

Registration number: 5985365

Harrods Property Limited

Annual Report and Financial Statements

for the period ended 28 January 2017



Harrods Property Limited

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Harrods Property Limited
Strategic Report
for the period ended 28 January 2017

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

Principal activity

The principal activity of the company for most of the period was the ownership and management of property and buildings. During the period, Harrods Property Limited sold all its property and buildings to Harrods Limited. As at 28 January 2017, the company's main assets are intercompany loans receivable.

Review of the business

During the period, Harrods Property Limited sold all its fixed assets to Harrods Limited for consideration of £1,252m, by way of an inter-company loan. Up to that point, the company had received rental income of £26.7m (2016: £48.4m).

Principal risks and uncertainties

Business risk

Following the sale of its freehold properties and the termination of the associated leases, there is no Business risk apart from the credit risk outlined below.

Credit risk

The company has a significant loan to a group company. The loan to QH Partners Limited is ultimately considered recoverable against other assets and investments directly or indirectly supporting the nominal value of this loan. The company has another loan to its parent, Harrods Limited, which is also considered recoverable against the parent's significant assets.

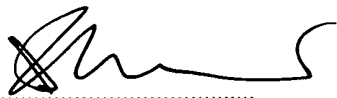
Interest rate risk

The company has repaid all loans owed to other group undertakings in the period and therefore no longer bears any interest rate risk.

Liquidity risk

The company has no cash outgoings. Therefore, there is deemed to be no liquidity risk.

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



.....
D J Webster
Company secretary

Harrods Property Limited
Directors' Report
for the period ended 28 January 2017

The directors present their Annual Report and Financial Statements for the period ended 28 January 2017.

Results and dividends

The profit for the period, after taxation, amounted to £306.1m (2016: £27.3m).

Turnover for the period of £26.7m (2016: £48.4m) has decreased from the prior period due to the transfer of the properties to Harrods Limited during the period, and the termination of the associated leases.

The directors did not pay a dividend in the period (2016: £nil)

Directors of the company

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

M A Ward

J P Edgar

No director has had a material interest, directly or indirectly, at any time during the period in any contract significant to the company.

Going concern

The company has a surplus of shareholders funds at 28 January 2017. The directors consider it appropriate for these financial statements to be prepared on a going concern basis. The company has sufficient cash reserves to meet any administrative expenses.

KPIs

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

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

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

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



.....
D J Webster
Company secretary

Harrods Property Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and 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 Property Limited

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

We have audited the financial statements of Harrods Property Limited for the year ended 28 January 2017, which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, Statement of Changes in Equity and the related notes, set out on pages 6 to 19. 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 FRS 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 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 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 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 company's affairs as at 28 January 2017 and of its 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.

Harrods Property Limited

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

Opinion on other matters prescribed by the Companies Act 2006

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

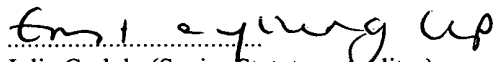
- the information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

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.


.....
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 Property Limited
Profit and Loss Account
for the Period Ended 28 January 2017

	Note	52 weeks ended 28 January 2017 £ 000	52 weeks ended 30 January 2016 £ 000
Turnover	3	26,730	48,407
Administrative expenses		(1,563)	(2,919)
Profit on sale of fixed assets	5	<u>227,557</u>	<u>-</u>
Operating profit	4	252,724	45,488
Other interest receivable and similar income	6	34,441	-
Interest payable and similar charges	7	<u>(18,498)</u>	<u>(9,970)</u>
Profit before tax		268,667	35,518
Taxation	9	<u>37,460</u>	<u>(8,179)</u>
Profit for the financial period		<u>306,127</u>	<u>27,339</u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the period other than the results above.

Harrods Property Limited

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

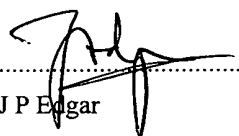
	2017	2016
	£ 000	£ 000
Profit for the period	306,127	27,339
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u>306,127</u>	<u>27,339</u>

The notes on pages 10 to 19 form an integral part of these financial statements.

