

Registration number: 5990648

Harrods Group (Holding) Limited

Annual Report and Consolidated Financial Statements

for the period ended 28 January 2017

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Harrods Group (Holding) Limited

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Harrods Group (Holding) Limited

Group Strategic Report for the period ended 28 January 2017

Business review

The directors present their Group Strategic Report for the period ended 28 January 2017.

Results of ordinary activities before exceptional items

For the period ended 28 January 2017, Gross Transaction Value grew by 23% to £2,160.6m (2016: £1,756.1m) whilst group turnover grew 16.6% to £978.8m (2016: £839.7m). While the Business witnessed a robust start to the year in its trade, there was a substantial positive impact seen in demand from its overseas customers after the weakening of the British currency following the “Brexit” vote on 23 June 2016.

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

| | Period Ended 28 January 2017 | Period Ended 30 January 2016 | Growth | Growth |
|---|------------------------------------|------------------------------------|--------------|-------------|
| | £M | £M | £M | % |
| Gross Transaction Value (Incl VAT) | 2,160.6 | 1,756.1 | 404.5 | 23.0 |
| Gross Transaction Value (Excl VAT) | 1,833.3 | 1,493.8 | 339.5 | 22.7 |
| Turnover | 978.8 | 839.7 | 139.1 | 16.6 |

The period saw a significant programme of capital expenditure, with total additions of £57.5m (2016: £42.8m). Focus has continued on investing in luxury boutiques primarily in our Knightsbridge store but also at the airports. This level of capital expenditure is expected to continue in 2017.

In the course of the period ending 28 January 2017, the Knightsbridge Store building and its ancillary properties were transferred from Harrods Property Limited to its parent Harrods Limited, as part of a corporate rationalisation initiative. Although the sale resulted in a gain in the books of the subsidiary, this was adjusted out on consolidation.

Harrods Group (Holding) Limited
Group Strategic Report (Continued)
for the period ended 28 January 2017

Principal risks and uncertainties

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

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

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

Credit risk

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

There are no long overdue debts or non-current group receivables at 28 January 2017 (2016: £nil).

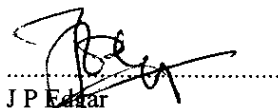
Currency risk

The group is exposed to foreign exchange risk on overseas purchasing, but only approximately 10.0% (2016: 10.0%) of the group's purchases are contracted in a foreign currency. Transaction exposures are hedged partially using forward currency contracts or currency options, up to one year in advance. Additionally, the group accepts foreign currency in the Knightsbridge store and airport outlets and retains this currency to settle foreign currency obligations.

KPIs

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

Approved by the Board on 5 June 2017 and signed on its behalf by:



J P Edgar
Director

Harrods Group (Holding) Limited

87 135 Brompton Road
Knightsbridge
London
SW1X 7XL

Harrods Group (Holding) Limited
Directors' Report
for the period ended 28 January 2017

The Directors present their report together with the audited consolidated financial statements of Harrods Group (Holding) Limited and its subsidiary companies ("the group") financial statements for the 52 week period ended 28 January 2017.

Principal activity

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

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

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

Results and dividends

Turnover for the period ended 28 January 2017 totalled £978.8m (2016: £839.7m).

The profit for the period, after taxation, amounted to £114.8m (2016: £84.2m). The group declared a dividend in the period of £57.3m (2016: £29.5m).

Directors of the Group

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

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

H.E. Sheikh Abdulla Bin Mohammed Bin Saoud Al Thani

H.E. H A Al-Abdulla

M A Ward

J P Edgar

S J Brown

Going concern

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Employment of disabled persons

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

Charitable donations

The charitable donations made by the group and charged in the financial statements were £0.1m (2016: £0.1m). In addition, during the period the group supported various charities by hosting fundraising events within the Harrods store in Knightsbridge. There were no political donations.

Harrods Group (Holding) Limited
Directors' Report (Continued)
for the period ended 28 January 2017

Environmental matters

Harrods Limited have commissioned a Carbon footprint study of their UK operation including the Knightsbridge Store, Distribution Centres, associated offices and car park for the time coinciding with the financial period ending 28 January 2017, covering Scope 1 and 2 under the principles of the World Business Council for Sustainable Development (WBCSD) GHG Protocol. The Harrods Total Carbon Footprint is 21,267 Co2 tonnes (2016: 22,114 Co2t).

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 (2016: 34 days).

Disclosure of information to the Auditor

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the group's Auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the Auditor is unaware.

Post balance sheet events

On 28 April 2017, 5A Property Investments S.a.r.l commenced liquidation. This was in line with the group's corporate rationalisation initiative. The Directors consider the carrying value of the investment in the Company Balance Sheet as at 28 January 2017 remains recoverable, and there is no material impact of this transaction on the Group.

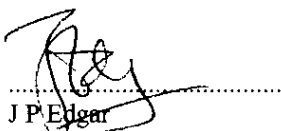
On 4 May 2017, QH Participations Limited declared a dividend payable to Harrods Group Holdings of £4.9m.

On 22 May 2017, the company signed a deed setting out the terms of a proposed sale of Harrods Bank Limited to Qatar Holdings LLC, subject to regulatory approval. The date of the sale is yet to be determined. Both parties believe the transfer to be in the best interest of Harrods Bank Limited given the significant investment required to facilitate its growth.

Reappointment of Auditors

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

Approved by the Board on 5 June 2017 and signed on its behalf by:


.....
J P Edgar
Director
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 2017

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

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

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

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

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

We have audited the financial statements of Harrods Group (Holding) Limited for the period ended 28 January 2017, which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Other Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and the notes, set out on pages 8 to 43. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities (set out on page 5), the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors to the financial statements.

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Company's affairs as at 28 January 2017 and of the Group's profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, 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.

Opinion on other matter prescribed by the Companies Act 2006

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

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

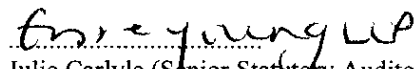
In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report and the Directors' Report.

