

Registration number: 05990648

Harrods Group (Holding) Limited

Annual Report and Consolidated Financial Statements

for the period ended 28 January 2023



Harrods Group (Holding) Limited

Contents

Strategic Report	1 to 4
<i>Directors' Report</i>	5 to 12
Statement of Directors' Responsibilities in respect of the annual report and the financial statements	13
Independent Auditor's Report to the Members of Harrods Group (Holding) Limited	14 to 18
Consolidated Profit and Loss Account	19
Consolidated Statement of Other Comprehensive Income	20
Consolidated Balance Sheet	21
Company Balance Sheet	22
Consolidated Statement of Changes in Equity	23 to 24
Company Statement of Changes in Equity	25
Consolidated Statement of Cash Flows	26
Notes to the Financial Statements	27 to 52

Harrods Group (Holding) Limited

Strategic Report for the period ended 28 January 2023

Business review

The Directors present their Strategic Report for Harrods Group (Holding) Limited (the "Company") for the 52 week period ended 28 January 2023 (2022: 52 weeks ended 29 January 2022).

Principal activity

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

Harrods Group (Holding) Limited and its subsidiary companies (the "Group"), mainly 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 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, beauty stores in the United Kingdom, personal shopping premises and a tea room in China, and direct sales through the Harrods.com website. The Group also operates in the real estate business through Harrods Estates.

Results of ordinary activities

For the period ended 28 January 2023, Gross Transaction Value increased by 50.8% to £2,477.2m (2022: £1,642.3m) whilst Group turnover increased 52% to £994.1m (2022: £654.2m).

The Knightsbridge and other retail stores were open throughout the period ended 28 January 2023 (closed for 10 weeks in the period ended 29 January 2022). The increase in turnover reflected the store opening for the full year versus the closure in the prior year, and a strong recovery in trade as the impact of the Covid-19 pandemic subsided and both local and overseas customers returned.

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 Directors believe that Gross Transaction Value represents a good guide to the overall activity of the Group.

	52 weeks 28 January 2023 £M	52 weeks 29 January 2022 £M	Growth £M	Growth %
Gross Transaction Value (Incl VAT)	2,477.2	1,642.3	834.9	50.8%
Gross Transaction Value (Excl VAT)	2,111.5	1,397.4	714.1	51.1%
Turnover	994.1	654.2	339.9	52.0%

The period saw a decrease in capital expenditure, with total additions of £41.0m (2022: £58.6m).

Harrods Group (Holding) Limited
Strategic Report (Continued)
for the period ended 28 January 2023

Principal risks and uncertainties

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

- (i) Events impacting the level of international travel to the UK, including global pandemics, terrorism, natural disasters and movements in currency exchange;
- (ii) Cyber-attack and general threat to information security; and
- (iii) Evolving customer needs and expectations, creating the need for constant business innovation and transformation

The Directors continue to reassess and monitor risk through the Audit, Risk and Compliance Committee and mitigation plans are put in place accordingly. Management, security and internal audit work together to monitor and remedy operational risks on an ongoing basis.

Credit risk

The Group'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 predominantly a retail business with purchases settled at the time of the transaction. In order to manage credit risk relating to other trade debtors, subsidiary credit controllers and directors review the aged debtors and collection history on a regular basis and take follow up action where required.

There are no long overdue debts or non-current group receivables at 28 January 2023 (2022: £nil).

Currency risk

The Group is exposed to foreign exchange risk on overseas purchasing, but only approximately 14% (2022: 12%) 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.*

Interest rate risk

The Group's exposure to interest rate fluctuations on its borrowings has been partially mitigated by entering into swap agreements that fix the rate of interest over the term of the borrowings. The Group also has a significant loan owing to a related party on which it pays a fixed rate of interest.

Liquidity and cash flow risk

The Group relies predominantly on the cash generated by Harrods Limited to meet its obligations. As at the balance sheet date, the Group also had access to a £200.0m revolving credit facility agreement which was undrawn.

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 Group's business.

Harrods Group (Holding) Limited
Strategic Report (Continued)
for the period ended 28 January 2023

Harrods Group Section 172(1) statement

The Directors of the Group act in a way they consider, in good faith, is most likely to promote the success of the Group for the benefit of its members as a whole, and in doing so have regard to the:

- a) likely consequence of any decision in the long term
- b) interests of the Group's employees
- c) need to foster the Group's business relationships with suppliers, customers and others
- d) impact of the Group's operations on the community and the environment
- e) desirability of the Group maintaining a reputation for high standards of business conduct
- f) need to act fairly between members of the Group

The following section outlines how the Directors take these factors into account in their decision making in relation to the following stakeholder groups:

Our customers

Harrods' customers are fundamental to its success and Harrods strives to offer the highest possible standards of customer service and experience to ensure that customer expectations are exceeded. Harrods prides itself on being a business that is built around the needs of our customers and adapts and reacts to ensure we are at the forefront of customer experience.

Our people

Our Employee Values - We are Human, We Strive to Exceed, We Build Trust, We Take Pride and We are One - are closely aligned to the achievement of Harrods' strategic priorities. Our People Promise - Uniquely You, Together Harrods - ensures that we put our People at the centre of the organisation. Harrods maintains employee assistance programmes and support services to support our employees' wellbeing and mental health.

Our brands and suppliers

The Harrods store operates both an 'own bought' and a 'concession' model and maintains a close working relationship with these stakeholders, to align our respective cultures for our mutual economic benefit and to ensure the best possible retail offering to Harrods' customers.

Refer to section 2.6 of the Corporate Governance statement for further information on our customer, people and brands and suppliers strategies.

Our community

Harrods has been a London institution for over 170 years and is keenly aware of its responsibilities both as a local London business and member of the London business community. Harrods is committed to making a meaningful impact within our communities. We support both local and national charities and encourage employees to take part in volunteering and fundraising initiatives.

Our environmental impact and sustainability

Harrods sustainability strategy, Harrods Path, plays a vital role in our business's decision-making process and is integral to our purpose and strategy. Our sustainability strategy is built on five pillars that are aligned to our People, Products, Partnerships, Business Operations and our Communities, each supported by initiatives designed to create meaningful and lasting impact.

Harrods Group (Holding) Limited
Strategic Report (Continued)
for the period ended 28 January 2023

Our long term decision making

The primary function of the Group Board is to develop the Group's strategy and oversee its implementation in order to promote the long-term success of the business for the benefit of its stakeholders and deliver sustainable shareholder value. The business aims to ensure that decisions support the Group's purpose and values, together with its strategic priorities.

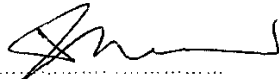
Our standards

Harrods has developed five core values, listed above, which underpin its behaviours and ways of working. Harrods has robust company policies and practices which align with these values and are regularly monitored and reviewed. These company policies include clear procedures setting out how employees can raise any concerns.

Our members

The Group 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. The interests and views of the ultimate partner company are included in our long-term decision making and strategic priorities. The Group Board is currently comprised of three representatives of the Shareholder and the Managing Director of Harrods (all of whom also sit on the Harrods board) and two non-executive directors, which allows their interests to be represented.

Approved by the Board on 14 July 2023 and signed 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 28 January 2023

The Directors present their Report together with the Consolidated Financial Statements of Harrods Group (Holding) Limited and its subsidiary companies for the 52 weeks ended 28 January 2023 (2022: 52 weeks ended 29 January 2022).

Results and dividends

Turnover for the period ended 28 January 2023 totalled £994.1m (2022: £654.2m).

The operating profit for the period amounted to £202.7m (2022: £71.4m), and the profit after tax to £135.8m (2022: £20.7m). The Group did not declare a dividend in the period (2022: £nil).

Directors of the Group

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

H.E. H A Al-Abdulla (resigned 9 May 2022)
M E S Al-Mahmoud
U Arzani (appointed 9 May 2022)
S J Brown (resigned 31 October 2022)
A Al-Hammadi (appointed 9 May 2022)
O Nicolay (appointed 12 May 2023)
R S Thakran (appointed 13 January 2023)
M A Ward

Future developments

The Group has considerable financial resources together with long term contracts with a number of suppliers. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully and to continue to drive growth in its operations.

Going concern

On the balance sheet date the Group had cash of £68.1m and the Group, through its amended and restated borrowing facilities, had access to significant additional liquidity, if required. In addition, forecast performance has been stress-tested under severe but plausible downside scenarios to understand the impact on cash flow and covenant headroom.

The Directors have a reasonable expectation the Group has adequate resources to continue in operational existence and meet its liabilities as they fall due for at least 12 months. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

There is further information on the going concern basis of preparation in Note 2 to the Financial Statements.

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 £5.1k (2022: £43.0k). In addition, during the period the Group supported various charities by hosting fundraising events within the Harrods store in Knightsbridge.

Political donations

The Group made no political donations or incurred any political expenditure during the year.

Harrods Group (Holding) Limited
Directors' Report (Continued)
for the period ended 28 January 2023

Environmental matters

Harrods has commissioned a carbon footprint study of its UK operations including the Knightsbridge store, distribution centre, associated offices and car park for the time coinciding with the financial period ending 28 January 2023, covering Scope 1 and 2 under the principles of the World Business Council for Sustainable Development (WBCSD) GHG Protocol. Harrods' total carbon footprint is 11,505.6 Co2 tonnes (2022: 13,553 Co2 tonnes).

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 33 days (2022: 34 days).

