

Harrods Limited

Reports and Consolidated Financial Statements

for the Period ended 31 January 2015

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Registration number: 00030209

Harrods Limited
Contents

Directors' Report	1 to 2
Statement of Directors' Responsibilities	3
Strategic Report	4 to 5
Independent Auditors' Report	6 to 7
Consolidated Profit and Loss Account	8
Consolidated Statement of Total Recognised Gains and Losses	9
Consolidated Balance Sheet	10
Balance Sheet	11
Consolidated Cash Flow Statement	12 to 13
Notes to the Financial Statements	14 to 38

Harrods Limited

Directors' Report for the Period ended 31 January 2015

The directors present their report together with the audited consolidated financial statements of Harrods Limited and its subsidiary companies ("the group") for the 52 weeks ended 31 January 2015.

Principal activity

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 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 Limited.

Profit for the financial period and the dividend

The turnover for the period was £769.0m (2014: £794.0m). The profit for the period after taxation amounted to £114.5m (2014: £107.7m). Dividends of £103.0m have been declared in relation to the year ended 31 January 2015 (2014: £150.0m).

Directors of the company

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

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

H.E. Sheikh Abdulla Bin Mohammed Bin Saoud Al Thani (appointed 15 January 2015)

H.E. H A Al-Abdulla

H.E. A M Al-Sayed (resigned 2 February 2015)

K Maamria (resigned 29 May 2014)

K J Al-Kuwari (resigned 2 September 2014)

M A Ward

J P Edgar

R L Assanand

J P Healy

D R Parker (resigned 16 March 2015)

Future developments and going concern

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

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

Employment of disabled persons

It is the policy of the 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.

Harrods Limited
Directors' Report for the Period ended 31 January 2015

..... continued

Charitable donations

The charitable donations made by the group and charged in the financial statements were £0.1m (2014: £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.

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 31 days (2014: 31 days).

Carbon footprint

Harrods Limited have commissioned a Carbon footprint study of their UK operation including the Knightsbridge Store, Distribution Centres, associated offices and car park for the time coinciding with the financial period ending 31 January 2015, 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 23,113 Co2 tonnes (2014: 22,769 Co2t).

Although Harrods is committed to a year on year carbon reduction, this year's figures for carbon footprint have risen largely due to increase in store selling space and store opening hours.

Harrods Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' 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). 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 the company 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 ;
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will continue in business;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

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

Disclosure of information to the auditors

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

Reappointment of auditors

The auditors Ernst & Young LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 22 April 2015 and signed on its behalf by:



.....
D J Webster
Company secretary

Registered Office
87-135 Brompton Road
Knightsbridge
London SW1X 7XL

Harrods Limited
Strategic Report for the Period ended 31 January 2015

The directors present their strategic report for the period from 2 February 2014 to 31 January 2015.

Results of ordinary activities before exceptional items

For the year ended 31 January 2015, Harrods gross transaction value grew by 1.2% to £1,642.3m (2014: £1,622.8m) whilst group turnover fell 3.1% to £769.0m (2014: £794.0m). 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 31 Jan 2015 £m	Period ended 1 Feb 2014 £m	Growth £m	Growth %
Gross Transaction Value (Incl VAT)	1,642.3	1,622.8	19.5	1.2
Gross Transaction Value (Excl VAT)	1,392.5	1,375.9	16.6	1.2
Turnover	769.0	794.0	(25.0)	(3.1)

Despite tough trading conditions, operating profit was up 2.9% to £126.5m (2014: £122.9m).

The year also saw a confirmed programme of significant capital expenditure, with total additions of £48.6m (2014: £58.9m). 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 2015.

This is also the first year that includes a full year of results for Harrods Estates Paris S.A as the comparatives include only six months of results.

The comparatives also include a full year of results for Harrods Bank Limited whilst its current year results have been consolidated into the Harrods Group (Holding) Limited group accounts.

Business review

Principal risks and uncertainties

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

- (i) Events impacting the level of international travel to the UK, including terrorism 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 re-assess 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 on-going basis.

Harrods Limited
Strategic Report for the Period ended 31 January 2015

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Credit risk

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

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

The group also has a significant loan to a related party, Harrods Property Limited, amounting to £285.6m (2014: £283.1m). This loan has been assessed by the directors and has been considered recoverable.

Currency risk

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

Approximately 10% of the group's purchases are contracted in a foreign currency. Transaction exposures are hedged partially using forward currency contracts or currency options, up to one year in advance. Whilst the aim is to achieve an economic hedge the company does not adopt an accounting policy of hedge accounting in these financial statements.

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

Interest rate risk

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

KPIs

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

Approved by the Board on 22 April 2015 and signed on its behalf by:



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D J Webster
Company secretary

Independent Auditor's Report to the Members of Harrods Limited

We have audited the financial statements of Harrods Limited for the period from 2 February 2014 to 31 January 2015 which comprises the Consolidated Profit and Loss Account, the Consolidated and Parent Company Balance Sheet, the Consolidated Statement of Total Recognised Gains and Losses and the Consolidated Cash Flow Statement and the related notes 1 to 24. 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).