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

Matters on which we are required to report by exception

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

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



Julie Carlyle (Senior Statutory Auditor)

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

1 More London Place
London
SE1 2AF

Date: 9 June 2017

Harrods Group (Holding) Limited

Consolidated Profit and Loss Account for the Period Ended 28 January 2017

| | Note | Total 52 weeks ended 28 January 2017 £M | Total 52 weeks ended 30 January 2016 £M |
|--|------|--|--|
| Turnover | 3 | 978.8 | 839.7 |
| Cost of sales | | (411.2) | (355.0) |
| Gross profit | | 567.6 | 484.7 |
| Distribution costs | | (278.1) | (257.7) |
| Administrative expenses | | (86.4) | (69.1) |
| Other operating income | 5 | 34.9 | 32.6 |
| Fair value movement | | (1.1) | 4.4 |
| Operating profit | 4 | 236.9 | 195.9 |
| Other interest receivable and similar income | 9 | 0.1 | 0.4 |
| Interest payable and similar expenses | 10 | (84.8) | (83.0) |
| Profit before tax | | 152.2 | 113.3 |
| Taxation | 11 | (37.5) | (29.1) |
| Profit for the financial period | | 114.7 | 84.2 |
| Attributable to non-controlling interests | | 0.0 | (0.3) |
| Profit attributable to: | | | |
| Owners of the company | | 114.7 | 83.9 |

The notes on pages 17 to 43 form an integral part of these financial statements.

Harrods Group (Holding) Limited

Consolidated Statement of Comprehensive Income for the Period Ended 28 January 2017

| | | 52 weeks ended 28 January 2017 £M | 52 weeks ended 30 January 2016 £M |
|--|------|---|---|
| | Note | | |
| Profit for the period | | 114.7 | 83.9 |
| Actuarial (losses)/gains on defined benefit pension scheme | 23 | (54.2) | 21.5 |
| Movement of deferred tax relating to pension deficit/(surplus) | 23 | 9.5 | (3.9) |
| Other comprehensive (loss)/income for the period | | (44.7) | 17.6 |
| Total comprehensive income for the period | | 70.0 | 101.5 |

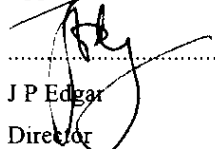
The notes on pages 17 to 43 form an integral part of these financial statements.

Harrods Group (Holding) Limited

Consolidated Balance Sheet As at 28 January 2017

| | Note | 28 January 2017 £M | 30 January 2016 £M |
|---|------|--------------------------|--------------------------|
| Fixed assets | | | |
| Intangible assets | 13 | 445.5 | 445.5 |
| Tangible assets | 14 | 1,282.8 | 1,298.6 |
| Investments | 15 | 0.3 | 1.6 |
| | | <u>1,728.6</u> | <u>1,745.7</u> |
| Current assets | | | |
| Stocks | 17 | 103.6 | 93.8 |
| Debtors: amounts falling due after more than one year | 18 | 332.7 | 194.6 |
| Debtors | 18 | 77.0 | 59.0 |
| Cash at bank and in hand | | 278.4 | 247.6 |
| Deferred tax asset | 11 | 6.6 | 41.1 |
| | | <u>798.3</u> | <u>636.1</u> |
| Creditors: Amounts falling due within one year | 19 | <u>(1,761.3)</u> | <u>(1,703.7)</u> |
| Net current liabilities | | <u>(963.0)</u> | <u>(1,067.6)</u> |
| Total assets less current liabilities | | 765.6 | 678.1 |
| Creditors: Amounts falling due after more than one year | 19 | <u>(688.1)</u> | <u>(689.2)</u> |
| Net assets/(liabilities) excluding pension asset/(liability) | | 77.5 | (11.1) |
| Net pension (liability)/asset | 23 | <u>(18.2)</u> | <u>24.0</u> |
| Net assets | | <u>59.3</u> | <u>12.9</u> |
| Capital and reserves | | | |
| Called up share capital | 21 | 3.8 | 3.8 |
| Share premium reserve | 21 | 264.5 | 264.5 |
| Revaluation reserve | | (0.3) | (0.3) |
| Other reserves | | 33.1 | (0.6) |
| Profit and loss account | | <u>(243.4)</u> | <u>(256.1)</u> |
| Equity attributable to owners of the company | | 57.7 | 11.3 |
| Non-controlling interest | | <u>1.6</u> | <u>1.6</u> |
| Total equity | | <u>59.3</u> | <u>12.9</u> |

Approved and authorised by the Board on 5 June 2017 and signed on its behalf by:



 J P Edgar
 Director

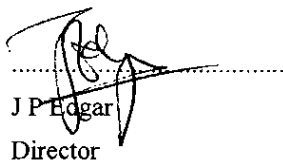
The notes on pages 17 to 43 form an integral part of these financial statements.

Harrods Group (Holding) Limited

Company Balance Sheet As at 28 January 2017

| | Note | 28 January 2017 £M | 30 January 2016 £M |
|---|------|--------------------------|--------------------------|
| Fixed assets | | | |
| Investments | 15 | 267.5 | 285.2 |
| Current assets | | | |
| Debtors: amounts falling due after more than one year | 18 | 0.2 | 0.8 |
| Debtors | 18 | 70.6 | 67.8 |
| Cash at bank and in hand | | 2.6 | 2.3 |
| | | <u>73.4</u> | <u>70.9</u> |
| Creditors: Amounts falling due within one year | 19 | <u>(76.8)</u> | <u>(73.8)</u> |
| Net current liabilities | | <u>(3.4)</u> | <u>(2.9)</u> |
| Net assets | | <u>264.1</u> | <u>282.3</u> |
| Capital and reserves | | | |
| Called up share capital | 21 | 3.8 | 3.8 |
| Share premium reserve | 21 | 264.5 | 264.5 |
| Profit and loss account | | <u>(4.2)</u> | <u>14.0</u> |
| Total equity | | <u>264.1</u> | <u>282.3</u> |