Post balance sheet events

On 26 May 2023, the Trustees of Harrods Group Pension Plan entered into an agreement with Scottish Widows to purchase a bulk annuity insurance policy that operate as an investment asset. Such arrangement is commonly referred to as "buy-in". The Trustees paid a premium of £380.1m to enter the transaction and purchase the buy-in policy. The buy-in premium has been funded through part of the plan's own assets.

The scheme made up 100% of total defined benefit assets and obligations on the balance sheet as at 28 January 2023. The buy-in removes approximately 97% of the pension's liabilities and exposure from the balance sheet, while maintaining the security of benefits to the scheme members. The uninsured liabilities have been estimated at £10m. The scheme has retained ownership of some less liquid investments, which will be liquidated over the next 3 years, and cash. These assets will be used to meet on-going expenses and any additional insurance premiums.

Under FRS 102.28.15(b), since the policy exactly matches the amount and timing of some or all of the benefits payable by the plan, the fair value that will be placed on the policy is equal to the present value of the related obligation i.e. £333.9m (measured at 26 May 2023); and accordingly, the value of plan assets (and therefore the net balance sheet asset) reduces by £46.2m.

Whilst the purchase of the buy-in policy is an investment decision of the Trustee, it is the Group's view (which is shared by the Trustee) that the buy-in purchase is the first step in a process that will lead to the settlement of all of the Plan's liabilities and the Plan winding up. As such, whilst full settlement has not been achieved as at 26 May 2023, the Group have indicated a commitment to this course of action and it is therefore reasonable to account for the immediate impact on the Plan's balance sheet position as a settlement of liabilities, and so results in a P&L loss as at 26 May 2023.

On 20 March 2023, the Group entered into two new interest rate swaps with a total notional value of £100.0m which will terminate on 20 December 2027. These instruments were with the same counterparties as the swaps already in place as at 28 January 2023, and were entered into so as to further hedge against the floating interest rate on the bank loan and therefore further reduce the company's exposure to rising interest rates.

There are no other events affecting the Group since the year end.

Harrods Group (Holding) Limited
Directors' Report (Continued)
for the period ended 28 January 2023

Governance Statement

1. Overview

The parent company, Harrods Group (Holding) Limited, is subject to reporting requirements under the Companies (Miscellaneous Reporting) Regulations 2018 (MRR). These include a requirement to make a statement stating which corporate governance code Harrods applies for its governance arrangements (and how the code is applied, including explanations for any departure from application), and if no code is applied, why and what governance arrangements are in place.

The Group has chosen to apply the Wates Corporate Governance Principles for Large Private Companies 2018 (Wates Principles), which comprise six key principles. This statement provides an account of how the Group applies the Wates Principles in its corporate governance arrangements.

In addition, the Group launched a new bespoke governance framework (Harrods Framework) which was formally implemented in January 2020, was reviewed in April 2021 and is currently under further review. The Harrods Framework applies to the Group. Prior to formally creating and adopting the Harrods Framework, the Group had a simpler governance arrangement in place which primarily focused on the key decision-making authorities for the Group.

The Group delegates authority to Harrods Group (Holding) Limited's statutory board of directors (the "Group Board") for the day-to-day operation of the business as the parent company of the Group and accordingly this statement explains how the Wates Principles are applied by the Group Board.

2. The Wates Principles

2.1 Purpose and Leadership

An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.

The Group operates its 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.

The Group's purpose is to deliver exceptional sales through exceptional experience and exceptional service. The Group is focused on offering world-class assistance on an incredibly diverse range of products, in a way that drives shareholder and stakeholder value and ensures the happiness and success of its employees.

The Group has five core values which underpin its behaviours and ways of working: We are Human, We Strive to Exceed, We Build Trust, We Take Pride and We are One. These values are used to illustrate how the business wants its relationships to be with its employees, with customers, with suppliers and other stakeholders and are closely aligned to the Group's purpose and strategy.

The primary function of the Group Board is to develop the Group's strategy and oversee its implementation in order to promote the long-term success of the business for the benefit of its stakeholders and deliver sustainable shareholder value.

The Harrods Framework has been developed to formalise the role of the Group Board and how it interacts with the rest of the business and its ultimate shareholder, the Qatar Investment Authority (the "Shareholder"). The relationship between the Shareholder and the Group is designed to create alignment and to support the development of the business for the benefit of the shareholders and stakeholders to deliver long-term continuity and success. The Harrods Framework provides the business with direction, objectives, structure and processes that ultimately create stakeholder and Shareholder value through a complementary balance of control and flexibility.

Harrods Group (Holding) Limited
Directors' Report (Continued)
for the period ended 28 January 2023

2.2 Board Composition

Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.

The Group Board is currently comprised of three representatives of the Shareholder and the Managing Director of Harrods and two non-executive directors.

The Managing Director together with the Management Executive Committee (comprising representatives of the Group's senior management) are responsible for the day-to-day operation of the business.

Members of the Group Board also make up membership of the Group Board's other committees: the Audit, Risk and Compliance Committee, the HR (Nominations and Remuneration) Committee and the Environmental, Social and Governance Committee. Members of the Group's senior management are invited to attend these committee meetings when required.

The three committees report directly into the Group Board. Whilst the Group Board is currently comprised of six members, in practice other individuals in the Group's senior management team attend board meetings to provide input and debate on relevant issues (albeit they do not have voting rights).

The CEO of the Shareholder is one of the shareholder representatives on the Group Board and acts as the Chairman. He leads the Group Board and is responsible for ensuring its effectiveness and facilitating constructive discussion. The roles of Chairman and Managing Director are undertaken by different individuals which ensures a balance of power and effective decision-making. The division of responsibilities between these roles is set out in the Harrods Framework.

The Group Board is comprised of members with a balance of skills and experience, including two non-executive directors who offer independent expertise and challenge. The non-executive directors primary focus is on luxury retail and international markets. All members of the Group Board are given appropriate information to ensure meaningful discussions and decision-making. The Group Board holds a minimum of four board meetings a year which provide an open and collaborative forum.

The Group has an Equal Opportunities policy setting out its policies and procedures on diversity which is applied across the business.

2.3 Director Responsibilities

The Board and individual directors should have a clear understanding of their accountability and responsibilities. The Board's policies and procedures should support effective decision-making and independent challenge.

The Harrods Framework includes the statutory duties set out in the Companies Act 2006 and, in accordance with these duties, all directors are required to act in good faith to promote the success of the business for the benefit of its stakeholders and its shareholders.

The Group Board has access to a broad range of information sources, including financial reporting and consumer data, and professional advisers are appointed as required to advise on specific matters. Non-Group Board members (including professional advisers) are regularly invited to attend and address the Group Board in relation to their specific areas of expertise. The Group Company Secretary is responsible for ensuring that board papers and supporting information are accurate and comprehensive and provided in a timely manner before meetings.

Harrods Group (Holding) Limited
Directors' Report (Continued)
for the period ended 28 January 2023

2.4 Opportunity and Risk

A board should promote the long-term sustainable success of the Company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.

The Group Board has overall oversight of the Group ensuring a sustainable business through consistent, profitable growth and driving a culture of continuous improvement in standards and performance. It is responsible for agreeing the overall Group strategy and corporate vision in a way that maximises value creation and manages risks.

The Group Board is responsible for considering and assessing how the business creates value over the long-term and for identifying strategic opportunities and initiatives for the Group. All material opportunities and new strategies are considered and approved by the Group Board. The Harrods Framework sets out the types of matters which are reserved for Group Board approval and contains processes for ensuring that the Management Executive Committee escalates material matters to the Group Board.

The Group has robust procedures to identify, monitor and manage risk to ensure the long-term success of the Group. The Group ensures that the value of Shareholder investment is enhanced by maintaining sound risk management and internal control systems. The Group Board also provides guidance regarding the nature and extent of the risks the business is willing to take in achieving its strategic objectives and safeguarding Group assets.

The Group Board has delegated responsibility to the Audit, Risk and Compliance Committee for reviewing and advising on the current risk exposures of the Group and future risk strategy. The Audit, Risk and Compliance Committee periodically carries out assessments of the Group's risk management systems and controls for review by the Group Board.

The Group's Internal Audit team meets regularly with the Group's internal stakeholders to facilitate the identification, review and mitigation of business risks within each directorate, which are then collated and reported to the Audit, Risk and Compliance Committee. At its six-monthly meetings, the Audit, Risk and Compliance Committee considers these risk reports and carries out assessments of the Group's risk management systems and controls. The Committee confirms the significant Enterprise Risks facing the business at that point in time and reports them upwards for review by the Group Board. For any crisis situation which arises and which requires an immediate emergency response, the Group has a Crisis Management Policy through which a Crisis Management Team (comprising the appropriate senior management, as dictated by the nature of the crisis) would be convened immediately in order to take the necessary steps to safeguard the business and its stakeholders.

2.5 Remuneration

A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.

The Group Board has delegated responsibility to the HR Committee for determining remuneration policies and procedures.

The HR Committee is responsible for establishing and reviewing the remuneration policy and approach. It ensures that changes in remuneration are fair and consistent, performance-based where appropriate and take into account external benchmarking. Remuneration for directors and senior management is proposed by the HR Committee, taking into account the performance and achievement of the Group's strategy, and is subject to final approval by the Management Executive Committee, Group Board and Shareholder as appropriate.

2.6 Stakeholder Relationships and Engagement

Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

The Group is committed to fostering and maintaining strong relationships with stakeholders, including the Shareholder, its employees, customers, suppliers and community.

