

Registration number: 5990648

Harrods Group (Holding) Limited

Annual Report and Consolidated Financial Statements

for the period ended 3 February 2018



Harrods Group (Holding) Limited

Contents

Group Strategic Report	1 to 2
Directors' Report	3 to 4
Statement of Directors' Responsibilities	5
Independent Auditor's Report	6 to 7
Consolidated Profit and Loss Account	8
Consolidated Statement of Comprehensive Income	9
Consolidated Balance Sheet	10
Company Balance Sheet	11
Consolidated Statement of Changes in Equity	12 to 13
Company Statement of Changes in Equity	14
Consolidated Statement of Cash Flows	15
Notes to the Financial Statements	16 to 37

Harrods Group (Holding) Limited

Group Strategic Report

for the period ended 3 February 2018

Business review

The directors present their Group Strategic Report for the 53 week period ended 3 February 2018 (2017: 52 weeks).

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.

On 19th December 2017, the group disposed of its interest in 52 Capital SA (previously known as Harrods Estates Paris SA) to a related party for £1.1m (€1.2m) resulting in a profit on disposal of £0.2m.

On 21st December 2017, the group disposed of the book of business of Genavco Insurance Limited to a third party for a consideration of £1.75m. This figure, net of disposal costs, has been accounted for as profit on disposal of assets in the consolidated profit and loss statement.

On 3rd of January 2018, the group completed the disposal of its loss making subsidiary, Harrods Bank Limited, for a value of £1. Having fully impaired the value of the investment in its accounts the previous year, there was no loss on disposal of its subsidiary in the books of Harrods Group (Holding) Limited's company accounts. However, a loss on disposal of £31m was accounted for in the consolidated group accounts.

Results of ordinary activities before exceptional items

For the period ended 3 February 2018, Gross Transaction Value grew by 7.3% to £2,317.4m (2017: £2,160.6m) whilst group turnover grew 5.9% to £1,036.8m (2017: £978.8m). The business continued to experience strong demand from its overseas customers.

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 3 February 2018 £M	Period Ended 28 January 2017 £M	Growth £M	Growth %
Gross Transaction Value (Incl VAT)	2,317.4	2,160.6	156.8	7.3%
Gross Transaction Value (Excl VAT)	1,966.6	1,833.3	133.3	7.3%
Turnover	1,036.8	978.8	58.0	5.9%

The period saw a significant programme of capital expenditure, with total additions of £55.5m (2017: £57.5m). Focus has continued on investing in luxury boutiques primarily in our Knightsbridge store but also at the airports. The level of capital expenditure is expected to increase in 2018.

Harrods Group (Holding) Limited
Group Strategic Report (Continued)
for the period ended 3 February 2018

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, natural disasters and movements in currency exchange
- (ii) The state of the economy and its impact on the retail environment
- (iii) Staff retention and recruitment

Credit risk

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

There are no long overdue debts or non-current group receivables at 3 February 2018 (2017: £nil).

Currency risk

The group is exposed to foreign exchange risk on overseas purchasing, but only approximately 11% (2017: 10%) 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 at a group level other than turnover and profit, after tax, that would give a fuller understanding of the groups business.

Approved by the Board, and signed on 29 October 2018 on its behalf by:



.....
D J Webster
Company secretary
Harrods Group (Holding) Limited

87 - 135 Brompton Road
Knightsbridge
London
SW1X 7XL

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

The directors present their Report together with the audited Consolidated Financial Statements of Harrods Group (Holding) Limited and its subsidiary companies ("the group") for the 53 week period ended 3 February 2018 (2017: 52 weeks).

Results and dividends

Turnover for the period ended 3 February 2018 totalled £1,036.8m (2017: £978.8m).

The profit for the period, after taxation, amounted to £110.2m (2017: £114.7m), current year profit is reported after accounting for net loss on sale of subsidiaries and assets of £29.2m. Stripping this out, profit after tax was £139.4m, an increase of 21.5% on prior year. The group declared a dividend in the period of £57.4m (2017: £57.3m).

Directors of the group

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 (resigned 15 October 2018)

H.E. H A Al-Abdulla

Mansoor Ebrahim Si Al-Mahmoud (appointed 15 October 2018)

M A Ward

J P Edgar (resigned 10 November 2017)

S J Brown

Future developments

The company has considerable financial resources together with long term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully.

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.

Charitable donations

The charitable donations made by the group and charged in the Financial Statements were £1.1m (2017: £0.1m), including a £1 million donation to the Red Cross in support of the Grenfell Tower disaster victims. 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.

Environmental matters

Harrods 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 3 February 2018, 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 18,870 Co2 tonnes (2017: 21,267 Co2t).

Harrods Group (Holding) Limited
Directors' Report (Continued)
for the period ended 3 February 2018

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 32 days (2017: 33 days).

Disclosure of information to the Auditor

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 Auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the Auditor is unaware.

Post balance sheet events

On 16 March 2018, Harrods Estates Limited, a group undertaking, completed the sale of its subsidiary, PL Management Limited, to a third party for a consideration of £2.5m.

On 12 June 2018, Featurecode 2A Holdings, a dormant company, was dissolved.