Approved and authorised by the Board on 5 June 2017 and signed on its behalf by:


 J P Edgar
 Director

Harrods Group (Holding) Limited

Consolidated Statement of Changes in Equity for the period ended 28 January 2017 Equity attributable to the parent company

| | Share capital £M | Share premium £M | Revaluation reserve £M | Other reserves £M | Profit and loss account £M | Non- controlling interests £M | Total equity £M |
|---|---------------------|---------------------|------------------------------|----------------------|----------------------------------|-------------------------------------|--------------------|
| At 1 February 2015 | 3.3 | 35.9 | (0.3) | - | (322.4) | 1.3 | (282.2) |
| Profit | - | - | - | - | 83.9 | 0.3 | 84.2 |
| Actuarial gains on pension scheme | - | - | - | - | 17.6 | - | 17.6 |
| Total comprehensive income | - | - | - | - | 101.5 | 0.3 | 101.8 |
| Dividends | - | - | - | - | (29.5) | - | (29.5) |
| New share capital subscribed | 0.5 | 228.6 | - | - | - | - | 229.1 |
| Revaluation reserve | - | - | - | - | (5.7) | - | (5.7) |
| Movement in hedging reserve | - | - | - | (16.7) | - | - | (16.7) |
| Write down of Harrods Bank shareholder loan | - | - | - | 16.1 | - | - | 16.1 |
| At 30 January 2016 | 3.8 | 264.5 | (0.3) | (0.6) | (256.1) | 1.6 | 12.9 |

Harrods Group (Holding) Limited

Consolidated Statement of Changes in Equity for the period ended 28 January 2017 Equity attributable to the parent company

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

Harrods Group (Holding) Limited

Company Statement of Changes in Equity for the period ended 28 January 2017

| | Share capital £M | Share premium £M | Profit and loss account £M | Total £M |
|------------------------------|---------------------|---------------------|----------------------------------|--------------|
| At 1 February 2015 | 3.3 | 35.9 | 14.3 | 53.5 |
| Profit for the period | - | - | 28.6 | 28.6 |
| Dividends | - | - | (28.9) | (28.9) |
| New share capital subscribed | 0.5 | 228.6 | - | 229.1 |
| At 30 January 2016 | 3.8 | 264.5 | 14.0 | 282.3 |

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

Harrods Group (Holding) Limited

Consolidated Statement of Cash Flows for the period ended 28 January 2017

| | 52 weeks ended 28 January 2017 £M | 52 weeks ended 30 January 2016 £M |
|---|---|---|
| Cash flows from operating activities | | |
| Profit for the period | 114.7 | 84.2 |
| Adjustments to cash flows from non-cash items | | |
| Depreciation and amortisation | 60.6 | 55.8 |
| Loss on disposal of tangible assets | 13.6 | - |
| Finance income | (0.1) | (0.4) |
| Finance costs | 84.8 | 83.0 |
| Income tax expense | 37.5 | 29.1 |
| Fair value movement | (0.5) | (4.4) |
| Non-cash forex adjustment | (2.2) | 0.2 |
| | <hr/> 308.4 | <hr/> 247.3 |
| Working capital adjustments | | |
| Increase in stocks | (7.6) | (2.1) |
| Increase in debtors | (10.1) | (1.0) |
| Harrods Bank advances to customers | (142.3) | (149.8) |
| Increase in creditors | 68.0 | 9.1 |
| Harrods Bank customer deposits | 122.9 | 242.6 |
| Defined retirement benefit contributions | (6.5) | (20.3) |
| | <hr/> | <hr/> |
| Cash generated from operations | 332.8 | 326.0 |
| Income taxes paid | (41.8) | (9.8) |
| | <hr/> | <hr/> |
| Net cash flow from operating activities | 291.0 | 316.2 |
| Cash flows from investing activities | | |
| Interest received | 0.1 | 0.4 |
| Acquisitions of tangible assets | (57.3) | (47.3) |
| Proceeds from sale of tangible assets | 0.3 | - |
| Proceeds from sale of investments | 1.3 | - |
| | <hr/> | <hr/> |
| Net cash flows from investing activities | (55.6) | (46.9) |
| Cash flows from financing activities | | |
| New secured loans | - | 778.1 |
| Repayment of loans and financial leases | (111.4) | (1.8) |
| New loans (to)/from group companies | 50.0 | (835.6) |
| Interest paid | (88.7) | (43.7) |
| Dividends paid | (54.5) | (70.0) |
| | <hr/> | <hr/> |
| Net cash flows from financing activities | (204.6) | (173.0) |

The notes on pages 17 to 43 form an integral part of these financial statements.

Harrods Group (Holding) Limited

**Consolidated Statement of Cash Flows
for the period ended 28 January 2017**

| | 52 weeks ended 28 January 2017 £M | 52 weeks ended 30 January 2016 £M |
|---|--|--|
| Net increase/(decrease) in cash and cash equivalents | <u>30.8</u> | <u>96.3</u> |
| Cash and cash equivalents at 31 January 2016 | <u>247.6</u> | <u>151.3</u> |
| Cash and cash equivalents at 28 January 2017 | <u>278.4</u> | <u>247.6</u> |

Harrods Group (Holding) Limited
Notes to the Financial Statements
for the Period Ended 28 January 2017

1 General information

The address of its registered office is:
87-135 Brompton Road
Knightsbridge
London
SW1X 7XL

2 Accounting policies

Statement of compliance

Basis of preparation

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

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

Post-retirement benefits

The group's defined benefit pension scheme is assessed annually in accordance with FRS 102. The accounting valuation, which has been assessed, using assumptions determined with independent actuarial advice, resulted in a net deficit of £18.1m being recognised as at 28 January 2017. The size of this deficit is sensitive to the market value of the assets held by the scheme, to the discount rate used in assessing liabilities, to the actuarial assumptions (which include price inflation, rates of pension and salary increases, mortality and other demographic assumptions) and to the level of contributions. Further details are included in note 23.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 28 January 2017.

