Harvey Nichols and Company Limited

Annual report and financial statements

1 April 2017

Registered number 1774537

Contents

Strategic report

The Directors present their Strategic report for Harvey Nichols and Company Limited ("the Company") for the 52 week period ended 1 April 2017.

Review of the business

The Company's principal activity during the period continued to be the operation of the Harvey Nichols store in Knightsbridge, which includes the following categories of merchandise:

- Designer Branded Fashion (Womenswear, Menswear and Childrenswear)
- Fashion Accessories and Shoes
- Beauty
- Food, Beverages and Hospitality

The Company also maintains the Head Office function which supports the entire Broad Gain Group of companies.

The key financial and other performance indicators during the period were as follows:

	52 weeks ended 1 April 2017 £000	53 weeks ended 2 April 2016 £000	Change
Turnover	**79,480**	84,920	(6.4%)
Gross margin	**56.8%**	62.8%	(6.0%)
Operating profit before separately disclosed items	**2,316**	7,855	(70.5%)
Separately disclosed items	**(2,666)**	(1,000)	166.6%
Depreciation and amortisation	**6,468**	3,828	69.0%
Earnings before interest, tax, depreciation and amortisation	**6,118**	10,683	(42.7%)
(Loss)/ profit after tax	**(432)**	5,630	(107.7%)
Capital investment	**12,094**	20,765	(41.8%)

Company turnover decreased by 6.4% during the 52 week period compared to a 53 week period last year. Like for like turnover for a 52 week period for 2016 was £83,317,000 (4.6% decrease in the current period). This decline in turnover is largely due to the disruption of trading arising from the refurbishment of the Knightsbridge store.

The Company achieved a gross margin of 56.8% during the period (2016: 62.8%), impacted by an unfavourable exchange rate movement following Brexit.

The Company's operating profit after separately disclosed items was down 105.1% during the period. This was due to the turnover decline arising from the disruption due to the refurbishment of the Knightsbridge store. Separately disclosed items comprise charitable donations.

During the period, the Company incurred capital expenditure of £12,094,000 (2016: £20,765,000), including expenditure for the ground floor refurbishment, which included the new Beauty Lounge which opened in July 2016, and the new Accessories and Jewellery area that opened in November 2016.

Strategic report (continued)

Principal business risks

The Company faces the same principal business risks as all members of the Broad Gain Group of companies ("the Group") and hence these risks are managed on a Group basis. The Board recognises that there are a number of risks and uncertainties that the Group faces. The principal risks are set out below:

Brand and reputational risk

Given the strength of our brand and reputation, one of the principal risks facing the business is the risk that our brand may be damaged by our actions or the actions of our business partners. The Board is therefore committed to ensuring that for each business decision being taken, due consideration is given to the impact that such decision may have on our brand.

Economic risk

The Group recognises that external events may occur which affect the economic environment in which we operate and hence affect our customers and suppliers. The business is managed by an experienced management team who have a close involvement in the day to day running of the business, which ensures that we are prepared for, and can react quickly by adapting our business, to changes in the economic environment.

On 23 June 2016, the UK electorate voted to discontinue its membership of the EU. The UK Government further triggered Article 50 on 29 March 2017 to start the formal process of leaving the EU.

While there will be commercial, operational and legal impacts from the UK's eventual exit from the EU, with the UK Government setting out its intention to leave the Single Market, uncertainties remain and make it difficult to forecast future years. Until further clarity is available with regards to the terms of the UK exit, it is too early for the Directors to conclude their assessment of the impact on the Company's trade and customers, regulatory requirements and legal consequences of such event.

Competitor activity

The Group is facing increased competition from retailers that operate exclusively on-line. To respond to this risk, the Group maintains a high level of market awareness and understanding of both consumer trends as well as digital technological developments to ensure that we continue to respond to the needs of our customers. Furthermore, the maintenance of the highest service standards in all of our retail and hospitality businesses remains a key operational priority.

Key employee retention

The Group's performance is dependent on the effective performance of its employees and, in particular, the leadership of the Management Board. Employee retention is of utmost importance alongside stability of the senior team, which is achieved through rigorous review of effective performance annually and performance-related rewards.

Disruption to technology and information systems

The Group is dependent on its IT infrastructure to ensure that it can continue to service customers in its stores, restaurants and website and also for the Group's Head Office to fully function. The business has a disaster recovery plan to minimise the risk of damage or interruption to information systems.