Harrods Property Limited
(Registration number: 5985365)
Balance Sheet
as at 28 January 2017

	Note	2017 £ 000	2016 £ 000
Fixed assets			
Tangible assets	10	-	1,035,385
Current assets			
Debtors: due after more than one year	11	205,133	-
Debtors due within one year	11	298,243	265,464
Cash at bank and in hand		221	324
		<u>503,597</u>	<u>265,788</u>
Creditors: Amounts falling due within one year	12	<u>(3,237)</u>	<u>(270,992)</u>
Net current assets/(liabilities)		<u>500,360</u>	<u>(5,204)</u>
Total assets less current liabilities		500,360	1,030,181
Creditors: Amounts falling due after more than one year	12	-	(835,630)
Provisions for liabilities	9	<u>-</u>	<u>(318)</u>
Net assets		<u>500,360</u>	<u>194,233</u>
Capital and reserves			
Called up share capital	13	100	100
Profit and loss account		<u>500,260</u>	<u>194,133</u>
Total equity		<u>500,360</u>	<u>194,233</u>

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



 J P Edgar
 Director

Harrods Property Limited

Statement of Changes in Equity for the Period Ended 28 January 2017

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 February 2015	100	166,794	166,894
Profit for the period	-	27,339	27,339
Total comprehensive income	-	27,339	27,339
At 30 January 2016	100	194,133	194,233

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 31 January 2016	100	194,133	194,233
Profit for the period	-	306,127	306,127
Total comprehensive income	-	306,127	306,127
At 28 January 2017	100	500,260	500,360

The notes on pages 10 to 19 form an integral part of these financial statements.

Harrods Property Limited

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

1 General information

The company is a private company limited by share capital incorporated in England and Wales.

The address of its registered office is:

87-135 Brompton Road

Knightsbridge

London

SW1X 7XL

England and Wales

2 Accounting policies

Basis of preparation of financial statements

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 judgment 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 Financial Statements of the company.

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);
- the requirements of Section 33 Related Party Disclosures.

This information is included in the consolidated financial statements of Harrods Limited as at 28 January 2017 and these financial statements may be obtained from the Registrar of Companies.

Turnover

Turnover is rental income from Harrods Limited and is accounted for on an accruals basis.

Tangible fixed assets and depreciation

Freehold properties are stated at fair value less accumulated depreciation. Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Harrods Property Limited

Notes to the Financial Statements for the Period Ended 28 January 2017 (continued)

2 Accounting policies (continued)

Asset class	Depreciation method and rate
Land	Not depreciated
Plant and fittings	3-20 years
Freehold property	10-50 years

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.

Operating leases

Where the company retains subsequently all the risk and rewards of ownership of the asset subject to the lease, the asset is shown within tangible fixed assets. Rental income from these operating leases is recognised on a systematic basis over the period of the lease.

Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and group undertakings, derivative instruments and investments in non puttable ordinary shares.

Deferred tax

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.

Harrods Property Limited

Notes to the Financial Statements for the Period Ended 28 January 2017 (continued)

3 Turnover

The turnover is attributable to:

	52 weeks ended 28 January 2017 £ 000	52 weeks ended 30 January 2016 £ 000
Rents receivable from group companies	<u>26,730</u>	<u>48,407</u>

All turnover arose within the United Kingdom.

4 Operating profit

The operating profit is stated after charging:

	52 weeks ended 28 January 2017 £ 000	52 weeks ended 30 January 2016 £ 000
Depreciation of tangible fixed assets	1,484	2,742
Audit Fee	<u>24</u>	<u>23</u>

5 Profit on sale of fixed assets

	52 weeks ended 28 January 2017 £ 000	52 weeks ended 30 January 2016 £ 000
Profit on sale of fixed assets	<u>227,557</u>	<u>-</u>

During the period, the company transferred all of its assets to Harrods Limited, for a consideration of £1.252m, resulting in a profit on sale of fixed assets of £227.6m.

