

# Harrods Group (Holding) Limited

Reports and Consolidated Financial Statements

for the Period ended 31 January 2015

Registration number: 5990648

**Harrods Group (Holding) Limited**  
**Contents**

Directors' Report .....	1 to 2
Statement of Directors' Responsibilities .....	3
Strategic Report .....	4 to 5
Independent Auditor's Report .....	6 to 7
Consolidated Profit and Loss Account .....	8
Consolidated Statement of Total Recognised Gains and Losses .....	9
Consolidated Balance Sheet .....	10
Balance Sheet .....	11
Consolidated Cash Flow Statement .....	12 to 14
Notes to the Financial Statements .....	15 to 41

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

### **Directors' Report for the Period from 2 February 2014 to 31 January 2015**

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 31 January 2015.

#### **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 31 January 2015 totalled £821.5m (2014: £843.0m).

There was a profit for the period after taxation amounting to £91.6m (2014: £84.5m). The company declared a dividend in the period of £68.6m (2014: £117.6m).

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

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

H.E. Sheikh Hamad Bin Jassim Bin Jaber Al Thani

H.E. Sheikh Abdulla bin Mohammed bin Saoud Al Thani (appointed 15 January 2015)

H.E. H A Al-Abdulla

H.E. A M Al-Sayed (resigned 2 February 2015)

K Maamria (resigned 29 May 2014)

K J Al-Kuwari (resigned 2 September 2014)

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 2 February 2014 to 31 January 2015**

**..... continued**

#### **Charitable donations**

The charitable donations made by the group and charged in the financial statements were £0.1m (2014: £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 (2014: 31 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 31 January 2015, 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 23,113 Co2 tonnes (2014: 22,769 Co2t).

Although Harrods has committed to a year on year carbon reduction, this year's figures for carbon footprint have increased largely due to increase in store selling space and store opening hours.

**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 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). 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 group and the company and of the profit or loss of the group 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

The directors are 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 them to ensure that the financial statements comply with the Companies Act 2006. They are 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**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know 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 22 April 2015 and signed on its behalf by:



.....  
D J Webster  
Company secretary

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

## Harrods Group (Holding) Limited

### Strategic Report for the Period from 2 February 2014 to 31 January 2015

#### Business Review

The directors present their strategic report for the period from 2 February 2014 to 31 January 2015.

#### Results of ordinary activities before exceptional items

For the year ended 31 January 2015, Harrods gross transaction value grew by 1.4% to £1,698.3m (2014: £1,674.3m) whilst group turnover fell 2.6% to £821.5m (2014: £843.0m). As a result, operating profit slightly decreased to £145.5m (2014: £145.7m) however profit before tax increased to £119.9m (2014: £115.1m).

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 31 Jan 2015	Period ended 1 Feb 2014	Growth	Growth
	£m	£m	£m	%
Gross Transaction Value (Incl VAT)	1,698.3	1,674.3	24.0	1.4
Gross Transaction Value (Excl VAT)	1,446.1	1,425.2	20.9	1.5
Turnover	821.5	843.0	(21.5)	(2.6)

The year saw a significant programme of capital expenditure, with total additions of £55.1m (2014: £59.9m).

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 2015.

This is also the first year that includes a full year of results for Harrods Estates Paris S.A as the comparatives include only six months of results.

#### 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 2 February 2014 to 31 January 2015**

..... 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 £285.6m (2014: £283.1m) (see note 26). This loan has been assessed by the directors as recoverable.

**Currency risk**

The group is exposed to foreign exchange risk on overseas purchasing, but only approximately 10.0% (2014: 10.0%) 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 22 April 2015 and signed on its behalf by:



.....  
D J Webster  
Company secretary

## **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 2 February 2014 to 31 January 2015 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 27. 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 31 January 2015 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**

..... continued

**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: 22 April 2015

**Harrods Group (Holding) Limited**  
**Consolidated Profit and Loss Account for the Period from 2 February 2014 to 31**  
**January 2015**