Reappointment of Auditors

The Auditor, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Approved by the Board, and signed on 29 October 2018 on its behalf by:



.....
D J Webster
Company secretary
Harrods Group (Holding) Limited

87 - 135 Brompton Road
Knightsbridge
London
SW1X 7XL

Harrods Group (Holding) Limited
Statement of Directors' Responsibilities
for the period ended 3 February 2018

The directors acknowledge their responsibilities for preparing the Annual Report and the Consolidated Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Financial Statements for each financial period. Under that law the directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the group 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
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Opinion

We have audited the financial statements of Harrods Group (Holding) Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 3 February 2018 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the company Balance Sheet, the consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity the Consolidated Statement of cash flows and the related notes 1 to 29, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent company's affairs as at 03 February 2018 and of the group's profit for the year 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or Directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

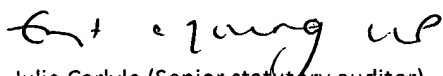
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Julie Carlyle (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

1 More London Place

London

SE1 2AF

Date 30 October 2018

Harrods Group (Holding) Limited
Consolidated Profit and Loss Account
for the period ended 3 February 2018

		Total 53 weeks ended 3 February 2018 £M	Total 52 weeks ended 28 January 2017 £M
	Note		
Turnover	3	1,036.8	978.8
Cost of sales		(432.4)	(411.2)
Gross profit		604.4	567.6
Distribution costs		(303.9)	(278.1)
Administrative expenses		(74.0)	(86.4)
Other operating income	4	34.5	34.9
Fair value movement		(0.9)	(1.1)
Operating profit	5	260.1	236.9
Loss on disposal of subsidiaries	16	(31.0)	-
Profit on sale of assets	6	1.8	-
Profit on ordinary activities before interest and taxation		230.9	236.9
Interest receivable and similar income	10	0.2	0.1
Interest payable and similar charges	11	(84.8)	(84.8)
Profit before tax		146.3	152.2
Taxation	12	(36.1)	(37.5)
Profit for the financial period		110.2	114.7
Attributable to non-controlling interests		(0.1)	-
Profit attributable to:			
Owners of the company		110.1	114.7

The notes on pages 16 to 37 form an integral part of these Financial Statements.

Harrods Group (Holding) Limited
Consolidated Statement of Comprehensive Income
for the period ended 3 February 2018

		53 weeks ended 3 February 2018 £M	52 weeks ended 28 January 2017 £M
	Note		
Profit for the period		110.2	114.7
Gain on movement in hedging reserve		11.0	
Actuarial gains/(losses) on defined benefit pension scheme	24	1.7	(54.2)
Movement of deferred tax relating to pension (surplus)/deficit	24	(0.6)	9.5
Other comprehensive income/(loss) for the period		12.1	(44.7)
Total comprehensive income for the period		122.3	70.0
Attributable to non-controlling interests		(0.1)	
Profit attributable to:			
Owners of the company		122.2	70.0

The notes on pages 16 to 37 form an integral part of these Financial Statements.

Harrods Group (Holding) Limited

Consolidated Balance Sheet as at 3 February 2018

	Note	3 February 2018 £M	28 January 2017 £M
Fixed assets			
Intangible assets	14	432.2	445.5
Tangible assets	15	1,284.7	1,282.8
Investments	16	-	0.3
		<u>1,716.9</u>	<u>1,728.6</u>
Current assets			
Stocks	18	115.5	103.6
Debtors: amounts falling due after more than one year	19	-	332.7
Debtors: amounts falling due within one year	19	59.8	77.0
Cash at bank and in hand		159.2	278.4
Deferred tax asset	12	8.0	6.6
		<u>342.5</u>	<u>798.3</u>
Creditors: Amounts falling due within one year	20	<u>(1,311.1)</u>	<u>(1,761.3)</u>
Net current liabilities		<u>(968.6)</u>	<u>(963.0)</u>
Total assets less current liabilities		748.3	765.6
Creditors: Amounts falling due after more than one year	20	<u>(638.0)</u>	<u>(688.1)</u>
Net assets excluding pension liability		110.3	77.5
Net pension asset/(liability)	24	13.9	(18.2)
Net assets		<u>124.2</u>	<u>59.3</u>
Capital and reserves			
Called up share capital	22	3.8	3.8
Share premium reserve	22	264.5	264.5
Revaluation reserve		-	(0.3)
Other reserves		(10.3)	33.1
Profit and loss account		<u>(140.0)</u>	<u>(243.4)</u>
Equity attributable to owners of the company		118.0	57.7
Non-controlling interest		<u>6.2</u>	<u>1.6</u>
Total equity		<u>124.2</u>	<u>59.3</u>

Approved and authorised by the Board, and signed on its behalf on 29 October 2018 by:



M A Ward
Director

The notes on pages 16 to 37 form an integral part of these Financial Statements.

Harrods Group (Holding) Limited

Company Balance Sheet as at 3 February 2018

		3 February 2018 £M	28 January 2017 £M
	Note		
Fixed assets			
Investments	16	262.6	267.5
Current assets			
Debtors: amounts falling due after more than one year	19	-	0.2
Debtors: amounts falling due within one year	19	68.8	70.6
Cash at bank and in hand		1.4	2.6
		<u>70.2</u>	<u>73.4</u>
Creditors: Amounts falling due within one year	20	<u>(32.4)</u>	<u>(76.8)</u>
Net current assets/(liabilities)		<u>37.8</u>	<u>(3.4)</u>
Net assets		<u>300.4</u>	<u>264.1</u>
Capital and reserves			
Called up share capital	22	3.8	3.8
Share premium reserve	22	264.5	264.5
Profit and loss account		32.1	(4.2)
Total equity		<u>300.4</u>	<u>264.1</u>

Approved and authorised by the Board, and signed on its behalf on 29 October 2018 by:

M A Ward
Director

Harrods Group (Holding) Limited
Consolidated Statement of Changes in Equity
for the period ended 3 February 2018
Equity attributable to the parent company

