bank and in hand		11.0	8.3
		<u>31.1</u>	<u>32.9</u>
Creditors: Amounts falling due within one year	11	<u>(0.2)</u>	<u>(0.3)</u>
Net current assets		<u>30.9</u>	<u>32.6</u>
Net assets excluding pension asset/(liability)		1,696.7	1,500.1
Pension asset/(liability)	14	1.3	(1.9)
Net assets		<u>1,698.0</u>	<u>1,498.2</u>
Capital and reserves			
Called up share capital	13	6.1	6.1
Share premium reserve	13	1,075.6	877.2
Revaluation reserve		0.2	0.2
Other reserves		576.0	576.0
Profit and loss account		<u>40.1</u>	<u>38.7</u>
Total equity		<u>1,698.0</u>	<u>1,498.2</u>

For the financial period ending 3 February 2018 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 19 June 2018 and signed on its behalf by:

.....
M A Ward
Director

The notes on pages 7 to 18 form an integral part of these financial statements.
Page 5

Harrods (UK) Limited

Statement of Changes in Equity for the period ended 3 February 2018

	Share capital £ m	Share premium £ m	Revaluation reserve £ m	Merger reserve £ m	Profit and loss account £ m	Total £ m
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

	Share capital £ m	Share premium £ m	Revaluation reserve £ m	Merger reserve £ m	Profit and loss account £ m	Total £ m
At 29 January 2017	6.1	877.2	0.2	576.0	38.7	1,498.2
Profit for the period	-	-	-	-	126.3	126.3
Other comprehensive income	-	-	-	-	0.1	0.1
Total comprehensive income	-	-	-	-	126.4	126.4
Dividends	-	-	-	-	(125.0)	(125.0)
New share capital subscribed	-	198.4	-	-	-	198.4
At 3 February 2018	6.1	1,075.6	0.2	576.0	40.1	1,698.0

Harrods (UK) Limited

Notes to the Financial Statements for the period ended 3 February 2018

1 Accounting policies

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.

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

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.

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 paragraph 33.7.

This information is included in the consolidated Financial Statements of Harrods Group (Holding) Limited, the ultimate UK parent undertaking, as at 3 February 2018 and these Financial Statements may be obtained from the Registrar of Companies.

Tangible assets

Tangible assets are stated in the Balance Sheet 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 in subsidiaries

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 3 February 2018 (continued)

1 Accounting policies (continued)

Tax

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

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

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the Financial Statements.

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

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

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 3 February 2018 (continued)

2 Revenue

The analysis of the company's revenue for the period from continuing operations is as follows:

	53 weeks ended 03 February 2018 £ m	52 weeks ended 28 January 2017 £ m
Rental income	<u>0.2</u>	<u>-</u>

3 Other income

	53 weeks ended 03 February 2018 £ m	52 weeks ended 28 January 2017 £ m
Dividends received from group undertakings	<u>125.0</u>	<u>110.0</u>

4 Interest receivable

	53 weeks ended 03 February 2018 £ m	52 weeks ended 28 January 2017 £ m
Interest receivable from group companies	1.6	1.8
Other finance income	<u>-</u>	<u>0.1</u>
	<u>1.6</u>	<u>1.9</u>

5 Staff costs

The company has no employees other than the directors, who did not receive any remuneration (2017: £nil).

6 Directors remuneration

Aggregate remuneration in respect of qualifying services during the period was £3.0m (2017: £3.2m). The value of emoluments incurred directly by the company was £nil (2017: £nil). Emoluments incurred by the company's subsidiary undertakings was £3.0m (2017: £3.2m). Included in emoluments for the period ended 3 February 2018 are pension contributions of £nil (2017: £nil). There are no directors to whom retirement benefits are accruing under a defined contribution scheme (2017: none). There is 1 director to whom retirement benefits are accruing under a defined benefit pension scheme (2017: 1). The highest paid director received remuneration of £1.9m (2017: £2.0m).