	Note	52 weeks ended 31 January 2015 Total £m	52 weeks ended 1 February 2014 Total £m
Turnover	2	821.5	843.0
Cost of sales		<u>(362.6)</u>	<u>(374.8)</u>
Gross profit		458.9	468.2
Distribution costs		(292.6)	(298.9)
Administrative expenses		(54.1)	(52.9)
Other income	3	<u>33.3</u>	<u>29.3</u>
Operating profit	3	145.5	145.7
Non-operating exceptional items		(0.9)	(1.1)
Interest receivable	4	5.7	1.2
Interest payable	5	<u>(30.4)</u>	<u>(30.7)</u>
Profit on ordinary activities before taxation		119.9	115.1
Tax on profit on ordinary activities	8	<u>(28.4)</u>	<u>(30.4)</u>
Profit on ordinary activities after taxation		91.5	84.7
Minority interest		<u>0.1</u>	<u>(0.2)</u>
Profit for the financial period	20	<u><u>91.6</u></u>	<u><u>84.5</u></u>

All transactions derive wholly from continuing operations.

**Harrods Group (Holding) Limited**  
**Consolidated Statement of Total Recognised Gains and Losses for the Period from 2**  
**February 2014 to 31 January 2015**

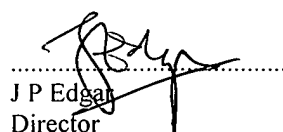
	Note	52 weeks ended 31 January 2015 £m	52 weeks ended 1 February 2014 £m
Profit for the financial period		91.6	84.5
Actuarial loss recognised on defined benefit pension scheme net of deferred tax		(31.3)	(15.9)
Current tax relief on pension scheme		6.0	3.7
Total recognised gains and losses relating to the period		<u>66.3</u>	<u>72.3</u>

The notes on pages 15 to 41 form an integral part of these financial statements.

**Harrods Group (Holding) Limited**  
**Consolidated Balance Sheet at 31 January 2015**

	Note	31 January 2015 £m	1 February 2014 £m
<b>Fixed assets</b>			
Intangible fixed assets	11	445.6	456.0
Tangible fixed assets	12	273.0	256.8
		<u>718.6</u>	<u>712.8</u>
<b>Current assets</b>			
Stocks	14	92.7	90.6
Debtors	15	337.5	339.2
Harrods Bank advances to customers	15	50.0	11.0
Cash at bank and in hand		151.4	295.2
		<u>631.6</u>	<u>736.0</u>
Creditors: Amounts falling due within one year	16	(1,216.1)	(1,354.3)
Harrods Bank customers deposits	16	(75.2)	(63.4)
Net current liabilities		<u>(659.7)</u>	<u>(681.7)</u>
Total assets less current liabilities		58.9	31.1
Creditors: Amounts falling due after more than one year	17	(322.1)	(299.0)
Provisions for liabilities	18	(5.4)	(6.0)
Net liabilities excluding pension asset/liability		<u>(268.6)</u>	<u>(273.9)</u>
Net pension liability		<u>(9.3)</u>	<u>-</u>
Net liabilities		<u>(277.9)</u>	<u>(273.9)</u>
<b>Capital and reserves</b>			
Called up share capital	19	39.2	39.2
Profit and loss account	20	(318.4)	(314.5)
Shareholders' deficit	21	(279.2)	(275.3)
Minority interest		1.3	1.4
Capital employed		<u>(277.9)</u>	<u>(273.9)</u>

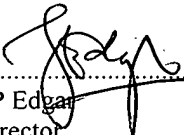
Approved by the director on 22 April 2015.

  
J P Edgar  
Director

**Harrods Group (Holding) Limited**  
**(Registration number: 5990648)**  
**Balance Sheet at 31 January 2015**

	Note	31 January 2015 £m	1 February 2014 £m
<b>Fixed assets</b>			
Investments	13	56.2	51.3
<b>Current assets</b>			
Debtors	15	108.3	157.5
Cash at bank and in hand		2.9	109.1
		111.2	266.6
Creditors: Amounts falling due within one year	16	(113.9)	(265.2)
Net current (liabilities)/assets		(2.7)	1.4
Total assets less current liabilities		53.5	52.7
Creditors: Amounts falling due after more than one year	17	-	(12.9)
Net assets		53.5	39.8
<b>Capital and reserves</b>			
Called up share capital	19	39.2	39.2
Profit and loss account	20	14.3	0.6
Shareholders' funds	21	53.5	39.8

Approved by the director on 22 April 2015.

  
 J P Edgar  
 Director

The notes on pages 15 to 41 form an integral part of these financial statements.