	Share capital £M	Share premium £M	Revaluation reserve £M	Other reserves £M	Profit and loss account £M	non-controlling interest £M	Total equity £M
At 31 January 2016	3.8	264.5	(0.3)	(0.6)	(256.1)	1.6	12.9
Profit for the financial period	-	-	-	-	114.7	-	114.7
Actuarial loss on pension scheme	-	-	-	-	(44.7)	-	(44.7)
Total comprehensive income	-	-	-	-	70.0	-	70.0
Dividends	-	-	-	-	(57.3)	-	(57.3)
Movement in hedging reserve	-	-	-	(4.6)	-	-	(4.6)
Write down of Harrods Bank Shareholder loan	-	-	-	40.0	-	-	40.0
Fair value transfers to profit & loss	-	-	-	(1.7)	-	-	(1.7)
At 28 January 2017	3.8	264.5	(0.3)	33.1	(243.4)	1.6	59.3

The notes on pages 16 to 37 form an integral part of these Financial Statements.

Harrods Group (Holding) Limited
Consolidated Statement of Changes in Equity (Continued)
for the period ended 3 February 2018
Equity attributable to the parent company

	Share capital £M	Share premium £M	Revaluation reserve £M	Other reserves £M	Profit and loss account £M	non-controlling interest £M	Total equity £M
At 29 January 2017	3.8	264.5	(0.3)	33.1	(243.4)	1.6	59.3
Profit for the financial period	-	-	-	-	110.1	0.1	110.2
Actuarial gain on pension scheme	-	-	-	-	1.1	-	1.1
Movement in hedging reserve	-	-	-	11.0	-	-	11.0
Total comprehensive income	-	-	-	11.0	111.2	0.1	122.3
Movement in non-controlling interest	-	-	-	-	(4.5)	4.5	-
Dividends	-	-	-	-	(57.4)	-	(57.4)
Disposal of Harrods Bank	-	-	-	(54.4)	54.4	-	-
Transfer of revaluation reserve	-	-	0.3	-	(0.3)	-	-
At 3 February 2018	3.8	264.5	-	(10.3)	(140.0)	6.2	124.2

The notes on pages 16 to 37 form an integral part of these Financial Statements.

Harrods Group (Holding) Limited
Company Statement of Changes in Equity
for the period ended 3 February 2018

	Share capital £M	Share premium £M	Profit and loss account £M	Total £M
At 31 January 2016	3.8	264.5	14.0	282.3
Profit for the financial period	-	-	38.0	38.0
Dividends	-	-	(56.2)	(56.2)
At 28 January 2017	3.8	264.5	(4.2)	264.1

	Share capital £M	Share premium £M	Profit and loss account £M	Total £M
At 29 January 2017	3.8	264.5	(4.2)	264.1
Profit for the financial period	-	-	92.5	92.5
Dividends	-	-	(56.2)	(56.2)
At 3 February 2018	3.8	264.5	32.1	300.4

The notes on pages 16 to 37 form an integral part of these Financial Statements.

Harrods Group (Holding) Limited
Consolidated Statement of Cash Flows
for the period ended 3 February 2018

	53 weeks ended 3 February 2018 £M	52 weeks ended 28 January 2017 £M
Cash flows from Operating activities		
Profit for the financial period	110.2	114.7
Adjustments to cash flows from non-cash items		
Depreciation and amortisation	65.8	60.6
Loss on disposal of tangible assets	0.1	13.6
Disposal of subsidiary	31.0	-
Finance income	(0.2)	(0.1)
Finance costs	84.8	84.8
Income tax expense	36.1	37.5
Asset write offs	1.2	-
Fair value movement	0.9	(0.5)
Non-cash forex adjustment	1.3	(2.2)
	<u>331.2</u>	<u>308.4</u>
<u>Working capital and other adjustments</u>		
Increase in stocks	(13.3)	(7.6)
Decrease/(increase) in debtors	7.0	(10.1)
Increase in creditors	4.4	68.0
Harrods Bank advances to customers	(30.7)	(142.3)
Harrods Bank customer deposits	(6.4)	122.9
Defined retirement benefit contributions	(31.5)	(6.5)
	<u>260.7</u>	<u>332.8</u>
Cash generated from operations	(12.2)	(41.8)
Income taxes paid	<u>(12.2)</u>	<u>(41.8)</u>
Net cash flows from Operating activities	248.5	291.0
Cash flows used in Investing activities		
Interest received	0.2	0.1
Acquisitions of tangible assets	(50.7)	(57.3)
Adjustment on sale of subsidiaries	(121.5)	-
Proceeds from sale of tangible assets	-	0.3
Proceeds from sale of investments	1.0	1.3
	<u>1.0</u>	<u>1.3</u>
Net cash used from Investing activities	(171.0)	(55.6)
Cash used from Financing activities		
Repayment of loans and financial leases	(55.4)	(111.4)
New loans to Harrods Bank Limited	-	50.0
Interest paid	(83.9)	(88.7)
Dividends paid	(57.4)	(54.5)
	<u>(196.7)</u>	<u>(204.6)</u>
Net cash used from Financing activities	(196.7)	(204.6)
Net (decrease)/increase in cash and cash equivalents	(119.2)	30.8
Cash and cash equivalents at 29 January 2017	<u>278.4</u>	<u>247.6</u>
Cash and cash equivalents at 3 February 2018	159.2	278.4

The notes on pages 16 to 37 form an integral part of these Financial Statements.

Harrods Group (Holding) Limited
Notes to the Financial Statements
for the period ended 3 February 2018

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

87 - 135 Brompton Road
Knightsbridge
London
SW1X 7XL

2 Accounting policies

Basis of preparation

The Financial Statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of Financial Statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgment in applying the group's accounting policies.