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 auditors

As explained more fully in the Statement of Directors' Responsibilities (set out on page 3), 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.

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 group's and parent 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 Strategic Report and the Directors' Report 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 financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 January 2015 and of the group's 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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

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

Ernst & Young LLP

Julie Carlyle (Senior Statutory Auditor)

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

Date: *28 April 2015*

Harrods Limited

Consolidated Profit and Loss Account for the Period ended 31 January 2015

	Note	52 weeks ended 31 January 2015 Total £m	52 weeks ended 1 February 2014 Total £m
Turnover	2	769.0	794.0
Cost of sales		<u>(329.7)</u>	<u>(342.7)</u>
Gross profit		439.3	451.3
Distribution costs		(325.5)	(331.9)
Administrative expenses		(19.6)	(25.6)
Other income	3	<u>32.3</u>	<u>29.1</u>
Operating profit	3	126.5	122.9
Non-operating exceptional items		(0.9)	(1.1)
Interest receivable	6	21.3	19.7
Interest payable	7	<u>(0.6)</u>	<u>(1.1)</u>
Profit on ordinary activities before taxation		146.3	140.4
Tax on profit on ordinary activities	8	<u>(31.8)</u>	<u>(32.7)</u>
Profit for the financial period	18	<u><u>114.5</u></u>	<u><u>107.7</u></u>

Turnover and operating profit derive wholly from continuing operations.

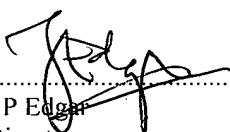
Harrods Limited
Consolidated Statement of Total Recognised Gains and Losses for the Period ended 31
January 2015

	Note	52 weeks ended 31 January 2015 £m	52 weeks ended 1 February 2014 £m
Profit for the financial period		114.5	107.7
Actuarial loss recognised on defined benefit pension scheme		(25.2)	(12.8)
Current tax relief on pension scheme		5.0	2.9
Total recognised gains and losses relating to the period		<u>94.3</u>	<u>97.8</u>

Harrods Limited
Consolidated Balance Sheet at 31 January 2015

	Note	31 January 2015 £m	1 February 2014 £m
Fixed assets			
Tangible fixed assets	9	252.8	241.4
Current assets			
Stocks	11	91.5	89.6
Debtors	12	946.2	965.7
Cash at bank and in hand		65.4	97.7
		1,103.1	1,153.0
Creditors: Amounts falling due within one year	13	(308.9)	(343.7)
Net current assets		794.2	809.3
Total assets less current liabilities		1,047.0	1,050.7
Creditors: Amounts falling due after more than one year	14	(41.6)	(43.1)
Provisions for liabilities	15	(1.8)	(2.7)
Net assets excluding pension asset/liability		1,003.6	1,004.9
Net pension liability		(7.4)	-
Net assets		996.2	1,004.9
Capital and reserves			
Called up share capital	16	19.2	19.2
Revaluation reserve	18	0.4	0.4
Profit and loss account	18	976.6	985.3
Shareholders' funds	19	996.2	1,004.9

Approved by the Board on 22 April 2015 and signed on its behalf by:

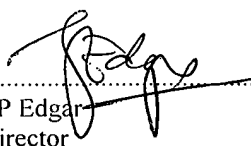


 J P Edgar
 Director

Harrods Limited
(Registration number: 00030209)
Balance Sheet at 31 January 2015

	Note	31 January 2015 £m	1 February 2014 £m
Fixed assets			
Tangible fixed assets	9	210.6	199.6
Investments	10	-	11.2
		<u>210.6</u>	<u>210.8</u>
Current assets			
Stocks	11	76.1	78.3
Debtors	12	946.8	970.5
Cash at bank and in hand		50.7	77.8
		<u>1,073.6</u>	<u>1,126.6</u>
Creditors: Amounts falling due within one year	13	(305.6)	(339.2)
Net current assets		<u>768.0</u>	<u>787.4</u>
Total assets less current liabilities		978.6	998.2
Creditors: Amounts falling due after more than one year	14	(2.0)	(14.1)
Provisions for liabilities	15	(2.0)	(2.7)
Net assets excluding pension asset/liability		974.6	981.4
Net pension liability		<u>(7.1)</u>	<u>-</u>
Net assets		<u><u>967.5</u></u>	<u><u>981.4</u></u>
Capital and reserves			
Called up share capital	16	19.2	19.2
Revaluation reserve	18	0.4	0.4
Profit and loss account	18	947.9	961.8
Shareholders' funds	19	<u>967.5</u>	<u>981.4</u>

Approved by the Board on 22 April 2015 and signed on its behalf by:


 J P Edgar
 Director

Harrods Limited
Consolidated Cash Flow Statement for the Period ended 31 January 2015