Strategic report (continued)

Principal business risks (continued)

Financial risks

The Group has exposure to credit, currency and interest rate risks.

The Group's exposure to credit risk is not considered to be material due to the nature of retail transactions being settled at the time of the transaction.

The Company's interest rate risk is due to acting as a Guarantor for the bank loan in Broad Gain (UK) Limited.

In relation to its currency risk, the Group is exposed to both translation and transactional risks resulting from movements in the Sterling: Euro exchange rate and transactional risks resulting from movements in the Sterling: US Dollar exchange rate.

These risks are derived from a significant amount of inventory purchases being denominated in Euros and US Dollars. Transactional currency risk is managed by continually monitoring the fluctuations in the exchange rates of the US Dollar and Euro with Sterling and, based on an assessment of the forecast rates, the Group may, from time to time, enter into forward currency contracts to hedge future inventory purchases.

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding a loss of £0.4m (2016: £5.6m profit) for the period ended 1 April 2017.

The Directors believe the going concern basis is appropriate on the basis that the Company is in a net asset position (as at 1 April 2017 the Company had net assets of £70.8m (2016: £72.3m)). The Directors consider funds available to be sufficient for at least 12 months after the date of approval of these financial statements. Based on forecasts prepared for the period to November 2018, resources available should enable the Company to meet its liabilities as they fall due for payment and continue to operate for the foreseeable future. Based on this assertion, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

By order of the Board

Manju Malhotra
Director

13 November 2017

Registered Office
361-365 Chiswick High Road
London
W4 4HS

Directors' report

The Directors present their report for the Company for the 52 week period ended 1 April 2017.

Directors

The persons who served as directors during the period were:

Sir Dickson Poon, Chairman

Stacey Cartwright

Manju Malhotra

Barry Tallintire

Daniela Rinaldi

Pearson Poon (appointed 30 May 2017)

Dividends

The Directors did not recommend the payment of a dividend in respect of the period ended 1 April 2017 (2016: interim dividend of 20.00 pence per share, final dividend of £nil).

Political and charitable donations

During the period, the Group made charitable donations of £2,666,000, of which £1,000,000 was towards King's College London, as a contribution to the construction of a School of Law at the College (2016: £1,000,000). A donation of £1,666,000 was made to the Mayo Clinic. Neither the Company nor any of its subsidiaries made any political donations during the period (2016: £nil).

Future prospects

The business environment continues to be challenging but the Directors remain confident that the Board's strategy is able to respond to the changing economic conditions and that the Company performance will improve going forward, particularly given that no major store refurbishment is planned for 2017/18.

Financial risks and Financial Instruments

Please refer to the Strategic report on page 3.

Directors' report (continued)

Employment policy

It is the Company's normal policy to keep its employees informed of the progress of the business and of matters affecting their interests through normal management channels. Due consideration is given to employees' interests in making management decisions. The involvement of employees in the Company's performance is encouraged through participation in the performance related incentive schemes.

The Company is committed to ensuring that all employees receive fair and equal treatment irrespective of gender, ethnic origin, age, sexuality, disability or religion.

It is the Company's policy to give fair consideration to applications for employment by disabled people and to continue the employment and training of employees that may become disabled, to provide an opportunity for them to remain within the Company.

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor is deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board

Manju Malhotra
Director

13 November 2017

Registered Office
361-365 Chiswick High Road
London
W4 4HS

Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 then apply them consistently;
- make judgements and 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Harvey Nichols and Company Limited

We have audited the financial statements of Harvey Nichols and Company Limited for the period ended 1 April 2017 set out on pages 8 to 30. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 Directors' Responsibilities Statement set out on page 6, 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 1 April 2017 and of its loss for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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.

Aimie Keki

Aimie Keki (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL

14 November 2017

Profit and Loss Account

for the period ended 1 April 2017

	Note	52 weeks ended 1 April 2017 Total £000	53 weeks ended 2 April 2016 Total £000
Turnover	2	**79,480**	84,920
Cost of sales		**(34,375)**	(31,586)
Gross profit		**45,105**	53,334
Selling and distribution costs		**(31,846)**	(33,404)
Administrative expenses		**(13,609)**	(13,075)
Operating (loss)/ profit		**(350)**	6,855
Operating profit before separately disclosed items		**2,316**	7,855
Separately disclosed items	4	**(2,666)**	(1,000)
Operating (loss)/ profit		(350)	**6,855**
Interest receivable and similar income	7	**2,443**	2,014
Interest payable and similar expenses	8	**(2,072)**	(1,956)
Profit before tax	3	**21**	6,913
Tax on profit	9	**(453)**	(1,283)
(Loss)/ profit for the period		**(432)**	5,630

The results for the current and preceding periods arise from continuing business activities.