Basis of consolidation

The Consolidated Financial Statements consolidate the Financial Statements of the company and its subsidiary undertakings drawn up to 3 February 2018.

The Consolidated Financial Statements present the results of group and its own subsidiaries ("the group") as they formed a single entity.

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 3 February 2018

2 Accounting policies (continued)

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the group's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

The group recognised turnover when:

- the amount of turnover can be reliably measured;
- it is probable that future economic benefits will flow to the entity; and
- and specific criteria have been met for each of the group's activities.

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 are 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.

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.

Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Profit and Loss Account over its useful economic life, with current goodwill being amortised over a period of fifty years.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 3 February 2018

2 Accounting policies (continued)

Tangible assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method. The estimated useful lives range as follows:

Depreciation

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

Asset class	Depreciation method and rate
Freehold property	25 - 50 years
Long-term leasehold property	25 - 50 years
Short-term leasehold property	Remaining period of lease
Plant and machinery	5 - 25 years
Vehicles and equipment	4 - 7 years
Fixtures and fittings	3 - 20 years
Office equipment	3 - 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

It is the practice of the company to maintain its properties to a high standard. Accordingly, for the Harrods Department store in Knightsbridge, the directors consider that the life of this asset is so long, and the residual value (based upon prices prevailing at the time of the acquisition or subsequent valuation) is so high, that the depreciation is immaterial. Any permanent diminution in the value of this property is charged to the Profit and Loss Account as appropriate.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Consolidated Statement of Comprehensive Income.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the Profit and Loss Account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability. Where the group transfers substantially all the risks and rewards of ownership, the arrangement is classified as a finance lease and a receivable is recognised at an amount equal to the net investment in the lease. Recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 3 February 2018

2 Accounting policies (continued)

Leased assets: Lessee

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in Profit or Loss Account.

Tax

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

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

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements and on unused tax losses or tax credits in the group. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 3 February 2018

2 Accounting policies (continued)

Cash at bank and in hand

Cash at bank and in hand comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Finance costs

Finance costs are charged to the Profit and Loss Account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Dividends

Final equity dividends are recognised when they become legally payable. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

Defined contribution pension obligation

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

Defined benefit pension obligation

Certain group 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.

The group's defined benefit pension scheme is assessed annually in accordance with FRS 102. Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the Balance Sheet.

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

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

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

Further details are included in note 24.

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 3 February 2018

2 Accounting policies (continued)

Interest income

Interest income is recognised in the Profit and Loss Account using the effective interest method.

Foreign currency transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currency are translated at exchange rates ruling at the transaction date. Realised gains and losses are dealt with in the Profit and Loss Account.

Loyalty points

Loyalty points are treated as a deduction in sales. Part of the fair value of consideration received is deferred and subsequently recognised when the award is redeemed. The fair value of the points awarded is determined with reference to the fair value of the customer redemption rate.

Financial instruments

The group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and Loss Account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives include foreign exchange forward contracts and are initially recognised at fair value on the date the derivative contract is entered into. Derivatives are subsequently remeasured at their fair value. Changes in the fair value of derivatives are recognised in Profit or Loss Account.

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 3 February 2018

3 Revenue

Analysis of turnover by country of destination is given below:

	53 weeks ended 3 February 2018 £M	52 weeks ended 28 January 2017 £M
UK	1,034.1	973.6
Europe	0.1	1.2
Rest of world	2.6	4.0
	<u>1,036.8</u>	<u>978.8</u>

4 Other operating income

The analysis of the group's other operating income for the period is as follows:

	53 weeks ended 3 February 2018 £M	52 weeks ended 28 January 2017 £M
Advertising, royalties and similar income	34.5	34.9

5 Operating profit

Arrived after charging:

	53 weeks ended 3 February 2018 £M	52 weeks ended 28 January 2017 £M
Depreciation, amortisation and impairment of assets	65.8	60.6

6 Profit on sale of assets

	53 weeks ended 3 February 2018 £M	52 weeks ended 28 January 2017 £M
Profit on sale of Genavco Insurance Limited business assets	1.8	-

7 Auditor remuneration

	53 weeks ended 3 February 2018 £M	52 weeks ended 28 January 2017 £M
Fees payable to the group's Auditor and its associates for the audit of the group's annual accounts	0.3	0.3

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 3 February 2018

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	53 weeks ended 3 February 2018 £M	52 weeks ended 28 January 2017 £M
Wages and salaries	155.2	158.1
Social security costs	15.8	15.1
Pension costs, defined contribution scheme	5.4	5.4
	<u>176.3</u>	<u>178.6</u>

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

	2018 No.	2017 No.
Production	621	601
Administration and support	218	286
Sales, marketing and distribution	3,756	3,720
	<u>4,595</u>	<u>4,607</u>

9 Directors' remuneration

The directors' remuneration for the period was as follows:

	53 weeks ended 3 February 2018 £M	52 weeks ended 28 January 2017 £M
Directors' emoluments	3.0	2.9

The value of emoluments incurred directly by the company was £0.1m (2017: £0.1m). Emoluments incurred by the group's subsidiary undertakings were £2.9m (2017: £2.8m). Included in emoluments for the period ended 3 February 2018 are pension contributions of £nil (2017: £nil). No directors were members of a defined contribution scheme (2017: none).

There are no directors to whom retirement benefits are accruing under a defined benefit pension scheme (2017: none).

The aggregate remuneration of the highest paid director in respect of qualifying services was £1.9m (2017: £2.0m).