Reconciliation of operating profit to net cash flow from operating activities

	52 weeks ended 31 January 2015 £m	52 weeks ended 1 February 2014 £m
Operating profit	126.5	122.9
Depreciation, amortisation and impairment charges	36.1	31.9
Increase in stocks	(1.9)	(2.8)
Decrease in debtors	20.1	31.7
Decrease in creditors	(1.7)	(43.9)
Decrease in provisions	-	(1.8)
Release of deferred income	(0.4)	(1.0)
Defined benefit pension contributions	(12.8)	(12.8)
Adjustment in relation to Harrods Bank	-	2.4
Net cash inflow from operating activities	<u>165.9</u>	<u>126.6</u>

Cash flow statement

	52 weeks ended 31 January 2015 £m	52 weeks ended 1 February 2014 £m
Net cash inflow from operating activities	<u>165.9</u>	<u>126.6</u>
Returns on investments and servicing of finance		
Interest received	18.3	19.7
Interest paid	(0.6)	(1.1)
	<u>17.7</u>	<u>18.6</u>
Tax paid	(16.6)	(31.1)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(48.0)	(57.3)
Equity dividends paid	(150.0)	(100.0)
Net cash outflow before management of liquid resources and financing	<u>(31.0)</u>	<u>(43.2)</u>
Financing		
Repayment of loans and borrowings	(1.3)	(11.6)
Decrease in cash	<u>(32.3)</u>	<u>(54.8)</u>

The notes on pages 14 to 38 form an integral part of these financial statements.

Harrods Limited

Consolidated Cash Flow Statement for the Period ended 31 January 2015

..... continued

Reconciliation of net cash flow to movement in net debt

	Note	52 weeks ended 31 January 2015 £m	52 weeks ended 1 February 2014 £m
Decrease in cash		(32.3)	(54.8)
Cash outflow from repayment of loans		1.3	11.6
Change in net debt resulting from cash flows		<u>(31.0)</u>	<u>(43.2)</u>
Movement in net debt		(31.0)	(43.2)
Net funds at start of period		55.6	98.8
Net funds at end of period		<u>24.6</u>	<u>55.6</u>

The notes on pages 14 to 38 form an integral part of these financial statements.

Harrods Limited

Notes to the Financial Statements for the Period ended 31 January 2015

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and comply with applicable United Kingdom accounting standards.

The principal accounting policies of the group have remained unchanged from the previous period and are set out below.

In the next period, the company will adopt Financial Reporting Standard 102. This will be the first year in which the financial statements are prepared under FRS 102 and will require restatement of the comparative prior year amounts.

An explanation of how the transition to FRS 102 has affected the reported financial position and financial performance will be provided in the 2015/16 notes to the financial statements.

Basis of consolidation

The consolidated financial statements include the results of the company and its subsidiary undertakings.

Turnover

Turnover is the total amount receivable by the group for goods and services provided, excluding VAT, trade discounts and concession sales. When a transaction involves a number of goods and services, these are separately identified and income is recognised when earned.

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 is 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.

Fixed asset 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.

Tangible Fixed Assets and Depreciation

All tangible fixed assets are stated at cost less accumulated depreciation. Fit out expenditure is stated net of supplier and concession contributions where relevant.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful lives. The rates generally applicable are:

Land	Not depreciated
Freehold and long leasehold properties	25 – 50 years

Harrods Limited

Notes to the Financial Statements for the Period ended 31 January 2015

..... continued

Short leasehold property	Remaining period of lease
Fixtures and fittings	3 - 20 years
Vehicles and equipment	4 - 7 years

Leased assets

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Finance leases

Assets held under finance leases are capitalised in the balance sheet and depreciated over their useful economic lives. The interest element of leasing payments represent a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

Stock

Stocks are stated at the lower of cost and net-realizable value using weighted average cost.

Deferred tax

Deferred tax is recognised on all timing differences where the transactions or events that give the group 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.

Deferred tax relating to defined benefit pension scheme surpluses or deficits is netted against the respective retirement benefit surplus or obligation.

Foreign currency

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

Loyalty points

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

Harrods Limited

Notes to the Financial Statements for the Period ended 31 January 2015

Retirement benefit obligations

Defined Contribution Scheme

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

Defined Benefit Scheme

Certain group and company employees are members of the Harrods Group Pension Plan under which retirement benefits are funded by contributions from the group. Payment is made to the pension trust, which is separate from the group, in accordance with calculations made periodically by consulting actuaries.

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet.

A net surplus is recognized only to the extent that it is recoverable by the company/group. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the current service cost of providing the benefits, curtailment and settlement gains and losses and financial returns on the pension fund, all reflected in the period to which they relate. The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included in other finance costs. Actuarial gains and losses are recorded through the statement of recognised gains and losses. Disclosure has been made of the assets and liabilities of the scheme under FRS17 in note 20 to the accounts.

