

Registration number: 00030209

# Harrods Limited

Annual Report and Financial Statements

for the period ended 2 February 2019

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# **Harrods Limited**

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# Harrods Limited

## Strategic Report

### for the period ended 2 February 2019

The directors present their Strategic Report for the 52 week period ended 2 February 2019 (2018: 53 weeks).

#### Principal activity

The principal activity of the company is that it 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 activities include direct sales via the internet at Harrods.com.

#### Results of ordinary activities before exceptional items

For the period ended 2 February 2019, Harrods gross transaction value decreased by 1.0% to £2,115.1m (2018: £2,135.3m) whilst turnover grew 1.0% to £868.5m (2018: £862.5m). Below is a table showing Gross Transaction Value which is a measure of retail turnover on a gross basis before adjusting for concessions, consignments, staff discounts and the cost of loyalty scheme points. The board believes that Gross Transaction Value represents a good guide to the overall activity of the company.

#### Gross Transaction Value

	52 weeks ended 2 February 2019	53 weeks ended 3 February 2018	Movement	Movement
	£m	£m	£m	%
Gross Transaction Value (Incl. VAT)	£2,115.1	£2,135.3	(£20.2)	-1.0
Gross Transaction Value (Excl. VAT)	£1,776.1	£1,794.0	(£17.9)	-1.0
Turnover	£868.5	£862.5	£6.0	1.0

Profit after tax for the period was down 2.9% to £171.6m (2018: £176.7m), a result of the one week reduction in trading for the reporting year in addition to increased costs. Operating profit for the period was down 7.5% to £202.0m.

The period saw a significant programme of capital expenditure, with total additions of £64.1m (2018: £55.0m). Focus has continued on investing in luxury boutiques in our Knightsbridge store. This level of capital expenditure is expected to increase in 2019.

**Harrods Limited**  
**Strategic Report**  
**for the period ended 2 February 2019 (continued)**

**Business review**

**Principal risks and uncertainties**

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

- (i) Events impacting the level of international travel to the UK, including terrorism, natural disasters and movements in currency exchange;
- (ii) Cyber-attack and general threat to information security;
- (iii) Evolving customer needs and expectations, creating the need for constant business transformation; and
- (iv) Brexit and its impact on the economic and commercial environment as well as human resources.

The directors continue to reassess 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 ongoing basis.

**Credit risk**

The company's principal credit risk relates to the recovery of trade debtors, although it is not considered significant due to the nature of the business which is primarily a retail business with purchases settled at the time of the transaction.

In order to manage credit risk relating to other trade debtors, company credit controllers and directors review the aged debtors and collection history on a regular basis and take follow up action where required.

Harrods Limited has a significant loan to a related party, Harrods Corporate Management Limited, amounting to £441.0m (2018: £444.5m). The loan bears interest at 3% plus base rate. The related party finances its interest obligation from royalties received. There is sufficient interest cover to provide the directors with comfort that the risk in this case is negligible.

**Currency risk**

The company is exposed to foreign exchange risk on overseas purchasing.

Approximately 12% (2018: 11%) of the company'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. Whilst the aim is to achieve an economic hedge the company does not adopt an accounting policy of hedge accounting in these Financial Statements.

Finally, the company accepts foreign currency in the Knightsbridge store and retains this currency to settle foreign currency obligations.

**Harrods Limited**  
**Strategic Report**  
**for the period ended 2 February 2019 (continued)**

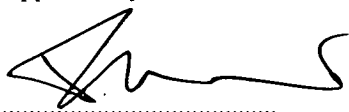
**Interest rate risk**

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

**KPIs**

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

Approved by the Board on 19 July 2019 and signed on its behalf by:



.....  
D J Webster  
Company secretary

Registered office:  
87-135 Brompton Road  
Knightsbridge  
London  
SW1X 7XL

**Harrods Limited**  
**Directors' Report**  
**for the period ended 2 February 2019**

The directors present their report and the financial statements for the period from 4 February 2018 to 2 February 2019.

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

The turnover for the period was £868.5m (2018: £862.5m). The profit for the period after taxation amounted to £171.6m (2018: £176.7m). Dividends of £125.0m have been declared in relation to the period ended 2 February 2019 (2018: £125.0m).

