



# Harrods Group (Holding) Limited

Reports and Consolidated Financial Statements

for the Period ended 1 February 2014

Registration number: 5990648

# **Harrods Group (Holding) Limited**

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

### **Directors' Report for the Period from 3 February 2013 to 1 February 2014**

The directors present their report together with audited consolidated financial statements of Harrods Group (Holding) Limited and its subsidiary companies ("the group") for the 52 weeks ended 1 February 2014.

#### **Principal activity**

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

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

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

#### **Profit for the financial period and the dividend**

Turnover for the period to 1 February 2014 totalled £843.0m (2013: £765.4m).

There was a profit for the period after taxation amounting to £84.5m (2013: £65.8m). The company declared a dividend in the period £117.6m (2013: £68.6m).

#### **Directors of the company**

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

His Excellency Sheikh Hamad Bin Jassim Bin Jaber Al Thani

H Al-Abdulla

A M Al-Sayed

K Maamria (resigned 29 May 2014)

K J Al-Kuwari

M A Ward

J P Edgar

S J Brown

#### **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.

#### **Employment of disabled persons**

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

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

### **Directors' Report for the Period from 3 February 2013 to 1 February 2014**

**..... continued**

#### **Charitable donations**

The charitable donations made by the group and charged in the financial statements were £0.1m (2013: £0.1m). In addition, during the period the group supported various charities by hosting fundraising events within the Harrods store in Knightsbridge. There were no political donations.

#### **Payment of creditors**

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

The group is sympathetic to, and pays particular attention to, the cash flow needs of its smaller suppliers. At period end the number of days payable outstanding was 31 days (2013: 32 days).

#### **Carbon footprint**

Harrods Limited, a subsidiary of Harrods Group (Holding) Limited, have commissioned a Carbon footprint study of their UK operation including the Knightsbridge Store, Distribution Centres, associated offices and car park for the time coinciding with the financial period ending 1 February 2014, covering Scope 1 and 2 under the principles of the World Business Council for Sustainable Development (WBCSD) GHG Protocol. The Harrods Total Carbon Footprint is 22,769 Co2 (tonnes).

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

### **Statement of Directors' Responsibilities**

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 director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the director is 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

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

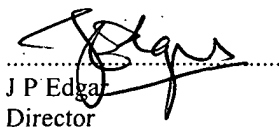
#### **Disclosure of information to the auditors**

The directors have taken steps that ought to have taken as directors in order to make aware of any relevant audit information and to establish that the group's auditors are aware of that information. The that there is no relevant information that of and which the auditors are unaware of.

#### **Reappointment of auditors**

The auditors Ernst & Young LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 23 June 2014 and signed on its behalf by:

  
J P Edgar  
Director

Registered Office  
87-135 Brompton Road  
Knightsbridge  
London SW1X 7XL

## Harrods Group (Holding) Limited

### Strategic Report for the Period from 3 February 2013 to 1 February 2014

The directors present their strategic report for the period from 3 February 2013 to 1 February 2014.

#### Results of ordinary activities before exceptional items

The year ended 1 February 2014, was another record year for Harrods with group turnover growing to £843.0m (2013: £765.4m), operating profit up to £145.7m (2013: £122.4m) and profit before tax up to £115.1m (2013: £92.5m).

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

	Period ended 1 Feb 2014	Period ended 2 Feb 2013	Growth	Growth
	£m	£m	£m	%
Gross Transaction Value (Incl VAT)	1,674.3	1,478.6	195.7	13.2
Gross Transaction Value (Excl VAT)	1,425.2	1,261.0	164.2	13.0
Turnover	843.0	765.4	77.6	10.1

The year saw a very significant programme of capital expenditure, with total additions of £59.9m (2013: £53.4m).

This year focus continued on investing in luxury boutiques primarily in our Knightsbridge store but also at the airports. This level of capital expenditure is expected to continue in 2014.

On the 3rd of July, 2013, Harrods Estates Paris S.A. was incorporated in France with a share capital of €1m euros. The company, whose principal activity is property management, has started trading in the course of the year. Its results have been consolidated into these group accounts.

On the 29th of January, 2014, ownership of Harrods Bank Limited was transferred from Harrods Limited to Harrods Group (Holding) Limited for its book value of £12.9m. This transfer was financed through a non-interest bearing intercompany loan between the two companies.

#### Business review

##### Principal risks and uncertainties

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

- (i) Events impacting the level of international travel to the UK, including terrorism and natural disasters
- (ii) The state of the economy and its impact on the retail environment
- (iii) Staff retention and recruitment

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

**Harrods Group (Holding) Limited**  
**Strategic Report for the Period from 3 February 2013 to 1 February 2014**

..... continued

**Credit risk**

Due to the nature of the group's operations, exposure to credit risk from trading is not considered to be material.

The group has a significant loan to a related party, Harrods Property Limited, amounting to £283.1m (2013: £286.5m). This loan has been assessed by the directors as recoverable (note 27).

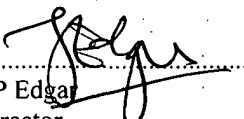
**Currency risk**

The group is exposed to foreign exchange risk on overseas purchasing, but only approximately 10.0% (2013: 11.0%) of the group's purchases are contracted in a foreign currency. Transaction exposures are hedged partially using forward currency contracts or currency options, up to one year in advance. Additionally, the group accepts foreign currency in the Knightsbridge store and airport outlets and retains this currency to settle foreign currency obligations.

**KPIs**

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

Approved by the Board on 23 June 2014 and signed on its behalf by:

  
.....  
J P Edgar  
Director

## **Independent Auditor's Report to the Members of Harrods Group (Holding) Limited**

We have audited the financial statements of Harrods Group (Holding) Limited for the period from 3 February 2013 to 1 February 2014 which comprises the Consolidated Profit and Loss Account, the Consolidated and Parent Company Balance Sheet, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Cash Flow Statement and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities (set out on page 3), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 1 February 2014 and of the group's profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice ; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.