Harrods (UK) Limited

Notes to the Financial Statements
for the period ended 3 February 2018 (continued)

7 Taxation

Tax charged/(credited) in the income statement

	53 weeks ended 03 February 2018 £ m	52 weeks ended 28 January 2017 £ m
Current taxation		
Group Relief receivable	0.1	0.2
Total current income tax	0.1	0.2
Deferred taxation		
Arising from origination and reversal of timing differences	0.2	(0.2)
Arising from changes in tax rates and laws	(0.1)	-
Total deferred taxation	0.1	(0.2)
Taxation on profit on ordinary activities	0.2	-
Tax relating to items recognised in other comprehensive income or equity		
Current tax related to items recognised as items of other comprehensive income	-	(1.0)

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 (2017 - the same as the standard rate of corporation tax in the UK) of 19.16% (2017 - 20%).

The differences are reconciled below:

	53 weeks ended 03 February 2018 £ m	52 weeks ended 28 January 2017 £ m
Profit before tax	126.5	111.4
Corporation tax at standard rate	24.2	22.3
Tax rate changes	(0.1)	-
Losses previously not recognised	-	(0.4)
Income not taxable	(23.9)	(21.9)
Total tax charge	0.2	-

Harrods (UK) Limited

Notes to the Financial Statements for the period ended 3 February 2018 (continued)

7 Taxation (continued)

The standard rate of tax applied to profit on ordinary activities is 19.16% (2017: 20%). The Finance (No 2) Act 2015 introduced a reduction in the corporation tax rate to 19% for financial years 2017, 2018 and 2019. The Finance Act 2016 further reduced 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

	03 February 2018 £ m	28 January 2017 £ m
Fixed asset timing differences	(0.3)	-
Short term timing differences	-	0.3
Non trading timing differences	0.1	-
Losses	0.3	-
Deferred tax asset	0.1	0.3

8 Tangible assets

	Land and buildings £ m	Furniture, fittings and equipment £ m	Total £ m
Cost			
At 29 January 2017	2.4	0.1	2.5
Additions	-	0.1	0.1
At 3 February 2018	2.4	0.2	2.6
Depreciation			
At 29 January 2017	0.2	-	0.2
Charge for the period	0.2	-	0.2
At 3 February 2018	0.4	-	0.4
Carrying amount			
At 3 February 2018	2.0	0.2	2.2
At 28 January 2017	2.2	0.1	2.3

Harrods (UK) Limited

Notes to the Financial Statements
for the period ended 3 February 2018 (continued)

9 Investments in subsidiaries

	03 February 2018 £ m	28 January 2017 £ m
Investments in subsidiaries	<u>1,663.6</u>	<u>1,465.2</u>
Subsidiaries		£ m
Cost		
At 29 January 2017		1,465.2
Additions		<u>198.4</u>
At 3 February 2018		<u>1,663.6</u>
Provision		
At 29 January 2017		<u>-</u>
At 3 February 2018		<u>-</u>
Carrying amount		
At 3 February 2018		<u>1,663.6</u>
At 28 January 2017		<u>1,465.2</u>

On 2 October 2017, Harrods Limited issued to Harrods (UK) Limited, one ordinary share with a nominal value of £1, and at a share premium of £198.4m, as part of a loan rationalisation transaction.

Harrods (UK) Limited

Notes to the Financial Statements
for the period ended 3 February 2018 (continued)

9 Investments in subsidiaries (continued)

Details of undertakings

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

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

The registered address of each entity listed above is 87-135 Brompton Road, Knightsbridge, London, SW1X 7XL, England and Wales.

Harrods (UK) Limited

Notes to the Financial Statements for the period ended 3 February 2018 (continued)

10 Debtors

Debtors due after more than one year

	03 February 2018 £ m	28 January 2017 £ m
Amounts owed by group undertakings	20.0	24.3
Deferred tax asset	0.1	0.3
	<u>20.1</u>	<u>24.6</u>

11 Creditors

	03 February 2018 £ m	28 January 2017 £ m
Due within one year		
Other payables	0.1	0.1
Group Relief	0.1	0.2
	<u>0.2</u>	<u>0.3</u>