2 Turnover

An analysis of turnover by geographical location is given below:

	52 weeks ended 31 January 2015 £m	52 weeks ended 1 February 2014 £m
Sales - UK	762.4	787.8
Sales - Europe	1.0	0.3
Sales - Rest of world	5.6	5.6
Sales - Harrods Bank	-	0.3
	<u>769.0</u>	<u>794.0</u>

All costs are incurred in the United Kingdom and all operating assets are held in the United Kingdom.

3 Operating profit

Operating profit is stated after charging:

Harrods Limited

Notes to the Financial Statements for the Period ended 31 January 2015

..... continued

	52 weeks ended 31 January 2015 £m	52 weeks ended 1 February 2014 £m
Operating lease - rent payable to related party (note 24)	47.5	46.2
Royalties to Harrods Corporate Management	35.8	35.6
Depreciation of owned assets	36.1	31.9
Repairs to historic terracotta facade	2.0	1.4
Auditor's remuneration	0.3	0.4
Advertising and rebate income	(32.3)	(29.1)

4 Particulars of employees

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

	52 weeks ended 31 January 2015 No.	52 weeks ended 1 February 2014 No.
Administration and support	95	96
Production	406	416
Sales, marketing and distribution	3,425	3,352
	<u>3,926</u>	<u>3,864</u>

Harrods Limited

Notes to the Financial Statements for the Period ended 31 January 2015

..... continued

The aggregate payroll costs were as follows:

	52 weeks ended 31 January 2015 £m	52 weeks ended 1 February 2014 £m
Wages and salaries	118.6	125.5
Social security costs	12.5	12.8
Staff pensions	4.4	4.6
	<u>135.5</u>	<u>142.9</u>

5 Directors' remuneration

The directors' remuneration in respect of qualifying services for the period was as follows:

	52 weeks ended 31 January 2015 £m	52 weeks ended 1 February 2014 £m
Aggregate remuneration in respect of qualifying services	2.5	4.1
	<u>2.5</u>	<u>4.1</u>

Included in emoluments for the period ended 31 January 2015 are pension contributions of £0.1m (2014: £0.1m). The value of emoluments incurred directly by the company was £2.3m (2014: £3.8m). Emoluments incurred by the group's subsidiary undertakings was £0.2m (2014: £0.3m). There are 3 directors to whom retirement benefits are accruing under a defined benefit pension scheme (2014: 3) and 5 directors to whom retirement benefits are accruing under a defined contribution scheme (2014: 5).

The aggregate remuneration of the highest paid director in respect of qualifying services was £1.3m (2014: £1.9m).

6 Other interest receivable and similar income

	52 weeks ended 31 January 2015 £m	52 weeks ended 1 February 2014 £m
Bank interest receivable	0.5	1.0
Other interest receivable	17.8	18.7
Pension scheme other finance income	3.0	-
Group interest receivable	<u>21.3</u>	<u>19.7</u>

Harrods Limited

Notes to the Financial Statements for the Period ended 31 January 2015

7 Interest payable and similar charges

	52 weeks ended 31 January 2015 £m	52 weeks ended 1 February 2014 £m
Interest on bank and other borrowings	0.4	0.5
Interest on loans from group undertakings	0.2	0.6
	0.6	1.1
	0.6	1.1

8 Taxation

Tax on profit on ordinary activities

	52 weeks ended 31 January 2015 £m	52 weeks ended 1 February 2014 £m
Current tax		
Corporation tax charge	24.9	26.5
Adjustments in respect of previous years	-	0.3
Double taxation relief	0.1	-
Group relief payable	4.4	4.3
	29.4	31.1
Deferred tax		
Origination and reversal of timing differences	(0.8)	(1.3)
Tax included in the statement of total recognised gains and losses		
Current tax relief on pension scheme	3.2	2.9
	2.4	1.6
	31.8	32.7
Total tax on profit on ordinary activities		

Harrods Limited

Notes to the Financial Statements for the Period ended 31 January 2015

Factors affecting current tax charge for the period

Tax on profit on ordinary activities for the year is lower than (2014 - lower than) the standard rate of corporation tax in the UK of 21.32% (2014 - 23.16%).