**Independent Auditor's Report to the Members of  
Harrods Group (Holding) Limited**

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

  
.....  
Julie Carlyle (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP, Statutory Auditor

Date: 30 June 2014

**Harrods Group (Holding) Limited**  
**Consolidated Profit and Loss Account for the Period from 3 February 2013 to 1**  
**February 2014**

	Note	52 weeks ended 1 February 2014 Total £m	53 weeks ended 2 February 2013 Total £m
Turnover	2	843.0	765.4
Cost of sales		<u>(374.8)</u>	<u>(345.2)</u>
Gross profit		468.2	420.2
Distribution costs		(298.9)	(274.1)
Administrative expenses		(52.9)	(47.1)
Other income	3	<u>29.3</u>	<u>23.4</u>
Operating profit	3	145.7	122.4
Non-operating exceptional items	4	(1.1)	(1.4)
Interest receivable	5	1.2	2.0
Interest payable	6	<u>(30.7)</u>	<u>(30.5)</u>
Profit on ordinary activities before taxation		115.1	92.5
Tax on profit on ordinary activities	9	<u>(30.4)</u>	<u>(26.2)</u>
Profit on ordinary activities after taxation		84.7	66.3
Minority interest		<u>(0.2)</u>	<u>(0.5)</u>
Profit for the financial period	21	<u>84.5</u>	<u>65.8</u>

All transactions derive wholly from continuing operations.

**Harrods Group (Holding) Limited**  
**Consolidated Statement of Total Recognised Gains and Losses for the Period from 3**  
**February 2013 to 1 February 2014**

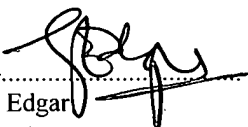
	Note	52 weeks ended 1 February 2014 £m	53 weeks ended 2 February 2013 £m
Profit for the financial period		84.5	65.8
Actuarial loss recognised on defined benefit pension scheme net of deferred tax		(15.9)	(14.9)
Current tax relief on pension scheme		3.7	3.6
Total recognised gains and losses relating to the period		<u>72.3</u>	<u>54.5</u>

The notes on pages 15 to 40 form an integral part of these financial statements.

**Harrods Group (Holding) Limited**  
**Consolidated Balance Sheet at 1 February 2014**

	Note	1 February 2014 £m	2 February 2013 £m
<b>Fixed assets</b>			
Intangible fixed assets	12	456.0	466.3
Tangible fixed assets	13	256.8	231.8
		<u>712.8</u>	<u>698.1</u>
<b>Current assets</b>			
Stocks	15	90.6	89.4
Debtors	16	339.2	351.2
Harrods Bank advances to customers	16	11.0	18.1
Cash at bank and in hand		295.2	205.4
		<u>736.0</u>	<u>664.1</u>
Creditors: Amounts falling due within one year	17	(1,354.3)	(1,216.1)
Harrods Bank customers deposits	17	(63.4)	(56.8)
Net current liabilities		<u>(681.7)</u>	<u>(608.8)</u>
Total assets less current liabilities		31.1	89.3
Creditors: Amounts falling due after more than one year	18	(299.0)	(307.5)
Provisions for liabilities	19	(6.0)	(8.1)
Net liabilities		<u>(273.9)</u>	<u>(226.3)</u>
<b>Capital and reserves</b>			
Called up share capital	20	39.2	39.2
Profit and loss account	21	(314.5)	(266.8)
Shareholders' deficit	22	(275.3)	(227.6)
Minority interest		1.4	1.3
Capital employed		<u>(273.9)</u>	<u>(226.3)</u>

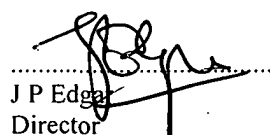
Approved by the director on 23 June 2014

  
 J P Edgar  
 Director

**Harrods Group (Holding) Limited**  
**(Registration number: 5990648)**  
**Balance Sheet at 1 February 2014**

	Note	1 February 2014 £m	2 February 2013 £m
<b>Fixed assets</b>			
Investments	14	51.3	38.4
<b>Current assets</b>			
Debtors	16	157.5	107.5
Cash at bank and in hand		109.1	39.7
		266.6	147.2
Creditors: Amounts falling due within one year	17	(265.2)	(146.2)
Net current assets		1.4	1.0
Total assets less current liabilities		52.7	39.4
Creditors: Amounts falling due after more than one year	18	(12.9)	-
Net assets		39.8	39.4
<b>Capital and reserves</b>			
Called up share capital	20	39.2	39.2
Profit and loss account	21	0.6	0.2
Shareholders' funds	22	39.8	39.4

Approved by the director on 23 June 2014

  
 J P Edge  
 Director

**Harrods Group (Holding) Limited**  
**Consolidated Cash Flow Statement for the Period from 3 February 2013 to 1 February**  
**2014**

**Reconciliation of operating profit to net cash flow from operating activities**

	<b>52 weeks ended 1 February 2014 £m</b>	<b>53 weeks ended 2 February 2013 £m</b>
Operating profit	145.7	122.4
Depreciation, amortisation and impairment charges	43.8	37.5
Increase in stocks	(1.2)	(9.0)
Decrease/(increase) in debtors	18.6	(38.4)
Increase in creditors	11.2	40.5
Increase in Harrods Bank customer deposits	6.6	56.8
Decrease in provisions	(1.9)	(1.5)
(Release)/receipt of deferred income	(1.1)	3.3
Defined benefit pension contributions	(15.9)	(15.0)
Adjustment on first consolidation of Harrods Bank	-	6.5
Minority interests share of the operating profit	(0.2)	(0.5)
Net cash inflow from operating activities	<u>205.6</u>	<u>202.6</u>