The accompanying notes on pages 12 to 30 form an integral part of the financial statements.

Other Comprehensive Income

for the period ended 1 April 2017

	Note	**52 weeks ended 1 April 2017 £000**	**53 weeks ended 2 April 2016 £000**
(Loss)/ profit for the period		**(432)**	5,630
Other comprehensive expense:			
Remeasurements of the net defined benefit liability	*22*	**(1,050)**	(2,692)
Income tax on other comprehensive expense	*17*	**46**	275
Other comprehensive expense for the period, net of income tax		**(1,004)**	(2,417)
Total comprehensive (expense)/income for the period		**(1,436)**	3,213

The accompanying notes on pages 12 to 30 form an integral part of the financial statements.

Balance Sheet

as at 1 April 2017

	Note	1 April 2017 £000	1 April 2017 £000	2 April 2016 £000	2 April 2016 £000
Fixed assets					
Intangible assets	11	**5,305**		6,055	
Tangible assets	12	**37,090**		31,173	
Other non-current assets					
Net deferred tax asset	17	**1,829**		1,534	
			44,224		38,762
Current assets					
Stocks	13	**15,036**		15,814	
Debtors: including £121,285,000 (2016: £128,027,000) due after more than one year	14	**131,412**		135,750	
Tax receivable		**1,037**		1,795	
		147,485		153,359	
Creditors: amounts falling due within one year	15	**(20,929)**		(24,454)	
Net current assets			**126,556**		128,905
Total assets less current liabilities			**170,780**		167,667
Creditors: amounts falling due after more than one year	16		**(84,886)**		(81,253)
Provisions for liabilities					
Other provisions	18		**(617)**		(790)
Pensions and similar obligations	22		**(14,403)**		(13,314)
Net assets			**70,874**		72,310
Capital and reserves					
Called up share capital	19		**11,000**		11,000
Profit and loss account			**59,874**		61,310
Shareholder's funds			**70,874**		72,310

The accompanying notes on pages 12 to 30 form an integral part of the financial statements.

These financial statements were approved by the Board of Directors on 13 November 2017 and were signed on its behalf by:

Manju Malhotra
Director
Registered Company number: 1774537

Statement of Changes in Equity

for the period ended 1 April 2017

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 28 March 2015	11,000	60,297	71,297
Total comprehensive income for the period			
Profit for the period	-	5,630	5,630
Other comprehensive loss for the period	-	(2,417)	(2,417)
Total comprehensive income for the period	-	3,213	3,213
Dividends	-	(2,200)	(2,200)
Balance at 2 April 2016	**11,000**	**61,310**	**72,310**
Total comprehensive income for the period			
Loss for the period	-	(432)	(432)
Other comprehensive loss for the period	-	(1,004)	(1,004)
Total comprehensive loss for the period	-	(1,436)	(1,436)
Balance at 1 April 2017	**11,000**	**59,874**	**70,874**

The accompanying notes on pages 12 to 30 form an integral part of the financial statements.

Notes

1. Accounting policies

General information

Harvey Nichols and Company Limited (the "Company") is a private company limited by shares, incorporated, domiciled and registered in England in the UK.

The registered number is 1774537 and the registered address is 361-365 Chiswick High Road, London, W4 4HS.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000. The accounts are prepared for the period ending on the Saturday nearest to 31 March each year. The financial statements are prepared on the historical cost basis.

Exemptions for qualifying entities under FRS 102

The Company's ultimate parent undertaking, Broad Gain (UK) Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Broad Gain (UK) Limited are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Broad Gain (UK) Limited include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding a loss of £0.4m (2016: £5.6m profit) for the period ended 1 April 2017.