6 Other interest receivable and similar income

	52 weeks ended 28 January 2017 £ 000	52 weeks ended 30 January 2016 £ 000
Interest receivable on loans to group undertakings	<u>34,441</u>	<u>-</u>

Harrods Property Limited

Notes to the Financial Statements for the Period Ended 28 January 2017 (continued)

7 Interest payable and similar charges

	52 weeks ended 28 January 2017 £ 000	52 weeks ended 30 January 2016 £ 000
Interest payable on loans from group undertakings	18,498	13,725
Interest payable on bank loan	-	3,713
Amortisation of issue costs	-	458
Finance income on swaps	-	(7,926)
	18,498	9,970

In the prior year, Finance income on swaps included a decrease in the mark to market value of its SWAP liabilities from the beginning of the year up to the date the company discharged those liabilities in April 2015.

8 Directors and Employees

Key management personnel are the personnel who have authority and responsibility for planning, directing and controlling the activities of the company, and are considered to be the directors of the company. Remuneration for the directors of the company is paid for by another group company. It is not practical to determine the proportion of their emoluments which relate to their services as directors of this company.

The company did not employ any persons or incur any staff costs during the period (2016: £nil).

9 Taxation

Tax charged/(credited) in the income statement

	52 weeks ended 28 January 2017 £ 000	52 weeks ended 30 January 2016 £ 000
Current taxation		
Group relief (receivable)/payable for the period	(32,778)	1,316
Adjustment in respect of prior periods	(2)	-
	(32,780)	1,316

Harrods Property Limited

Notes to the Financial Statements for the Period Ended 28 January 2017 (continued)

9 Taxation (continued)

	52 weeks ended 28 January 2017 £ 000	52 weeks ended 30 January 2016 £ 000
Deferred taxation		
Origination and reversal of timing differences	(13,181)	6,863
Effect of changes in tax rates	4,712	-
Adjustment in respect of prior periods	3,789	-
	(4,680)	6,863
Total deferred taxation	(4,680)	6,863
Total tax (credit)/charge for the period	(37,460)	8,179

The tax on profit before tax for the period is lower 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:

	2017 £ 000	2016 £ 000
Profit before tax	268,667	35,518
Corporation tax at standard rate	53,733	7,160
Effects of:		
Impact of tax rate changes	4,712	1,902
Income/Expenses not deductible for tax purposes	(49,371)	336
Adjustments in respect of prior periods	3,788	(3)
Investment property revaluation	(50,322)	-
Origination and reversal of investment property timing differences	-	(1,216)
Total tax (credit)/charge	(37,460)	8,179

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% from 1 April 2017. The Finance Act 2016 further reduces the corporation tax rate to 17% from 1 April 2020 (previously 18%).

Harrods Property Limited

Notes to the Financial Statements for the Period Ended 28 January 2017 (continued)

9 Taxation (continued)

Deferred tax is provided as follows:

	28 January 2017 £ 000	30 January 2016 £ 000
Capital allowances	-	79
Derivative instruments (terminated swaps)	4,362	44,909
Investment property revaluation	-	(45,306)
Deferred tax asset/(liability)	<u>4,362</u>	<u>(318)</u>

	28 January 2017 £ 000
Provision at start of period	(318)
Adjustment in respect of prior periods	(3,789)
Deferred tax charge to income statement for the period	<u>8,469</u>
Deferred tax asset provision at end of period	<u><u>4,362</u></u>

During the period ended 28 January 2017, all of the company's fixed assets were transferred to Harrods Limited, resulting in the reversal of all deferred tax liabilities on these assets. Also in the year, the company's deferred tax asset on its prior year SWAP losses was utilised in the year, therefore leaving a nil deferred tax balance at the period end.