# Harrods Group (Holding) Limited

## Consolidated Cash Flow Statement for the Period from 3 February 2013 to 1 February 2014

..... continued

### Cash flow statement

	52 weeks ended 1 February 2014 £m	53 weeks ended 2 February 2013 £m
Net cash inflow from operating activities	205.6	202.6
<b>Returns on investments and servicing of finance</b>		
Interest received	1.2	2.0
Interest paid	(30.7)	(53.0)
	(29.5)	(51.0)
Tax paid	(24.7)	(20.4)
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(58.4)	(55.1)
Sale of tangible fixed assets	-	0.2
	(58.4)	(54.9)
<b>Acquisitions and disposals</b>		
Disposal of investments in subsidiary undertakings	-	0.8
Equity dividends paid	-	(40.0)
Net cash inflow before management of liquid resources and financing	93.0	37.1
<b>Financing</b>		
New loans obtained from group undertakings	5.6	57.5
Repayment of loans and borrowings	(7.7)	(5.8)
Repayment of capital element of finance leases and Hire Purchase contracts	(1.1)	(1.9)
	(3.2)	49.8
Increase in cash	89.8	86.9

The notes on pages 15 to 40 form an integral part of these financial statements.

**Harrods Group (Holding) Limited**  
**Consolidated Cash Flow Statement for the Period from 3 February 2013 to 1 February**  
**2014**

..... continued

**Reconciliation of net cash flow to movement in net debt**

	Note	52 weeks ended 1 February 2014 £m	53 weeks ended 2 February 2013 £m
Increase in cash		89.8	86.9
Cash (inflow)/outflow from (increase)/decrease in loans		2.1	(51.7)
Cash outflow from repayment of capital element of finance leases and hire purchase contracts		1.1	1.9
Change in net debt resulting from cash flows	26	<u>93.0</u>	<u>37.1</u>
Movement in net debt	26	93.0	37.1
Net debt at start of period	26	<u>(994.0)</u>	<u>(1,031.1)</u>
Net debt at end of period	26	<u><u>(901.0)</u></u>	<u><u>(994.0)</u></u>

The notes on pages 15 to 40 form an integral part of these financial statements.



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

### **Notes to the Financial Statements for the Period from 3 February 2013 to 1 February 2014**

#### **1 Accounting policies**

##### **Basis of preparation**

The financial statements have been prepared under the historical cost convention, and comply with applicable United Kingdom accounting standards.

The group has a deficit of shareholders funds at 1 February 2014. The directors consider it appropriate for these financial statements to be prepared on a going concern basis as the company's parent undertaking has indicated that it will not call for repayment of the £897.3m loan without first ensuring that the group has adequate funds to meet its obligations as they fall due.

The principal accounting policies of the group are set out below.

##### **Basis of consolidation**

The consolidated financial statements include the results of the company and its subsidiary undertakings.

Goodwill arising on consolidation, representing the cost of an acquired entity over the fair values of the identifiable net assets acquired, is capitalised and is amortised on a straight line basis over its estimated economic life.

Given the uniqueness and longevity of the Harrods store and brand, backed up by the high level of on going investment, marketing spend and the long lease of the iconic Harrods building in Knightsbridge, the directors believe that a longer rather than a shorter period of time over which to amortise the goodwill on consolidation is more appropriate for the purpose of giving a true and fair view of the results and performance of the group. While no end to the useful economic life of the group's investment in Harrods companies can be predicted, the directors have opted to amortise the goodwill on consolidation over 50 years rather than adopt the UK GAAP presumption of a maximum useful economic life of 20 years.

As required by FRS11, annual impairment review of goodwill capitalised is undertaken by the group.

##### **Turnover**

Turnover is the total amount receivable by the group for goods and services provided, excluding VAT, trade discounts and concession sales. When a transaction involves a number of goods and services, these are separately identified and income is recognised when earned.

##### **Concession sales**

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

##### **Estimated sales returns**

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

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

### **Notes to the Financial Statements for the Period from 3 February 2013 to 1 February 2014**

#### **Fixed asset investments**

The group and the company account for their fixed asset investments at the lower of cost or directors' valuation less any provision required for permanent diminution in value.

#### **Tangible Fixed Assets and Depreciation**

All tangible fixed assets are stated at cost less accumulated depreciation. Fit out expenditure is stated net of supplier and concession contributions where relevant.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful lives. The rates generally applicable are:

Land	Not depreciated
Freehold and long leasehold properties	25 – 50 years
Short leasehold property	Remaining period of lease
Fixtures and fittings	3 - 20 years
Vehicles and equipment	4 - 7 years

#### **Goodwill**

Goodwill is amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of each financial year.

#### **Leased assets**

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, are capitalised in the balance sheet as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future obligations under the leases are included as liabilities in the balance sheet. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Assets held under hire purchase agreements are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital element of future finance payments is included within creditors. Finance charges are allocated to accounting periods over the length of the contract and represent a constant proportion of the balance of capital repayments outstanding.

#### **Finance leases**

Assets held under finance leases are capitalised in the balance sheet and depreciated over their useful economic lives. The interest element of leasing payments represent a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

#### **Stock and work in progress**

Stocks are stated at the lower of cost and net realisable value using weighted average cost.

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

### **Notes to the Financial Statements for the Period from 3 February 2013 to 1 February 2014**

#### **Deferred tax**

Deferred tax is recognised on all timing differences where the transactions or events that give the group 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.

Deferred tax relating to defined benefit pension scheme surpluses or deficits is netted against the respective retirement benefit surplus or obligation.

#### **Loyalty points**

Loyalty points are treated as a deduction in sales as 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. In the prior year, loyalty points were accounted for using a cost based model.

#### **Retirement benefit obligations**

##### **Defined Contribution Scheme**

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

##### **Defined Benefit Scheme**

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

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 recognized only to the extent that it is recoverable by the company/group. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the current service cost of providing the benefits, curtailment and settlement gains and losses and financial returns on the pension fund, all reflected in the period to which they relate. The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included in other finance costs. Actuarial gains and losses are recorded through the statement of recognised gains and losses. Disclosure has been made of the assets and liabilities of the scheme under FRS17 in note 25 to the accounts.