Harrods' aforementioned five core values underpin its desired behaviours and ways of working and are closely aligned to the achievement of Harrods' strategic priorities and are used as key principles by the business to enable strong stakeholder relationships, to engage and connect with Harrods' employees, provide the benchmark for Harrods leaders and to set the tone for the desired workplace environment.

Harrods Group (Holding) Limited
Directors' Report (Continued)
for the period ended 28 January 2023

Harrods has robust company policies and practices which align with these values and are regularly monitored and reviewed. These company policies include clear procedures setting out how employees can raise any concerns. The Group Board is responsible for reviewing and approving any material change in the Group's Health and Safety, Equal Opportunities, Ethics in Business, Disclosing Confidential Information (Whistleblowing), Disciplinary, Grievance, and Media policies.

Harrods is committed to meaningful engagement with its workforce and two-way communication through both formal and informal channels. These include: quarterly business-wide forums which provide the workforce with updates on business strategy and performance, weekly news bulletins, employee surveys and an informative employee intranet; an employee listening forum through which employees meet with senior management to discuss work-related issues; and two employee networks (a LGBTQ+ network and a Mental Health network) each of which is sponsored by a member of senior management.

In addition, Harrods operates its annual Harrods Awards for Excellence recognition scheme which celebrates and rewards employees who have contributed to the success of the business and who exemplify the core values. Harrods also has a long service award scheme to reward and demonstrate appreciation for employees for their ongoing loyalty and commitment to Harrods.

Harrods' people strategy focuses on three key pillars; workplace culture and employee experience, building management capability, and talent acquisition and retention. The intention is to create an environment where exceptional people want to work and supports Harrods in nurturing a culture where everyone feels valued, productive and supported to reach their potential. Recent initiatives include launching the aforementioned five core values, a relaxation of the dress code and the introduction of more flexible working practices.

Harrods' customers are fundamental to its success and Harrods strives to offer the best possible customer service and experience to ensure that customer expectations are met. As part of this, Harrods has a large customer loyalty team which builds and maintains strong relationships with customers through various channels and it also operates a rewards programme for its customers.

The Harrods store operates both an 'own bought' model (whereby products are purchased directly from suppliers and sold to customers) and a 'concession' model (whereby a brand operates its own shop-in-shop within the Harrods store). Harrods maintains close working relationships with these stakeholders, to align our respective cultures, for our mutual economic benefit and to ensure the best possible retail offering to Harrods' customers. The Group Board closely monitors Harrods' retail operations and fully appreciates that the success of these stakeholders within Harrods is key to the economic success and reputation of the Group. Harrods also works with many other suppliers of goods and services, including in relation to IT services, construction and utilities. Where practicable, such suppliers will be selected via a tendering process, part of which is designed to find suppliers whose values align with those of the Group. The Group Board generally delegates direct oversight of such suppliers to the Management Executive Committee, save in respect of key large-scale projects.

The Group Board has overall responsibility for ensuring that the Group's business is conducted in a responsible, transparent and ethical manner. The Group has a corporate responsibility programme which aims to create a positive and long-lasting impact through its four corporate responsibility pillars of ethical trade, environment, community and legacy. The Group Board has delegated responsibility to the Environmental, Social and Governance Committee for reviewing and advising on the Harrods' culture, corporate responsibility programme and sustainability strategy.

Employee Engagement

Sch. 7.11(1)(b) of the Companies (Miscellaneous Reporting) Regulations 2018 ("CMRR 2018") requires the Directors to state how they have engaged with employees, and had regard to employee interests during the year. Please refer to the Section 172(1) Statement and s.2.6 of the Corporate Governance Statement where this is explained in detail.

Business Relationships

Sch. 7.11(1)(b) of the CMRR 2018 also requires disclosure of how the Directors have had regard to the need to foster the Group's business relationships with suppliers, customers and others, and the effect of this on principal business decisions. Please refer to the Section 172(1) Statement and s.2.6 of the Corporate Governance Statement.

Harrods Group (Holding) Limited
Directors' Report (Continued)
for the period ended 28 January 2023

Streamlined Energy & Carbon Reporting

At Harrods, we are committed to reducing our energy and green house gas emissions in line with our corporate targets. We are participants in the Energy Savings Opportunity Scheme (ESOS), and we are also continuing to develop our strategy to dramatically reduce our energy consumption and associated emissions. For the financial year ended 28th January 2023, we are reporting under the Streamlined Energy and Carbon Reporting legislation (SECR) for the third time.

Following an evaluation of the SECR qualification criteria and our various UK operations, we are reporting on the energy and emissions for Harrods Group (Holding) Limited, Harrods International Ltd, Harrods (UK) Limited and Harrods Limited. Harrods Corporate Management Ltd also qualifies for SECR reporting, however the annual energy consumption is below the SECR reporting thresholds. Harrods Group (Holding) Limited is submitting this SECR report at a group level for all affected UK entities.

In the reporting year, the reporting entities consumed 61,694,939kWh of energy associated with Scope 1 and 2 greenhouse gas emissions. Electricity consumption accounted for 45,204,106kWh (73.2%) of the reported energy use, whilst natural gas purchases accounted for 14,167,638kWh (22.9%). Our diesel fuel use accounted for 1,196,126kWh, whilst HVO fuel accounted for 1,127,069kWh. Employee travel, which was claimed through expenses, accounted for 81,275kWh of energy use, and this is classified as Scope 3 emissions.

The greenhouse gas emissions associated with the above supplies have been calculated to be 11,642.6 tonnes of CO₂e. 'Scope 1' emissions were 2,880.2 tonnes (24.7%) and were associated with natural gas purchases (2,586.2 tonnes), diesel fuel (290 tonnes), and HVO fuel (4 tonnes). 'Scope 2' emissions were 8,741.6 tonnes (75.1%) and were associated with electricity purchases. Employee mileage claims accounted for a further 20.8 tonnes of CO₂e, and this is classified as Scope 3 emissions. The energy and emissions have reduced slightly relative to the prior year, and this is largely due to reduced electricity consumption and the ongoing decarbonisation of the UK electricity grid.

Period ended 29 January 2022				
Reporting	kWh Consumption		Tonnes CO ₂ e	
		%		%
Scope 1 Energy				
Natural Gas Consumption	12,509,401 kWh	19.3%	2,291.2 t	16.9%
Heating Oil	1,230,200 kWh	1.9%	315.9 t	2.3%
Diesel - Generator Fuel	0 kWh	0.0%	0.0 t	0.0%
Diesel - Haulage Fleet	2,505,204 kWh	3.9%	643.3 t	4.8%
Scope 2 Energy				
Electricity Purchases	48,402,843 kWh	74.8%	10,277.4 t	75.8%
Scope 3 Energy				
Employee Mileage Claims	91,301 kWh	0.1%	24.7 t	0.2%
Total Reported	64,738,968 kWh		13,552.6 t	
Period ended 28 January 2023				
Reporting	kWh Consumption		Tonnes CO ₂ e	
		%		%
Scope 1 Energy				
Natural Gas Consumption	14,167,638 kWh	22.9%	2,586.2 t	22.2%
Heating Oil	0 kWh	0.0%	0.0 t	0.0%
Diesel - Generator Fuel	135,638 kWh	0.2%	34.3 t	0.3%
Diesel - Haulage Fleet	1,060,488 kWh	1.7%	255.7 t	2.2%
HVO - Haulage Fleet	1,127,069 kWh	1.8%	4.0 t	0.0%
Scope 2 Energy				
Electricity Purchases	45,204,106 kWh	73.2%	8,741.6 t	75.1%
Scope 3 Energy				
Employee Mileage Claims	81,275 kWh	0.1%	20.8 t	0.2%
Total Reported	61,776,214 kWh		11,642.6 t	

SECR regulations require us to report an energy intensity metric, and we have chosen to use annual turnover as the divisor for our intensity metric. Our energy consumption per million pounds of gross turnover was 66,319 kWh (2022: 111,254 kWh), and the CO₂e emissions were 12,499 kg (2022: 23,290 kg) per million pounds

Harrods Group (Holding) Limited
Directors' Report (Continued)
for the period ended 28 January 2023

Our energy consumption has been calculated based upon metered kWh consumption stated on invoiced supplies in all instances, plus employee mileage claimed when travelling on company business. We have removed electricity supplies which were not consumed by Harrods, and which were passed onto third party tenants via a kWh sub-metering arrangement.

Our reporting incorporates all Scope 1 and 2 supplies, and our green house gas emissions have been calculated using location based reporting practices and relevant conversion factors as published by DEFRA and BEIS for 2022 reporting (Version 1.0). It is possible that we may adopt market based reporting in future SECR returns, and we will keep this matter under review.

During 2022/23 we implemented the following key initiatives to reduce our energy use and emissions;

- Throughout the highest consuming sites Harrods has launched a number of energy saving initiatives, most notable of which has been updating the façade lighting. Harrods façade lighting has been in place since 1959 and has been in need of retrofitting. Utilising recent innovations in lighting design, Harrods is currently upgrading the façade lighting with a new LED design and this project is due to be completed in the coming months.
- In addition to the lighting façade, we have been working on improving lighting efficiency through streamlining out of hours lighting and more detailed logging across the Knightsbridge campus, along with improved overnight lighting controls of basement level lighting in Crown Court.
- Harrods has continued to embed our automated energy management system which helps increase the availability of consumption data across the business, making it easier for teams to identify hot spots and irregularities in consumption. This has been supported by monthly reporting and sharing with key stakeholder within the business.
- Harrods has invested in generating its own renewable energy, and we are installing solar PV at our Thames Valley Distribution Centre which will account for approximately 31% of the distribution centre's energy demand.
- In 2021 we introduced electric vans across 100% of our small-van delivery fleet, and in 2022 we moved our large fleet from diesel to biofuel, producing 90% less emissions when compared to diesel.

