

Registration number: 1848143

Harrods Holdings Limited

Annual Report and Financial Statements

for the period ended 2 February 2019



Harrods Holdings Limited

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Harrods Holdings Limited

Strategic Report for the Period ended 2 February 2019

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

Principal activity

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

Business review

On 29 April 2015, Harrods Holdings Limited entered into a new loan facility with a banking syndicate comprising a term loan of £650 million and a revolving credit facility of £200 million for a period of five years. The loan and facility were secured by way of a floating charge on the assets of the company and its subsidiaries, and a fixed charge on specific assets under the ownership of the company's subsidiaries.

During the period ending 28 January 2017, an application was made as per the provisions of the facility agreement to extend the loan for an additional year to April 2021 and was approved by the banking syndicate. During the period ending 3 February 2018, a second application was made to extend the loan for an additional and final year to April 2022, which was also approved by the banking syndicate.

During the period ending 2 February 2019, the company did not draw down on the revolving credit facility. The balances outstanding at the end of the year were £620m for the term loan (2018: £620m) and £nil on the revolving credit facility (2018: £nil).

Principal risks and uncertainties

Interest rate risk

The company's exposure to interest rate fluctuations on its borrowings has been largely eliminated by entering into swap agreements that fix the rate of interest over the term of the borrowings.

Liquidity risk

Dividend and interest income from group undertakings are used to fund interest and loan repayments due under the company's bank loan.

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



.....
D J Webster
Company secretary and director

Harrods Holdings Limited

Directors' Report for the period ended 2 February 2019

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

Results and dividends

The profit for the period, after taxation, amounted to £124.8m (2018: £124.9m). The company paid a dividend of £125m (2018: £125m).

Directors of the company

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

M A Ward

D J Webster

Going concern

The directors have considered the obligations under the external financing agreements and deem that the company has adequate resources to meet these obligations as they become due. Therefore, the directors consider it appropriate for these Financial Statements to be prepared on a going concern basis.

KPIs

There are no other KPIs required to be reported other than profit for the period that would give a fuller understanding to the business.

Post balance sheet events

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

Harrods Holdings Limited

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

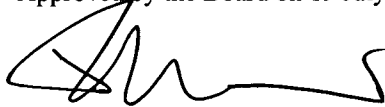
Disclosure of information to the auditors

Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditors

Ernst & Young LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial period in accordance with Section 487(2) of the Companies Act 2006 unless the company receives notice under Section 488(1) of the Act.

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



.....
D J Webster
Company secretary and director

Harrods Holdings Limited

Statement of Directors' Responsibilities

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

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

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

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

Harrods Holdings Limited

Independent Auditor's Report to the Members of Harrods Holdings Limited

Opinion

We have audited the financial statements of Harrods Holdings Limited (the 'company') for the period from 4 February 2018 to 2 February 2019, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 2 February 2019 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Harrods Holdings Limited

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

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities [set out on page 4], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

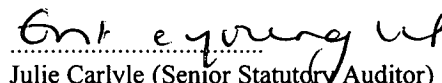
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Harrods Holdings Limited

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

Use of our report

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


.....
Julie Carlyle (Senior Statutory Auditor)
For and on behalf of Ernst & Young, Statutory Auditor

1 More London Place
London
SE1 2AF

Date: 22 July 2019

Harrods Holdings Limited
Profit and Loss Account
for the period ended 2 February 2019

	Note	52 weeks ended 02 February 2019 £ m	53 weeks ended 3 February 2018 £ m
Administrative expenses		<u>(0.4)</u>	<u>(0.5)</u>
Operating loss	3	(0.4)	(0.5)
Income from shares in group undertakings	4	140.0	140.0
Interest payable and similar charges	5	<u>(18.4)</u>	<u>(18.2)</u>
Profit before tax		121.2	121.3
Taxation	7	<u>3.6</u>	<u>3.6</u>
Profit for the financial period		<u>124.8</u>	<u>124.9</u>

The above results were derived from continuing operations.