The Directors believe the going concern basis is appropriate on the basis that the Company is in a net asset position (as at 1 April 2017 the Company had net assets of £70.8m (2016: £72.3m)). The Directors consider funds available to be sufficient for at least 12 months after the date of approval of these financial statements. Based on forecasts prepared for the period to November 2018, resources available should enable the Company to meet its liabilities as they fall due for payment and continue to operate for the foreseeable future. Based on this assertion, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Notes (continued)

1. Accounting policies (continued)

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and other short-term deposits held by the Group with maturities of less than three months. Bank overdrafts are presented within current liabilities.

Intangible assets

Purchased intangible assets relating to trademarks and certain other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

patents and trademarks	-	over 10 years straight line
computer software	-	over 3 years straight line

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

Tangible fixed assets

Tangible fixed assets are stated at cost, less accumulated depreciation and accumulated impairment losses. The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account over the estimated useful economic lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

land and buildings	-	over 35 years straight line
plant and machinery	-	10% per annum straight line
fixtures and fittings	-	16.6% per annum straight line
computer equipment	-	25% to 33% per annum straight line
motor vehicles	-	25% per annum reducing balance

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Notes (continued)

1. Accounting policies (continued)

Tangible fixed assets (continued)

Tangible fixed assets include amounts in respect of interest paid, gross of taxation, on funds specifically related to the financing of assets in the course of construction. Land is not depreciated.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories, conversion costs and other costs in bringing them to their existing location and condition. The Directors have used their knowledge and experience of the fashion industry in determining the level and rates of provisioning required to calculate the appropriate stock carrying values.

Impairment of financial assets

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

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

Employee benefits

Defined contribution schemes

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense/ income on the net defined benefit liability/ asset for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability/ asset taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed every 3 years by a qualified actuary using the projected unit credit method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Re-measurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

Notes (continued)

1. Accounting policies (continued)

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Turnover

Turnover represents the amounts (excluding VAT) derived from the provision of goods and services and income from concessions within the store. Turnover also includes royalty income derived from the overseas licensees and other sundry income.

Revenue is recognised when the significant risks and rewards of the ownership of the goods or services have been passed to the buyer, it is probable that the economic benefit will flow to the Company and the amount of revenue can be measured reliably.

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. Revenue in respect of concession sales is stated at the value of the margin that the group received on the transaction.

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.

Expenses

Operating lease rentals

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

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable on group undertakings and on the pension scheme with these recognised in the profit and loss account.

Other interest receivable and similar income include interest receivable on funds invested in bank accounts and from group undertakings.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Notes (continued)

1. Accounting policies (continued)

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

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

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Key sources of estimation uncertainty

The key areas of estimation uncertainty in relation to the carrying amounts in the Company's balance sheet relate to accounting assumptions used for the defined benefit scheme and the impairment review of property, plant and equipment. Details of the key assumptions are disclosed in notes 22 and 12 respectively.

Notes (continued)

2. Turnover

Turnover excludes the non-commission element of sales made by concession outlets.

	52 weeks ended 1 April 2017 £000	53 weeks ended 2 April 2016 £000
Turnover including concession sales (excluding VAT)	**102,014**	106,049
Concession sales excluding commission	**(30,858)**	(33,894)
Other income	**8,324**	12,765
Total turnover	**79,480**	84,920

3. Profit on ordinary activities before taxation

	52 weeks ended 1 April 2017 £000	53 weeks ended 2 April 2016 £000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Auditor's emoluments for audit services	**46**	46
Loss on disposal of tangible fixed assets	**459**	942
Management charges	**(14,916)**	(12,003)
Charitable donations (see note 4)	**2,666**	1,000

4. Separately disclosed items

	52 weeks ended 1 April 2017 £000	53 weeks ended 2 April 2016 £000
Charitable donations	**2,666**	1,000

Notes (continued)

5. Directors' emoluments

The emoluments of the Directors were as follows:

	52 weeks ended 1 April 2017 £000	53 weeks ended 2 April 2016 £000
Director's emoluments:		
As executives	**512**	453
Employer's contributions to pension scheme	**3**	39
	515	492

Emoluments in respect of the highest paid Director were £444,000 (2016: £439,000).

6. Staff costs and numbers

	52 weeks ended 1 April 2017 £000	53 weeks ended 2 April 2016 £000
The aggregate payroll costs including Directors were as follows:		
Wages and salaries	**22,082**	22,012
Social security costs	**2,294**	2,129
Other pension costs	**1,025**	1,360
	25,401	25,501

The average number of persons, calculated on a full time equivalent basis, employed by the Company (including Directors) during the period, analysed by category, was as follows:

	Number	Number
Administration	**115**	105
Retail and restaurant operations	**580**	599
	695	704

Note 22 includes additional information about the pension arrangements of the Company.