Looking forward to 2023/24, we are continuing to develop our energy and carbon reduction strategy for the business. We have engaged external consultants to work with our internal teams to develop a range of initiatives, including;

- Continuing to improve the operational efficiency through continued investment into its retrofitting programme and regular internal reporting of consumption data across Harrods Group. We will be utilising the findings from the Energy Savings Opportunity Scheme to help improve the efficiency of the assets that have been audited.
- Harrods will continue exploring the feasibility of generating renewable energy at other assets to help reduce our carbon impact.


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 who held office at the date of approval of this Directors' report, confirm that there is no relevant information that they know of and of which they know the Auditor is unaware.

Reappointment of Auditors

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

Approved by the Board on 14 July 2023 and signed 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 28 January 2023

The Directors are responsible for preparing the Annual Report and the Group and parent Company 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 they have elected to prepare the Group and parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 parent Company and of the Group's profit or loss for that period.

In preparing each of the Group and parent Company 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;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect 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 Company") for the 52-week period ended 28 January 2023 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 January 2023 and of its profit for the 52-week period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARRODS GROUP (HOLDING) LIMITED (continued)

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, internal audit and inspection of policy documentation as to the Company’s high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, HR Remuneration & Nomination Committee, Governance Risk & Compliance Committee and Management Executive Committee minutes.
- Considering remuneration incentive schemes and performance targets for management.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Company management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are limited judgements and revenue is predominately recognised at the point of sale, reducing the opportunity and incentive to commit fraud.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account our evaluation of some of the fraud risk management controls including those relating to invoice and payments approvals process.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included: Manual Journal entries posted relating to revenue, journal entries associated with key words including ‘tribunal’ and ‘error’, unexpected journal entries posted to revenue and cash, journal entries associated with related parties, and material post-closing journal entries.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARRODS GROUP (HOLDING) LIMITED (continued)

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group and Company are subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group and the Company are subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery and employment law recognising the nature of the Group and Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARRODS GROUP (HOLDING) LIMITED (continued)

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 13, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARRODS GROUP (HOLDING) LIMITED (continued)

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Chrissy Douka (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
Date: 18 July 2023

Harrods Group (Holding) Limited
Consolidated Profit and Loss Account
for the period ended 28 January 2023

	Note	Total 52 weeks ended 28 January 2023 £M	Total 52 weeks ended 29 January 2022 £M
Turnover	4	994.1	654.2
Cost of sales		(390.4)	(259.9)
Gross profit		603.7	394.3
Distribution costs		(318.7)	(260.7)
Administrative expenses		(120.6)	(97.0)
Other operating income	5	38.0	34.7
Fair value movement		0.3	0.1
Operating profit	6	202.7	71.4
Interest receivable and similar income	11	6.5	1.1
Interest payable and similar charges	12	(52.4)	(55.1)
Gain on financial assets at fair value	11	14.8	-
Profit before tax		171.6	17.4
Taxation	13	(35.8)	3.3
Profit for the financial period		135.8	20.7

The notes on pages 27 to 52 form an integral part of these Financial Statements.

Harrods Group (Holding) Limited

**Consolidated Statement of Other Comprehensive Income
for the period ended 28 January 2023**

		52 weeks ended 28 January 2023 £M	52 weeks ended 29 January 2022 £M
	Note		
Profit for the period		135.8	20.7
(Loss) / gain on hedging reserve		(5.1)	14.0
Actuarial (losses) / gains on defined benefit pension scheme	25	(64.4)	58.6
Movement of deferred tax relating to pension surplus		10.1	(11.2)
Other comprehensive (loss) / income for the period		(59.4)	61.4
Total comprehensive income for the period		76.4	82.1

The notes on pages 27 to 52 form an integral part of these Financial Statements.

Harrods Group (Holding) Limited

Consolidated Balance Sheet as at 28 January 2023

		28 January 2023 £M	29 January 2022 £M
	Note		
Fixed assets			
Intangible assets	15	390.5	393.2
Tangible assets	16	1,305.0	1,323.3
		<u>1,695.5</u>	<u>1,716.5</u>
Current assets			
Stocks	19	103.8	74.7
Debtors: amounts falling due within one year	20	81.0	64.0
Debtors: amounts falling due more than one year	20	12.6	2.9
Cash at bank and in hand		68.1	258.4
		<u>265.5</u>	<u>400.0</u>
Creditors: Amounts falling due within one year	21	<u>(369.1)</u>	<u>(444.3)</u>
Net current liabilities		<u>(103.6)</u>	<u>(44.3)</u>
Total assets less current liabilities		1,591.9	1,672.2
Creditors: Amounts falling due after more than one year	21	<u>(1,277.2)</u>	<u>(1,496.7)</u>
Net assets excluding pension asset		314.7	175.5
Net pension asset	25	98.7	161.5
Net assets		<u>413.4</u>	<u>337.0</u>
Capital and reserves			
Called up share capital	23	3.8	3.8
Share premium reserve	23	264.5	264.5
Other reserves		(2.2)	2.9
Profit and loss account		147.3	65.8
Equity attributable to owners of the company		<u>413.4</u>	<u>337.0</u>

Approved and authorised by the Board on 14 July 2023 and signed on its behalf by:

M A Ward
Director

The notes on pages 27 to 52 form an integral part of these Financial Statements.

Harrods Group (Holding) Limited

Company Balance Sheet as at 28 January 2023

		28 January 2023 £M	29 January 2022 £M
	Note		
Fixed assets			
Investments	17	262.6	262.6
Current assets			
Debtors: amounts falling due within one year	20	33.2	22.1
Cash at bank and in hand		2.0	13.4
		35.2	35.5
Creditors: Amounts falling due within one year	21	(0.2)	(0.2)
Net current assets		35.0	35.3
Net assets		297.6	297.9
Capital and reserves			
Called up share capital	23	3.8	3.8
Share premium reserve	23	264.5	264.5
Profit and loss account		29.3	29.6
Total equity		297.6	297.9

The Company reported a profit for the period ended 28 January 2023 of £0.3m (period ended 29 January 2022: £0.4m profit)

Approved and authorised by the Board on 14 July 2023 and signed on its behalf by:

.....
M A Ward
Director

The notes on pages 27 to 52 form an integral part of these Financial Statements.

Harrods Group (Holding) Limited

Consolidated Statement of Changes in Equity for the period ended 29 January 2022 Equity attributable to the parent company

	Share capital £M	Share premium £M	Other reserves £M	Profit and loss account £M	Total equity £M
At 31 January 2021	3.8	264.5	(11.1)	(2.3)	254.9
Profit for the financial period	-	-	-	20.7	20.7
Actuarial gain on pension scheme	-	-	-	47.4	47.4
Movement in hedging reserve	-	-	14.0	-	14.0
Total comprehensive income	-	-	14.0	68.1	82.1
Dividends	-	-	-	-	-
At 29 January 2022	3.8	264.5	2.9	65.8	337.0

Harrods Group (Holding) Limited

Consolidated Statement of Changes in Equity (Continued) for the period ended 28 January 2023 Equity attributable to the parent company

	Share capital £M	Share premium £M	Other reserves £M	Profit and loss account £M	Total equity £M
At 30 January 2022	3.8	264.5	2.9	65.8	337.0
Profit for the financial period	-	-	-	135.8	135.8
Actuarial loss on pension scheme	-	-	-	(54.3)	(54.3)
Movement in hedging reserve	-	-	(5.1)	-	(5.1)
Total comprehensive income	-	-	(5.1)	81.5	76.4
Dividends	-	-	-	-	-
At 28 January 2023	3.8	264.5	(2.2)	147.3	413.4

The notes on pages 27 to 52 form an integral part of these Financial Statements.

Harrods Group (Holding) Limited
Company Statement of Changes in Equity
for the period ended 28 January 2023

	Share capital £M	Share premium £M	Profit and loss account £M	Total £M
At 31 January 2021	3.8	264.5	30.0	298.3
Loss for the financial period	-	-	(0.4)	(0.4)
At 29 January 2022	3.8	264.5	29.6	297.9

	Share capital £M	Share premium £M	Profit and loss account £M	Total £M
At 30 January 2022	3.8	264.5	29.6	297.9
Loss for the financial period	-	-	(0.3)	(0.3)
At 28 January 2023	3.8	264.5	29.3	297.6

The notes on pages 27 to 52 form an integral part of these Financial Statements.