## Harrods Group (Holding) Limited

### Notes to the Financial Statements for the Period from 3 February 2013 to 1 February 2014

#### 2 Turnover

An analysis of turnover by geographical location is given below:

	52 weeks ended 1 February 2014 £m	53 weeks ended 2 February 2013 £m
Sales - UK	836.7	757.9
Sales - Europe	0.3	0.1
Sales - Rest of world	5.6	6.9
Sales - Harrods Bank	0.4	0.5
	<u>843.0</u>	<u>765.4</u>

All costs are incurred in the United Kingdom and all operating assets are held in the United Kingdom.

#### 3 Operating profit

Operating profit is stated after charging:

	52 weeks ended 1 February 2014 £m	53 weeks ended 2 February 2013 £m
Operating lease - rent payable to related party (note 27)	46.2	45.6
Depreciation of owned assets	33.5	27.2
Amortisation of goodwill	10.3	10.3
Repairs to historic terracotta facade	1.4	2.1
Auditor's remuneration	0.4	0.4
Advertising, royalties and rebate income	<u>(29.3)</u>	<u>(23.4)</u>

#### 4 Exceptional items

	52 weeks ended 1 February 2014 £m	53 weeks ended 2 February 2013 £m
<b>Exceptional items</b>		
Loss on disposal of tangible fixed assets	(1.1)	(1.6)
Profit on sale of property	-	0.2
	<u>(1.1)</u>	<u>(1.4)</u>

## Harrods Group (Holding) Limited

### Notes to the Financial Statements for the Period from 3 February 2013 to 1 February 2014

#### 5 Other interest receivable and similar income

	52 weeks ended 1 February 2014 £m	53 weeks ended 2 February 2013 £m
Bank interest receivable	1.2	2.0

#### 6 Interest payable and similar charges

	52 weeks ended 1 February 2014 £m	53 weeks ended 2 February 2013 £m
Interest on bank and other borrowings	0.5	0.5
Interest on loan from related party	30.0	30.0
Other interest payable	0.2	-
Group interest payable and similar charges	30.7	30.5

#### 7 Particulars of employees

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

	52 weeks ended 1 February 2014 No.	53 weeks ended 2 February 2013 No.
Administration and support	178	186
Production	604	602
Sales, marketing and distribution	3,358	3,218
	4,140	4,006

## Harrods Group (Holding) Limited

### Notes to the Financial Statements for the Period from 3 February 2013 to 1 February 2014

The aggregate payroll costs were as follows:

	52 weeks ended 1 February 2014 £m	53 weeks ended 2 February 2013 £m
Wages and salaries	135.0	128.0
Social security costs	13.7	13.7
Staff pensions	5.2	3.8
	<u>153.9</u>	<u>145.5</u>

The company had no employees except for directors during the period ended 1 February 2014 or 2 February 2013.

#### 8 Director's remuneration

The directors' remuneration in respect of qualifying services for the period was as follows:

	52 weeks ended 1 February 2014 £m	53 weeks ended 2 February 2013 £m
Aggregate remuneration in respect of qualifying services	2.7	1.9
	<u>2.7</u>	<u>1.9</u>

There are no pension contributions included in emoluments for the period ended 1 February 2014 or 2 February 2013. The value of emoluments incurred directly by the company was £0.1m (2013: £nil). Emoluments incurred by the group's subsidiary undertakings were £1.8m (2013: £1.8m).

There are nil directors to whom retirement benefits are accruing under a defined benefit pension scheme (2013: nil) and 1 director to whom retirement benefits are accruing under a defined contribution scheme (2013: 1).

The aggregate remuneration of the highest paid director in respect of qualifying services was £1.9m (2013: £1.5m).

# Harrods Group (Holding) Limited

## Notes to the Financial Statements for the Period from 3 February 2013 to 1 February 2014

### 9 Taxation

#### Tax on profit on ordinary activities

	52 weeks ended 1 February 2014 £m	53 weeks ended 2 February 2013 £m
<b>Current tax</b>		
Corporation tax charge	26.7	22.5
Adjustments in respect of previous years	0.3	(0.3)
Total current tax	27.0	22.2
<b>Deferred tax</b>		
Origination and reversal of timing differences	(0.3)	0.4
Deferred tax adjustment relating to previous years	0.1	-
Group deferred tax	(0.2)	0.4
<b>Tax included in the statement of total recognised gains and losses</b>		
Current tax relief on pension scheme	3.6	3.6
Total	3.6	3.6
	3.4	4.0
Total tax on profit on ordinary activities	30.4	26.2

## Harrods Group (Holding) Limited

### Notes to the Financial Statements for the Period from 3 February 2013 to 1 February 2014

#### Factors affecting current tax charge for the period

Tax on profit on ordinary activities for the year is higher than (2013 - lower than) the standard rate of corporation tax in the UK of 23.16% (2013 - 24.33%).

The differences are reconciled below:

	52 weeks ended 1 February 2014 £m	53 weeks ended 2 February 2013 £m
Profit on ordinary activities before taxation	115.1	92.5
Corporation tax at standard rate	26.7	22.5
Capital allowances in excess of depreciation	0.3	(1.2)
Transfer pricing adjustments	-	0.1
Income and expenses assessed on a cash basis	(1.3)	(3.5)
Expenses not deductible for tax purposes	1.0	4.6
Adjustments for prior periods	0.3	(0.3)
Total current tax	27.0	22.2

#### 10 Company profit and loss account

As permitted by section 408 of the Companies Act 2006 the profit and loss account of Harrods Group (Holding) Limited is not presented as part of these financial statements. The result for the period after taxation amounted to £118.0m profit (2013: £68.5m).