The consolidated financial statements present the results of group and its own subsidiaries ("the group") as they formed a single entity.

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

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

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

Harrods Group (Holding) Limited
Notes to the Financial Statements
for the Period Ended 28 January 2017

Revenue recognition

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

The Group recognises revenue when:

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

Concession sales

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

Estimated sales returns

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

Investments

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

Intangible assets

Goodwill

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

Other intangible assets

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

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

Harrods Group (Holding) Limited

Notes to the Financial Statements for the Period Ended 28 January 2017

Tangible assets

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

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

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

Depreciation

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

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

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

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

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

Harrods Group (Holding) Limited
Notes to the Financial Statements
for the Period Ended 28 January 2017

Leases

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

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

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

Leased assets: Lessee

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

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

Valuation of investments

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

Stocks

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

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

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss account, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in statement of other comprehensive income.

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

Harrods Group (Holding) Limited

Notes to the Financial Statements for the Period Ended 28 January 2017

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

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

Debtors

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

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

Cash at bank and in hand

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

Creditors

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

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

Finance costs

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

Dividends

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

Harrods Group (Holding) Limited
Notes to the Financial Statements
for the Period Ended 28 January 2017

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.

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

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

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

Interest income

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

Foreign currency transactions and balances

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

Loyalty points

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

Harrods Group (Holding) Limited

Notes to the Financial Statements for the Period Ended 28 January 2017

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 re measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss.

Harrods Group (Holding) Limited

Notes to the Financial Statements
for the Period Ended 28 January 2017

3 Revenue

Analysis of turnover by country of destination is given below:

| | 52 weeks ended 28 January 2017 £M | 52 weeks ended 30 January 2016 £M |
|---------------|---|---|
| UK | 973.6 | 833.4 |
| Europe | 1.2 | 1.5 |
| Rest of world | 4.0 | 4.8 |
| | <u>978.8</u> | <u>839.7</u> |

4 Operating profit

Arrived at after charging:

| | 52 weeks ended 28 January 2017 £M | 52 weeks ended 30 January 2016 £M |
|---|---|---|
| Operating lease - rent payable to related party | - | 12.1 |
| Depreciation, amortisation and impairment of assets | 60.6 | 55.8 |

5 Other operating income

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

| | 52 weeks ended 28 January 2017 £M | 52 weeks ended 30 January 2016 £M |
|---|---|---|
| Advertising, royalties and similar income | 34.9 | 32.6 |

6 Auditor remuneration

| | 52 weeks ended 28 January 2017 £M | 52 weeks ended 30 January 2016 £M |
|---|---|---|
| Fees payable to the group's Auditor and its associates for the audit of the group's annual accounts | 0.3 | 0.3 |

Harrods Group (Holding) Limited

Notes to the Financial Statements
for the Period Ended 28 January 2017

7 Staff costs

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

| | 52 weeks ended 28 January 2017 £M | 52 weeks ended 30 January 2016 £M |
|--|--|--|
| Wages and salaries | 158.1 | 139.4 |
| Social security costs | 15.1 | 14.2 |
| Pension costs, defined contribution scheme | 5.4 | 5.1 |
| | <u>178.6</u> | <u>158.7</u> |

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

| | 2017 No. | 2016 No. |
|-----------------------------------|---------------------|---------------------|
| Production | 601 | 596 |
| Administration and support | 286 | 232 |
| Sales, marketing and distribution | 3,720 | 3,647 |
| | <u>4,607</u> | <u>4,475</u> |

8 Directors' remuneration

The directors' remuneration for the period was as follows:

| | 52 weeks ended 28 January 2017 £M | 52 weeks ended 30 January 2016 £M |
|-----------------------|--|--|
| Directors' emoluments | <u>2.9</u> | <u>2.4</u> |

Included in emoluments for the period ended 28 January 2017 are pension contributions of £0m (2016: £0m). The value of emoluments incurred directly by the company was £0.1m (2016: £0.1m). Emoluments incurred by the group's subsidiary undertakings were £2.8m (2016: £2.3m). There are no directors to whom retirement benefits are accruing under a defined benefit pension scheme (2016: 0) and no directors to whom retirement benefits are accruing under a defined contribution scheme (2016: 1).

The aggregate remuneration of the highest paid director in respect of qualifying services was £2.0m (2016: £1.6m).

Harrods Group (Holding) Limited

Notes to the Financial Statements
for the Period Ended 28 January 2017

9 Other interest receivable and similar income

| | 52 weeks ended 28 January 2017 £M | 52 weeks ended 30 January 2016 £M |
|--------------------------|--|--|
| Bank interest receivable | 0.1 | 0.4 |
| | <u>0.1</u> | <u>0.4</u> |

10 Interest payable and similar expenses

| | 52 weeks ended 28 January 2017 £M | 52 weeks ended 30 January 2016 £M |
|---------------------------------|--|--|
| Bank interest payable | 17.3 | 13.4 |
| Other interest payable | 67.5 | 68.9 |
| Interest payable on group loans | - | 0.7 |
| | <u>84.8</u> | <u>83.0</u> |

Harrods Group (Holding) Limited

Notes to the Financial Statements
for the Period Ended 28 January 2017

11 Taxation

Tax charged/(credited) in the income statement

| | 52 weeks ended 28 January 2017 £M | 52 weeks ended 30 January 2016 £M |
|---|---|---|
| Current taxation | | |
| UK corporation tax | - | 19.2 |
| Double taxation relief | - | (1.3) |
| Foreign tax | 0.1 | 0.2 |
| Adjustment in respect of prior years - corporation tax | (1.1) | 0.5 |
| Adjustment in respect of prior years - group relief | - | (0.3) |
| | <u>(1.0)</u> | <u>18.3</u> |
| Deferred taxation | | |
| Arising from origination and reversal of timing differences | 28.8 | 10.7 |
| Arising from write-down or reversal of write-down of deferred tax asset | - | 0.1 |
| Effect of tax rate changes | 3.9 | - |
| Adjustment in respect of prior period | 5.8 | - |
| | <u>38.5</u> | <u>10.8</u> |
| Total deferred taxation | <u>38.5</u> | <u>10.8</u> |
| Total tax on profit on ordinary activities | <u>37.5</u> | <u>29.1</u> |
| Tax included in the other comprehensive income | | |
| Deferred tax on pension scheme | (9.5) | 3.9 |
| | <u>(9.5)</u> | <u>3.9</u> |
| Tax on total comprehensive income | <u>28.0</u> | <u>33.0</u> |

The tax on profit before tax for the period is higher than the standard rate of corporation tax in the UK (2016 - higher than the standard rate of corporation tax in the UK) of 20% (2016 - 20.16%).