The differences are reconciled below:

	52 weeks ended 31 January 2015 £m	52 weeks ended 1 February 2014 £m
Profit on ordinary activities before taxation	146.1	140.4
Corporation tax at standard rate	31.1	32.5
Capital allowances in excess of depreciation	0.9	0.5
Income and expenses relieved on a cash basis (Income)/Expenses not taxable	(3.4) 0.8	(2.9) 0.8
Adjustment for prior periods	0.0	0.3
Total current tax	29.4	31.1

Harrods Limited

Notes to the Financial Statements for the Period ended 31 January 2015

9 Tangible fixed assets

Group

	Freehold land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Other tangibles £m	Total £m
Cost or valuation					
At 2 February 2014	43.9	121.6	208.8	13.5	387.8
Additions/Reallocations	-	12.6	21.1	14.9	48.6
Disposals	-	(1.5)	(3.9)	-	(5.4)
At 31 January 2015	<u>43.9</u>	<u>132.7</u>	<u>226.0</u>	<u>28.4</u>	<u>431.0</u>
Depreciation					
At 2 February 2014	1.7	57.3	86.8	0.6	146.4
Charge for the period	0.9	10.7	24.5	-	36.1
Eliminated on disposals	-	(1.1)	(3.3)	0.1	(4.4)
At 31 January 2015	<u>2.6</u>	<u>66.9</u>	<u>108.0</u>	<u>0.7</u>	<u>178.2</u>
Net book value					
At 31 January 2015	<u><u>41.3</u></u>	<u><u>65.8</u></u>	<u><u>118.0</u></u>	<u><u>27.7</u></u>	<u><u>252.8</u></u>
At 1 February 2014	<u><u>42.2</u></u>	<u><u>64.3</u></u>	<u><u>122.0</u></u>	<u><u>12.9</u></u>	<u><u>241.4</u></u>

Harrods Limited

Notes to the Financial Statements for the Period ended 31 January 2015

Company

	Freehold land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Other tangibles £m	Total £m
Cost or valuation					
At 2 February 2014	14.3	111.5	198.5	11.4	335.7
Additions/Reallocations	-	13.6	16.0	14.9	44.5
Disposals	-	(1.3)	(3.6)	-	(4.9)
At 31 January 2015	<u>14.3</u>	<u>123.8</u>	<u>210.9</u>	<u>26.3</u>	<u>375.3</u>
Depreciation					
At 2 February 2014	0.8	55.0	79.8	0.5	136.1
Charge for the period	0.4	9.9	22.4	-	32.7
Eliminated on disposals	-	(1.1)	(3.0)	-	(4.1)
At 31 January 2015	<u>1.2</u>	<u>63.8</u>	<u>99.2</u>	<u>0.5</u>	<u>164.7</u>
Net book value					
At 31 January 2015	<u><u>13.1</u></u>	<u><u>60.0</u></u>	<u><u>111.7</u></u>	<u><u>25.8</u></u>	<u><u>210.6</u></u>
At 1 February 2014	<u><u>13.5</u></u>	<u><u>56.5</u></u>	<u><u>118.7</u></u>	<u><u>10.9</u></u>	<u><u>199.6</u></u>

Harrods Limited

Notes to the Financial Statements for the Period ended 31 January 2015

10 Investments held as fixed assets

Company

	31 January 2015 £m	1 February 2014 £m
Shares in group undertakings and participating interests	-	11.2
Shares in group undertakings and participating interests		
		Total £m
Cost		
At 2 February 2014		11.9
At 31 January 2015		11.9
Provision for impairment		
At 2 February 2014		(0.7)
Charge for the period		(11.2)
At 31 January 2015		(11.9)
Net book value		
At 31 January 2015		-

During the year ended 31 January 2015, Featurecode 2A Holdings paid a dividend to Harrods Limited which significantly reduced its net asset value. As a result, Harrods Limited tested its investment in Featurecode 2A Holdings for impairment and recognised an impairment loss of £11.2m.

Harrods Limited

Notes to the Financial Statements for the Period ended 31 January 2015

..... continued

Shares in group undertakings:

The group has the following wholly owned (100% of equity) trading and non-trading subsidiary undertakings which are registered and operate in the United Kingdom:

Name	Country of registration	Nature of business
		Principal activity
Operating at 31 January 2015		
Harrods International Limited	England and Wales	Tax free retailer and wholesaler
Harrods (Continental) Limited	England and Wales	Exporter
Harrods Estates Limited	England and Wales	Estate agents
Harrods Watches Limited	England and Wales	Purchasing company
PL Management Limited	England and Wales	Property management
Harrods Commercial Property Limited	England and Wales	Property holding company
Harrods Estates Paris S.A.	France	Property Management

In addition to the companies shown in the above list, the company also holds investments in other subsidiary undertakings which are not material. Details of all subsidiary undertakings will be annexed to the company's next annual return in compliance with section 410 of the Companies Act 2006.