#### 11 Dividends

	1 February 2014 £m	2 February 2013 £m
<b>Dividends proposed and recognised in the accounts</b>		
Interim/(2013: final) dividend declared	117.6	68.6

#### 12 Intangible fixed assets

Given the uniqueness and longevity of the Harrods store and brand the Group has adopted an economic life of goodwill of 50 years.

As required by FRS 11, an impairment review of goodwill capitalised has been undertaken by the group which confirms the appropriateness of the carrying value.



## Harrods Group (Holding) Limited

### Notes to the Financial Statements for the Period from 3 February 2013 to 1 February 2014

#### Group

	Goodwill £m
<b>Cost</b>	
At 3 February 2013	798.9
At 1 February 2014	798.9
<b>Amortisation and impairment</b>	
At 3 February 2013	332.6
Amortisation charge for the period	10.3
At 1 February 2014	342.9
<b>Net book value</b>	
At 1 February 2014	456.0
At 2 February 2013	466.3

# Harrods Group (Holding) Limited

## Notes to the Financial Statements for the Period from 3 February 2013 to 1 February 2014

### 13 Tangible fixed assets

#### Group

	Freehold land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Other tangibles £m	Total £m
<b>Cost or valuation</b>					
At 3 February 2013	44.6	125.7	170.2	46.2	386.7
Additions/Reallocations	-	17.0	58.2	(15.3)	59.9
Disposals	-	(14.2)	(16.5)	(0.3)	(31.0)
At 1 February 2014	44.6	128.5	211.9	30.6	415.6
<b>Depreciation</b>					
At 3 February 2013	1.0	63.1	83.4	7.4	154.9
Charge for the period	0.8	10.4	21.4	1.1	33.7
Eliminated on disposals	-	(13.5)	(16.2)	(0.1)	(29.8)
At 1 February 2014	1.8	60.0	88.6	8.4	158.8
<b>Net book value</b>					
At 1 February 2014	42.8	68.5	123.3	22.2	256.8
At 2 February 2013	43.6	62.6	86.8	38.8	231.8

## Harrods Group (Holding) Limited

### Notes to the Financial Statements for the Period from 3 February 2013 to 1 February 2014

#### 14 Investments held as fixed assets

##### Company

	1 February 2014 £m	2 February 2013 £m
Shares in group undertakings and participating interests	<u>51.3</u>	<u>38.4</u>
<b>Shares in group undertakings and participating interests</b>		
		<b>Total £m</b>
<b>Cost</b>		
At 3 February 2013		38.4
Additions		<u>12.9</u>
At 1 February 2014		<u>51.3</u>
<b>Net book value</b>		
At 1 February 2014		<u><u>51.3</u></u>

On 4 May 2012, the company sold 2% of its shareholding in QH Participations Limited to Beauchamp Company No.2 Limited, a company registered in the Isle of Man and under the common control of the group's ultimate parent undertaking for its nominal value (£0.8m)

On 29 January 2014, ownership of Harrods Bank Limited was transferred from Harrods Limited to Harrods Group (Holding) Limited for its book value of £12.9m.

## Harrods Group (Holding) Limited

### Notes to the Financial Statements for the Period from 3 February 2013 to 1 February 2014

#### Principal subsidiaries:

Name	Country of registration	Nature of business Principal activity
Operating at 1 February 2014		
QH Participations Limited *	England and Wales	Holding company
QH Partners Limited	England and Wales	Holding company
QH Enterprises Holdings Limited	England and Wales	Holding Company
Harrods Holdings Limited	England and Wales	Holding company
Harrods (UK) Limited	England and Wales	Holding company
Harrods Limited	England and Wales	Department store
Harrods International Limited	England and Wales	Tax free retailer and wholesaler
Harrods Estates Limited	England and Wales	Estate agents
Harrods Estates Paris S.A.	France	Property Management
Harrods Watches Limited	England and Wales	Purchasing company
PL Management Limited	England and Wales	Property management
Harrods Commercial Property Limited	England and Wales	Property management
Genavco Insurance Limited	England and Wales	Insurance broker
Air Harrods Limited	England and Wales	Non-scheduled air transport
Harrods Aviation Limited	England and Wales	Aircraft handling and maintenance service
Harrods Corporate Management Limited	England and Wales	Licensing of trademarks
Harrods Bank Limited	England and Wales	Banking

\*98% of the issued ordinary share capital in these companies is owned by Harrods Group (Holding) Ltd.

#### 15 Stocks

	Group		Company	
	1 February 2014	2 February 2013	1 February 2014	2 February 2013
	£m	£m	£m	£m
Finished goods for resale	89.6	86.7	-	-
Spare parts and consumables	0.9	1.1	-	-
Work in progress	0.1	1.6	-	-
	<u>90.6</u>	<u>89.4</u>	<u>-</u>	<u>-</u>

Of the £90.6m goods held for re-sale a lien over inventory of £72.7m (2013: £74.4m) has been granted to the trustee of the group's defined benefit pension scheme.

# Harrods Group (Holding) Limited

## Notes to the Financial Statements for the Period from 3 February 2013 to 1 February 2014

### 16 Debtors

	Group		Company	
	1 February 2014 £m	2 February 2013 £m	1 February 2014 £m	2 February 2013 £m
Trade debtors	29.0	26.3	-	-
Amounts owed by group undertakings	-	0.2	157.4	107.5
Amounts owed by related party and other debtors	293.2	296.8	-	-
Harrods Bank advances to customers	11.0	18.1	-	-
Prepayments and accrued income	17.0	27.9	0.1	-
	<u>350.2</u>	<u>369.3</u>	<u>157.5</u>	<u>107.5</u>

As detailed in note 27, Harrods Limited, a group company, has made a loan to Harrods Property Limited, which is under the common control of the group's ultimate parent undertaking. The debt is non-interest bearing and is repayable on demand by the lender. As at 1 February 2014, the balance outstanding was £283.1 million (2013: £286.5 million).