The differences are reconciled below:

| | 52 weeks ended 28 January 2017 £M | 52 weeks ended 30 January 2016 £M |
|---|---|---|
| Profit before tax | <u>152.3</u> | <u>113.3</u> |
| Corporation tax at standard rate | 30.4 | 22.8 |
| Tax rates changes | 1.3 | (0.8) |
| Effect of income/expense not deductible | 1.6 | 6.7 |
| Adjustments in respect of prior periods | 4.2 | 0.4 |
| | <u>4.2</u> | <u>0.4</u> |
| Total tax charge | <u>37.5</u> | <u>29.1</u> |

Harrods Group (Holding) Limited

Notes to the Financial Statements for the Period Ended 28 January 2017

The standard rate of tax applied to profit on ordinary activities is 20% (2016: 20.16%). The Finance (No 2) Act 2015 introduced a reduction in the corporation tax rate to 19% for financial years 2017, 2018 and 2019. The Finance Act 2016 further reduces the corporation tax rate to 17% from 1 April 2020 (previously 18%).

Deferred tax

| | Group | | Company | |
|--------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 28 January 2017 £M | 30 January 2016 £M | 28 January 2017 £M | 30 January 2016 £M |
| Fixed asset timing differences | (2.1) | 0.7 | - | - |
| Losses (Derivatives) | 4.7 | 45.0 | - | - |
| Short term timing differences | 3.7 | 0.8 | - | - |
| Non trading timing differences | 0.3 | - | - | - |
| Property revaluations | - | (5.4) | - | - |
| Deferred tax asset | 6.6 | 41.1 | - | - |

Deferred tax reconciliation

| | Group £M | Company £M |
|--|-------------|---------------|
| At 31 January 2016 | 41.1 | - |
| Deferred tax on pensions brought forward | (5.3) | - |
| Deferred tax charged to profit and loss | (32.7) | - |
| Deferred tax on defined benefit pension scheme | 9.4 | - |
| Adjustment in respect of prior periods | (5.9) | - |
| At 28 January 2017 | 6.6 | - |

12 Parent company profit for the year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent company for the period was £38.0m (2016: £28.6m).

Harrods Group (Holding) Limited

Notes to the Financial Statements
for the Period Ended 28 January 2017

13 Intangible assets

Group

| | Software £M | Goodwill £M | Total £M |
|------------------------|----------------|----------------|-------------|
| Cost | | | |
| At 31 January 2016 | 14.3 | 516.2 | 530.5 |
| Additions | 11.9 | - | 11.9 |
| Disposals | (0.1) | - | (0.1) |
| At 28 January 2017 | 26.1 | 516.2 | 542.3 |
| Amortisation | | | |
| At 31 January 2016 | 4.1 | 80.9 | 85.0 |
| Amortisation charge | 1.6 | 10.2 | 11.8 |
| At 28 January 2017 | 5.7 | 91.1 | 96.8 |
| Carrying amount | | | |
| At 28 January 2017 | 20.4 | 425.1 | 445.5 |
| At 31 January 2016 | 10.2 | 435.3 | 445.5 |

Harrods Group (Holding) Limited

Notes to the Financial Statements for the Period Ended 28 January 2017

14 Tangible assets

Group

Cost

At 31 January 2016

Additions

Disposals

At 28 January 2017

Depreciation

At 31 January 2016

Charge for the year

Eliminated on disposal

At 28 January 2017

Carrying amount

At 28 January 2017

At 31 January 2016

| | Freehold property £M | Fixtures and fittings £M | Plant and machinery £M | Other tangibles £M | Total £M |
|--|-------------------------|--------------------------------|------------------------------|-----------------------|-------------|
| | 1,075.9 | 224.5 | 146.1 | 41.8 | 1,488.3 |
| | 0.4 | 30.5 | 5.0 | 9.7 | 45.6 |
| | (2.8) | (11.6) | (2.0) | (12.0) | (28.4) |
| | 1,073.5 | 243.4 | 149.1 | 39.5 | 1,505.5 |
| | 14.2 | 113.9 | 60.7 | 1.0 | 189.8 |
| | 4.4 | 31.5 | 11.9 | - | 47.8 |
| | (2.6) | (9.6) | (1.8) | (0.9) | (14.9) |
| | 16.0 | 135.8 | 70.8 | 0.1 | 222.7 |
| | 1,057.5 | 107.6 | 78.3 | 39.4 | 1,282.8 |
| | 1,061.7 | 110.7 | 85.4 | 40.8 | 1,298.6 |