10 Interest receivable and similar income

	53 weeks ended 3 February 2018 £M	52 weeks ended 28 January 2017 £M
Bank interest receivable	0.2	0.1
	<u>0.2</u>	<u>0.1</u>

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 3 February 2018

11 Interest payable and similar charges

	53 weeks ended 3 February 2018 £M	52 weeks ended 28 January 2017 £M
Bank interest payable	16.0	17.3
Other interest payable	68.8	67.5
	<u>84.8</u>	<u>84.8</u>

12 Taxation

Tax charged in the Income Statement:

	53 weeks ended 3 February 2018 £M	52 weeks ended 28 January 2017 £M
Current taxation		
UK Corporation tax	35.3	-
Foreign tax	0.2	0.1
Adjustment in respect of prior years - corporation tax	2.4	(1.1)
	<u>37.9</u>	<u>(1.0)</u>
Deferred taxation		
Arising from origination and reversal of timing differences	2.0	28.8
Effect of tax rate changes	(0.5)	3.9
Adjustment in respect of prior period	(3.3)	5.8
Total deferred taxation	<u>(1.8)</u>	<u>38.5</u>
Total tax on profit on ordinary activities	36.1	37.5
Tax included in the other comprehensive income		
Deferred tax on pension scheme	0.6	(9.5)
Tax on total comprehensive income	<u>36.7</u>	<u>28.0</u>

The tax on profit before tax for the period is higher than the standard rate of corporation tax in the UK (2017 - higher than the standard rate of corporation tax in the UK) of 19.16% (2017 - 20%).

The differences are reconciled below:

	53 weeks ended 3 February 2018 £M	52 weeks ended 28 January 2017 £M
Profit before tax	146.3	152.2
Corporation tax at standard rate	28.0	30.4
Tax rate changes	(0.5)	1.3
Effect of expense not deductible and income not taxable in determining taxable profit	9.5	1.6
Adjustment in respect of prior periods	(0.9)	4.2
Total tax charge	<u>36.1</u>	<u>37.5</u>

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 3 February 2018

12 Taxation (continued)

The standard rate of tax applied to profit on ordinary activities is 19.16% (2017: 20%). The Finance (No 2) Act 2015 introduced a reduction in the corporation tax rate to 19% for financial years 2017, 2018 and 2019. The Finance Act 2016 further reduced the corporation tax rate to 17% from 1 April 2020 (previously 18%).

Deferred tax

	Group		Company	
	3 February	28 January	3 February	28 January
	2018	2017	2018	2017
	£M	£M	£M	£M
Fixed asset timing differences	3.5	(2.1)	-	-
Losses (Derivatives)	2.9	4.7	-	-
Short term timing differences	1.8	3.7	-	-
Non trading timing differences	(0.2)	0.3	-	-
Deferred tax asset	8.0	6.6	-	-

Deferred tax reconciliation

	Group	Company
	£M	£M
At 29 January 2017	6.6	-
Deferred tax charged to profit and loss	(1.3)	-
Deferred tax on defined benefit pensions scheme	(0.6)	-
Adjustment in respect of prior periods	3.3	-
At 3 February 2018	8.0	-

The deferred tax balance consists of the following deferred tax assets/(liabilities):

	Group	Company
	£M	£M
Deferred tax due within 12 months		
Deferred tax assets	3.0	-
	3.0	-
Deferred tax due after more than 12 months		
Deferred tax assets	18.5	-
Deferred tax liabilities	(13.5)	-
	5.0	-
Deferred tax asset	8.0	-

13 Parent company profit for the year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these Financial Statements. The profit after tax of the parent company for the period was £92.5m (2017: £38.0m).

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 3 February 2018

14 Intangible assets

Group

	Software £M	Goodwill £M	Total £M
Cost			
At 29 January 2017	26.1	516.2	542.3
Additions	3.5	-	3.5
Disposals	(0.6)	-	(0.6)
At 3 February 2018	29.0	516.2	545.2
Amortisation			
At 29 January 2017	5.7	91.1	96.8
Amortisation charge	5.9	10.4	16.3
Amortisation eliminated on disposal	(0.1)	-	(0.1)
At 3 February 2018	11.5	101.5	113.0
Carrying amount			
At 3 February 2018	17.5	414.7	432.2
At 28 January 2017	20.4	425.1	445.5

Harrods Group (Holding) Limited

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

15 Tangible assets

Group

	Freehold property £M	Fixtures and fittings £M	Plant and machinery £M	Other tangibles £M	Total £M
Cost					
At 29 January 2017	1,073.5	243.4	149.1	39.5	1,505.5
Additions	-	13.3	29.9	8.8	52.0
Disposals	-	(8.0)	(1.7)	(0.2)	(9.9)
At 3 February 2018	1,073.5	248.7	177.3	48.1	1,547.6
Depreciation					
At 29 January 2017	16.0	135.8	70.8	0.1	222.7
Charge for the year	5.6	31.6	12.2	0.1	49.5
Eliminated on disposal	-	(7.5)	(1.7)	(0.1)	(9.3)
At 3 February 2018	21.6	159.9	81.3	0.1	262.9
Carrying amount					
At 3 February 2018	1051.9	88.8	96.0	48.0	1,284.7
At 28 January 2017	1057.5	107.6	78.3	39.4	1,282.8