**Harrods Group (Holding) Limited**  
**Consolidated Cash Flow Statement for the Period from 2 February 2014 to 31 January**  
**2015**

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

	<b>52 weeks ended 31 January 2015 £m</b>	<b>52 weeks ended 1 February 2014 £m</b>
Operating profit	145.5	145.7
Depreciation, amortisation and impairment charges	48.4	43.8
Increase in stocks	(2.1)	(2.1)
(Increase)/decrease in Harrods Bank advances to customers *	(39.0)	7.1
(Increase)/decrease in debtors	2.1	11.5
(Decrease)/increase in creditors	(0.7)	11.2
Increase in Harrods Bank customer deposits	11.7	6.6
Decrease in provisions	-	(1.9)
Release of deferred income	(0.5)	(1.1)
Defined benefit pension contributions	(15.9)	(15.9)
Minority interests share of the operating profit	0.1	(0.2)
Net cash inflow from operating activities	<u>149.6</u>	<u>205.6</u>

\*In the current year, Harrods Bank advances to customers have been separately disclosed from debtors. The prior year comparatives have also separately disclosed the advances to better show the current year movement.

# Harrods Group (Holding) Limited

## Consolidated Cash Flow Statement for the Period from 2 February 2014 to 31 January 2015

..... continued

### Cash flow statement

	52 weeks ended 31 January 2015 £m	52 weeks ended 1 February 2014 £m
Net cash inflow from operating activities	149.6	205.6
<b>Returns on investments and servicing of finance</b>		
Interest received	2.0	1.2
Interest paid	(30.4)	(30.7)
	(28.4)	(29.5)
Tax paid	(11.0)	(24.7)
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(54.7)	(58.4)
Equity dividends paid	(227.5)	-
Net cash (outflow)/inflow before management of liquid resources and financing	(172.0)	93.0
<b>Financing</b>		
New loans obtained from group undertakings	34.9	5.6
Repayment of loans and borrowings	(5.3)	(7.7)
Repayment of capital element of finance leases and Hire Purchase contracts	(1.4)	(1.1)
	28.2	(3.2)
(Decrease)/increase in cash	(143.8)	89.8

The notes on pages 15 to 41 form an integral part of these financial statements.

# **Harrods Group (Holding) Limited**

## **Consolidated Cash Flow Statement for the Period from 2 February 2014 to 31 January 2015**

..... continued

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

	Note	52 weeks ended 31 January 2015 £m	52 weeks ended 1 February 2014 £m
(Decrease)/increase in cash		(143.8)	89.8
Cash (inflow)/outflow from (increase)/decrease in loans		(29.6)	2.1
Cash outflow from repayment of capital element of finance leases and hire purchase contracts		1.4	1.1
Change in net debt resulting from cash flows	25	(172.0)	93.0
Movement in net debt	25	(172.0)	93.0
Net debt at start of period	25	(901.0)	(994.0)
Net debt at end of period	25	(1,073.0)	(901.0)

The notes on pages 15 to 41 form an integral part of these financial statements.



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

### **Notes to the Financial Statements for the Period from 2 February 2014 to 31 January 2015**

#### **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.

In the next period, the group will adopt Financial Reporting Standard 102. This will be the first year in which the financial statements are prepared under FRS 102 and will require restatement of the comparative prior year amounts.

An explanation of how transition to FRS 102 has affected the reported financial position and financial performance will be provided in the 2015/16 notes to the financial statements.

The group has a deficit of shareholders funds at 31 January 2015. 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 £902.2m 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.

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

### **Notes to the Financial Statements for the Period from 2 February 2014 to 31 January**

**2015**

..... continued

#### **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.

#### **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.

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

### **Notes to the Financial Statements for the Period from 2 February 2014 to 31 January 2015**

**..... continued**

#### **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.

#### **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.

#### **Foreign currency**

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rate of exchange ruling at the balance sheet date or at contracted forward rates. Transactions in foreign currency are translated at exchange rates ruling at the transaction date or at contracted forward rates. Realised gains and losses are dealt with in the profit and loss account.