Harrods Holdings Limited

Statement of Comprehensive Income for the period ended 2 February 2019

		52 weeks ended 02 February 2019 £ m	53 weeks ended 3 February 2018 £ m
Profit for the period		124.8	124.9
Actuarial gains on defined benefit pension schemes	11	4.3	1.7
Movement on deferred tax relating to defined benefit pension asset	11	(0.7)	(0.3)
Hedging reserve movement in the period		(0.4)	11.1
Other comprehensive income for the period		3.2	12.5
Total comprehensive income for the period		128.0	137.4

The notes on pages 13 to 26 form an integral part of these financial statements.

Harrods Holdings Limited

(Registration number: 1848143)

Balance Sheet

as at 2 February 2019

	Note	2 February 2019 £ m	3 February 2018 £ m
Fixed assets			
Investments	8	1,299.5	1,299.5
Current assets			
Debtors: amounts falling due within one year	9	13.3	28.2
Cash at bank and in hand		2.9	0.6
		16.2	28.8
Creditors: Amounts falling due within one year	10	(231.4)	(259.4)
Net current liabilities		(215.2)	(230.6)
Total assets less current liabilities		1,084.3	1,068.9
Creditors: Amounts falling due after more than one year	10	(626.7)	(610.1)
Provisions for liabilities	7	(1.2)	(0.3)
Net assets excluding pension asset/(liability)		456.4	458.5
Pension asset	11	7.3	2.2
Net assets		463.7	460.7
Capital and reserves			
Called up share capital	12	50.0	50.0
Share premium reserve	12	198.4	198.4
Merger reserve		217.8	217.8
Hedging reserve		(10.7)	(10.3)
Profit and loss account		8.2	4.8
Total equity		463.7	460.7

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

.....

M A Ward
Director

The notes on pages 13 to 26 form an integral part of these financial statements.

Harrods Holdings Limited

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

	Share capital £ m	Share premium £ m	(As restated) Non-distributable reserve £ m	Hedging reserve £ m	Profit and loss account £ m	Total £ m
At 29 January 2017	50.0	-	217.8	(21.4)	3.5	249.9
Profit for the period	-	-	-	-	124.9	124.9
Actuarial gain on defined benefit pension schemes (net of deferred tax)	-	-	-	-	1.4	1.4
Hedging reserve movement in the period	-	-	-	11.1	-	11.1
Total comprehensive income	-	-	-	11.1	126.3	137.4
Dividends	-	-	-	-	(125.0)	(125.0)
New share capital subscribed	-	198.4	-	-	-	198.4
At 3 February 2018	50.0	198.4	217.8	(10.3)	4.8	460.7

The notes on pages 13 to 26 form an integral part of these financial statements.

Harrods Holdings Limited

**Statement of Changes in Equity
for the period ended 2 February 2019 (continued)**

	Share capital £ m	Share premium £ m	(As restated) Non-distributable reserve £ m	Hedging reserve £ m	Profit and loss account £ m	Total £ m
At 4 February 2018	50.0	198.4	217.8	(10.3)	4.8	460.7
Profit for the period	-	-	-	-	124.8	124.8
Other comprehensive income	-	-	-	(0.4)	3.6	3.2
Total comprehensive income	-	-	-	(0.4)	128.4	128.0
Dividends	-	-	-	-	(125.0)	(125.0)
At 2 February 2019	50.0	198.4	217.8	(10.7)	8.2	463.7

The notes on pages 13 to 26 form an integral part of these financial statements.

Harrods Holdings Limited

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

1 General information

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

2 Accounting policies

Basis of preparation

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

Application of FRS 102 is required for all accounting periods beginning on or after 1 January 2015 (the effective date).

The preparation of Financial Statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies. It is the view of the directors that there were no critical accounting estimates used in the preparation of the Accounts and the Financial Statements of the company.

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 surplus of £6.1m being recognised as at 2 February 2019. The size of this surplus 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 11.

Going concern

The directors have considered the obligations under the external financing agreements and deem that the company has adequate resources to meet these obligations as they become due. Therefore, the directors consider it appropriate for these Financial Statements to be prepared on a going concern basis.

Harrods Holdings Limited

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

2 Accounting policies (continued)

Financial Reporting Standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d); and
- the requirements of Section 33 Related Party Disclosures.

This information is included in the Consolidated Financial Statements of Harrods Group (Holding) Limited as at 2 February 2019 and these Financial Statements may be obtained from the Registrar of Companies.