Harrods Group (Holding) Limited

Notes to the Financial Statements for the Period Ended 28 January 2017

15 Investments

Group

Details of undertakings

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

| Undertaking | Registered office | Class of shares | Holding | Principal activity |
|--------------------------------------|-------------------|-----------------|---------|---|
| Subsidiary undertakings | | | | |
| QH Participations Limited | England and Wales | Ordinary | 98% | Holding company |
| QH Partners Limited | England and Wales | Ordinary | 100% | Holding company |
| QH Enterprises Holdings Limited | England and Wales | Ordinary | 100% | Holding company |
| QH Enterprises Limited | England and Wales | Ordinary | 100% | Holding company |
| Harrods Holdings Limited | England and Wales | Ordinary | 100% | Holding company |
| Harrods (UK) Limited | England and Wales | Ordinary | 100% | Department store |
| Harrods Limited | England and Wales | Ordinary | 100% | Tax free retailer |
| Harrods International Limited | England and Wales | Ordinary | 100% | Wholesaler |
| Harrods (Continental) Limited | England and Wales | Ordinary | 100% | Exporter |
| Harrods Estates Limited | England and Wales | Ordinary | 100% | Estate agents |
| PL Management Limited | England and Wales | Ordinary | 100% | Property management |
| Harrods Commercial Property Limited | England and Wales | Ordinary | 100% | Property holding company |
| Harrods Estates Paris S.A. | France | Ordinary | 100% | Property management |
| Harrods Group Trustees Limited | England and Wales | Ordinary | 100% | Dormant company |
| Genavco Holdings Limited | England and Wales | Ordinary | 100% | Holding company |
| Genavco Insurance Limited | England and Wales | Ordinary | 100% | Insurance broker |
| Air Harrods Limited | England and Wales | Ordinary | 100% | Non-scheduled air transport |
| Harrods Aviation Holdings Limited | England and Wales | Ordinary | 100% | Holding company |
| Harrods Aviation Limited | England and Wales | Ordinary | 100% | Aircraft handling and maintenance service |
| Harrods Corporate Management Limited | England and Wales | Ordinary | 100% | Licensing of trademarks |
| Harrods Bank Limited | England and Wales | Ordinary | 100% | Banking |
| 5A Property Investments S.a.r.l.* | Luxembourg | Ordinary | 100% | Holding company |
| 5A Property Holdings Limited | England and Wales | Ordinary | 100% | Holding company |
| Harrods Property Limited | England and Wales | Ordinary | 100% | Property holding company |

Harrods Group (Holding) Limited

Notes to the Financial Statements
for the Period Ended 28 January 2017

15 Investments (continued)

| Undertaking | Registered office | Class of shares | Holding | Principal activity |
|---------------------------------------|--------------------------|------------------------|----------------|---------------------------|
| Harrods Management Limited | England and Wales | Ordinary | 100% | Dormant company |
| 5A Watches Limited | England and Wales | Ordinary | 100% | Dormant company |
| Harrods Leisure Limited (Isle of Man) | England and Wales | Ordinary | 100% | Dormant company |
| 5A Village Limited | England and Wales | Ordinary | 100% | Dormant company |
| 5A Leisure Limited | England and Wales | Ordinary | 100% | Dormant company |
| Featurecode 2A Holdings | England and Wales | Ordinary | 100% | Dormant company |
| Featurecode 2A | England and Wales | Ordinary | 100% | Dormant company |
| Wylie and Company Limited | England and Wales | Ordinary | 100% | Dormant company |
| Harrods Nominees Limited | England and Wales | Ordinary | 100% | Dormant company |

* On 28 April 2017, 5A Property Investments S.a.r.l commenced liquidation. This was in line with the group's corporate rationalisation initiative.

Harrods Group (Holding) Limited

Notes to the Financial Statements
for the Period Ended 28 January 2017

15 Investments (continued)

Group

| | 28 January 2017 £M | 30 January 2016 £M |
|-------------|--------------------------|--------------------------|
| VISA shares | 0.3 | 1.6 |

Company

| | 28 January 2017 £M | 30 January 2016 £M |
|-----------------------------|--------------------------|--------------------------|
| Investments in subsidiaries | 267.5 | 285.2 |

| Subsidiaries | £M |
|------------------------|--------|
| Cost | |
| At 31 January 2016 | 285.2 |
| At 28 January 2017 | 285.2 |
| Provision | |
| At 31 January 2016 | - |
| Impairment | (17.7) |
| At 28 January 2017 | (17.7) |
| Carrying amount | |
| At 28 January 2017 | 267.5 |
| At 31 January 2016 | 285.2 |

In conducting their annual impairment review of the company's investment, the directors have deemed it prudent to provide fully against the value of its investment in Harrods Bank Limited (£17.7m).

Harrods Group (Holding) Limited

Notes to the Financial Statements
for the Period Ended 28 January 2017

16 Audit exemptions

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

The following subsidiary companies have applied for audit exemption:

| Undertaking | Registered office | Holding | Principal activity |
|-------------------------------------|--------------------------|----------------|---|
| Subsidiary undertakings | | | |
| QH Partners Limited | England and Wales | 100% | Holding company |
| QH Enterprises Holdings Limited | England and Wales | 100% | Holding company |
| QH Enterprises Limited | England and Wales | 100% | Holding company |
| Harrods (UK) Limited | England and Wales | 100% | Department store |
| Harrods International Limited | England and Wales | 100% | Wholesaler |
| Harrods (Continental) Limited | England and Wales | 100% | Exporter |
| Harrods Estates Limited | England and Wales | 100% | Estate agents |
| PL Management Limited | England and Wales | 100% | Property management |
| Harrods Commercial Property Limited | England and Wales | 100% | Property holding company |
| Genavco Holdings Limited | England and Wales | 100% | Holding company |
| Air Harrods Limited | England and Wales | 100% | Non-scheduled air transport |
| Harrods Aviation Holdings Limited | England and Wales | 100% | Holding company |
| Harrods Aviation Limited | England and Wales | 100% | Aircraft handling and maintenance service |
| 5A Property Holdings Limited | England and Wales | 100% | Holding company |

Harrods Group (Holding) Limited

Notes to the Financial Statements
for the Period Ended 28 January 2017

17 Stocks

| | Group | | Company | |
|-------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | 28 January 2017 | 30 January 2016 | 28 January 2017 | 30 January 2016 |
| | £M | £M | £M | £M |
| Raw materials and consumables | 0.5 | 1.0 | - | - |
| Work in progress | 0.3 | 0.5 | - | - |
| Finished goods and goods for resale | 102.9 | 92.3 | - | - |
| | <u>103.6</u> | <u>93.8</u> | <u>-</u> | <u>-</u> |

An adjustment for foreign exchange of £2.2 gain (2016: £0.1m gain) was recognised in cost of sales against stock purchased in foreign currency.