Harrods Group (Holding) Limited

Consolidated Statement of Cash Flows for the period ended 28 January 2023

	52 weeks ended 28 January 2023 £M	52 weeks ended 29 January 2022 £M
Cash flows from Operating activities		
Profit for the financial period	135.8	20.7
<u>Adjustments to cash flows from non-cash items</u>		
Depreciation and amortisation	79.7	77.5
Finance income	(6.5)	(1.1)
Finance costs	52.4	55.1
Income tax expense/(credit)	35.8	(3.3)
Asset write offs	1.6	-
Loss on disposal of tangible assets	(0.1)	-
Fair value movement	(15.2)	(0.1)
	<u>283.5</u>	<u>149.0</u>
<u>Working capital adjustments</u>		
(Decrease)/Increase in stocks	(29.2)	12.9
(Decrease)/Increase in debtors	(16.9)	20.2
Decrease in creditors	63.4	77.0
Defined retirement benefit contributions	-	(0.5)
Cash generated from operations	<u>300.8</u>	<u>258.6</u>
Income taxes paid	(42.4)	(9.9)
Net cash flows from Operating activities	<u>258.4</u>	<u>248.7</u>
Cash flows from Investing activities		
Interest received	4.7	0.2
Acquisition of tangible and intangible assets	(44.5)	(58.6)
Acquisition of a business	(19.6)	-
Net cash flows from Investing activities	<u>(59.4)</u>	<u>(58.4)</u>
Cash flows from Financing activities		
Repayment of loans and financial leases	(220.7)	-
Interest paid	(163.5)	(13.8)
Bank finance costs	(5.1)	(3.3)
Net cash flows from Financing activities	<u>(389.3)</u>	<u>(17.1)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(190.3)</u>	<u>173.3</u>
Cash and cash equivalents at 29 January 2022	<u>258.4</u>	<u>85.2</u>
Cash and cash equivalents at 28 January 2023	<u>68.1</u>	<u>258.4</u>

The notes on pages 27 to 52 form an integral part of these Financial Statements.

Harrods Group (Holding) Limited
Notes to the Financial Statements
for the period ended 28 January 2023

1 General information

Harrods Group (Holding) Limited is a private company incorporated, domiciled and registered in England and Wales. The registered number is 05990648 and the registered address is:

87 - 135 Brompton Road
Knightsbridge
London
SW1X 7XL

2 Accounting policies

Basis of preparation

These Group and parent Company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the United Kingdom and the Republic of Ireland. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £m to one decimal place.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. FRS 102 requires the use of certain critical accounting estimates (including goodwill and stock provision). It also requires group management to exercise judgment in applying the Group's accounting policies (refer to Note 31).

Measurement convention

The financial statements are prepared on the historical cost basis except of financial derivatives, investment properties and loyalty scheme liabilities, which are accounted for under the fair value convention.

Going concern

The Directors have a reasonable expectation the Group has adequate resources to continue in operational existence and meet its liabilities as they fall due for at least 12 months. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. This conclusion is based upon the Group's borrowing position / available liquidity and forecasting of the Group's cash flow, on both of which further details can be found below.

On 20th December 2022, the Group agreed with its banking syndicate to amend and restate its existing borrowing facilities. Under the amended and restated agreement a term loan of £500.0m was put in place for a duration of 5 years, and a revolving credit facility of £200.0m was re-introduced for a period of 3 years with an option to apply for an extension for a further 2 years. The covenant commitments under the amended and restated agreement involve measures of Net Leverage ratios and Interest Cover. Sufficient headroom has been built into the covenants against the conservative cash and profit forecasts of the Group. In addition, on the balance sheet date the Group had cash of £68.1m.

The going concern review focused on the cash flow of the Group over a period of at least 12 months after the date of these accounts. A base case plan was forecast with realistic but cautious assumptions to understand the impact on cash flows and covenant headroom for the Group. In addition, the forecast was stress tested with pessimistic but plausible downside scenarios. There was sufficient headroom under the scenarios modelled to satisfy the Directors that the Group could continue in operational existence and meet its liabilities as they fall due for at least 12 months.

Harrods Group (Holding) Limited
Notes to the Financial Statements
for the period ended 28 January 2023

2 Accounting policies (continued)

Basis of consolidation

The Consolidated Financial Statements include the financial statements of the Company and its subsidiary undertakings made up to 28 January 2023. A subsidiary is an entity controlled by the parent. Control is established when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated profit and loss account from the effective date of acquisition and up to the effective date of disposal, using appropriate accounting policies consistent with those of the parent.

Intercompany transactions, balances and unrealised gains on transactions between the Company and its subsidiaries, which are related parties, are eliminated in full.

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 Group.

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
- specific criteria have been met for each of the Group's activities.

E-commerce sales are treated consistently with the Group's 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 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

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.

Harrods Group (Holding) Limited
Notes to the Financial Statements
for the period ended 28 January 2023

2 Accounting policies (continued)

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.

Impairment excluding stocks, investment properties and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Group would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 28 January 2023

2 Accounting policies (continued)

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than investment property, stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date. Goodwill and other intangible assets are tested for impairment in accordance with section 97 when there is an indication they may be impaired.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss recognised for goodwill is not reversed. Impairment losses recognised for other assets is reversed only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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 stated 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 ranging from twenty to 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.

The Group reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 28 January 2023

2 Accounting policies (continued)

Tangible assets

Tangible fixed assets 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.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described in operating lease below.

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 Group 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 in the Consolidated Profit and Loss Account.

Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. 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 in the period that they arise. 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.

Harrods Group (Holding) Limited

Notes to the Financial Statements (Continued) for the period ended 28 January 2023

2 Accounting policies (continued)

Business Combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the Company. 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, 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.

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. Cost includes expenditure incurred in acquiring the stocks and other costs in bringing them to their existing location and condition.

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 to the extent that it relates to an item recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or 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 tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. For non-depreciable assets that are measured using the revaluation model, or investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the asset/property. Deferred tax balances are not discounted.

Where the amount of tax payable is uncertain, the Group establishes provisions based on Management's judgement and estimates of the probable amount of the future liability.

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 28 January 2023

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.

Provisions

Provisions are made where an event has taken place that gives the Group 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.

Hedge accounting

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Fair value hedges

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in profit or loss. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the income statement (even if those gains would normally be recognised directly in reserves). If hedge accounting is discontinued and the hedged financial asset or liability has not been derecognised, any adjustments to the carrying amount of the hedged item are amortised into profit or loss using the effective interest method over the remaining life of the hedged item.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income ("OCI"). Any ineffective portion of the hedge is recognised immediately in profit or loss.

When the forecast transaction subsequently results in the recognition of a non-financial item (including a non-financial item that becomes a firm commitment for which fair value hedge accounting is applied – see above), the associated cumulative gain or loss is removed from the cash flow hedging reserve and is included in the initial carrying amount of the non-financial asset or liability.

For all other hedged items, the associated cumulative gain or loss is reclassified from the cash flow hedge reserve to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Harrods Group (Holding) Limited

Notes to the Financial Statements (Continued) for the period ended 28 January 2023

2 Accounting policies (continued)

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.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

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.

Operating Lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation, in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Dividends

Final dividends are recognised when they become legally payable. Final dividends are recognised when approved by the shareholders.

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.

The Group pension assets and liabilities have been allocated amongst the contributing employers by reference to detailed data of the buyout liabilities of members and deferred members supplied by the scheme actuary as at the April 2015 triennial valuation.

Disclosure has been made of the assets and liabilities under FRS102 sections 28.41 and 28.41A. Further details are included in note 25.

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 28 January 2023

2 Accounting policies (continued)

Interest income

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

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.

Gift cards

Gift cards are accounted for at the face value of the active accounts, with an allowance for a portion of the expired card balances as a measure of prudence.

Government grants

Government grants refer to the funds received by the Group, in respect of the Coronavirus Job Retention Scheme, which are recognised in the financial statements under Other Income in the Profit and Loss Account.

3 Acquisition of business

Acquisitions in the current period

On 11 January 2023, the Group acquired all of the shares of Fayair (Stansted) Limited for £19.2m before adjusting for debt and working capital of £1.5m. The company provides aircraft warehousing and storage facilities. The business contributed revenue of £0.2m and net loss of £0.6m to the revenue and net profit for the year.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities.

	Book values	Fair value adjustments	Recognised values on acquisition
Acquiree's net assets at the acquisition date:			
Tangible fixed assets	9.2	0.7	9.9
Trade and other debtors	0.7	(0.5)	0.2
Cash	0.2	-	0.2
Deferred tax asset	-	1.7	1.7
Interest-bearing loans and borrowings	(1.4)	(0.5)	(1.9)
Trade and other creditors	(0.6)	0.4	(0.2)
Net identifiable assets and liabilities	<u>8.2</u>	<u>1.7</u>	<u>9.9</u>
Total cost of business combination:			
Consideration paid:			<u>17.7</u>
Total consideration			<u>17.7</u>
Goodwill on acquisition			<u>7.8</u>

The expected useful life of goodwill stemming from this acquisition is 20 years.

Total acquisition expenses of £263k were incurred.

There was no acquisition in the prior year.

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 28 January 2023

4 Revenue

Analysis of turnover by activity is given below:

	52 weeks ended 28 January 2023 £M	52 weeks ended 29 January 2022 £M
Retail	905.8	611.4
Aviation services	85.6	39.7
Property related income	2.7	3.1
	<u>994.1</u>	<u>654.2</u>

Analysis of turnover by country of origin is given below:

	52 weeks ended 28 January 2023 £M	52 weeks ended 29 January 2022 £M
UK	992.6	652.4
Rest of world	1.5	1.8
	<u>994.1</u>	<u>654.2</u>

5 Other operating income

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

	52 weeks ended 28 January 2023 £M	52 weeks ended 29 January 2022 £M
Advertising, royalties and similar income	38.0	27.2
Government grants	-	7.5
	<u>38.0</u>	<u>34.7</u>

6 Operating Profit

Arrived after charging:

	52 weeks ended 28 January 2023 £M	52 weeks ended 29 January 2022 £M
Depreciation and amortisation of assets	79.7	77.5

7 Government grants

The Group received funds in respect of the Coronavirus Job Retention Scheme during the prior period. The total amount received during the year was £nil (2022: £7.5m).