#### **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.

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

### **Notes to the Financial Statements for the Period from 2 February 2014 to 31 January 2015**

**..... continued**

#### **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 2 February 2014 to 31 January 2015

#### 2 Turnover

An analysis of turnover by geographical location is given below:

	52 weeks ended 31 January 2015 £m	52 weeks ended 1 February 2014 £m
Sales - UK	814.8	836.7
Sales - Europe	1.0	0.3
Sales - Rest of world	5.6	5.6
Sales - Harrods Bank	0.1	0.4
	<u>821.5</u>	<u>843.0</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 31 January 2015 £m	52 weeks ended 1 February 2014 £m
Operating lease - rent payable to related party (note 26)	47.5	46.2
Depreciation of owned assets	38.0	33.5
Amortisation of goodwill	10.4	10.3
Repairs to historic terracotta facade	1.9	1.4
Auditor's remuneration	0.5	0.4
Advertising, royalties and rebate income	<u>(33.3)</u>	<u>(29.3)</u>

#### 4 Other interest receivable and similar income

	52 weeks ended 31 January 2015 £m	52 weeks ended 1 February 2014 £m
Bank interest receivable	1.8	1.2
Other interest receivable	0.2	-
Pension scheme other finance income	<u>3.7</u>	<u>-</u>
Group interest receivable	<u>5.7</u>	<u>1.2</u>

## Harrods Group (Holding) Limited

### Notes to the Financial Statements for the Period from 2 February 2014 to 31 January 2015

#### 5 Interest payable and similar charges

	52 weeks ended 31 January 2015 £m	52 weeks ended 1 February 2014 £m
Interest on bank and other borrowings	0.4	0.5
Interest on loan from related party	30.0	30.0
Other interest payable	-	0.2
Group interest payable and similar charges	<u>30.4</u>	<u>30.7</u>

#### 6 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 31 January 2015 No.	52 weeks ended 1 February 2014 No.
Administration and support	217	178
Production	580	604
Sales, marketing and distribution	3,420	3,358
	<u>4,217</u>	<u>4,140</u>

The aggregate payroll costs were as follows:

	52 weeks ended 31 January 2015 £m	52 weeks ended 1 February 2014 £m
Wages and salaries	132.0	135.0
Social security costs	13.7	13.7
Staff pensions	5.2	5.2
	<u>150.9</u>	<u>153.9</u>

## Harrods Group (Holding) Limited

### Notes to the Financial Statements for the Period from 2 February 2014 to 31 January 2015

..... continued

The company had no employees except for directors during the period ended 31 January 2015 or 1 February 2014.

#### 7 Director's remuneration

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

	52 weeks ended 31 January 2015 £m	53 weeks ended 1 February 2014 £m
Aggregate remuneration in respect of qualifying services	1.9	2.7
	<u>1.9</u>	<u>2.7</u>

There are no pension contributions included in emoluments for the period ended 31 January 2015 or 1 February 2014. The value of emoluments incurred directly by the company was £0.1m (2014: £0.1m). Emoluments incurred by the group's subsidiary undertakings were £1.8m (2014: £1.8m).

There are nil directors to whom retirement benefits are accruing under a defined benefit pension scheme (2014: nil) and 1 director to whom retirement benefits are accruing under a defined contribution scheme (2014: 1).

The aggregate remuneration of the highest paid director in respect of qualifying services was £1.3m (2014: £1.9m).

During the period the highest paid director received or was entitled to receive shares under a long term incentive scheme.

## Harrods Group (Holding) Limited

### Notes to the Financial Statements for the Period from 2 February 2014 to 31 January 2015

#### 8 Taxation

##### Tax on profit on ordinary activities

	52 weeks ended 31 January 2015 £m	52 weeks ended 1 February 2014 £m
<b>Current tax</b>		
Corporation tax charge	25.1	26.7
Adjustments in respect of previous years	-	0.3
Group relief payable	-	-
Total current tax	<u>25.1</u>	<u>27.0</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(0.6)	(0.3)
Deferred tax adjustment relating to previous years	-	0.1
Group deferred tax	<u>(0.6)</u>	<u>(0.2)</u>
<b>Tax included in the statement of total recognised gains and losses</b>		
Current tax relief on pension scheme	<u>3.9</u>	<u>3.6</u>
Total	<u>3.9</u>	<u>3.6</u>
	<u>3.3</u>	<u>3.4</u>
Total tax on profit on ordinary activities	<u><u>28.4</u></u>	<u><u>30.4</u></u>



## Harrods Group (Holding) Limited

### Notes to the Financial Statements for the Period from 2 February 2014 to 31 January 2015

..... continued

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

Tax on profit on ordinary activities for the year is lower than (2014 - higher than) the standard rate of corporation tax in the UK of 21.32% (2014 - 23.16%).