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 3 February 2018

16 Investments

Group

Details of undertaking

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

Subsidiary undertakings	Registered office	Class of shares	Holding	Principal activity
QH Participations Limited	England and Wales	Ordinary	98%	Holding company
QH Partners Limited	England and Wales	Ordinary	100%	Holding company
QH Enterprises Holdings Limited	England and Wales	Ordinary	100%	Holding company
QH Enterprises Limited	England and Wales	Ordinary	100%	Holding company
Harrods Holdings Limited	England and Wales	Ordinary	100%	Holding company
Harrods (UK) Limited	England and Wales	Ordinary	100%	Holding company
Harrods Limited	England and Wales	Ordinary	100%	Department store
Harrods International Limited	England and Wales	Ordinary	100%	Tax free retailers and wholesaler
Harrods (Continental) Limited	England and Wales	Ordinary	100%	Exporter
Harrods Estates Limited	England and Wales	Ordinary	100%	Estate agents
PL Management Limited	England and Wales	Ordinary	100%	Property management
Harrods Commercial property Limited	England and Wales	Ordinary	100%	Property holding company
Harrods Group Trustees Limited	England and Wales	Ordinary	100%	Dormant company
5A Holdings Limited (formerly Genavco Holdings Limited)	England and Wales	Ordinary	100%	Holding company
Genavco Insurance Limited	England and Wales	Ordinary	100%	Insurance broker
Air Harrods Limited	England and Wales	Ordinary	100%	Non-scheduled air transport
Harrods Aviation Holdings Limited	England and Wales	Ordinary	100%	Holding company
Harrods Aviation Limited	England and Wales	Ordinary	100%	Aircraft handling and maintenance service
Harrods Corporate Management Limited	England and Wales	Ordinary	100%	Licensing of trademarks
5A Property Holdings Limited	England and Wales	Ordinary	100%	Holding company
Harrods Property Limited	England and Wales	Ordinary	100%	Property holding company
Harrods Management Limited	England and Wales	Ordinary	100%	Dormant company
5B Leisure Limited (Isle of Man)	England and Wales	Ordinary	100%	Dormant company
5A Leisure Limited	England and Wales	Ordinary	100%	Dormant company
Featurecode 2A Holdings	England and Wales	Ordinary	100%	Dormant company
Wylie and Company Limited	England and Wales	Ordinary	100%	Dormant company
Harrods Nominees Limited	England and Wales	Ordinary	100%	Dormant company

The registered address of each entity listed above is 87-135 Brompton Road, Knightsbridge, London, SW1X 7XL, England and Wales. With the exception of 5B Leisure Limited, registered at 33-37 Athol Street, Douglas, Isle of Man IM1 1LB.

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 3 February 2018

16 Investments (continued)

Group

	3 February	28 January
	2018	2017
	£M	£M
Visa shares	-	0.3

Disposal of subsidiaries:

On 7 August, 2017, Harrods Group (Holding) Limited entered into an agreement for the sale of its shareholding in its loss making subsidiary, Harrods Bank Limited, to Qatar Holding LLC, the ultimate controlling party, for a value of £1. Following receipt of FCA approval in December 2017, the sale was completed on 3 January 2018. Having fully impaired the value of the investment in its accounts the previous year, there was no loss on disposal of the subsidiary in the books of the company. However, a loss on disposal of £31.2m was accounted for in the consolidated group accounts as the difference between the subsidiary's net assets and consideration.

The overall sale transaction also involved forgiveness of a £24m subordinated loan payable by Harrods Bank Limited to Qatar Holding LLC. The net assets disposed of have been adjusted to exclude the impact of this loan forgiveness as it is deemed to be part of the overall sale transaction.

	£M
Net assets disposed of:	
Cash	123.6
Loan advances to customers	369.2
Debtors	1.2
Customer accounts	(433.7)
Creditors	(2.9)
Other liabilities	(26.2)
	31.2
Loss on disposal	31.2

The loss attributable to members of the parent company includes losses of £10.6m incurred by Harrods Bank Limited up to its date of disposal on 3 January 2018.

On 19 December 2017, the group disposed of Harrods Estates Paris S.A. for a gain of £0.2m.

The results of the disposed subsidiaries are not presented as discontinued operations as these were not deemed to be major components of the Group

Company

	3 February	28 January
	2018	2017
	£M	£M
Investment in subsidiaries	262.6	267.5

Subsidiaries

Cost

	£M
At 29 January 2017	285.2
Additions	475.1
Disposals	(229.1)
At 3 February 2018	531.2

Provision

	£M
At 29 January 2017	(17.7)
Impairment	(250.9)
At 3 February 2018	(268.6)

Carrying amount

	£M
At 3 February 2018	262.6
At 28 January 2017	267.5

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 3 February 2018

16 Investments (continued)

On 2 October 2017, QH Participations Limited issued to Harrods Group (Holding) Limited, one ordinary share with a nominal value of £0.01, and at a share premium of £224.2m, as part of a loan rationalisation transaction.

The investment in 5A Property Holdings Limited was fully impaired on the commencement of liquidation.

The investment in 5A Property Investments Sarl (Luxembourg) was disposed on liquidation.

17 Audit exemptions

The company has guaranteed the outstanding liabilities of all subsidiaries within the group and has fulfilled all requirements under s479A of the Companies Act 2006 ('The Act'), the enabling those subsidiaries to apply for audit exemption; provided their financial statements are not subject to audit under any other provisions of The Act.