**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 (resigned 15 October 2018)

H.E. H A Al-Abdulla

M E S I Al-Mahmoud (appointed 15 October 2018)

M A Ward

R L Assanand

J P Healy

**Future developments**

The company has considerable financial resources together with long term contracts with a number of 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**

The directors have every expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

**Employment of disabled persons**

It is the policy of the company 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 Limited**

### **Directors' Report for the period ended 2 February 2019 (continued)**

#### **Charitable donations**

The charitable donations made by the company and charged in the financial statements were £37k (2018: £1.1m). The prior year figure included a donation of £1m 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.

#### **Payment of creditors**

It is the company'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 company's policy is to pay suppliers within 30 days after the end of the month of receipt of goods or services.

The company 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 (2018: 32 days).

#### **Carbon footprint**

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 2 February 2019, 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 18,559 Co2 tonnes (2018: 18,870 Co2 tonnes).

Harrods is committed to a year on year carbon reduction.

#### **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 company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

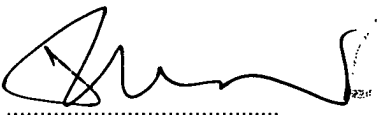
#### **Post balance sheet events**

There have been no significant events affecting the company since the period end.

#### **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 on 19 July 2019 and signed on its behalf by:



.....  
D J Webster  
Company secretary

Registered office:  
87-135 Brompton Road  
Knightsbridge  
London  
SW1X 7XL

## **Harrods Limited**

### **Statement of Directors' Responsibilities for the period ended 2 February 2019**

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

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

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

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



## **Independent Auditor's Report to the Members of Harrods Limited**

### **Opinion**

We have audited the Financial Statements of Harrods Limited (the 'company') for the period ended 2 February 2019, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, 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 Financial Reporting Standard 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 state of the company's affairs as at 2 February 2019 and of its 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.

### **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. We are independent of the 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 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.

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

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the Financial Statements and our auditor's report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinion on other matter 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 Directors' Report for the financial period 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 our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 Statement of Directors' Responsibilities set out on page 6, 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 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 company or to cease operations, or have no realistic alternative but to do so.

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

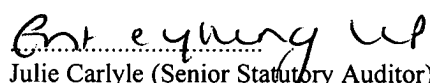
### **Auditor's responsibilities for the audit of the financial statements**

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://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: 22 July 2019

# Harrods Limited

## Profit and Loss Account for the period ended 2 February 2019

		52 weeks ended 02 February 2019 £ m	53 weeks ended 03 February 2018 £ m
Turnover	3	868.5	862.5
Cost of sales		<u>(355.6)</u>	<u>(348.6)</u>
<b>Gross profit</b>		<b>512.9</b>	<b>513.9</b>
Distribution costs		(331.2)	(317.3)
Administrative expenses		(12.1)	(10.9)
Other operating income	4	31.9	33.7
Fair value movement		<u>0.5</u>	<u>(1.0)</u>
<b>Operating profit</b>	5	<b><u>202.0</u></b>	<b><u>218.4</u></b>
<b>Profit on ordinary activities before interest and taxation</b>		<b><u>202.0</u></b>	<b><u>218.4</u></b>
Income from shares in group companies	9	8.0	8.0
Interest receivable and similar income	10	18.4	17.0
Interest payable and similar charges	11	<u>(17.0)</u>	<u>(27.5)</u>
<b>Profit before tax</b>		<b>211.4</b>	<b>215.9</b>
Taxation	12	<u>(39.8)</u>	<u>(39.2)</u>
<b>Profit for the financial period</b>		<b><u>171.6</u></b>	<b><u>176.7</u></b>

The notes on pages 15 to 34 form an integral part of these financial statements.