The differences are reconciled below:

	52 weeks ended 31 January 2015 £m	52 weeks ended 1 February 2014 £m
Profit on ordinary activities before taxation	119.9	115.1
Corporation tax at standard rate	25.6	26.7
Capital allowances in excess of depreciation	0.6	0.3
Income and expenses assessed on a cash basis	(2.0)	(1.3)
Expenses not deductible for tax purposes	0.9	1.0
Adjustments for prior periods	-	0.3
Total current tax	25.1	27.0

#### 9 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 £82.3m profit (2014: £118.0m).

#### 10 Dividends

	31 January 2015 £m	1 February 2014 £m
<b>Dividends proposed and recognised in the accounts</b>		
Final/(2014: Interim) dividend declared	68.6	117.6

#### 11 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 2 February 2014 to 31 January 2015

..... continued

### Group

	Goodwill £m
<b>Cost</b>	
At 2 February 2014	798.9
At 31 January 2015	798.9
<b>Amortisation and impairment</b>	
At 2 February 2014	342.9
Amortisation charge for the period	10.4
At 31 January 2015	353.3
<b>Net book value</b>	
At 31 January 2015	445.6
At 1 February 2014	456.0

# Harrods Group (Holding) Limited

## Notes to the Financial Statements for the Period from 2 February 2014 to 31 January 2015

### 12 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 2 February 2014	44.6	128.5	211.9	30.6	415.6
Additions/Reallocations	-	13.0	21.6	20.5	55.1
Disposals	-	(1.5)	(4.5)	(0.1)	(6.1)
At 31 January 2015	44.6	140.0	229.0	51.0	464.6
<b>Depreciation</b>					
At 2 February 2014	1.8	60.0	88.6	8.4	158.8
Charge for the period	0.8	11.0	24.9	1.3	38.0
Eliminated on disposals	-	(1.2)	(3.8)	(0.2)	(5.2)
At 31 January 2015	2.6	69.8	109.7	9.5	191.6
<b>Net book value</b>					
At 31 January 2015	42.0	70.2	119.3	41.5	273.0
At 1 February 2014	42.8	68.5	123.3	22.2	256.8

**Harrods Group (Holding) Limited**  
**Notes to the Financial Statements for the Period from 2 February 2014 to 31 January**  
**2015**

**13 Investments held as fixed assets**

**Company**

	<b>31 January 2015 £m</b>	<b>1 February 2014 £m</b>
Shares in group undertakings and participating interests	<u>56.2</u>	<u>51.3</u>
<b>Shares in group undertakings and participating interests</b>		
		<b>Total £m</b>
<b>Cost</b>		
At 2 February 2014		51.3
Additions		<u>4.9</u>
At 31 January 2015		<u>56.2</u>
<b>Net book value</b>		
At 31 January 2015		<u><u>56.2</u></u>

## Harrods Group (Holding) Limited

### Notes to the Financial Statements for the Period from 2 February 2014 to 31 January

2015

..... continued

#### 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.

#### 14 Stocks

	Group	
	31 January 2015 £m	1 February 2014 £m
Finished goods for resale	91.2	89.6
Spare parts and consumables	1.2	0.9
Work in progress	0.3	0.1
	<u>92.7</u>	<u>90.6</u>

## Harrods Group (Holding) Limited

### Notes to the Financial Statements for the Period from 2 February 2014 to 31 January 2015

#### 15 Debtors

	Group		Company	
	31 January 2015 £m	1 February 2014 £m	31 January 2015 £m	1 February 2014 £m
Trade debtors	30.2	29.0	-	-
Amounts owed by group undertakings	-	-	108.3	157.4
Amounts owed by related party and other debtors	289.8	293.2	-	-
Harrods Bank advances to customers	50.0	11.0	-	-
Prepayments and accrued income	17.5	17.0	-	0.1
	<u>387.5</u>	<u>350.2</u>	<u>108.3</u>	<u>157.5</u>

As detailed in note 26, 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 31 January 2015, the balance outstanding was £285.6 million (2014: £283.1 million).