The following subsidiary companies have applied for audit exemption:

Undertaking	Registered office	Holding	Principal activity
Subsidiary undertakings			
QH Partners Limited	England and Wales	100%	Holding company
QH Enterprises Holdings Limited	England and Wales	100%	Holding company
QH Enterprises Limited	England and Wales	100%	Holding company
Harrods (UK) Limited	England and Wales	100%	Holding company
Harrods International Limited	England and Wales	100%	Tax free retailers and wholesaler
Harrods (Continental) Limited	England and Wales	100%	Exporter
Harrods Estates Limited	England and Wales	100%	Estate agents
Harrods Commercial Property Limited	England and Wales	100%	Property holding company
5A Holdings Limited (formerly Genavco Holdings Limited)	England and Wales	100%	Holding company
Air Harrods Limited	England and Wales	100%	Non-scheduled air transport
Harrods Aviation Holdings Limited	England and Wales	100%	Holding company
Harrods Aviation Limited	England and Wales	100%	Aircraft handling and maintenance service

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 3 February 2018

18 Stocks

	Group		Company	
	3 February 2018 £M	28 January 2017 £M	3 February 2018 £M	28 January 2017 £M
Raw materials	0.5	0.5	-	-
Work in progress	0.2	0.3	-	-
Finished goods	114.8	102.9	-	-
	<u>115.5</u>	<u>103.6</u>	<u>-</u>	<u>-</u>

19 Debtors

Amounts due within one year

	Group		Company	
	3 February 2018 £M	28 January 2017 £M	3 February 2018 £M	28 January 2017 £M
Trade debtors	40.8	47.4	-	-
Amounts owed by related parties	-	-	68.8	70.6
Other debtors	1.3	1.6	-	-
Prepayments and accrued income	16.1	15.9	-	-
Gross amount due from customers for contract work	-	0.1	-	-
Harrods Bank advances to customers	-	5.6	-	-
Corporation tax asset	-	4.6	-	-
Amounts recoverable on long term contracts	1.6	1.8	-	-
	<u>59.8</u>	<u>77.0</u>	<u>68.8</u>	<u>70.6</u>

Amounts due after more than one year

Amounts owed by related parties	-	-	-	0.2
Harrods Bank advances to customers	-	332.7	-	-
	<u>-</u>	<u>332.7</u>	<u>-</u>	<u>0.2</u>

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 3 February 2018

20 Creditors

Amounts due within one year

	Group		Company	
	3 February	28 January	3 February	28 January
	2018	2017	2018	2017
	£M	£M	£M	£M
Loans and borrowings	15.0	55.0	-	-
Trade creditors	176.9	167.3	0.1	-
Amounts due to related parties	934.6	934.5	31.7	76.6
Harrods Bank customer deposits	-	440.8	-	-
Group tax liability	20.8	-	0.5	(0.1)
Social security and other taxes	6.4	3.6	-	-
Other payables	69.0	64.1	-	-
Accruals and deferred income	88.4	95.3	0.1	0.3
Other current financial liabilities	-	0.3	-	-
Finance lease liabilities	-	0.4	-	-
	1,311.1	1,761.3	32.4	76.8

Amounts due after more than one year

Bank loans	599.8	613.9	-	-
Other loans	-	24.1	-	-
Amounts owed to group undertakings	24.6	24.6	-	-
Accruals and deferred income	3.3	4.2	-	-
Financial instruments	10.3	21.3	-	-
	638.0	688.1	-	-

An interest rate swap was entered into by Harrods Holdings Limited on 30th April 2015 to hedge future expected cash outflows on the new loan facility of £650.0m entered into on 29th April 2015. The interest rate swaps have a total notional value of £545.0m and terminate on 29 April 2022. The change in fair value for the period was a gain of £11.0m and has been fully recognised in the Statement of Comprehensive Income (2017: £4.6m loss).

QH Participations Limited had a loan facility agreement with Qatar Holdings LLC, the ultimate controlling party which was fully drawn down. The facility is repayable on 31 January 2020, and is fully interest bearing at a rate of 7.5%.

21 Dividends

	53 weeks	52 weeks
	ended	ended
	3 February	28 January
	2018	2017
	£M	£M
Interim dividend declared	57.4	57.3
	57.4	57.3

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 3 February 2018

22 Share capital

Allotted, called up and fully paid shares

	3 February 2018		28 January 2017	
	No. M	£M	No. M	£M
Ordinary shares of £0.01 each	376	3.8	376	3.8

	3 February 2018 £M	28 January 2017 £M
Share premium	264.5	264.5
	<u>264.5</u>	<u>264.5</u>

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

Dividends are declared and paid at the discretion of the directors.

23 Financial instruments

	Group		Company	
	3 February 2018 £M	28 January 2017 £M	3 February 2018 £M	28 January 2017 £M
Financial assets				
Financial assets measured at fair value through profit or loss	-	0.1	-	-
Financial assets measured at amortised cost	241.0	688.0	70.2	73.4
	<u>241.0</u>	<u>688.1</u>	<u>70.2</u>	<u>73.4</u>

	Group		Company	
	3 February 2018 £M	28 January 2017 £M	3 February 2018 £M	28 January 2017 £M
Financial liabilities				
Financial liabilities measured at fair value through profit or loss	0.9	-	-	-
Financial liabilities measured at amortised cost	1,948.2	2,449.4	32.4	76.8
	<u>1,949.1</u>	<u>2,449.4</u>	<u>32.4</u>	<u>76.8</u>

Financial assets and liabilities measured at fair value through profit or loss is comprised of foreign currency forward contracts.

Financial assets measured at amortised costs include cash and debtors.

Financial liabilities measured at amortised cost include both short and long term creditors.

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 3 February 2018

24 Pension and other schemes

The group operates a defined contribution pension scheme and a defined benefit pension scheme.

Defined contribution pension scheme

The pension charge for the period represents contributions payable by the group to the scheme and amounted to £5.3m (2017: £4.4m).

Contributions totalling £0.8m (2017: £0.8m) were payable to the scheme at the end of the period and are included in creditors.

Defined benefit pension schemes

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

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

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

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

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

In aggregate, during the period ended 3 February 2018, the participating employers made total contributions to the plan of £31.5m (2017: £6.5m), of which £23.7m were additional payments made due to the deficit falling below the agreed tolerance band as per the recovery plan outlined above. The total also included a payment of £1.7m by Harrods Bank.