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 28 January 2023

8 Auditor remuneration

	52 weeks ended 28 January 2023 £M	52 weeks ended 29 January 2022 £M
Fees payable to the Group's Auditor for the audit of the Group's annual accounts	0.8	0.8

9 Staff costs

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

	52 weeks ended 28 January 2023 £M	52 weeks ended 29 January 2022 £M
Wages and salaries	176.0	138.6
Social security costs	19.4	13.3
Pension costs, defined contribution scheme	6.6	5.9
	<u>202.1</u>	<u>157.8</u>

9 Staff costs (continued)

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

	2023 No.	2022 No.
Production	521	591
Administration and support	582	379
Sales, marketing and distribution	3,316	3,050
	<u>4,419</u>	<u>4,020</u>

10 Directors' remuneration

The Directors' remuneration for the period was as follows:

	52 weeks ended 28 January 2023 £M	52 weeks ended 29 January 2022 £M
Directors' emoluments	2.4	2.4

The value of emoluments incurred directly by the company (Harrods Group (Holding) Limited) was £0.1m (2022: £0.1m). Emoluments incurred by the Group's subsidiary undertakings were £2.3m (2022: £2.3m). Included in emoluments for the period ended 28 January 2023 are pension contributions of £nil (2022: £nil). There are no directors to whom retirement benefits are accruing under a defined contribution scheme (2022: none).

There are no directors to whom retirement benefits are accruing under a defined benefit pension scheme (2022: none).

The aggregate remuneration of the highest paid director in respect of qualifying services was £2.3m (2022: £2.3m).

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 28 January 2023

11 Interest receivable and similar income

	52 weeks ended 28 January 2023 £M	52 weeks ended 29 January 2022 £M
Bank interest receivable	4.5	0.2
Other interest receivable	2.0	0.9
Net changes in fair value of hedged item in a fair value hedge	14.8	-
	<u>21.3</u>	<u>1.1</u>

12 Interest payable and similar charges

	52 weeks ended 28 January 2023 £M	52 weeks ended 29 January 2022 £M
Bank interest payable	13.6	13.8
Other interest payable	38.8	41.3
	<u>52.4</u>	<u>55.1</u>

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 28 January 2023

13 Taxation

Tax charged in the Income Statement:

	52 weeks ended 28 January 2023 £M	52 weeks ended 29 January 2022 £M
Current taxation		
UK Corporation tax	34.1	9.7
Adjustment in respect of prior years - corporation tax	(0.5)	(0.6)
	<u>33.6</u>	<u>9.1</u>
Deferred taxation		
Arising from origination and reversal of timing differences	(2.6)	(10.2)
Adjustment in respect of prior period	1.9	0.3
Effective changes in tax rates	2.8	(2.4)
Total deferred taxation	<u>2.2</u>	<u>(12.3)</u>
Total tax on profit on ordinary activities	<u>35.8</u>	<u>(3.2)</u>
Tax included in the other comprehensive income		
Deferred tax (credited)/debited to other comprehensive income	(10.1)	11.2
Tax on total comprehensive income	<u>25.7</u>	<u>8.0</u>

The tax on profit before tax for the period is higher than the standard rate of corporation tax in the UK (2022 - lower than the standard rate of corporation tax in the UK) of 19% (2022 - 19%).

The differences are reconciled below:

	52 weeks ended 28 January 2023 £M	52 weeks ended 29 January 2022 £M
Profit	171.6	17.4
Corporation tax at standard rate	32.6	3.3
Tax rate changes	2.8	(2.8)
Effect of income/expenses not deductible	4.3	3.7
Movement in uncertain tax position	(6.5)	-
Adjustment in respect of prior periods	1.4	(0.3)
Movement in unrecognised deferred tax	1.2	(7.2)
Total tax charge	<u>35.8</u>	<u>(3.3)</u>

Changes to UK corporation tax rates were substantively enacted by the Finance Bill 2021 (on 24 May 2021). These included an increase in the corporation tax rate from 19% to 25% from 1 April 2023. Deferred tax balances have been remeasured accordingly where appropriate.

Where the amount of tax payable is uncertain, the Group recognises a provision based on management's estimate of the probable amount of the future liability. As at 28 January 2023, the Group has recorded provisions of £nil (2022: £29.3m) in relation to the expected value of the uncertain tax positions. The settlement amount was £22.8m.

Harrods Group (Holding) Limited

Notes to the Financial Statements (Continued) for the period ended 28 January 2023

13 Taxation (continued)

Deferred tax

	Group		Company	
	28 January 2023	29 January 2022	28 January 2023	29 January 2022
	£M	£M	£M	£M
Fixed asset timing differences	7.7	8.3	-	-
Losses (Swaps)	13.9	0.8	-	-
Short term timing differences	1.4	6.3	-	-
Pensions timing difference	(24.7)	(30.7)	-	-
Non trading timing differences	-	(5.2)	-	-
Corporate Interest restriction	-	9.2	-	-
Deferred tax liability	(1.7)	(11.3)	-	-

Deferred tax reconciliation

	Group £M	Company £M
At 30 January 2022	(11.3)	-
Deferred tax charged to profit and loss	(0.2)	-
Deferred tax credited to other comprehensive income	10.1	-
Deferred tax adjustment on acquisition of subsidiary	1.7	-
Adjustment in respect of prior periods	(1.9)	-
At 28 January 2023	(1.7)	-

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

	Group £M	Company £M
Deferred tax due within 12 months		
Deferred tax assets	14.7	-
Deferred tax liabilities	-	-
	14.7	-
Deferred tax due after more than 12 months		
Deferred tax assets	25.1	-
Deferred tax liabilities	(41.5)	-
	(16.4)	-
Deferred tax liability	(1.7)	-

The Group has incurred losses in its Shanghai subsidiary, for which a deferred tax asset has not been recognised. This is on the basis that it is not considered probable that there will be sufficient taxable profits available within the relevant time period. Under Chinese rules, tax losses can usually be carried forward for no longer than five years.

A deferred tax asset on UK capital losses of £125.9m (2022: £125.9m) within a number of group companies has not been recognised as there is no foreseeable capital gain against which the capital losses could be offset.

14 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 loss after tax of the parent Company for the period was £0.3m (2022: loss of £0.4m).

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 28 January 2023

15 Intangible assets

Group

	Software £M	Goodwill £M	Total £M
Cost			
At 30 January 2022	35.1	516.2	551.3
Additions	7.6	-	7.6
Acquisitions through business combinations	-	7.8	7.8
Disposals	(0.8)	-	(0.8)
At 28 January 2023	<u>41.9</u>	<u>524.0</u>	<u>565.9</u>
Amortisation			
At 30 January 2022	(15.3)	(142.8)	(158.1)
Amortisation charge	(7.8)	(10.3)	(18.1)
Amortisation eliminated on disposal	0.8	-	0.8
At 28 January 2023	<u>(22.3)</u>	<u>(153.1)</u>	<u>(175.4)</u>
Carrying amount			
At 28 January 2023	<u>19.6</u>	<u>370.9</u>	<u>390.5</u>
At 30 January 2022	<u>19.8</u>	<u>373.4</u>	<u>393.2</u>

The Directors have performed an impairment assessment of the goodwill balance. This assessment calculated the recoverable amount of the goodwill using the Group weighted-average cost of capital and a long-term growth rate of 2%. Sufficient headroom exists and no impairment is deemed necessary based on this model. A sensitivity analysis was performed, where the long-term growth rate was reduced, and a change in discount rate of +2% does not result in the recognition of an impairment.

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 28 January 2023

16 Tangible assets

Group

	Freehold Property £M	Fixtures and fittings £M	Plant and machinery £M	Other tangibles £M	Total £M
Cost					
At 30 January 2022	1,077.3	405.3	203.0	20.2	1,705.8
Additions/(Reallocations)	1.5	32.5	7.2	(7.8)	33.4
Acquisitions through business combinations	9.9	-	-	-	9.9
Disposals	-	(3.4)	(0.8)	-	(4.2)
At 28 January 2023	1,088.7	434.4	209.4	12.4	1,744.9
Depreciation					
At 30 January 2022	(43.8)	(225.6)	(112.7)	(0.4)	(382.5)
Charge for the year	(5.9)	(44.9)	(10.8)	-	(61.6)
Eliminated on disposal	-	3.4	0.8	-	4.2
At 28 January 2023	(49.7)	(267.1)	(122.7)	(0.4)	(439.9)
Carrying amount					
At 28 January 2023	1,039.0	167.3	86.7	12.0	1,305.0
At 30 January 2022	1,033.5	179.7	90.3	19.8	1,323.3

The Group has carried out an impairment assessment of the carrying value of its Knightsbridge freehold properties based on the value-in-use method, comparing the carrying value of the properties to the future cashflows and economic benefit derived from the use of these assets. The weighted-average cost of capital was used as the discount rate. Prudent short and medium growth rates were used with a 2% long term growth rate considered to be appropriate although a number of long term growth rate scenarios (1% to 3%) were considered as part of the sensitivity analysis. The Group was satisfied that no impairment was required under any of these scenarios. The discount rate would need to increase by +2% for breakeven at a long term growth rate of 2%.

Included in the freehold property cost figure above is £3.9m (2022: £3.9m) of investment properties.