Group debtors includes £331.9m (2014: £296.5m) receivable after more than one year and parent company debtors includes £0.8m (2014: £0.9m) receivable after more than one year, analysed as follows:

	Group		Company	
	31 January 2015 £m	1 February 2014 £m	31 January 2015 £m	1 February 2014 £m
Amounts owed by group undertakings	-	-	0.8	0.9
Amounts owed by related party	285.6	283.1	-	-
Other debtors	1.5	8.4	-	-
Harrods Bank advances to customers	44.8	5.0	-	-
	<u>331.9</u>	<u>296.5</u>	<u>0.8</u>	<u>0.9</u>

## Harrods Group (Holding) Limited

### Notes to the Financial Statements for the Period from 2 February 2014 to 31 January 2015

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

	Group		Company	
	31 January 2015 £m	1 February 2014 £m	31 January 2015 £m	1 February 2014 £m
Trade creditors	120.0	111.1	-	-
Bank loans and overdrafts	0.4	0.4	-	-
Amounts owed to a related party	902.0	897.1	-	-
Amounts owed to group undertakings	70.3	227.5	113.5	265.2
Corporation tax	25.9	12.0	0.2	-
Other taxes and social security	8.0	7.7	-	-
Other creditors	25.7	27.1	-	-
Harrods Bank customers deposits	75.2	63.4	-	-
Accruals and deferred income	63.8	71.4	0.2	-
	<u>1,291.3</u>	<u>1,417.7</u>	<u>113.9</u>	<u>265.2</u>

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

	Group		Company	
	31 January 2015 £m	1 February 2014 £m	31 January 2015 £m	1 February 2014 £m
Bank loans and overdrafts	-	0.4	-	-
Other loans	320.1	294.9	-	-
Obligations under finance lease and hire purchase contracts	1.9	3.3	-	-
Amounts owed to group undertakings	0.1	0.4	-	12.9
	<u>322.1</u>	<u>299.0</u>	<u>-</u>	<u>12.9</u>

As detailed in note 26, 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 2 February 2014 to 31 January 2015

#### 18 Provisions

##### Group

	Deferred tax £m	Other provisions £m	Total £m
At 2 February 2014	2.9	3.1	6.0
Credited to the profit and loss account	(0.6)	-	(0.6)
At 31 January 2015	<u>2.3</u>	<u>3.1</u>	<u>5.4</u>

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

	31 January 2015 £m	1 February 2014 £m
Accelerated capital allowances	2.6	3.1
Other timing differences	(0.3)	(0.2)
	<u>2.3</u>	<u>2.9</u>



# **Harrods Group (Holding) Limited**

## **Notes to the Financial Statements for the Period from 2 February 2014 to 31 January 2015**

### **19 Share capital**

	<b>Consolidated 31 January 2015</b>	<b>Consolidated 1 February 2014</b>	<b>Company 31 January 2015</b>	<b>Company 1 February 2014</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<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 2 February 2014 to 31 January**  
**2015**

**20 Reserves**

**Group**

	<b>Profit and loss account £m</b>
At 2 February 2014	(314.5)
Profit for the period	91.6
Dividends	(70.2)
Actuarial loss on pension schemes	(31.3)
Deferred tax relating to actuarial gain/loss on pension schemes	6.0
At 31 January 2015	<u>(318.4)</u>

**Company**

	<b>Profit and loss account £m</b>
At 2 February 2014	0.6
Profit for the period	82.3
Dividends	(68.6)
At 31 January 2015	<u>14.3</u>

## Harrods Group (Holding) Limited

### Notes to the Financial Statements for the Period from 2 February 2014 to 31 January 2015

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

##### Group

	31 January 2015 £m	1 February 2014 £m
Profit attributable to the members of the group	91.6	84.5
Other recognised losses relating to the period	(25.3)	(12.2)
Dividends	(70.2)	(120.0)
Net reduction to shareholders' funds	(3.9)	(47.7)
Shareholders' deficit at start of period	(275.3)	(227.6)
Shareholders' deficit at end of period	(279.2)	(275.3)

##### Company

	31 January 2015 £m	1 February 2014 £m
Profit attributable to the members of the company	82.3	118.0
Dividends	(68.6)	(117.6)
Net addition to shareholders' funds	13.7	0.4
Shareholders' funds at start of period	39.8	39.4
Shareholders' funds at end of period	53.5	39.8

#### 22 Commitments

##### Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £7.1m (2014: £15.9m).