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

The next triennial valuation is scheduled for April 2018.

Reconciliation of scheme assets and liabilities recognised

The amounts recognised in the Balance Sheet are as follows:

	3 February 2018	28 January 2017
	£M	£M
Fair value of scheme assets	628.6	599.1
Present value of defined benefit obligation	(614.7)	(617.3)
Defined benefit pension scheme surplus/(deficit)	<u>13.9</u>	<u>(18.2)</u>

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 3 February 2018

24 Pension and other schemes (continued)

Reconciliation of present value of plan liabilities

Changes in the defined benefit obligation are as follows:

	3 February 2018 £M
Present value at start of period	(617.3)
Interest cost	(17.3)
Actuarial gains and losses	0.7
Benefits paid	19.2
Present value at end of period	<u>(614.7)</u>

Reconciliation of present value of plan assets

Changes in the defined benefit obligation are as follows:

	3 February 2018 £M
Fair value at start of period	599.1
Interest income	17.2
Actuarial gains and losses	1.2
Administrative Expenses	(1.2)
Employer contributions	31.5
Benefits paid	(19.2)
Fair value at end of period	<u>628.6</u>

Analysis of assets:

Composition of plan assets:

	3 February 2018 £M	28 January 2017 £M
Cash and cash equivalents	3.1	65.3
Equity instruments	95.6	83.3
Debt instruments	277.2	247.4
Other assets	252.7	203.1
	<u>628.6</u>	<u>599.1</u>

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 3 February 2018

24 Pension and other schemes (continued)

Principal actuarial assumptions

The principal actuarial assumptions at the Balance Sheet date are as follows:

	3 February	28 January
	2018	2017
	%	%
Discount rate	2.55	2.85
Future pension increases	2.25	2.45
Inflation	3.25	3.45

Post retirement (at age 60) mortality assumptions

	3 February	28 January
	2018	2017
	Years	Years
Current UK pensioners at retirement age - male	27.7	28.1
Current UK pensioners at retirement age - Female	29.4	29.9
Future UK pensioners at retirement age - male	29.6	30.4
Future UK pensioners at retirement age - female	31.3	32.3

25 Commitments

Group

Capital commitments

Amounts contracted for but not provided in the Financial Statements amounted to £14.2m (2017: £8.1m).

Other commitments

At 3 February 2018 the group 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 £9.0m as at the period end (2017: £8.8m).

26 Commitments under operating leases

	3 February	28 January
	2018	2017
	£M	£M
Land and buildings		
Within one year	3.8	3.9
Within two and five years	7.8	9.8
Over five years	7.2	8.7
	<u>18.8</u>	<u>22.4</u>
Other		
Within one year	1.1	1.8
Within two and five years	0.9	1.7
	<u>2.0</u>	<u>3.5</u>

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 3 February 2018

27 Contingent liabilities

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.

The Harrods Group (Holding) Limited cash netting facility is guaranteed by Harrods Limited and other group companies.

There were no other contingent liabilities at 3 February 2018 or 28 January 2017.

28 Related party transactions

QH Participations Limited has a loan facility agreement with Qatar Holding LLC, the ultimate controlling party, which is fully drawn down. The facility is repayable on 31 January 2020. The loan is interest bearing at a fixed rate of 7.5%. During the year ended 3 February 2018, a total of £67.7m of interest was paid (2017: £70.5m) and £37.3m was accrued (2017: £37.3m accrued). The outstanding balance at the end of the year was £902.2m (2017: £902.2m).

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 (2017: £24.6m)

On 26 November 2014, a £30m subordinated loan note was issued by Harrods Bank Limited to the parent company, Qatar Holding LLC. On 26 May 2016 a further £50m subordinated loan note was issued on the same terms as the original loan note, increasing the principal amount. The subordinated loan had been structured in such a way that it could be converted into Tier 1 capital to ensure that the Bank was able to comply with Capital Requirements Directive (CRDIV). Qatar Holding LLC had forgiven and derecognised a total of £56m as at 28 January 2017, leaving a remaining principal balance outstanding of £24m. In December 2017, the remaining £24m of the loan was forgiven by Qatar Holding LLC.

On 7 August, 2017, Harrods Group (Holding) Limited entered into an agreement for the sale of its shareholding in its loss making subsidiary, Harrods Bank Limited, to Qatar Holding LLC, the ultimate controlling party, for a value of £1. Following receipt of FCA approval in December 2017, the sale was completed on 3 January 2018. Having fully impaired the value of the investment in its accounts the previous year, there was no loss on disposal of the subsidiary in the books of the company. However, a loss on disposal of £31.2m was accounted for in the consolidated group accounts as the difference between the subsidiary's net assets and consideration.

The overall sale transaction also involved forgiveness of a £24m subordinated loan payable by Harrods Bank Limited to Qatar Holding LLC. The net assets disposed of have been adjusted to exclude the impact of this loan forgiveness as it is deemed to be part of the overall sale transaction.

On 31 August 2017, PL Management Limited sold its shares in 52 Capital S.A. (previously known as Harrods Estates Paris S.A.) for £1.1m (€1.2m) to Harrods Estates Limited.

On 19 December 2017, Harrods Estates Limited sold its shares in 52 Capital S.A. for £1.1m (€1.2m) to 52 Capital LLC, a related party under the common control of the company's ultimate parent undertaking. A profit on disposal of £0.2m was accounted for in the Harrods Group (Holding) Limited consolidated accounts.

There were no other material related party transactions.

29 Parent and ultimate parent undertaking

The Harrods Group (Holding) Limited Financial Statements will be filed with the Registrar of Companies.

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, incorporated in Qatar.