# Harrods Limited

## Statement of Comprehensive Income for the period ended 2 February 2019

		52 weeks ended 02 February 2019 £ m	53 weeks ended 03 February 2018 £ m
	Note		
<b>Profit for the period</b>		<u>171.6</u>	<u>176.7</u>
Actuarial gains on defined benefit pension scheme	22	62.9	1.3
Movement of deferred tax relating to pension surplus		<u>(10.7)</u>	<u>(0.2)</u>
<b>Other comprehensive income for the period</b>		<u>52.2</u>	<u>1.1</u>
<b>Total comprehensive income for the period</b>		<u><u>223.8</u></u>	<u><u>177.8</u></u>

# Harrods Limited

(Registration number: 00030209)

## Balance Sheet as at 2 February 2019

	Note	02 February 2019 £ m	03 February 2018 £ m
<b>Fixed assets</b>			
Intangible assets	13	13.0	17.5
Tangible assets	14	1,460.1	1,443.5
Investments	15	225.1	225.2
		<u>1,698.2</u>	<u>1,686.2</u>
<b>Current assets</b>			
Stocks	16	92.4	98.9
Debtors: amounts falling due after more than one year	17	0.5	0.5
Debtors: amounts falling due within one year	17	734.8	746.5
Cash at bank and in hand		144.5	83.7
Deferred tax asset	12	-	5.3
		<u>972.2</u>	<u>934.9</u>
<b>Creditors: Amounts falling due within one year</b>	18	<u>(417.4)</u>	<u>(417.8)</u>
<b>Net current assets</b>		<u>554.8</u>	<u>517.1</u>
<b>Total assets less current liabilities</b>		2,253.0	2,203.3
<b>Creditors: Amounts falling due after more than one year</b>	18	<u>(240.9)</u>	<u>(217.3)</u>
<b>Net assets excluding pension asset/(liability)</b>		2,012.1	1,986.0
Pension asset	22	<u>82.3</u>	<u>9.6</u>
<b>Net assets</b>		<u>2,094.4</u>	<u>1,995.6</u>
<b>Capital and reserves</b>			
Called up share capital	21	19.2	19.2
Share premium reserve	21	921.0	921.0
Revaluation reserve		0.4	0.4
Profit and loss account		<u>1,153.8</u>	<u>1,055.0</u>
<b>Total equity</b>		<u>2,094.4</u>	<u>1,995.6</u>

Approved and authorised by the Board on 19 July 2019 and signed on its behalf by:

M A Ward  
Director

# Harrods Limited

## Statement of Changes in Equity for the period ended 2 February 2019

	Share capital £ m	Share premium £ m	Revaluation reserve £ m	Profit and loss account £ m	Total £ m
At 29 January 2017	19.2	722.6	0.4	1,002.2	1,744.4
Profit for the period	-	-	-	176.7	176.7
Actuarial gains on pension scheme	-	-	-	1.1	1.1
<b>Total comprehensive income</b>	-	-	-	177.8	177.8
Dividends	-	-	-	(125.0)	(125.0)
New share capital subscribed	-	198.4	-	-	198.4
<b>At 3 February 2018</b>	<b>19.2</b>	<b>921.0</b>	<b>0.4</b>	<b>1,055.0</b>	<b>1,995.6</b>

	Share capital £ m	Share premium £ m	Revaluation reserve £ m	Profit and loss account £ m	Total £ m
At 4 February 2018	19.2	921.0	0.4	1,055.0	1,995.6
Profit for the period	-	-	-	171.6	171.6
Actuarial gains on pension scheme	-	-	-	52.2	52.2
<b>Total comprehensive income</b>	-	-	-	223.8	223.8
Dividends	-	-	-	(125.0)	(125.0)
<b>At 2 February 2019</b>	<b>19.2</b>	<b>921.0</b>	<b>0.4</b>	<b>1,153.8</b>	<b>2,094.4</b>

The notes on pages 15 to 34 form an integral part of these financial statements.