12 Dividends

	03 February 2018 £ m	28 January 2017 £ m
Declared: £20.49p (2017: £18.04p) per £1 share	<u>125.0</u>	<u>110.0</u>

13 Share capital

Allotted, called up and fully paid shares

	03 February 2018 No. m	£ m	28 January 2017 No. m	£ m
Allotted, called up and fully paid of £1 each	<u>6.1</u>	<u>6.1</u>	<u>6.1</u>	<u>6.1</u>

	03 February 2018 £ m	28 January 2017 £ m
Share premium	<u>1,075.6</u>	<u>877.2</u>
	<u>1,075.6</u>	<u>877.2</u>

Harrods (UK) Limited
Notes to the Financial Statements
for the period ended 3 February 2018 (continued)

13 Share capital (continued)

On 2 October 2017, Harrods Limited issued to Harrods (UK) Limited, one ordinary share with a nominal value of £1, and at a share premium of £198.4m, as part of a loan rationalisation transaction.

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.

14 Pension and other schemes

Defined benefit pension schemes

During the period the company 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.

In aggregate, during the period ended 3 February 2018, the participating employers made total contributions to the plan of £31.5m (2017: £6.5m), of which £23.7m were additional payments made due to the deficit falling below the agreed tolerance band as per the recovery plan outlined above.

As the deficit has continued to fall below the agreed tolerance band, the participating employers will be making additional contributions in the following year ending 2 February 2019, commencing with £4.3m in March 2018 and to be reassessed quarterly thereafter. The additional payments will cease once the deficit recovers above the lower tolerance band.

The next triennial valuation is scheduled for April 2018.

Harrods (UK) Limited

Notes to the Financial Statements
for the period ended 3 February 2018 (continued)

14 Pension and other schemes (continued)

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the Balance Sheet are as follows:

	3 February 2018 £ m	28 January 2017 £ m
Fair value of scheme assets	66.7	63.7
Present value of defined benefit obligation	<u>(65.4)</u>	<u>(65.6)</u>
Defined benefit pension scheme surplus/(deficit)	<u>1.3</u>	<u>(1.9)</u>

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	3 February 2018 £ m
Present value at start of period	(65.6)
Interest cost	(1.8)
Actuarial gains and losses	0.1
Benefits paid	<u>1.9</u>
Present value at end of period	<u>(65.4)</u>

Fair value of scheme assets

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

	3 February 2018 £ m
Fair value at start of period	63.7
Interest income	1.8
Return on plan assets	0.1
Employer contributions	3.2
Benefits paid	(1.9)
Administrative Expenses	<u>(0.2)</u>
Fair value at end of period	<u>66.7</u>

Harrods (UK) Limited

Notes to the Financial Statements
for the period ended 3 February 2018 (continued)

14 Pension and other schemes (continued)

Analysis of assets

The major categories of scheme assets are as follows:

	3 February 2018 £ m	28 January 2017 £ m
Cash and cash equivalents	0.2	6.9
Equity instruments	10.2	8.9
Debt instruments	29.4	26.3
Other assets	26.9	21.6
	<u>66.7</u>	<u>63.7</u>

Principal actuarial assumptions

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

	2018 %	2017 %
Discount rate	2.55	2.85
Future pension increases	2.25	2.45
Inflation	<u>3.25</u>	<u>3.45</u>

Post retirement (at age 60) mortality assumptions

	2018 Years	2017 Years
Current UK pensioners at retirement age - male	27.7	28.1
Current UK pensioners at retirement age - female	29.4	29.9
Future UK pensioners at retirement age - male	29.6	30.4
Future UK pensioners at retirement age - female	<u>31.3</u>	<u>32.3</u>

15 Commitments

The company had no capital commitments at 3 February 2018 or 28 January 2017.

16 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 3 February 2018 or 28 January 2017.

17 Related party transactions

The company has taken advantage of the exemption in FRS 102, section 33 "Related Party Disclosures" from disclosing transactions with other members of the group.

Harrods (UK) Limited

Notes to the Financial Statements for the period ended 3 February 2018 (continued)

18 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, incorporated in Qatar.