Harrods Group (Holding) Limited

Notes to the Financial Statements (Continued) for the period ended 28 January 2023

17 Investments

Company

Details of undertaking

Details of the investments in which the company 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	100%	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
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	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 Aviation (Stansted) Limited	England and Wales	Ordinary	100%	Aircraft warehousing and storage facilities
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
Featurecode (Management) Limited (formerly Harrods (Management) Limited)	England and Wales	Ordinary	100%	Dormant company
Harrods Beauty Limited	England and Wales	Ordinary	100%	Retail services
Harrods Nominees Limited	England and Wales	Ordinary	100%	Dormant company
Harrods Department Store (Shanghai) Co. Limited	China	Ordinary	100%	Personal Shopping services
Harrods Hong Kong Limited	Hong Kong	Ordinary	100%	Personal Shopping services

The registered address of each entity listed above is 87-135 Brompton Road, Knightsbridge, London, SW1X 7XL, England and Wales except for Harrods Department Store (Shanghai) Co. Limited, whose registered address is 4801 Beijing Avenue, China (Shanghai) Free Trade Zone and Harrods Hong Kong Limited, whose registered address is 21st Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong.

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 28 January 2023

17 Investments (continued)

Company	28 January 2023 £M	29 January 2022 £M
Investment in subsidiaries	262.6	262.6
Subsidiaries		£M
Cost		
At 30 January 2022		513.5
Additions		-
Disposals		-
At 28 January 2023		513.5
Provision		
At 30 January 2022		(250.9)
Impairment		-
At 28 January 2023		(250.9)
Carrying amount		
At 29 January 2022		262.6
At 28 January 2023		262.6

Investments in subsidiaries have been assessed for impairment and are held at their carrying value (refer to Note 2, Accounting Policies).

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 28 January 2023

18 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'), thus 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 Participations Limited	England and Wales	100%	Holding company
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	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 Aviation (Stansted) Limited	England and Wales	100%	Aircraft warehousing and storage facilities
5A Property Holdings Limited	England and Wales	100%	Holding company
Harrods Property Limited	England and Wales	100%	Property holding company
Harrods Beauty Limited	England and Wales	100%	Retail of cosmetic products
Genavco Insurance Limited	England and Wales	100%	Insurance broker

19 Stocks

	Group	
	28 January 2023	29 January 2022
	£M	£M
Work in progress	0.4	0.1
Finished goods	103.4	74.6
	<u>103.8</u>	<u>74.7</u>

The above figures include stock provision of £12.1m (2022: £17.0m). The decrease in the stock provision was due to the reduced aged stock held by the business. Stock provisions are expensed in the Profit or Loss account under Cost of Sales. Provision is calculated with reference to the age of the stock and the seasons, and the scale of the expected future markdowns.

Harrods Group (Holding) Limited

Notes to the Financial Statements (Continued) for the period ended 28 January 2023

20 Debtors

Amounts due within one year

	Group		Company	
	28 January 2023	29 January 2022	28 January 2023	29 January 2022
	£M	£M	£M	£M
Trade debtors	56.1	47.7	-	-
Other debtors	1.9	0.9	-	-
Prepayments and accrued income	23.0	15.4	-	-
Amounts owed by related parties	-	-	33.1	22.1
	<u>81.0</u>	<u>64.0</u>	<u>33.1</u>	<u>22.1</u>

Amounts due more than one year

	Group		Company	
	28 January 2023	29 January 2022	28 January 2023	29 January 2022
	£M	£M	£M	£M
Financial instruments	12.6	2.9	-	-
	<u>12.6</u>	<u>2.9</u>	<u>-</u>	<u>-</u>

Amounts owed by related parties to the company include £20.0m owed by Harrods Commercial Property Limited (2022: £22.0m) on the non-interest-bearing current account.

The £12.6m asset (2022: £2.9m) refers to the interest rate swaps on the term loan (refer to Note 21, Creditors).

21 Creditors

Amounts due within one year

	Group		Company	
	28 January 2023	29 January 2022	28 January 2023	29 January 2022
	£M	£M	£M	£M
Trade creditors	192.1	147.2	-	-
Group tax liability	10.7	19.4	-	-
Social security and other taxes	12.5	22.8	-	-
Other payables	38.8	148.4	-	-
Accruals and deferred income	115.0	91.5	0.2	0.2
Bank Loans	-	15.0	-	-
	<u>369.1</u>	<u>444.3</u>	<u>0.2</u>	<u>0.2</u>

Amounts due after more than one year

Bank loans	494.7	602.5	-	-
Finance lease liabilities	3.1	5.2	-	-
Amounts owed to related parties	774.6	874.6	-	-
Accruals and deferred income	3.1	3.1	-	-
Deferred tax	1.7	11.3	-	-
	<u>1,277.2</u>	<u>1,496.7</u>	<u>-</u>	<u>-</u>

Loans and borrowings due within one year represent amounts repayable on term loan of £nil (2022: £15.0m).

Harrods Group (Holding) Limited

Notes to the Financial Statements (Continued) for the period ended 28 January 2023

21 Creditors (continued)

Loans and borrowings due after more than one year represent a term loan of £500.0m (2022: £605.0m) which is repayable in December 2027. The balances outstanding at the end of the year were £500.0m for the term loan (2022: £605.0m) and £nil on the revolving credit facility (2022: £nil). Loans are presented net of finance costs. Finance costs at 28 January 2023 are £5.3m (2022: £2.5m). The increase in finance costs relates to the agreement and professional and legal fees paid on the extension of the financing facility with the banks. On December 20, 2022, the Group concluded an agreement with its banking syndicate to extend by 5 years the term loan of £500.0m (2022: £620.0m) and the revolving credit facility of £200.0m. The new repayment date under the amended and restated agreement is now 20 December 2027.

The covenant commitments under the new agreement involve covenant measures of net leverage ratios and interest cover. Sufficient headroom has been built into the covenants against the conservative cash and profit forecasts of the obligor group.

The related party loan facility of £750.0m (2022: £850.0m) is repayable on 31 January 2025 and therefore is due after more than one year. Refer to Note 29, Related Party Transactions, for more detail on this transaction.

During the period, QH Participations Limited held a loan facility agreement with Qatar Holdings LLC, the ultimate controlling party for £850.0m (2022: £850.0m), which had been fully drawn down. In December 2022 £100.0m was repaid on the senior debt (2022: £nil) in accordance with the amortisation values agreed in the loan agreement. This included settlement of £50.0m of amortisation outstanding from December 2021. As at the end of the year the balance was £750.0m (2022: £850.0m) and was held in two tranches, the Senior debt of £325.0m (2022: £425.0m) which is interest bearing at 3.7% and the Junior debt of £425.0m (2022: £425.0m) which is interest bearing at 5.4%.

The facility is repayable on 31 January 2025. During the year ended 28 January 2023, interest of £149.9m (2022: £nil) was paid including deferred interest from 2020 and 2021, and £2.9m was accrued (2022: £38.7m accrued).

QH Enterprises Holding Limited has 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. The balance as at 28 January 2023 was £24.6m (2022: £24.6m).

Where the amount of tax payable is uncertain, the Group establishes provisions based on Management's judgement and estimates of the probable amount of the future liability. As at 28 January 2023, the Group has recorded provisions of £nil (2022: £29.3m) in relation to the expected value of the uncertain tax positions. During the period, £22.8m (2022: £nil) was paid and £6.5m (2022: £nil) was released to the profit and loss account.

22 Dividends

No dividends have been declared or paid in the financial year (2022: nil).

23 Share capital

Allotted, called up and fully paid shares

	28 January 2023		29 January 2022	
	No. M	£M	No. M	£M
Ordinary shares of £0.01 each	376	3.8	376	3.8
Share premium			28 January 2023	29 January 2022
			£M	£M
Share premium			264.5	264.5
			264.5	264.5

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 Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 28 January 2023

24 Financial instruments

	Group		Company	
	28 January 2023	29 January 2022	28 January 2023	29 January 2022
	£M	£M	£M	£M
Financial assets				
Financial assets measured at fair value through profit or loss	12.6	2.9	-	-
Financial assets measured at amortised cost	126.1	307.0	35.3	35.5
	<u>138.7</u>	<u>309.9</u>	<u>35.3</u>	<u>35.5</u>

Financial assets measured at amortised costs include cash and debtors.

	Group		Company	
	28 January 2023	29 January 2022	28 January 2023	29 January 2022
	£M	£M	£M	£M
Financial liabilities				
Financial liabilities measured at amortised cost	1,633.9	1,910.3	0.2	0.2
	<u>1,633.9</u>	<u>1,910.3</u>	<u>0.2</u>	<u>0.2</u>

Financial liabilities measured at fair value through profit or loss is comprised of foreign currency forward contracts. Financial liabilities measured at fair value through other comprehensive income are comprised of interest rate swaps.

Financial liabilities measured at amortised cost include both short and long term creditors, excluding current tax and deferred tax liabilities.

25 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 £6.6m (2022: £5.4m). Contributions totalling £1.2m (2022: £1.0m) 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 2021 on a technical provision basis was carried out by the Scheme Actuary, with a surplus of £52m being calculated on that basis, a funding level of 108%. At the previous valuation at 5 April 2018, there was a surplus of £11m equating to a funding level of 102%.

Following the results of the April 2021 valuation, with the scheme experiencing an increase in surplus, the Group and the Pension Trustee agreed the following:

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 28 January 2023

25 Pension and other schemes (continued)

In the event that the Plan is in surplus of at least £1m on the agreed Technical provisions basis outlined with the Statement of Funding Principles at each Plan Year End (from 5 April 2022, and each 5 April thereafter during period covered by this Schedule of Contributions), the Plan will meet all expenses directly.

In the event of the Plan is in deficit or has a surplus of less than £1m on the agreed Technical provisions basis outlined with the Statement of Funding Principles at each Plan Year End (from 5 April 2022, and each 5 April thereafter during period covered by this Schedule of Contributions), the employer will recommence the payment of the expenses (estimated at circa £1m) following the month of the actuarial report being finalised.