# Harrods Limited

## Statement of Cash Flows for the period ended 2 February 2019

	52 weeks ended 02 February 2019 £ m	53 weeks ended 03 February 2018 £ m
<b>Cash flows from operating activities</b>		
Profit for the period	171.6	176.7
<u>Adjustments to cash flows from non-cash items</u>		
Depreciation and amortisation	51.6	47.1
Finance income	(18.4)	(17.0)
Finance costs	17.0	27.5
Income tax expense	39.8	39.2
Assets written off	0.4	1.2
Fair value movement	(0.5)	1.0
Non-cash forex adjustment on stock	-	1.3
	<u>261.5</u>	<u>277.0</u>
<u>Working capital and other adjustments</u>		
Decrease/(increase) in stocks	6.5	(11.5)
Decrease/(increase) in debtors	11.7	(7.2)
Increase in creditors	3.6	3.5
Defined retirement benefit contributions	(12.1)	(23.3)
	<u>271.2</u>	<u>238.5</u>
Cash generated from operations		
Corporation taxes paid	(34.3)	(16.0)
	<u>236.9</u>	<u>222.5</u>
<b>Net cash flow from operating activities</b>		
<b>Cash flows from investing activities</b>		
Acquisitions of tangible assets	(68.5)	(50.2)
Interest received	18.4	17.0
	<u>(50.1)</u>	<u>(33.2)</u>
<b>Net cash flows from investing activities</b>		
<b>Cash flows from financing activities</b>		
Dividends paid	(125.0)	(125.0)
Interest paid	(1.0)	(0.3)
	<u>(126.0)</u>	<u>(125.3)</u>
<b>Net cash flows from financing activities</b>		
<b>Net increase in cash and cash equivalents</b>	60.8	64.0
Cash and cash equivalents at 4 February	83.7	19.7
<b>Cash and cash equivalents at 2 February</b>	<u>144.5</u>	<u>83.7</u>

The notes on pages 15 to 34 form an integral part of these financial statements.



# **Harrods Limited**

## **Notes to the Financial Statements for the period ended 2 February 2019**

### **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 management to exercise judgment in applying the company's accounting policies.

#### **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 company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts.

The company recognises revenue when:

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

E-commerce sales are treated consistent with the Groups revenue recognition policy and relevant accounting standards.

#### **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 company's retail operations, the company 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 company 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.

#### **Interest income**

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

## **Harrods Limited**

### **Notes to the Financial Statements for the period ended 2 February 2019 (continued)**

#### **2 Accounting policies (continued)**

##### **Investments**

The company accounts for their fixed asset investments at the lower of cost or recoverable amount less any provision required for permanent diminution in value.

##### **Intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less 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.

##### **Tangible assets**

Tangible assets are stated in the Balance Sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

##### **Depreciation**

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

<b>Asset class</b>	<b>Depreciation method and rate</b>
Freehold and long leasehold properties	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

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 Profit and Loss Account.

##### **Revaluation of investment property**

Investment property is presented within 'freehold property' and is stated at fair value at the date of the revaluation, with changes in fair value recognised in Profit or Loss. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

## **Harrods Limited**

### **Notes to the Financial Statements for the period ended 2 February 2019 (continued)**

#### **2 Accounting policies (continued)**

##### **Leased assets**

Rentals paid under operating leases are charged to the Profit or Loss on a straight line basis over the period of the lease.

##### **Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment losses.

##### **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, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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

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

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

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

##### **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 company will not be able to collect all amounts due according to the original terms of the receivables.

##### **Cash and cash equivalents**

Cash and cash equivalents 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.

## **Harrods Limited**

### **Notes to the Financial Statements for the period ended 2 February 2019 (continued)**

#### **2 Accounting policies (continued)**

##### **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 company 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 approved by the shareholders at an annual general meeting.

## **Harrods Limited**

### **Notes to the Financial Statements for the period ended 2 February 2019 (continued)**

#### **2 Accounting policies (continued)**

##### **Defined contribution pension obligation**

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

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

##### **Provisions for liabilities**

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and Loss Account in the year that the group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

##### **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.

## **Harrods Limited**

### **Notes to the Financial Statements for the period ended 2 February 2019 (continued)**

#### **2 Accounting policies (continued)**

##### **Financial instruments**

The company 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 company 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 re measured at their fair value. Changes in the fair value of derivatives are recognised in Profit or Loss.

# Harrods Limited

## Notes to the Financial Statements for the period ended 2 February 2019 (continued)

### 3 Revenue

The analysis of the company's turnover for the period is attributable to continuing operations as follows:

	52 weeks ended 02 February 2019 £ m	53 weeks ended 03 February 2018 £ m
Sale of goods	<u>868.5</u>	<u>862.5</u>

All turnover arose within the United Kingdom.