Group debtors includes £296.5m (2013: £303.3m) receivable after more than one year and parent company debtors includes £0.9m (2013: £nil) receivable after more than one year, analysed as follows:

	Group		Company	
	1 February 2014 £m	2 February 2013 £m	1 February 2014 £m	2 February 2013 £m
Amounts owed by group undertakings	-	-	0.9	-
Amounts owed by related party	283.1	286.5	-	-
Other debtors	8.4	8.7	-	-
Harrods Bank advances to customers	5.0	8.1	-	-
	<u>296.5</u>	<u>303.3</u>	<u>0.9</u>	<u>-</u>

## Harrods Group (Holding) Limited

### Notes to the Financial Statements for the Period from 3 February 2013 to 1 February 2014

#### 17 Creditors: Amounts falling due within one year

	Group		Company	
	1 February 2014 £m	2 February 2013 £m	1 February 2014 £m	2 February 2013 £m
Trade creditors	111.1	107.0	-	-
Bank loans and overdrafts	0.4	0.3	-	-
Amounts owed to a related party	897.1	891.6	-	-
Amounts owed to group undertakings	227.5	107.6	265.2	146.1
Corporation tax	12.0	9.7	-	-
Other taxes and social security	7.7	6.0	-	-
Other creditors	27.1	29.4	-	-
Harrods Bank customers deposits	63.4	56.8	-	-
Accruals and deferred income	71.4	64.5	-	0.1
	<u>1,417.7</u>	<u>1,272.9</u>	<u>265.2</u>	<u>146.2</u>

#### 18 Creditors: Amounts falling due after more than one year

	Group		Company	
	1 February 2014 £m	2 February 2013 £m	1 February 2014 £m	2 February 2013 £m
Bank loans and overdrafts	0.4	0.9	-	-
Other loans	294.9	302.1	-	-
Obligations under finance lease and hire purchase contracts	3.4	4.5	-	-
Amounts owed to group undertakings	0.3	-	12.9	-
	<u>299.0</u>	<u>307.5</u>	<u>12.9</u>	<u>-</u>

As detailed in note 27, the group has been granted loans from related parties, under the common control of the group's ultimate parent undertaking.

## Harrods Group (Holding) Limited

### Notes to the Financial Statements for the Period from 3 February 2013 to 1 February 2014

#### 19 Provisions

##### Group

	Deferred tax £m	Other provisions £m	Total £m
At 3 February 2013	3.1	5.0	8.1
Credited to the profit and loss account	(0.3)	(1.9)	(2.2)
Utilised during the period	0.1	-	0.1
	(0.2)	(1.9)	(2.1)
At 1 February 2014	2.9	3.1	6.0

Legislation was introduced in the Finance Act 2012 to reduce the main rate of corporation tax from 24% to 23% with effect from 1 April 2013. Further legislation was introduced in Finance Act 2013 to reduce the main rate of corporation tax by a further 2% from 23% to 21% on 1 April 2014, then to 20% on 1 April 2015. The effect of this reduction is reflected in the deferred tax asset disclosed in the accounts.

Deferred tax assets have been measured at the rates that are expected apply in the periods when the timing differences are expected to reverse, based on the tax rates and law enacted at the balance sheet date.

##### Analysis of deferred tax

	1 February 2014 £m	2 February 2013 £m
Accelerated capital allowances	3.1	4.3
Other timing differences	(0.2)	(1.2)
	2.9	3.1

# Harrods Group (Holding) Limited

## Notes to the Financial Statements for the Period from 3 February 2013 to 1 February 2014

### 20 Share capital

	Consolidated 1 February 2014	Consolidated 2 February 2013	Company 1 February 2014	Company 2 February 2013
	£m	£m	£m	£m
<b>Authorised:</b>				
39,215,000 ordinary shares of £1 each	39.2	39.2	39.2	39.2
<b>Allotted and fully paid</b>				
39,215,000 ordinary shares of £1 each	39.2	39.2	39.2	39.2
	<u>39.2</u>	<u>39.2</u>	<u>39.2</u>	<u>39.2</u>



**Harrods Group (Holding) Limited**  
**Notes to the Financial Statements for the Period from 3 February 2013 to 1 February**  
**2014**

**21 Reserves**

**Group**

	<b>Profit and loss account £m</b>
At 3 February 2013	(266.8)
Profit for the period	84.5
Dividends	(120.0)
Actuarial loss on pension schemes	(15.9)
Deferred tax relating to actuarial gain/loss on pension schemes	3.7
At 1 February 2014	<u>(314.5)</u>

**Company**

	<b>Profit and loss account £m</b>
At 3 February 2013	0.2
Profit for the period	118.0
Dividends	(117.6)
At 1 February 2014	<u>0.6</u>

## Harrods Group (Holding) Limited

### Notes to the Financial Statements for the Period from 3 February 2013 to 1 February 2014

#### 22 Reconciliation of movement in shareholders' funds

##### Group

	1 February 2014 £m	2 February 2013 £m
Profit attributable to the members of the group	84.5	65.8
Other recognised (losses)/gains relating to the period	(12.2)	(11.3)
Dividends	(120.0)	(70.0)
Reserves movement on first consolidation of Harrods Bank	-	(2.7)
Net reduction to shareholders' funds	(47.7)	(18.2)
Shareholders' deficit at start of period	(227.6)	(209.4)
Shareholders' deficit at end of period	(275.3)	(227.6)

##### Company

	1 February 2014 £m	2 February 2013 £m
Profit attributable to the members of the company	118.0	68.5
Dividends	(117.6)	(68.6)
Net addition/(reduction) to shareholders' funds	0.4	(0.1)
Shareholders' funds at start of period	39.4	39.5
Shareholders' funds at end of period	39.8	39.4

#### 23 Commitments

##### Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £15.9m (2013: £15.8m).