11 Stocks

	Group		Company	
	31 January 2015 £m	1 February 2014 £m	31 January 2015 £m	1 February 2014 £m
Finished goods for resale	91.5	89.6	76.1	78.3

Harrods Limited

Notes to the Financial Statements for the Period ended 31 January 2015

12 Debtors

	Group		Company	
	31 January 2015 £m	1 February 2014 £m	31 January 2015 £m	1 February 2014 £m
Trade debtors	23.9	23.1	20.0	18.7
Amounts owed by group undertakings	623.3	647.0	628.4	657.0
Other debtors	286.7	284.1	286.7	284.1
Prepayments and accrued income	12.3	11.5	11.7	10.7
	<u>946.2</u>	<u>965.7</u>	<u>946.8</u>	<u>970.5</u>

Group debtors includes £406.3m (2014: £399.7m) receivable after more than one year and parent company debtors includes £406.8m (2014: £400.2m) receivable after more than one year, analysed as follows:

	Group		Company	
	31 January 2015 £m	1 February 2014 £m	31 January 2015 £m	1 February 2014 £m
Amounts owed by group undertakings	120.7	116.6	121.2	117.1
Other debtors	285.6	283.1	285.6	283.1
	<u>406.3</u>	<u>399.7</u>	<u>406.8</u>	<u>400.2</u>

13 Creditors: Amounts falling due within one year

	Group		Company	
	31 January 2015 £m	1 February 2014 £m	31 January 2015 £m	1 February 2014 £m
Trade creditors	115.5	106.2	109.4	98.7
Amounts owed to group undertakings	75.7	125.6	84.8	136.1
Corporation tax	30.4	17.4	27.6	13.8
Other taxes and social security	5.9	5.6	5.5	5.2
Other creditors	22.8	24.0	22.6	23.7
Accruals and deferred income	58.6	64.9	55.7	61.7
	<u>308.9</u>	<u>343.7</u>	<u>305.6</u>	<u>339.2</u>

Harrods Limited

Notes to the Financial Statements for the Period ended 31 January 2015

14 Creditors: Amounts falling due after more than one year

	Group		Company	
	31 January 2015 £m	1 February 2014 £m	31 January 2015 £m	1 February 2014 £m
Other loans	1.9	3.2	1.9	3.2
Amounts owed to group undertakings	39.7	39.9	0.1	10.9
	<u>41.6</u>	<u>43.1</u>	<u>2.0</u>	<u>14.1</u>

15 Provisions

Group

	Deferred tax £m	Total £m
At 2 February 2014	2.7	2.7
Credited to the profit and loss account	(0.9)	(0.9)
At 31 January 2015	<u>1.8</u>	<u>1.8</u>

Analysis of deferred tax

	31 January 2015 £m	1 February 2014 £m
Accelerated capital allowances	2.0	2.8
Other timing differences	(0.2)	(0.1)
	<u>1.8</u>	<u>2.7</u>

Harrods Limited

Notes to the Financial Statements for the Period ended 31 January 2015

..... continued

Company

	Deferred tax £m	Total £m
At 2 February 2014	2.7	2.7
Credited to the profit and loss account	<u>(0.7)</u>	<u>(0.7)</u>
At 31 January 2015	<u>2.0</u>	<u>2.0</u>

Legislation was introduced in the Finance Act 2012 to reduce the main rate of corporation tax from 24% to 23% with effect from 1 April 2013. Further legislation was introduced in Finance Act 2013 to reduce the main rate of corporation tax by a further 2% from 23% to 21% on 1 April 2014, then to 20% on 1 April 2015. The effect of this reduction is reflected in the deferred tax asset disclosed in the accounts.

Deferred tax assets have been measured at the rates that are expected apply in the periods when the timing differences are expected to reverse, based on the tax rates and law enacted at the balance sheet date.

Harrods Limited

Notes to the Financial Statements for the Period ended 31 January 2015

16 Share capital

	31 January 2015 £m	1 February 2014 £m
Authorised:		
215m ordinary shares of 10p each	21.5	21.5
	<u>21.5</u>	<u>21.5</u>
 Allotted, called up and fully paid shares		
192m Allotted and fully paid of 0.1 each (2014: 192m)	19.2	19.2
	<u>19.2</u>	<u>19.2</u>

17 Dividends

	31 January 2015 £m	1 February 2014 £m
Dividends paid		
Current period interim dividend paid	30.0	30.0
 Dividends proposed and recognised in the accounts		
Interim dividend declared	73.0	120.0
	<u>103.0</u>	<u>150.0</u>

18 Reserves

Group

	Revaluation reserve £m	Profit and loss account £m	Total £m
At 2 February 2014	0.4	985.3	985.7
Profit for the period	-	114.5	114.5
Dividends	-	(103.0)	(103.0)
Actuarial loss on pension schemes	-	(25.2)	(25.2)
Current tax relief on pension scheme	-	5.0	5.0
	<u>0.4</u>	<u>976.6</u>	<u>977.0</u>
At 31 January 2015	<u>0.4</u>	<u>976.6</u>	<u>977.0</u>

Harrods Limited

Notes to the Financial Statements for the Period ended 31 January 2015

..... continued

Company

	Revaluation reserve £m	Profit and loss account £m	Total £m
At 2 February 2014	0.4	961.8	962.2
Profit for the period	-	108.3	108.3
Dividends	-	(103.0)	(103.0)
Actuarial loss on pension schemes	-	(24.1)	(24.1)
Current tax relief on pension scheme	-	4.8	4.8
At 31 January 2015	0.4	947.9	948.3