Investments in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

Hedge accounting

The company has entered into variable and fixed rate interest swaps to manage its exposure to interest rate cash flow risk on its variable rate debt. These derivatives are measured at fair value at each balance sheet date. To the extent the hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in Profit or Loss for the period.

Finance costs

Finance costs are charged to the Profit and Loss Account over the term of the debt using the effective interest rate 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.

Borrowing costs

All borrowing costs are recognised in the Profit and Loss Account in the period in which they are incurred.

Issue costs

Costs associated with the issue of the bank loan are amortised over the period of the loan.

Dividends

Revenue is recognised when the group's right to receive payment is established.

Harrods Holdings Limited

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

2 Accounting policies (continued)

Pensions

Defined benefit pension obligation

Historically, certain company employees were members of the Harrods Group Pension Plan under which retirement benefits are funded by contributions from the company. Payment is made to the pension trust, which is separate from the company, 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 surplus or deficit is presented separately from other net assets on the Balance Sheet.

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

Disclosure has been made of the assets and liabilities under FRS 102 sections 28.41 and 28.41A.

Financial instruments

The company enters into financial instrument 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, loans to related parties and group undertakings, interest rate swaps and investments in non puttable ordinary shares.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

3 Operating loss

The operating loss is stated after charging:

Audit fees for the period of £11,417 (2018: £10,873).

Non-audit fees for the period of £8,562 (2018: £8,155).

Harrods Holdings Limited

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

4 Income from Shares in Group Undertakings

	52 weeks ended 02 February 2018 £ m	53 weeks ended 3 February 2018 £ m
Dividend receivable from group undertakings	<u>140.0</u>	<u>140.0</u>

5 Interest payable and similar expenses

	52 weeks ended 02 February 2019 £ m	53 weeks ended 3 February 2018 £ m
Other loan interest payable	16.1	16.0
Other finance costs	1.1	1.1
Interest payable on loans from group undertakings	<u>1.2</u>	<u>1.1</u>
	<u>18.4</u>	<u>18.2</u>

6 Directors and employees

The company did not employ any persons or incur any staff costs during the period (2018: £nil).

Aggregate remuneration in respect of qualifying services during the period was £1.7m (2018: £2.6m).

The highest paid director received remuneration of £1.5m (2018: 1.9m).

Included in emoluments for the period ended 2 February 2019 are pension contributions of £15k (2018: £4k).

The value of emoluments incurred directly by the company was £nil (2018: £nil). Emoluments incurred by the group's subsidiary undertakings was £1.7m (2018: £2.6m).

There are 0 directors to whom retirement benefits are accruing under a defined benefit pension scheme (2018: 0) and 1 director to whom retirement benefits are accruing under a defined contribution scheme (2018: 1).

Harrods Holdings Limited

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

Notes to the Financial Statements (continued)

7 Taxation

Tax charged/(credited) in the income statement

	52 weeks ended 02 February 2019 £ m	53 weeks ended 3 February 2018 £ m
Current taxation		
Group relief receivable	<u>(3.8)</u>	<u>(3.7)</u>
Total current tax	(3.8)	(3.7)
Deferred taxation		
Arising from origination and reversal of timing differences	<u>0.2</u>	<u>0.1</u>
Tax credit in the income statement	<u><u>(3.6)</u></u>	<u><u>(3.6)</u></u>

Tax relating to items recognised in other comprehensive income or equity

	52 weeks ended 02 February 2019 £ m	53 weeks ended 3 February 2018 £ m
Current tax related to items recognised as items of other comprehensive income	<u>0.7</u>	<u>0.3</u>

The tax on profit before tax for the period is lower than the standard rate of corporation tax in the UK (2018 - lower than the standard rate of corporation tax in the UK) of 19% (2018 - 19.17%).

The differences are reconciled below:

Harrods Holdings Limited

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

Notes to the Financial Statements (continued)

7 Taxation (continued)

	52 weeks ended 02 February 2019 £ m	53 weeks ended 3 February 2018 £ m
Profit before tax	<u>121.2</u>	<u>121.3</u>
Corporation tax at standard rate	23.0	23.2
Effects of:		
Dividends from UK companies	<u>(26.6)</u>	<u>(26.8)</u>
Total tax credit	<u><u>(3.6)</u></u>	<u><u>(3.6)</u></u>

The standard rate of tax applied to profit on ordinary activities is 19% (2018: 19.17%). 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.