### 4 Other operating income

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

	52 weeks ended 02 February 2019 £ m	53 weeks ended 03 February 2018 £ m
Advertising and rebate income	<u>31.9</u>	<u>33.7</u>

### 5 Operating profit

Operating profit is stated after charging:

	52 weeks ended 02 February 2019 £ m	53 weeks ended 03 February 2018 £ m
Depreciation and amortisation of assets	51.6	47.1
Royalties to Harrods Corporate Management	<u>44.8</u>	<u>45.2</u>

### 6 Auditors' remuneration

	52 weeks ended 02 February 2019 £ m	53 weeks ended 03 February 2018 £ m
Fees payable to the company's Auditor and its associates for the audit of the company's annual accounts	<u>0.2</u>	<u>0.1</u>

# Harrods Limited

## Notes to the Financial Statements for the period ended 2 February 2019 (continued)

### 7 Staff costs

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

	52 weeks ended 02 February 2019 £ m	53 weeks ended 03 February 2018 £ m
Wages and salaries	135.8	130.7
Social security costs	13.3	13.0
Defined contribution pension scheme cost	5.0	4.3
	<u>154.1</u>	<u>148.0</u>

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

	2019 No.	2018 No.
Production	459	405
Administration and support	41	35
Sales, marketing and distribution	<u>3,486</u>	<u>3,484</u>
	<u>3,986</u>	<u>3,924</u>

### 8 Directors' remuneration

The directors' remuneration for the period was as follows:

	52 weeks ended 02 February 2019 £ m	53 weeks ended 03 February 2018 £ m
Remuneration	<u>2.1</u>	<u>3.3</u>

The value of emoluments incurred directly by the company was £1.8m (2018: £3.0m). Emoluments incurred by the company's subsidiary undertakings were £0.3m (2018: £0.3m). Included in emoluments for the period ended 2 February 2019 are pension contributions of £nil (2018: £nil). No directors were members of a defined contribution scheme (2018: none).

There is 1 director to whom retirement benefits are accruing under a defined benefit pension scheme (2018: 1).

The aggregate remuneration of the highest paid director in respect of qualifying services was £1.5m (2018: £1.9m).



# Harrods Limited

## Notes to the Financial Statements for the period ended 2 February 2019 (continued)

### 9 Dividends

	52 weeks ended 02 February 2019 £ m	53 weeks ended 03 February 2018 £ m
Dividend receivable from group undertakings	<u>8.0</u>	<u>8.0</u>

### 10 Interest receivable and similar income

	52 weeks ended 02 February 2019 £ m	53 weeks ended 03 February 2018 £ m
Interest income on bank deposits	0.6	0.3
Other finance income	<u>17.8</u>	<u>16.7</u>
	<u>18.4</u>	<u>17.0</u>

### 11 Interest payable and similar charges

	52 weeks ended 02 February 2019 £ m	53 weeks ended 03 February 2018 £ m
Other finance costs	0.5	0.1
Interest payable on loans from group undertakings	<u>16.5</u>	<u>27.4</u>
	<u>17.0</u>	<u>27.5</u>

# Harrods Limited

## Notes to the Financial Statements for the period ended 2 February 2019 (continued)

### 12 Taxation

Tax charged in the income statement:

	52 weeks ended 02 February 2019 £ m	53 weeks ended 03 February 2018 £ m
<b>Current taxation</b>		
UK corporation tax	38.0	39.4
UK corporation tax adjustment to prior periods	(0.3)	(0.3)
<b>Total current income tax</b>	<b>37.7</b>	<b>39.1</b>
<b>Deferred taxation</b>		
Origination and reversal of timing differences	1.4	0.3
Adjustment in respect of previous periods	0.7	-
Effect of tax rate changes	-	(0.2)
<b>Total deferred taxation</b>	<b>2.1</b>	<b>0.1</b>
<b>Total tax on profit on ordinary activities</b>	<b>39.8</b>	<b>39.2</b>
<b>Tax included in the other comprehensive income</b>		
Deferred tax on pension scheme	10.7	0.2
<b>Tax on total comprehensive income</b>	<b>50.5</b>	<b>39.4</b>

The tax on profit before tax for the period is lower than the standard rate of corporation tax in the UK (2018 - lower than the standard rate of corporation tax in the UK) of 19% (2018 - 19.16%).