Harrods Property Limited

Notes to the Financial Statements for the Period Ended 28 January 2017 (continued)

10 Tangible assets

	Land and buildings £ 000	Fixtures, fittings and other fixed assets £ 000	Plant and machinery £ 000	Total £ 000
Cost				
At 31 January 2016	1,023,600	1,515	37,354	1,062,469
Disposals	<u>(1,023,600)</u>	<u>(1,515)</u>	<u>(37,354)</u>	<u>(1,062,469)</u>
At 28 January 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Depreciation				
At 31 January 2016	15,264	1,515	10,305	27,084
Charge for the year	1,078	-	406	1,484
Eliminated on disposal	<u>(16,342)</u>	<u>(1,515)</u>	<u>(10,711)</u>	<u>(28,568)</u>
At 28 January 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amount				
At 28 January 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 January 2016	<u>1,008,336</u>	<u>-</u>	<u>27,049</u>	<u>1,035,385</u>

Included within the net book value of land and buildings above is £Nil (2016: £1,008k) in respect of freehold land and buildings.

During the period, Harrods Property Limited transferred all its tangible assets to Harrods Limited.

All of the company's tangible assets were held for use in operating leases, which have now ceased, due to the transfer of the properties to Harrods Limited. During the period rental income of £26.7m (2016: £48.4m) has been recognised in respect of these operating leases.

Harrods Property Limited

Notes to the Financial Statements for the Period Ended 28 January 2017 (continued)

11 Debtors

	Note	28 January 2017 £ 000	30 January 2016 £ 000
Debtors: due within one year			
Amounts owed by group undertakings		265,463	265,462
Other debtors		2	2
Group Relief receivable	9	<u>32,778</u>	<u>-</u>
Total current trade and other debtors		<u>298,243</u>	<u>265,464</u>
		28 January 2017 £ 000	30 January 2016 £ 000
Debtors due after more than one year			
Amounts owed by group undertakings		200,771	-
Deferred tax asset		<u>4,362</u>	<u>-</u>
		<u>205,133</u>	<u>-</u>

In the period, the fixed assets of Harrods Property Limited were sold to its parent, Harrods Limited, part of the consideration resulted in the above loan receivable due after more than one year.

Interest accrued at 7.5% on the new loan of £34.4m was also added to the loan, leaving a balance at 28 January 2017 of £200.8m due to the company (2016: £nil).

12 Creditors

		28 January 2017 £ 000	30 January 2016 £ 000
Due within one year			
Amounts due to related parties		3,192	263,245
Accrued expenses		45	23
Corporation tax		-	3,975
Deferred income		<u>-</u>	<u>3,749</u>
		<u>3,237</u>	<u>270,992</u>
Due after one year			
Loans and borrowings		<u>-</u>	<u>835,630</u>

Harrods Property Limited

Notes to the Financial Statements for the Period Ended 28 January 2017 (continued)

12 Creditors (continued)

In the prior period, amounts due to group undertakings included a loan from Harrods Limited of £263.2m. In the period, the assets of Harrods Property Limited were sold to its parent, Harrods Limited, part of the consideration was the offset of the above loan.

On 30 April 2015, the company was granted a loan of £835.6m by Harrods Holdings Limited. During the course of the period ending 28 January 2017, and as part of the group's corporate loan rationalisation program, the loan was contributed to Harrods Limited. As at 28 January 2017, the loan amount was £nil (2016: £835.6m).

13 Share capital

Allotted, called up and fully paid shares

	2017		2016	
	No. 000	£ 000	No. 000	£ 000
Allotted, called up and fully paid of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

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

Dividends are paid at the discretion of the Directors.

14 Capital commitments

The company had no capital commitments at 28 January 2017 or 30 January 2016.

15 Contingent liabilities

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

16 Related party transactions

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

There are no other related party transactions.

Harrods Property Limited

Notes to the Financial Statements for the Period Ended 28 January 2017 (continued)

17 Parent and ultimate parent undertaking

The company's immediate parent undertaking is Harrods Limited, a company registered in England and Wales. The ultimate UK parent undertaking of Harrods Limited is Harrods Group (Holding) Limited. The largest group of undertakings for which group accounts have been drawn up is that headed by Harrods Group (Holding) Limited. The smallest such group of undertakings for which group accounts have been drawn up is headed by Harrods Limited.

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.