##### Other Commitments

At 31 January 2015 the company had commitments under concession agreements with Heathrow Airport Limited and Gatwick Airport Limited which were contracted for but not provided for in these financial statements of £7.4m, (2014: £7.4m).

## Harrods Group (Holding) Limited

### Notes to the Financial Statements for the Period from 2 February 2014 to 31 January 2015

..... continued

#### Operating lease commitments

##### Group

As at 31 January 2015 the group had annual commitments under non-cancellable operating leases as follows:

	31 January 2015 £m	1 February 2014 £m
<b>Land and buildings</b>		
Within one year	0.3	0.1
Within two and five years	0.1	0.3
Over five years	51.8	50.0
	<u>52.2</u>	<u>50.4</u>
<b>Other</b>		
Within one year	0.6	0.0
Within two and five years	1.2	1.9
Over five years	0.0	0.0
	<u>1.8</u>	<u>1.9</u>

Included in the land and building leases expiring over five years is a lease for £48.6m (2014: £47.3m) with a related party (note 26).

#### 23 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 £31.4m (2014: £46.5m) and their fair value was £-0.6m (2014: £-0.8m) 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 31 January 2015 or 1 February 2014.

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

### **Notes to the Financial Statements for the Period from 2 February 2014 to 31 January 2015**

#### **24 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 (2014: £5.2m).

Contributions totalling £0.8m (2014: £0.8m) 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 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 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%.

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 31 January 2015, the participating employers made total contributions to the plan of £15.9m (2014: £16.0m).

The next full actuarial valuation is scheduled in April 2015.

# Harrods Group (Holding) Limited

## Notes to the Financial Statements for the Period from 2 February 2014 to 31 January 2015

..... continued

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

The amounts recognised in the balance sheet are as follows:

	31 January 2015 £m	1 February 2014 £m
Fair value of scheme assets	543.7	465.4
Present value of scheme liabilities	(555.3)	(461.9)
	(11.6)	3.5
Irrecoverable surplus	-	(3.5)
Other amounts recognised in the balance sheet	0.2	-
Defined benefit pension scheme deficit	(11.4)	-
Related deferred tax asset	2.2	0.0
Net (liability)/asset in the balance sheet	(9.2)	0.0

### Scheme assets

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

	2 February 2014 to 31 January 2015 £m	3 February 2013 to 1 February 2014 £m
Fair value at start of period	465.4	453.8
Expected return on assets	24.2	20.2
Actuarial gains and losses	52.4	(10.7)
Employer contributions	15.9	16.0
Benefits paid	(14.2)	(13.9)
Fair value at end of period	543.7	465.4

## Harrods Group (Holding) Limited

### Notes to the Financial Statements for the Period from 2 February 2014 to 31 January 2015

..... continued

#### Analysis of assets

The major categories of scheme assets are as follows:

	31 January 2015 £m	1 February 2014 £m
Equity instruments	177.2	152.5
Debt instruments	219.7	183.0
Cash	50.4	40.8
Other assets	96.4	89.1
	<u>543.7</u>	<u>465.4</u>

#### Actual return on scheme's assets

	31 January 2015 £m	1 February 2014 £m
Actual return on scheme assets	<u>76.7</u>	<u>9.5</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:

	2 February 2014 to 31 January 2015 £m	3 February 2013 to 1 February 2014 £m
Present value at start of period	461.9	446.6
Actuarial gains and losses	87.1	9.0
Interest cost	20.5	20.2
Benefits paid	(14.2)	(13.9)
Present value at end of period	<u>555.3</u>	<u>461.9</u>
<b>Analysed as:</b>		
Present value arising from wholly or partly funded schemes	<u>555.3</u>	<u>461.9</u>

# Harrods Group (Holding) Limited

## Notes to the Financial Statements for the Period from 2 February 2014 to 31 January 2015

..... continued

### Principal actuarial assumptions

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

	31 January 2015 %	1 February 2014 %
Discount rate	3.2	4.5
Future pension increases	1.9	2.6
Inflation	2.7	3.4
Expected return on scheme assets - equity	5.1	6.6
Expected return on scheme assets - cash	1.4	3.1
Expected return on scheme assets - other	3.2	4.7