The formal actuarial valuation as at 05 April 2021 was updated to 28 January 2023 accounting date by an independent qualified actuary in accordance with FRS 102. As required by FRS 102, the value of the defined benefit liabilities has been measured using the projected unit method.

In aggregate, during the period ended 28 January 2023, the participating employers made total contributions to the plan of £nil (2022: £518k).

The next triennial valuation is scheduled for April 2024.

Due to the full interest rate and inflation hedging that the plan had in place as well as the strong level of collateral held in its Liquidity Driven Investment portfolio, and the low risk investment strategy in place more generally, the plan did not experience any material adverse consequences to its net surplus position during the volatility that was experienced in the markets during September and October 2022.

Please refer to the post balance sheet event note for details of further developments since the balance sheet date.

Defined benefit pension schemes

Reconciliation of scheme assets and liabilities recognised

The amounts recognised in the Balance Sheet are as follows:

	28 January 2023 £M	29 January 2022 £M
Fair value of scheme assets	484.1	717.1
Present value of defined benefit obligation	(385.4)	(555.6)
Defined benefit pension scheme surplus	<u>98.7</u>	<u>161.5</u>

Reconciliation of present value of plan liabilities

Changes in the defined benefit obligation are as follows:

	28 January 2023 £M
Present value at start of period	(555.6)
Interest cost	(11.5)
Effect of change in assumptions	183.7
Actuarial losses on experience adjustment	(21.4)
Benefits paid	19.4
Present value at end of period	<u>(385.4)</u>

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 28 January 2023

25 Pension and other schemes (continued)

Reconciliation of present value of plan assets

Changes in the defined benefit obligation are as follows:

	28 January 2023 £M
Fair value at start of period	717.1
Interest income	14.8
Return on scheme assets excluding interest income	(226.6)
Employer contributions	-
Benefits paid	(19.4)
Administrative expenses	(1.8)
Fair value at end of period	<u>484.1</u>

Analysis of assets:

Composition of plan assets:

	28 January 2023 £M	29 January 2022 £M
Cash and cash equivalents	33.7	19.2
Debt instruments	404.0	548.8
Other assets	46.4	149.1
	<u>484.1</u>	<u>717.1</u>

The total assets include assets amounting to 10% (2022: 11%) classified as level 3 financial assets, which are not quoted on an active market, are considered to be the least liquid and hardest to value, and are therefore subject to a higher degree of estimation.

Principal actuarial assumptions

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

	28 January 2023 %	29 January 2022 %
Discount rate	4.4	2.1
Inflation - RPI	3.2	3.5
Inflation - CPI	2.6	2.9
Nominal rate of increase in pensions in payment - RPI 2.5%	1.9	2.3
Nominal rate of increase in pensions in payment - RPI 5%	<u>2.9</u>	<u>3.4</u>

Post retirement (at age 60) mortality assumptions

	28 January 2023 Years	29 January 2022 Years
Current UK pensioners at retirement age - male	26.1	26.3
Current UK pensioners at retirement age - female	28.8	29.0
Future UK pensioners at retirement age - male	27.5	27.8
Future UK pensioners at retirement age - female	<u>30.3</u>	<u>30.5</u>

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 28 January 2023

26 Commitments

Group

Capital commitments

Amounts contracted for but not provided in the Financial Statements amounted to £16.3m (2022: £6.8m).

Other commitments

At 28 January 2023 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 £6.8m as at the period end (2022: 1.4m).

27 Commitments under operating leases

	28 January 2023 £M	29 January 2022 £M
Land and buildings		
Within one year	9.0	7.6
Within two and five years	36.3	28.5
Over five years	196.4	187.5
	<u>241.7</u>	<u>223.6</u>
Other		
Within one year	2.4	3.5
Within two and five years	4.1	1.8
	<u>6.5</u>	<u>5.3</u>

28 Contingent liabilities

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

29 Related party transactions

During the period, QH Participations Limited held a loan facility agreement with Qatar Holdings LLC, the ultimate controlling party for £850.0m (2022: £850.0m), which had been fully drawn down. This facility was entered into on 30 January 2020 and was conducted on an arm's length basis.

In December 2022 £100.0m was repaid on the senior debt (2022: £nil) in accordance with the amortisation values agreed in the loan agreement. This included settlement of £50.0m of amortisation outstanding from December 2021.

The facility is in two tranches, the Senior debt of £325.0m (2022: £425.0m) which is interest bearing at 3.7% and the Junior debt of £425.0m (2022: £425.0m) which is interest bearing at 5.4%. The facility is repayable on 31 January 2025.

During the year ended 28 January 2023, interest of £149.9m (2022: £nil) was paid including deferred interest from 2020 and 2021, and £2.9m was accrued (2022: £38.7m accrued).

QH Enterprises Holding Limited has 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. The balance as at 28 January 2023 was £24.6m (2022: £24.6m).

There were no other material related party transactions.

30 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.

Harrods Group (Holding) Limited

Notes to the Financial Statements (Continued) for the period ended 28 January 2023

31 Accounting estimates and judgements

Key sources of estimation uncertainty

Preparation of these financial statements required management to make significant judgements and estimates. The items where these judgements and estimates have been made include:

Stock provisions: Stock is accounted for at the lower of cost and net realisable value. In assessing the net realisable value of stock, management uses its judgement with regards to the expected markdowns required to sell the inventory. This requires assessment of the inventory's age and seasonality. In light of the store closure during the government-imposed lockdowns, the business experienced a higher percentage of aged stock that necessitated a higher write-down of the value of the inventory. As at 28 January 2023, total stock provisions were £12.1m (2022: £17.0m). Please refer to note 19.

Pensions: The Group is a contributing employer to a defined benefit scheme that was closed to new membership and accruals in 2006. The business uses external independent pension actuarial advisors to provide a valuation of the pension fund as at the end of the year. The valuation involves the use of certain assumptions with regards to discount rate, inflation and mortality amongst other factors, which impact on the valuation of the scheme's liabilities. These assumptions are agreed with management. A list of these assumptions are disclosed in note 25.

Fair value of investment properties: The Group holds a small number of residential investment properties that are accounted for at fair value. The fair value of these properties is reviewed at the end of each financial year through consultation with inhouse property experts. As at 28 January 2023, the fair value of these properties were £3.2m (2022: £3.3m).

Provision for employment benefits: The Group provides an award for long service to its employees at each five-year interval from 5 to 40 years. These awards are in the form of a cash payment through payroll at an increasing scale the longer the period of service. Management provides for these liabilities by reference to the probability of employees reaching each milestone and using an appropriate discount rate. As at 28 January 2023, the value of this provision was £3.0m (2022: £3.0m).

Impairment assessment of own use properties: Freehold properties for own use are accounted for at cost. Impairment reviews are carried out at the end of each year where deemed necessary. These rely on management judgement and estimates in forecasting future economic benefits expected to be derived from use of the assets, as well as in the selection of an appropriate rate to discount the future cash flows to their net present value. Please refer to note 16.

Impairment assessment of goodwill: Goodwill is accounted for at cost less accumulated amortisation and accumulated impairment. Impairment reviews are carried out at the end of each year. These rely on management judgement and estimates in estimating the value in use of the business, requiring the forecasting of discounted future cash flows using an appropriate discount rate. As at 28 January 2023, goodwill net of amortisation and historic impairment was £370.9m (2022: £373.4m).

Harrods Group (Holding) Limited
Notes to the Financial Statements (Continued)
for the period ended 28 January 2023

32 Post balance sheets

On 20 March 2023, the Group entered into two new interest rate swaps with a total notional value of £100.0m which will terminate on 20 December 2027. These instruments were with the same counterparties as the swaps already in place as at 28 January 2023, and were entered into so as to further hedge against the floating interest rate on the bank loan and therefore further reduce the Group's exposure to rising interest rates.

On 26 May 2023, the Trustees of the Harrods Group Pension Plan entered into an agreement with Scottish Widows to purchase a bulk annuity insurance policy that operates as an investment asset. Such arrangement is commonly referred to as "buy-in". The Trustees paid a premium of £380.1m to enter the transaction and purchase the buy-in policy. The buy-in premium has been funded through part of the plan's own assets.

The scheme made up 100% of total defined benefit assets and obligations on the balance sheet as at 28 January 2023. The buy-in removes approximately 97% of the pension's liabilities and exposure from the balance sheet, while maintaining the security of benefits to the scheme members. The uninsured liabilities have been estimated at £10m. The scheme has retained ownership of some less liquid investments, which will be liquidated over the next 3 years, and cash. These assets will be used to meet on-going expenses and any additional insurance premiums.

Under FRS 102.28.15(b), since the policy exactly matches the amount and timing of some or all of the benefits payable by the plan, the fair value that will be placed on the policy is equal to the present value of the related obligation i.e. £333.9m (measured at 26 May 2023); and accordingly, the value of plan assets (and therefore the net balance sheet asset) reduces by £46.2m.

Whilst the purchase of the buy-in policy is an investment decision of the Trustee, it is the Company's view (which is shared by the Trustee) that the buy-in purchase is the first step in a process that will lead to the settlement of all of the Plan's liabilities and the Plan winding up. As such, whilst full settlement has not been achieved as at 26 May 2023, the Company have indicated a commitment to this course of action and it is therefore reasonable to account for the immediate impact on the Plan's balance sheet position as a settlement of liabilities, and so results in a P&L loss as at 26 May 2023.

There are no other events affecting the Group since the year end.