The differences are reconciled below:

	52 weeks ended 02 February 2019 £ m	53 weeks ended 03 February 2018 £ m
Profit before tax	211.4	215.9
Corporation tax at standard rate	40.2	41.4
Effect of expense not deductible and income not taxable in determining taxable profit	(1.0)	(1.7)
Tax rate changes	(0.1)	(0.2)
Adjustment in respect of prior periods	0.7	(0.3)
<b>Total tax charge</b>	<b>39.8</b>	<b>39.2</b>

# Harrods Limited

## Notes to the Financial Statements for the period ended 2 February 2019 (continued)

### 12 Taxation (continued)

The standard rate of tax applied to profit on ordinary activities is 19% (2018: 19.16%). 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.

#### Deferred tax

	02 February 2019 £ m	03 February 2018 £ m
Fixed asset timing differences	3.9	3.6
Short term timing differences	(11.3)	1.7
<b>Deferred tax (liability)/asset</b>	<b>(7.4)</b>	<b>5.3</b>

#### Deferred tax reconciliation

	£ m
At 4 February 2018	5.3
Deferred tax charged to profit and loss	(1.3)
Deferred tax charge in OCI for the period	(10.7)
Adjustment in respect to prior years	(0.7)
<b>At 2 February 2019</b>	<b>(7.4)</b>

### 13 Intangible assets

	Software £ m	Total £ m
<b>Cost</b>		
At 4 February 2018	28.2	28.2
Additions	3.7	3.7
Disposals	(0.2)	(0.2)
<b>At 2 February 2019</b>	<b>31.7</b>	<b>31.7</b>
<b>Amortisation</b>		
At 4 February 2018	10.7	10.7
Amortisation charge	8.1	8.1
Amortisation eliminated on disposals	(0.1)	(0.1)
<b>At 2 February 2019</b>	<b>18.7</b>	<b>18.7</b>
<b>Carrying amount</b>		
<b>At 2 February 2019</b>	<b>13.0</b>	<b>13.0</b>
<b>At 3 February 2018</b>	<b>17.5</b>	<b>17.5</b>

**Harrods Limited**

**Notes to the Financial Statements  
for the period ended 2 February 2019 (continued)**

**14 Tangible assets**

	Land and buildings £ m	Fixtures and fittings £ m	Plant and machinery £ m	Other tangibles £ m	Total £ m
<b>Cost</b>					
At 4 February 2018	1,239.3	218.1	154.7	48.1	1,660.2
Additions/Reclassification	-	59.4	8.7	(7.7)	60.4
Disposals	-	(25.5)	(1.0)	-	(26.5)
At 2 February 2019	1,239.3	252.0	162.4	40.4	1,694.1
<b>Depreciation</b>					
At 4 February 2018	4.4	144.0	68.2	0.1	216.7
Charge for the period	2.8	30.9	9.8	-	43.5
Eliminated on disposal	-	(25.3)	(0.9)	-	(26.2)
At 2 February 2019	7.2	149.6	77.1	0.1	234.0
<b>Carrying amount</b>					
At 2 February 2019	1,232.1	102.4	85.3	40.3	1,460.1
At 3 February 2018	1,234.9	74.1	86.5	48.0	1,443.5

## Harrods Limited

### Notes to the Financial Statements for the period ended 2 February 2019 (continued)

#### 15 Investments

	02 February 2019 £ m	03 February 2018 £ m
Investments in subsidiaries	<u>225.1</u>	<u>225.2</u>
<b>Subsidiaries</b>		<b>£ m</b>
<b>Cost</b>		
At 4 February 2018		237.0
Disposals		<u>(11.2)</u>
At 2 February 2019		<u>225.8</u>
<b>Provision</b>		
At 4 February 2018		11.8
Eliminated on disposals		<u>(11.1)</u>
At 2 February 2019		<u>0.7</u>
<b>Carrying amount</b>		
At 2 February 2019		<u>225.1</u>
At 3 February 2018		<u>225.2</u>

The investments in Featurecode 2A Holdings and 5A Watches Limited were fully liquidated in the current financial year.