##### Other Commitments

At 1 February 2014 the company had commitments under concession agreements with the Heathrow Airport Limited and Gatwick Airport Limited which were contracted for but not provided for in these financial statements of £7.4m, (2013: £6.7m).

## Harrods Group (Holding) Limited

### Notes to the Financial Statements for the Period from 3 February 2013 to 1 February 2014

#### Operating lease commitments

##### Group

As at 1 February 2014 the group had annual commitments under non-cancellable operating leases as follows:

	1 February 2014 £m	2 February 2013 £m
<b>Land and buildings</b>		
Within one year	0.1	0.1
Within two and five years	0.3	0.4
Over five years	50.0	48.5
	50.4	49.0
<b>Other</b>		
Within one year	0.0	-
Within two and five years	1.9	2.1
Over five years	0.0	0.1
	1.9	2.2

Included in the land and building leases expiring over five years is a lease for £47.3m (2013: £45.8m) with a related party (note 27).

#### 24 Contingent liabilities

The group uses derivative financial instruments during the period to manage its foreign exchange exposure to the Euro, US dollar and Japanese Yen. Through its hedging activities the group seeks to minimise the risk that eventual cash flows required to settle related liabilities will be affected by changes in exchange rates. The exposure on outstanding forward foreign exchange contracts at the period end was £46.5m (2013: £46.6m) and their fair value was £-0.8m (2013: £2.4m) based on exchange rates prevailing at the period end.

The group is not aware of any material contingent liabilities existing at the balance sheet date. The group is involved in litigation in the ordinary course of business. However, in the opinion of the directors, no material losses in excess of provisions made are likely to arise.

There were no other contingent liabilities at 1 February 2014 or 2 February 2013.

**Harrods Group (Holding) Limited**  
**Notes to the Financial Statements for the Period from 3 February 2013 to 1 February**  
**2014**

**25 Pension schemes**

**Defined contribution pension scheme**

The group operates a defined contribution pension scheme. The pension charge for the period represents contributions payable by the group to the scheme and amounted to £5.2m (2013: £3.8m).

Contributions totalling £0.8m (2013: £0.5m) were payable to the scheme at the end of the period and are included in creditors.

**Defined benefit pension scheme**

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

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

An actuarial valuation of the Plan as at 5 April 2012 on a Scheme Specific Funding basis was carried out by the Scheme Actuary. The deficit on this basis was £77m as at 5 April 2012, a funding level of 85%. At the previous valuation at 5 April 2009, the shortfall was £103m equating to a funding level of 73%.

A revised recovery plan was subsequently agreed. In order for the Plan to be fully funded by 31 March 2017, the Trustees and Principal Employer agreed the following on 31 October 2012:

- Annual contributions totalling £15.0m per annum payable in each of 2013, 2014, 2015 and 2016 with a final payment of £4.7m in March 2017.
- Plan expenses (including any insurance premiums and PPF levies) estimated at £1.0m per annum to continue to be met by the Employers.

During the period ended 1 February 2014, the participating employers made total contributions to the plan of £16.0m (2013: £15.0m).

## Harrods Group (Holding) Limited

### Notes to the Financial Statements for the Period from 3 February 2013 to 1 February 2014

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

The amounts recognised in the balance sheet are as follows:

	1 February 2014 £m	2 February 2013 £m
Fair value of scheme assets	465.4	453.8
Present value of scheme liabilities	(461.9)	(446.6)
	3.5	7.2
Irrecoverable surplus	(3.5)	(7.2)
Net asset/(liability) in the balance sheet	-	-

#### Scheme assets

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

	3 February 2013 to 1 February 2014 £m	29 January 2012 to 2 February 2013 £m
Fair value at start of period	453.8	422.3
Expected return on assets	20.2	19.5
Actuarial gains and losses	(10.7)	8.6
Employer contributions	16.0	15.0
Benefits paid	(13.9)	(13.7)
Transfers	-	2.1
Fair value at end of period	465.4	453.8

Following the grant of control by the FSA to Harrods Limited of Harrods Bank Limited in September 2012, the Bank's share of the pension plan's assets and liabilities were consolidated into the group's figures. An adjustment in relation to the Bank's share has been made under the "Transfers" line.

## Harrods Group (Holding) Limited

### Notes to the Financial Statements for the Period from 3 February 2013 to 1 February 2014

#### Analysis of assets

The major categories of scheme assets are as follows:

	1 February 2014 £m	2 February 2013 £m
Equity instruments	152.5	148.1
Debt instruments	183.0	185.3
Cash	40.8	34.9
Other assets	89.1	85.5
	<u>465.4</u>	<u>453.8</u>

#### Actual return on scheme's assets

	1 February 2014 £m	2 February 2013 £m
Actual return on scheme assets	<u>9.5</u>	<u>28.1</u>

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

The overall expected return on assets assumption is derived as the weighted average of the expected returns from each of the main asset classes.

#### Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	3 February 2013 to 1 February 2014 £m	29 January 2012 to 2 February 2013 £m
Present value at start of period	446.6	419.7
Actuarial gains and losses	9.0	18.9
Interest cost	20.2	19.5
Benefits paid	(13.9)	(13.7)
Transfers	-	2.2
Present value at end of period	<u>461.9</u>	<u>446.6</u>
<b>Analysed as:</b>		
Present value arising from wholly or partly funded schemes	<u>461.9</u>	<u>446.6</u>

## Harrods Group (Holding) Limited

### Notes to the Financial Statements for the Period from 3 February 2013 to 1 February 2014

#### Principal actuarial assumptions

The principal actuarial assumptions at the balance sheet date are as follows:

	1 February 2014 %	2 February 2013 %
Discount rate	4.5	4.6
Future pension increases	2.6	2.6
Inflation	3.4	3.4
Expected return on scheme assets - equity	6.6	6.4
Expected return on scheme assets - cash	3.1	2.8
Expected return on scheme assets - other	4.7	4.6