Deferred tax

Deferred tax is provided for at 17% (2018: 17%) in the financial statements set out below:

	2 February 2019 £ m	3 February 2018 £ m
Deferred tax on defined benefit pension scheme	<u>(1.2)</u>	<u>(0.3)</u>
Total deferred tax liability	<u><u>(1.2)</u></u>	<u><u>(0.3)</u></u>

8 Investments

	2 February 2019 £ m	3 February 2018 £ m
Investments in subsidiaries	<u>1,299.5</u>	<u>1,299.5</u>

Subsidiaries

Cost

At 4 February 2018

1,299.5

Carrying amount

At 2 February 2019

1,299.5

At 3 February 2018

1,299.5

(As restated)
£ m

Harrods Holdings Limited

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

Notes to the Financial Statements (continued)

8 Investments (continued)

Details of undertakings

Undertaking	Registered office	Class of shares	Holding	Principal activity
Subsidiary undertakings				
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 retailer and wholesaler
Harrods (Continental) Limited	England and Wales	Ordinary	100%	Exporter
Harrods Estates Limited	England and Wales	Ordinary	100%	Estate agency
5A Holdings Limited (formerly Genavco Holdings Limited)	England and Wales	Ordinary	100%	Holding company
Genavco Insurance Limited	England and Wales	Ordinary	100%	Insurance broker
Harrods Corporate Management Limited*	England and Wales	Ordinary	100%	Intellectual property management limited
Harrods Property Limited	England and Wales	Ordinary	100%	Property management
Harrods Nominees Limited	England and Wales	Ordinary	100%	Dormant company
Wylie and Company Limited	England and Wales	Ordinary	100%	Dormant company
Harrods Management Limited	England and Wales	Ordinary	100%	Dormant company
Harrods Group Trustees Limited	England and Wales	Ordinary	100%	Dormant company

The registered address of all subsidiaries is: 87-135 Bromton Road, Knightsbridge, London SW1X 7XL, England.

*the whole of the issued ordinary share capital in these companies is owned directly by the company. The whole of the ordinary share capital in the other companies is held by intermediate companies.

Harrods Holdings Limited

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

Notes to the Financial Statements (continued)

9 Debtors

	2 February 2019 £ m	3 February 2018 £ m
Debtors: due within one year		
Amounts owed by group undertakings	9.5	24.5
Other debtors	3.8	3.7
	<u>13.3</u>	<u>28.2</u>

In prior years, the company granted a non-interest bearing loan of £10.2m to QH Enterprises Limited. As at 2 February 2019, the balance outstanding was £9.5m (2018: £9.5m).

10 Creditors

	2 February 2019 £ m	3 February 2018 £ m
Amounts falling due within one year		
Loans and borrowings	-	15.0
Amounts owed to group undertakings	231.2	244.4
Accrued expenses	0.2	-
	<u>231.4</u>	<u>259.4</u>
Amounts falling due after one year		
Bank loans	616.0	599.8
Interest rate swaps	10.7	10.3
	<u>626.7</u>	<u>610.1</u>

Harrods Holdings Limited

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

Notes to the Financial Statements (continued)

10 Creditors (continued)

Loans and borrowings amounts payable within one year, represent the Revolving Credit Facility of £200m, of which £nil was drawn down as at 2 February 2019 (2018: £nil), and bank loan amortisation payable within 1 year of £nil (2018: £15m).

On 29 April 2015, Harrods Holding Limited entered into a new loan facility with a banking syndicate comprising a term loan of £650 million and a revolving credit facility of £200 million for a period of five years. The loan and facility were secured by way of a floating charge on the assets of the company and its subsidiaries, and a fixed charge on specific assets under the ownership of the company's subsidiaries.

During the period ending 28 January 2017, an application was made as per the provisions of the facility agreement to extend the loan for an additional year to April 2021 and was approved by the banking syndicate. During the period ending 3 February 2018, a second application was made to extend the loan for an additional and final year to April 2022 which was also approved by the banking syndicate.