#### Details of undertakings

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

Undertaking	Registered office	Class of shares	Holding	Principal activity
Harrods International Limited	England and Wales	Ordinary	100%	Tax free retailer and wholesaler
Harrods (Continental) Limited	England and Wales	Ordinary	100%	Exporter
Harrods Estates Limited	England and Wales	Ordinary	100%	Estate agents
Harrods Property Limited	England and Wales	Ordinary	100%	Property holding company
Harrods Management Limited	England and Wales	Ordinary	100%	Dormant company
Wylie and Company Limited	England and Wales	Ordinary	100%	Dormant company

## Harrods Limited

### Notes to the Financial Statements for the period ended 2 February 2019 (continued)

#### 15 Investments (continued)

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

#### 16 Stocks

	02 February 2019 £ m	03 February 2018 £ m
Finished goods and goods for resale	<u>92.4</u>	<u>98.9</u>

#### 17 Debtors

	02 February 2019 £ m	03 February 2018 £ m
Trade debtors	40.1	33.2
Amounts owed by related parties	687.1	704.8
Other debtors	0.6	0.5
Prepayments and accrued income	<u>7.0</u>	<u>8.0</u>
	734.8	746.5
Debtors: amounts falling due after more than one year	<u>0.5</u>	<u>0.5</u>
<b>Total trade and other debtors</b>	<u><u>735.3</u></u>	<u><u>747.0</u></u>

The amounts owed by group undertakings includes the following significant group loans:

- A loan to Harrods Corporate Management Limited of £441.0m (2018: £444.5m) bearing interest at a rate of 3% per annum above the base rate. The debt is unsecured and repayable on 30 days prior written notice.
- A current account between Harrods Limited and Harrods Holdings Limited of £231.1m (2018: £244.5m).

Debts are paid within 30 days on average. Group receivables are repayable on demand.  
There are no other long outstanding debtors at year end.

Details of non-current trade and other debtors

£0.5m (2018: £0.5m) of amounts owed by group undertakings is classified as non-current.

# Harrods Limited

## Notes to the Financial Statements for the period ended 2 February 2019 (continued)

### 18 Creditors

	02 February 2019 £ m	03 February 2018 £ m
<b>Due within one year</b>		
Trade creditors	146.5	169.1
Amounts due to related parties	130.9	106.1
Corporation tax liability	13.5	17.7
Group relief tax	8.9	6.8
Social security and other taxes	8.7	6.4
Other payables	30.2	31.6
Accruals and deferred income	78.7	80.1
	<u>417.4</u>	<u>417.8</u>
<b>Due after one year</b>		
Loans and borrowings	230.7	214.6
Accruals and deferred income	2.8	2.7
Deferred Tax Liability	7.4	-
	<u>240.9</u>	<u>217.3</u>

Amounts due after one year include a loan granted by Harrods Property Limited on 16 August 2016. The balance as at 2 February 2019 including accrued interest was £230.7m (2018: £214.6m). Interest is charged at 7.5% per annum, and the termination date of the loan is 30 April 2022.

### 19 Dividends

	02 February 2019 £ m	03 February 2018 £ m
Interim dividend declared	125.0	125.0

# Harrods Limited

## Notes to the Financial Statements for the period ended 2 February 2019 (continued)

### 20 Financial instruments

	2 February 2019 £ m	3 February 2018 £ m
<b>Financial assets</b>		
Financial assets measured at amortised cost	879.8	830.8
	<u>879.8</u>	<u>830.8</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	(658.3)	(635.1)
	<u>(658.3)</u>	<u>(635.1)</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 cost include cash and debtors. Financial liabilities measured at amortised cost include both short and long term creditors.

### 21 Share capital

#### Allotted, called up and fully paid shares

	02 February 2019		03 February 2018	
	No. m	£ m	No. m	£ m
Ordinary shares of £0.10 each	<u>192</u>	<u>19.2</u>	<u>192</u>	<u>19.2</u>
			2 February 2019 £ m	3 February 2018 £ m
Share premium			921.0	921.0
			<u>921.0</u>	<u>921.0</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.



## **Harrods Limited**

### **Notes to the Financial Statements for the period ended 2 February 2019 (continued)**

#### **22 Pension and other schemes**

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

##### **Defined contribution pension scheme**

The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £5.0m (2018: £4.3m).

Contributions totalling £0.9m (2018: £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 Trustee and the Harrods Group on a quarterly basis and formally reviewed at each triennial actuarial valuation, or more frequently as required by the Pensions Act 2004.

An actuarial valuation of the Plan as at 5 April 2018 on a technical provision basis was carried out by the Scheme Actuary, with a surplus of £11m being calculated on that basis, a funding level of 102%. At the previous valuation at 5 April 2015, there was a deficit of £45m equating to a funding level of 93%.