19 Reconciliation of movement in shareholders' funds

Group

	31 January 2015 £m	1 February 2014 £m
Profit attributable to the members of the group	114.5	107.7
Other recognised (losses) relating to the period	(20.2)	(7.5)
Dividends	(103.0)	(150.0)
Net reduction to shareholders' funds	(8.7)	(49.8)
Shareholders' funds at start of period	1,004.9	1,054.7
Shareholders' funds at end of period	996.2	1,004.9

Harrods Limited

Notes to the Financial Statements for the Period ended 31 January 2015

..... continued

Company

	31 January 2015 £m	1 February 2014 £m
Profit attributable to the members of the company	108.3	107.5
Other recognised (losses)/gains relating to the period	(19.2)	(9.5)
Dividends	<u>(103.0)</u>	<u>(150.0)</u>
Net reduction to shareholders' funds	(13.9)	(52.0)
Shareholders' funds at start of period	<u>981.4</u>	<u>1,033.4</u>
Shareholders' funds at end of period	<u><u>967.5</u></u>	<u><u>981.4</u></u>

20 Pension schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension charge for the period represents contributions payable by the group to the scheme and amounted to £4.4m (2014: £4.6m).

Contributions totalling £0.8m (2014: £0.8m) were payable to the scheme at the end of the period and are included in creditors.

Harrods Limited

Notes to the Financial Statements for the Period ended 31 January 2015

Defined benefit pension scheme

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 2012 on a Scheme Specific Funding basis was carried out by the Scheme Actuary. The deficit on this basis was £77m as at 5 April 2012, a funding level of 85%.

A revised recovery plan was subsequently agreed. In order for the Plan to be fully funded by 31 March 2017, the Trustees and Principal Employer agreed the following on 31 October 2012:

- Annual contributions totalling £15.0m per annum payable in each of 2013, 2014, 2015 and 2016 with a final payment of £4.7m in March 2017.
- Plan expenses (including any insurance premiums and PPF levies) estimated at £1.0m per annum to continue to be met by the Employers.

During the period ended 31 January 2015, the participating employers made total contributions to the plan of £15.9m (2014: £16.0m).

The next full actuarial valuation is scheduled for April 2015.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the balance sheet are as follows:

	31 January 2015 £m	1 February 2014 £m
Fair value of scheme assets	437.5	373.3
Present value of scheme liabilities	(446.8)	(370.5)
	(9.3)	2.8
Irrecoverable surplus	-	(2.8)
Defined benefit pension scheme deficit	(9.3)	-
Related deferred tax asset	1.9	0.0
Net (liability)/asset in the balance sheet	(7.4)	0.0

Scheme assets

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

Harrods Limited

Notes to the Financial Statements for the Period ended 31 January 2015

..... continued

	31 January 2015 £m	1 February 2014 £m
Fair value at start of period	373.3	364.0
Expected return on assets	19.5	16.2
Actuarial gains and losses	42.2	(8.5)
Employer contributions	12.8	12.8
Benefits paid	(11.5)	(11.2)
Transfers	1.2	-
Fair value at end of period	437.5	373.3

Pension scheme assets have been reallocated between participating employers in the group based on the latest analysis provided by the actuaries. The allocation adjustment is disclosed under the "Transfer" line in the changes of fair value of scheme assets section above.

Analysis of assets

The major categories of scheme assets are as follows:

	31 January 2015 £m	1 February 2014 £m
Equity instruments	142.6	122.4
Debt instruments	176.8	146.8
Cash	40.5	32.7
Other assets	77.6	71.5
	437.5	373.3

Actual return on scheme's assets

	52 weeks ended 31 January 2015 £m	52 weeks ended 1 February 2014 £m
Actual return on scheme assets	61.7	7.7

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.

The overall expected return on assets assumption is derived as the weighted average of the expected returns from each of the main asset classes.

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

Harrods Limited

Notes to the Financial Statements for the Period ended 31 January 2015

..... continued

	31 January 2015 £m	1 February 2014 £m
Present value at start of period	370.5	358.2
Actuarial gains and losses	70.2	7.3
Interest cost	16.5	16.2
Benefits paid	(11.5)	(11.2)
Transfers	1.1	-
Present value at end of period	<u>446.8</u>	<u>370.5</u>
Analysed as:		
Present value arising from wholly or partly funded schemes	<u>446.8</u>	<u>370.5</u>

Pension scheme liabilities have been reallocated between participating employers in the group based on the latest analysis provided by the actuaries. The allocation adjustment is disclosed under the "Transfers" line in the changes of fair value of scheme liabilities section above.