During the course of the year ending 3 February 2018, the company repaid £40m of the revolving credit facility, £15m of the term loan, and anticipated to repay, in the following year, an additional £15m of the term loan. The additional £15m repayment of the term loan did not materialise during the course of the year ending 2 February 2019 due to the adjusted leverage being below the amortisation threshold. This £15m repayment has been reclassified as a non-current liability. The balances outstanding at the end of the year were £620m for the term loan (2018: £620m) and £nil on the revolving credit facility (2018: £nil).

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.

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 (£-0.4m) (2018: £11.1m) has been fully recognised in other comprehensive income. The total liability at 2 February 2019 is £10.7m (2018: £10.3m).

Loans

Analysis of the maturity of loans is given below:

	2 February 2019 £ m	3 February 2018 £ m
Amounts falling due within one year		
Bank loans	-	15.0
	-	15.0
Amounts falling due after more than one year		
Bank loans	616.0	599.8
	616.0	599.8

Harrods Holdings Limited

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

Notes to the Financial Statements (continued)

11 Pension and other schemes

Defined benefit pension schemes

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

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

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

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

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

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

The next triennial valuation is scheduled for April 2021.

Harrods Holdings Limited

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

Notes to the Financial Statements (continued)

11 Pension and other schemes (continued)

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the Statement of Financial Position are as follows:

	2 February 2019 £ m	3 February 2018 £ m
Fair value of scheme assets	35.0	30.2
Present value of defined benefit obligation	(27.7)	(28.0)
Defined benefit pension scheme surplus	7.3	2.2

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2 February 2019 £ m
Present value at start of period	28.0
Past service cost	0.1
Interest cost	0.8
Actuarial gains and losses	(4.9)
Benefits paid	(1.1)
Transfers	4.8
Present value at end of period	27.7

Fair value of scheme assets

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

	2 February 2019 £ m
Fair value at start of period	30.2
Interest income	0.8
Return on plan assets, excluding amounts included in interest income	(0.4)
Actuarial gains and losses	0.1
Administration expenses	(0.1)
Employer contributions	0.8
Benefits paid	(1.1)
Transfers	4.7
Fair value at end of period	35.0

Harrods Holdings Limited

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

Notes to the Financial Statements (continued)

11 Pension and other schemes (continued)

Analysis of assets

The major categories of scheme assets are as follows:

	2 February 2019	3 February 2018
	£ m	£ m
Cash and cash equivalents	6.0	1.8
Equity instruments	-	4.4
Debt instruments	21.9	12.6
Other assets	7.1	11.4
	35.0	30.2

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

Principal actuarial assumptions

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

	2019	2018
	%	%
Discount rate	2.7	2.6
Future pension increases	2.2	2.3
Inflation	3.2	3.3
	3.2	3.3

Post retirement mortality assumptions

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

Harrods Holdings Limited

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

Notes to the Financial Statements (continued)

12 Share capital

Allotted, called up and fully paid shares

	2 February 2019		3 February 2018	
	No. m	£ m	No. m	£ m
Ordinary shares of £1 each	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>
			2 February 2019	03 February 2018
			£ m	£ m
Share premium			<u>198.4</u>	<u>198.4</u>
			<u>198.4</u>	<u>198.4</u>

13 Dividends

	2 February 2019 £ m	3 February 2018 £ m
Declared dividend of £2.50 (2018 - £2.50) per ordinary share	<u>125.0</u>	<u>125.0</u>

Harrods Holdings Limited

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

Notes to the Financial Statements (continued)

14 Commitments

Capital commitments

At 2 February 2019 the company had no capital commitments (2018: £nil).

15 Contingent liabilities

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

There were no other contingent liabilities at 2 February 2019 or 3 February 2018.

16 Related party transactions

The company has taken advantage of the exemption in FRS102, section 33 "Related Party Disclosures" from disclosing transactions with other members of the group.

17 Parent and ultimate parent undertaking

The company's immediate parent undertakings are QH Participations Limited (72.42%) and QH Partners Limited (27.57%), companies incorporated in the United Kingdom. The ultimate UK parent undertaking of QH Participations Limited and QH Partners is Harrods Group (Holding) Limited. The largest and smallest UK group of undertakings for which group accounts have been drawn up is that headed by Harrods Group (Holding) Limited, which can be obtained from the Registrar of Companies.

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.