Following the results of the April 2018 valuation, given that the scheme was now in surplus, the Group and the Pension Trustee agreed the following:

- Annual contributions reduced to nil.
- Plan expenses (including any insurance premiums and PPF levies) estimated at £1.0m per annum to continue to be met by the Employers.
- To bring forward the implementation of the Cashflow Driven Investment strategy involving de-risking the plan's assets.
- Recognising the risks that – albeit reduced - remain in the valuation of the plan, the principal employer has also agreed to fund any deficits outside an agreed tolerance band during this period.

In aggregate, during the period ended 2 February 2019, the participating employers made total contributions to the plan of £15.5m (2018: £31.5m).

The next triennial valuation is scheduled for April 2021.

# Harrods Limited

## Notes to the Financial Statements for the period ended 2 February 2019 (continued)

### 22 Pension and other schemes (continued)

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

The amounts recognised in the Balance Sheet are as follows:

	02 February 2019 £ m	03 February 2018 £ m
Fair value of scheme assets	488.6	486.8
Present value of defined benefit obligation	(406.3)	(477.2)
Defined benefit pension scheme surplus	<u>82.3</u>	<u>9.6</u>

#### *Reconciliation of present value of plan liabilities*

Changes in the defined benefit obligation are as follows:

	02 February 2019 £ m
Present value at start of period	(477.2)
Past service cost	(1.6)
Interest cost	(12.0)
Actuarial gains and losses	68.3
Benefits paid	<u>16.2</u>
Present value at end of period	<u>(406.3)</u>

#### *Fair value of scheme assets*

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

	02 February 2019 £ m
Fair value at start of period	486.8
Interest income	12.3
Return on plan assets, excluding amounts included in interest income	(5.4)
Employer contributions	12.1
Benefits paid	(16.2)
Administrative expenses	<u>(1.0)</u>
Fair value at end of period	<u>488.6</u>

## Harrods Limited

### Notes to the Financial Statements for the period ended 2 February 2019 (continued)

#### 22 Pension and other schemes (continued)

##### *Analysis of assets*

The major categories of scheme assets are as follows:

	02 February 2019 £ m	03 February 2018 £ m
Cash and cash equivalents	62.9	1.1
Equity instruments	-	74.2
Debt instruments	319.9	215.3
Other assets	105.8	196.2
	<u>488.6</u>	<u>486.8</u>

##### *Principal actuarial assumptions*

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

	2019 %	2018 %
Discount rate	2.65	2.55
Future pension increases	2.15	2.25
Inflation	3.15	3.25

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

	2019 Years	2018 Years
Current UK pensioners at retirement age - male	27.6	27.7
Current UK pensioners at retirement age - female	29.3	29.4
Future UK pensioners at retirement age - male	29.5	29.6
Future UK pensioners at retirement age - female	31.2	31.3

#### 23 Contingent liabilities

The company is not aware of any material contingent liabilities existing at the balance sheet date. The company 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 2 February 2019 or 3 February 2018.

## Harrods Limited

### Notes to the Financial Statements for the period ended 2 February 2019 (continued)

#### 24 Capital commitments

Amounts contracted for but not provided in the Financial Statements amounted to £38.8m (2018: £14.2m) in relation to shop fittings and other tangible assets.

#### 25 Commitments under operating leases

At 2 February 2019 the company had future minimum lease payments under non-cancellable operating leases.

	02 February 2019 £ m	03 February 2018 £ m
<b>Land and buildings</b>		
Within one year	2.6	2.5
Within two and five years	11.1	10.8
Over five years	97.0	99.9
	<u>110.7</u>	<u>113.2</u>
<b>Other</b>		
Within one year	0.6	0.7
Within two and five years	0.7	0.7
	<u>1.3</u>	<u>1.4</u>

#### 26 Related party transactions

Harrods Limited is a wholly owned subsidiary of Harrods Group (Holding) Limited, and as permitted by Financial Reporting Standard 102 Section 33 "Related party disclosures" has not disclosed transactions with group undertakings.

#### 27 Parent and ultimate parent undertaking

The company's immediate parent undertaking is Harrods (UK) Limited. The ultimate UK parent undertaking of Harrods (UK) Limited is Harrods Group (Holding) Limited which is the largest UK group which consolidates the results of the company.

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.