Principal actuarial assumptions

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

	31 January 2015 %	1 February 2014 %
Discount rate	3.2	4.5
Future pension increases	1.9	2.6
Inflation	2.7	3.4
Expected return on scheme assets - equity	5.1	6.6
Expected return on scheme assets - cash	1.4	3.1
Expected return on scheme assets - other	3.2	4.7

Post retirement (at age 60) mortality assumptions

	31 January 2015 Years	1 February 2014 Years
Current pensioners at retirement age - male	28.2	28.1
Current pensioners at retirement age - female	30.5	30.4
Future pensioners at retirement age - male	30.7	30.5
Future pensioners at retirement age - female	33.0	32.8

Harrods Limited

Notes to the Financial Statements for the Period ended 31 January 2015

..... continued

Amounts recognised in the profit and loss account

	52 weeks ended 31 January 2015 £m	52 weeks ended 1 February 2014 £m
Amounts recognised in operating profit		
Recognised in arriving at operating profit	-	-
Amounts recognised in other finance (income)/cost		
Interest cost	16.5	16.2
Expected return on scheme assets	(19.5)	(16.2)
Recognised in other finance cost	(3.0)	-
Total recognised in the profit and loss account	(3.0)	-

Harrods Limited

Notes to the Financial Statements for the Period ended 31 January 2015

Amounts recognised in the statement of total recognised gains and losses

	31 January 2015 £m	1 February 2014 £m
Actual return less expected return on scheme assets	42.2	(8.6)
Impact of irrecoverable surplus	2.8	3.0
Changes in assumptions	(70.2)	(7.2)
Actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses	(25.2)	(12.8)

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains/(losses) since 1 January 2002 is (£107.3m) (2014: (£82.2m)).

History of experience adjustments on scheme assets and liabilities

Amounts for the current and previous 4 periods are as follows:

	31 January 2015 £m	1 February 2014 £m	2 February 2013 £m	28 January 2012 £m	29 January 2011 £m
Fair value of scheme assets	437.5	373.3	364.0	340.5	304.5
Present value of scheme liabilities	(446.8)	(370.5)	(358.2)	(338.3)	(300.4)
(Deficit)/surplus in scheme	(9.3)	2.8	5.8	2.2	4.1

Experience adjustments:

	31 January 2015 £m	1 February 2014 £m	2 February 2013 £m	28 January 2012 £m	29 January 2011 £m
Experience adjustments arising on scheme assets	42.2	(8.6)	6.9	2.8	7.2

Harrods Limited

Notes to the Financial Statements for the Period ended 31 January 2015

21 Contingent liabilities

The group participated in derivative financial instruments during the period to manage its foreign exchange exposure to the Euro, US dollar and Japanese Yen. Through its hedging activities the group seeks to minimise the risk that eventual cash flows required to settle related liabilities will be affected by changes in exchange rates. The exposure on outstanding forward foreign exchange contracts at the period end was £31.4m (2014: £46.5m) and their fair value was -£0.6m (2014: -£0.8m) based on exchange rates prevailing at the period end.

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 31 January 2015 or 1 February 2014.

22 Commitments

Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £7.1m (2014: £15.9m).

Other Commitments

At 31 January 2015 the company had commitments under concession agreements with the Heathrow Airport Limited and Gatwick Airport Limited which were contracted for but not provided for in these financial statements of £7.4m as at the period end (2014: £7.4m).

Harrods Limited

Notes to the Financial Statements for the Period ended 31 January 2015

..... continued

Operating lease commitments

Group

As at 31 January 2015 the group had annual commitments under non-cancellable operating leases as follows:
Operating leases which expire:

	31 January 2015 £m	1 February 2014 £m
Land and buildings		
Over five years	48.6	47.3
Other		
Within one year	0.0	-
Within two and five years	0.5	0.6
Over five years	0.0	0.0
	0.5	0.6

The land and building lease expiring over five years is with a related party (note 23).

23 Related party transactions

Harrods Limited is a wholly owned subsidiary of Harrods Group (Holding) Limited, and as permitted by Financial Reporting Standard No 8 "Related party disclosures" has not disclosed transactions with group undertakings.

The group has a subordinated loan to Harrods Property Limited, a company under common ownership, amounting to £285.6m (2014: £283.1m). The loan is non-interest bearing and is repayable on demand by the lender. The maximum receivable during the period was £285.6m (2014: £286.5m).

Harrods Limited is the tenant under a lease with Harrods Property Limited which is for a term of 35 years from December 2006. This lease covers the Harrods store in Knightsbridge and a number of ancillary Harrods properties used for trading operations. During the period the company was charged rent of £47.5m (2014: £46.2m) by Harrods Property Limited. At the period end, the balance of prepaid rent was £3.9m (2014: £3.8m).

There are no other material related party transactions.

Harrods Limited

Notes to the Financial Statements for the Period ended 31 January 2015

24 Ultimate parent undertaking

The group's immediate parent undertaking is Harrods (UK) Limited. The ultimate UK parent undertaking of Harrods (UK) Limited is Harrods Group (Holding) Limited which is the largest group which consolidates the results of the company. The Harrods Group (Holding) Limited financial statements will be filed with the Registrar of Companies in due course.

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.