18 Debtors

Amounts due within one year

| | Group | | Company | |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| | 28 January 2017 | 30 January 2016 | 28 January 2017 | 30 January 2016 |
| | £M | £M | £M | £M |
| Trade debtors | 47.4 | 35.9 | - | - |
| Amounts owed by related parties | - | - | 70.6 | 67.8 |
| Other debtors | 1.6 | 1.8 | - | - |
| Prepayments and accrued income | 15.9 | 17.1 | - | - |
| Gross amount due from customers for contract work | 0.1 | 1.0 | - | - |
| Harrods Bank advances to customers | 5.6 | 1.6 | - | - |
| Income tax asset | 4.6 | - | - | - |
| Amounts recoverable on long term contracts | 1.8 | 1.6 | - | - |
| Total current trade and other debtors | <u>77.0</u> | <u>59.0</u> | <u>70.6</u> | <u>67.8</u> |

Amounts due after more than one year

| | | | | |
|------------------------------------|--------------|--------------|------------|------------|
| Amounts owed by related parties | - | - | 0.2 | 0.8 |
| Harrods Bank advances to customers | 332.7 | 194.6 | - | - |
| | <u>332.7</u> | <u>194.6</u> | <u>0.2</u> | <u>0.8</u> |

Harrods Group (Holding) Limited

Notes to the Financial Statements
for the Period Ended 28 January 2017

19 Creditors

| | Group | | Company | |
|-------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 28 January 2017 £M | 30 January 2016 £M | 28 January 2017 £M | 30 January 2016 £M |
| Due within one year | | | | |
| Loans and borrowings | 55.0 | 150.0 | - | - |
| Trade creditors | 167.3 | 119.1 | - | - |
| Amounts due to related parties | 934.5 | 932.0 | 76.6 | 73.7 |
| Harrods Bank customer deposits | 440.8 | 317.9 | - | - |
| Income tax liability | - | 38.6 | (0.1) | - |
| Social security and other taxes | 3.6 | 8.8 | - | - |
| Other payables | 64.1 | 65.3 | 0.0 | 0.0 |
| Accruals and deferred income | 95.3 | 72.0 | 0.3 | 0.1 |
| Other current financial liabilities | 0.3 | - | - | - |
| Finance lease liabilities | 0.4 | - | - | - |
| | 1,761.3 | 1,703.7 | 76.8 | 73.8 |
| Due after one year | | | | |
| Bank loans | 613.9 | 628.1 | - | - |
| Other loans | 24.1 | 14.0 | - | - |
| Amounts owed to group undertakings | 24.6 | 24.6 | - | - |
| Other creditors | - | 0.5 | - | - |
| Accruals and deferred income | 4.2 | 5.3 | - | - |
| Financial instruments (after 1yr) | 21.3 | 16.7 | - | - |
| | 688.1 | 689.2 | - | - |

An interest rate swap was entered into by Harrods Holdings on 30th April 2015 to hedge future expected cash outflows on the new loan facility of £650m entered into on 29th April 2015. The interest rate swaps have a total notional value of £545m and terminate on 29 April 2022. The change in fair value for the period (£4.6m) has been fully recognised in the statement of other comprehensive income (2016: £16.7m).

Harrods Group (Holding) Limited

Notes to the Financial Statements
for the Period Ended 28 January 2017

20 Dividends

| | 52 weeks ended 28 January 2017 £M | 52 weeks ended 30 January 2016 £M |
|---------------------------|---|---|
| Interim dividend declared | 57.3 | 29.5 |
| | <u>57.3</u> | <u>29.5</u> |

On 4 May 2017, QH Participations Limited declared a dividend payable to Harrods Group Holdings of £4.9m.

21 Share capital

Allotted, called up and fully paid shares

| | 28 January 2017 | | 30 January 2016 | |
|-------------------------------|--------------------|-----|--------------------|-----|
| | No. m | £M | No. m | £M |
| Ordinary shares of £0.01 each | 376 | 3.8 | 376 | 3.8 |

| | 28 January 2017 £M | 30 January 2016 £M |
|---------------|--------------------------|--------------------------|
| Share premium | 264.5 | 264.5 |
| | <u>264.5</u> | <u>264.5</u> |

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

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

Harrods Group (Holding) Limited

Notes to the Financial Statements
for the Period Ended 28 January 2017

22 Financial instruments

| | Group | | Company | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 28 January | 30 January | 28 January | 30 January |
| | 2017 | 2016 | 2017 | 2016 |
| | £M | £M | £M | £M |
| Financial assets | | | | |
| Financial assets measured at fair value through profit or loss | 0.1 | 1.0 | - | - |
| Financial assets measured at amortised cost | 688.0 | 500.2 | 73.4 | 70.9 |
| | <u>688.1</u> | <u>501.2</u> | <u>73.4</u> | <u>70.9</u> |

| | Group | | Company | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 28 January | 30 January | 28 January | 30 January |
| | 2017 | 2016 | 2017 | 2016 |
| | £M | £M | £M | £M |
| Financial liabilities | | | | |
| Financial liabilities measured at fair value through profit or loss | - | - | - | - |
| Financial liabilities measured at amortised cost | 2,449.4 | 2,392.9 | 76.8 | 73.8 |
| | <u>2,449.4</u> | <u>2,392.9</u> | <u>76.8</u> | <u>73.8</u> |

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

Financial assets measured at amortised cost include cash and debtors.

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

Harrods Group (Holding) Limited
Notes to the Financial Statements
for the Period Ended 28 January 2017

23 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 £4.4m (2016: £4.4m).