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

	1 February 2014 Years	2 February 2013 Years
Current pensioners at retirement age - male	28.1	27.9
Current pensioners at retirement age - female	30.4	30.2
Future pensioners at retirement age - male	30.5	30.4
Future pensioners at retirement age - female	32.8	32.7

#### Amounts recognised in the profit and loss account

	3 February 2013 to 1 February 2014 £m	29 January 2012 to 2 February 2013 £m
<b>Amounts recognised in operating profit</b>		
Recognised in arriving at operating profit	-	-
<b>Amounts recognised in other finance cost</b>		
Interest cost	20.2	19.5
Expected return on scheme assets	(20.2)	(19.5)
Recognised in other finance cost	-	-
Total recognised in the profit and loss account	-	-

# Harrods Group (Holding) Limited

## Notes to the Financial Statements for the Period from 3 February 2013 to 1 February 2014

### Amounts recognised in the statement of total recognised gains and losses

	3 February 2013 to 1 February 2014 £m	29 January 2012 to 2 February 2013 £m
Actual return less expected return on scheme assets	(10.7)	8.6
Impact of irrecoverable surplus	3.7	(4.6)
Changes in assumptions	(9.0)	(18.9)
Actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses	<u>(16.0)</u>	<u>(14.9)</u>

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains/(losses) since 1 January 2002 is (£117.2m) (2013: (£101.2m)).

### History of experience adjustments on scheme assets and liabilities

Amounts for the current and previous 4 periods are as follows:

	1 February 2014 £m	2 February 2013 £m	28 January 2012 £m	29 January 2011 £m	30 January 2010 £m
Fair value of scheme assets	465.4	453.8	422.3	394.1	337.2
Present value of scheme liabilities	<u>(461.9)</u>	<u>(446.6)</u>	<u>(419.7)</u>	<u>(372.7)</u>	<u>(354.4)</u>
Surplus/(deficit) in scheme	<u>3.5</u>	<u>7.2</u>	<u>2.6</u>	<u>21.4</u>	<u>(17.2)</u>

### Experience adjustments:

	1 February 2014 £m	2 February 2013 £m	28 January 2012 £m	29 January 2011 £m	30 January 2010 £m
Experience adjustments arising on scheme assets	<u>(10.7)</u>	<u>8.6</u>	<u>3.4</u>	<u>8.9</u>	<u>31.0</u>
Experience adjustments arising on scheme liabilities	<u>-</u>	<u>(1.3)</u>	<u>-</u>	<u>-</u>	<u>-</u>



## Harrods Group (Holding) Limited

### Notes to the Financial Statements for the Period from 3 February 2013 to 1 February 2014

#### 26 Analysis of net debt

	At 3 February 2013 £m	Cash flow £m	At 1 February 2014 £m
Cash at bank and in hand	205.4	89.8	295.2
Debt due within one year	(891.9)	(5.6)	(897.5)
Debt due after more than one year	(303.0)	7.7	(295.3)
Finance leases and hire purchase contracts	(4.5)	1.1	(3.4)
Net debt	<u>(994.0)</u>	<u>93.0</u>	<u>(901.0)</u>

#### 27 Related party transactions

The group has taken advantage of the exemption in Financial Reporting Standard No 8 "Related Party Disclosures" and has not disclosed transactions with group undertakings.

Through its wholly owned subsidiary of Harrods Limited, the group has a subordinated loan to Harrods Property Limited, a company under common control, amounting to £283.1m (2013: £286.5m).

Harrods Limited is the tenant under a lease with Harrods Property Limited which is for a term of 35 years from December 2006. This lease covers the Harrods store in Knightsbridge and a number of ancillary Harrods properties used for trading operations. During the period the company was charged rent of £46.2m (2013: £45.6m) by Harrods Property Limited. At the period end, the balance of prepaid rent was £3.8m (2013: £3.4m).

As at the 3rd of February, 2013, QH Participations Limited, a subsidiary of Harrods Group (Holding) Limited, had a loan facility agreement with Qatar Holding LLC, the ultimate controlling party, for £902.2m of which £891.7m had been drawn down. Under the terms of the loan arrangement, the facility was structured into two tranches, the first for £480m being interest bearing at a rate of 6.25% per annum, and the remainder being interest free. The interest bearing tranche has been fully drawn down. During the course of the year ending 1 February 2014, a further £5.6m of the interest free tranche has been drawn down. The outstanding balance at the end of the year was £897.3m (2013: £891.7m).

During the year ended 1 February 2014, a total of £30m of interest was paid and £2.5m was accrued (2013: £2.5m accrued).

QH Partners Limited was granted a loan from Harrods Property Limited in December 2006. The debt is non-interest bearing and is repayable with not less than 12 months' notice by the lender. At the period end, the loan outstanding was £265.5m (2013: £267.1m).

QH Enterprises Holdings Limited has been granted a loan from QH Property Holdings Limited, which is under the common control of the company's ultimate parent undertaking. The debt is non-interest bearing and is repayable with not less than 13 months notice in writing by the lender. At the period end, the loan outstanding, including interest was £24.6m (2013: £24.6m).

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

### **Notes to the Financial Statements for the Period from 3 February 2013 to 1 February 2014**

Harrods Bank Limited was granted a subordinated loan on 21 May 2010 by Qatar Holding Luxembourg II SARL, whose ultimate parent company is Qatar Holding LLC for £14m. As at 3 February 2013, £10.5m was outstanding on the loan, but during the period ending 1 February 2014, the Bank repaid £5.6m of this loan. Accrued interest of £0.2m (2013: £0.1m) was owed to Qatar Holding Luxembourg II SARL, in respect of the loan. The outstanding balance at the end of the year was £4.9m (2013: £10.5m).

There are no other material related party transactions.

#### **28 Ultimate parent undertaking**

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

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