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

	31 January 2015 Years	1 February 2014 Years
Current pensioners at retirement age - male	28.2	28.1
Current pensioners at retirement age - female	30.5	30.4
Future pensioners at retirement age - male	30.7	30.5
Future pensioners at retirement age - female	33.0	32.8

### Amounts recognised in the profit and loss account

	2 February 2014 to 31 January 2015 £m	3 February 2013 to 1 February 2014 £m
<b>Amounts recognised in operating profit</b>		
Recognised in arriving at operating profit	-	-
<b>Amounts recognised in other finance (income)/cost</b>		
Interest cost	20.5	20.2
Expected return on scheme assets	(24.2)	(20.2)
Recognised in other finance cost	(3.7)	-
Total recognised in the profit and loss account	(3.7)	-



# Harrods Group (Holding) Limited

## Notes to the Financial Statements for the Period from 2 February 2014 to 31 January

2015

..... continued

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

	2 February 2014 to 31 January 2015 £m	3 February 2013 to 1 February 2014 £m
Actual return less expected return on scheme assets	52.4	(10.7)
Impact of irrecoverable surplus	3.4	3.7
Changes in assumptions	(87.1)	(9.0)
Actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses	<u>(31.3)</u>	<u>(16.0)</u>

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains/(losses) since 1 January 2002 is (£148.5m) (2014: (£117.2m)).

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

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

	31 January 2015 £m	1 February 2014 £m	2 February 2013 £m	28 January 2012 £m	29 January 2011 £m
Fair value of scheme assets	543.7	465.4	453.8	422.3	394.1
Present value of scheme liabilities	<u>(555.3)</u>	<u>(461.9)</u>	<u>(446.6)</u>	<u>(419.7)</u>	<u>(372.7)</u>
(Deficit)/surplus in scheme	<u>(11.6)</u>	<u>3.5</u>	<u>7.2</u>	<u>2.6</u>	<u>21.4</u>

### Experience adjustments:

	31 January 2015 £m	1 February 2014 £m	2 February 2013 £m	28 January 2012 £m	29 January 2011 £m
Experience adjustments arising on scheme assets	<u>52.4</u>	<u>(10.7)</u>	<u>8.6</u>	<u>3.4</u>	<u>8.9</u>
Experience adjustments arising on scheme liabilities	<u>-</u>	<u>-</u>	<u>(1.3)</u>	<u>-</u>	<u>-</u>

## Harrods Group (Holding) Limited

### Notes to the Financial Statements for the Period from 2 February 2014 to 31 January 2015

#### 25 Analysis of net debt

	At 2 February 2014 £m	Cash flow £m	At 31 January 2015 £m
Cash at bank and in hand	295.2	(143.8)	151.4
Debt due within one year	(897.5)	(4.9)	(902.4)
Debt due after more than one year	(295.3)	(24.7)	(320.0)
Finance leases and hire purchase contracts	(3.4)	1.4	(2.0)
Net debt	<u>(901.0)</u>	<u>(172.0)</u>	<u>(1,073.0)</u>

#### 26 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 £285.6m (2014: £283.1m).

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 £47.5m (2014: £46.2m) by Harrods Property Limited. At the period end, the balance of prepaid rent was £3.9m (2014: £3.8m).

As at the 2nd of February, 2014, 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 £897.3m 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 31 January 2015, a further £4.9m of the interest free tranche has been drawn down. The outstanding balance at the end of the year was £902.2m (2014: £897.3m).

During the year ended 31 January 2015, a total of £30m of interest was paid and £2.5m was accrued (2014: £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 (2014: £265.5m).

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 (2014: £24.6m).

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

### **Notes to the Financial Statements for the Period from 2 February 2014 to 31 January**

**2015**

**..... continued**

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. The opening balance of the loan (£4.9m) was fully repaid during the year and the Bank received another loan for £30m from Qatar Holding LLC. Accrued interest of £0.1m (2014: £0.2m) was owed in respect of the loans. The outstanding balance at the end of the year of these related party loans was £30.0m (2014: £4.9m).

There are no other material related party transactions.

#### **27 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.