Contributions totalling £0.8m (2016: £0.8m) were payable to the scheme at the end of the period and are included in creditors.

Defined benefit pension schemes

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

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

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

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

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

During the period ended 28 January 2017, the participating employers made total contributions to the plan of £6.5m (2016: £20.3m).

Due to the deficits falling below the lower agreed tolerance band as indicated above for three consecutive quarters in the period, the participating employers will be making additional contributions in the following year ending 3rd February 2018, commencing with £7.2m in March 2017 and to be reassessed quarterly thereafter. The additional payments will cease once the deficit recovers above the lower tolerance band.

Harrods Group (Holding) Limited

Notes to the Financial Statements
for the Period Ended 28 January 2017

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

| | 28 January 2017 £M | 30 January 2016 £M |
|--|-----------------------------------|-----------------------------------|
| Fair value of scheme assets | 599.1 | 529.9 |
| Present value of defined benefit obligation | (617.3) | (505.9) |
| Defined benefit pension scheme (deficit)/surplus | (18.2) | 24.0 |

Reconciliation of present value of plan liabilities

Changes in the defined benefit obligation are as follows:

| | 28 January 2017 £M |
|----------------------------------|-----------------------------------|
| Present value at start of period | (505.9) |
| Interest cost | (18.5) |
| Actuarial gains and losses | (113.8) |
| Benefits paid | 15.7 |
| Transfers and other adjustments | 5.2 |
| Present value at end of period | 617.3 |

Reconciliation of present value of plan assets

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

| | 28 January 2017 £M |
|-------------------------------|-----------------------------------|
| Fair value at start of period | 529.9 |
| Interest income | 19.7 |
| Actuarial gains and losses | 59.7 |
| Employer contributions | 6.5 |
| Benefits paid | (15.7) |
| Administrative expenses | (1.0) |
| Fair value at end of period | 599.1 |

Harrods Group (Holding) Limited

Notes to the Financial Statements
for the Period Ended 28 January 2017

Analysis of assets

Composition of plan assets:

| | 28 January 2017 £M | 30 January 2016 £M |
|---------------------------|-----------------------------------|-----------------------------------|
| Cash and cash equivalents | 65.3 | 15.1 |
| Equity instruments | 83.3 | 176.8 |
| Debt instruments | 247.4 | 216.5 |
| Other assets | 203.1 | 121.5 |
| | <hr/> 599.1 | <hr/> 529.9 |

Principal actuarial assumptions

The principal actuarial assumptions at the statement of financial position date are as follows:

| | 28 January 2017 % | 30 January 2016 % |
|--------------------------|----------------------------------|----------------------------------|
| Discount rate | 2.85 | 3.75 |
| Future pension increases | 2.45 | 2.20 |
| Inflation | 3.45 | 3.00 |

Post retirement mortality assumptions

| | 28 January 2017 Years | 30 January 2016 Years |
|--|--------------------------------------|--------------------------------------|
| Current UK pensioners at retirement age - male | 28.1 | 28.0 |
| Current UK pensioners at retirement age - female | 29.9 | 29.9 |
| Future UK pensioners at retirement age - male | 30.4 | 30.4 |
| Future UK pensioners at retirement age - female | 32.3 | 32.2 |

24 Commitments

Group

Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £8.1m (2016: £21.6m).

Other commitments

At 28 January 2017 the company had commitments under concession agreements with Heathrow Airport Limited and Gatwick Airport Limited which were contracted for but not provided for in these financial statements of £8.8m as at the period end (2016: £7.0m).

Harrods Group (Holding) Limited

Notes to the Financial Statements
for the Period Ended 28 January 2017

25 Commitments under operating leases

| | 28 January 2017 £M | 30 January 2016 £M |
|---------------------------|-----------------------------------|-----------------------------------|
| Land and buildings | | |
| Within one year | 3.9 | 3.8 |
| Within two and five years | 9.8 | 11.3 |
| Over five years | 8.7 | 10.2 |
| | <u>22.4</u> | <u>25.3</u> |
| Other | | |
| Within one year | 1.8 | 2.0 |
| Within two and five years | 1.7 | 3.2 |
| | <u>3.5</u> | <u>5.2</u> |

26 Contingent liabilities

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

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

There were no other contingent liabilities at 28 January 2017 or 30 January 2016.

Harrods Group (Holding) Limited
Notes to the Financial Statements
for the Period Ended 28 January 2017

27 Related party transactions

QH Participations Limited has a loan facility agreement with Qatar Holding LLC, the ultimate controlling party, which is fully drawn down. The facility is repayable on 31 January 2020. The loan is interest bearing at a fixed rate of 7.5%. During the year ended 28 January 2017, a total of £70.5m of interest was paid (2016: £30.0m) and £37.3m was accrued (2016: £40.2m accrued).

The outstanding balance at the end of the year was £902.2m (2016: £902.2m). QH Enterprises Holdings Limited has been granted a loan from QH Property Holdings Limited, which is under the common control of the company's ultimate parent undertaking. The debt is non-interest bearing and is repayable with not less than 13 months' notice in writing by the lender. At the period end, the loan outstanding, including interest was £24.6m (2016: £24.6m)

On 26 November 2014, a £30m subordinated loan note was issued by Harrods Bank Limited to the parent company, Qatar Holding LLC. On 26 May 2016 a further £50m subordinated loan note was issued on the same terms as the original loan note, increasing the principal amount. The subordinated loan has been structured in such a way that it can be converted into Tier 1 capital to ensure that the Bank is able to comply with Capital Requirements Directive (CRDIV). Qatar Holding LLC has forgiven and derecognised a total of £56m (2016: £16m), leaving a remaining principal balance outstanding of £24m as at 28 January 2017 (2016: £16m). The remaining principal balance attracts an interest rate of 50 basis points above the 5-year mid swap rate. Included in interest payable and similar charges is an amount of £388,552 (2016: £385,252) for interest on the subordinated loans.

There were no other material related party transactions.

28 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.