Notes (continued)

7. Interest receivable and similar income

	52 weeks ended 1 April 2017 £000	53 weeks ended 2 April 2016 £000
Interest receivable on bank accounts	4	1
Interest receivable from group undertakings	2,439	2,013
	2,443	2,014

8. Interest payable and similar expenses

	52 weeks ended 1 April 2017 £000	53 weeks ended 2 April 2016 £000
Interest payable to group undertakings	1,627	1,601
Net interest on pension scheme (see note 22)	445	355
	2,072	1,956

9. Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	52 weeks ended 1 April 2017 £000	52 weeks ended 1 April 2017 £000	53 weeks ended 2 April 2016 £000	53 weeks ended 2 April 2016 £000
Current tax				
Current tax on profit for the period	281		773	
Adjustments to tax charge in respect of prior periods	421		29	
Total current tax		702		802
Deferred tax				
Origination and reversal of temporary differences	(90)		577	
PY adjustment	(159)		-	
Effect of change in tax rate	-		(96)	
Total deferred tax (note 17)		(249)		481
Total tax expense		453		1,283

All current tax arises from UK operations.

Notes (continued)

9. Taxation (continued)

Reconciliation of effective tax rate

	52 weeks ended 1 April 2017 £000	53 weeks ended 2 April 2016 £000
(Loss)/ profit for the period	**(432)**	5,630
Tax on (loss)/ profit	**453**	1,283
Profit before tax	**21**	6,913
Tax using the UK corporation tax rate of 20% (2016: 20%)	**4**	1,383
Effects of:		
Expenses not deductible for tax purposes	**208**	25
Adjustments to tax charge in respect of the defined benefit pension scheme	**-**	(2)
Adjustments to tax charge in respect of prior periods	**421**	125
Effect of change in tax rate	**-**	(96)
Deferred tax prior year adjustment	**(159)**	-
Other permanent differences	**(21)**	(152)
Total tax expense	**453**	1,283

Reductions in the UK corporation tax from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 1 April 2017 has been calculated based on these rates.

10. Dividends

	52 weeks ended 1 April 2017 £000	53 weeks ended 2 April 2016 £000
Paid interim - nil pence per share (2016: 20.00 pence per share).	**-**	2,200
Total dividends paid	**-**	2,200

Notes (continued)

11. Intangible fixed assets

	Software £000	Trademarks £000	Total £000
Cost			
At 3 April 2016	7,841	733	8,574
Additions	1,815	58	1,873
Transfers	2	-	2
At 1 April 2017	**9,658**	**791**	**10,449**
Amortisation			
At 3 April 2016	2,083	436	2,519
Charge for the period	2,566	59	2,625
At 1 April 2017	**4,649**	**495**	**5,144**
Net book value			
At 1 April 2017	**5,009**	**296**	**5,305**
At 3 April 2016	5,758	297	6,055

Notes (continued)

12. Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Fixtures, fittings, tools, equipment and vehicles £000	Assets in course of construction £000	Total £000
Cost					
At 3 April 2016	22,844	8,818	14,515	1,900	48,077
Additions	7,993	576	3,552	(1,900)	10,221
Disposals	(426)	(12)	(25)	-	(463)
Transfers	(2,814)	2,061	751	-	(2)
At 1 April 2017	**27,597**	**11,443**	**18,793**	-	**57,833**
Depreciation					
At 3 April 2016	7,937	2,380	6,587	-	16,904
Charge for the period	731	891	2,221	-	3,843
Depreciation on disposals	(2)	-	(2)	-	(4)
Transfers	173	(104)	(69)	-	-
At 1 April 2017	**8,839**	**3,167**	**8,737**	-	**20,743**
Net book value					
At 1 April 2017	**18,758**	**8,276**	**10,056**	-	**37,090**
At 3 April 2016	14,907	6,438	7,928	1,900	31,173

The Company has determined that each store is a cash generating unit. Recoverable amounts for cash generating units are based upon value in use, which is calculated from cash flow projections using data from the Company's internal forecasts, the results of which are reviewed by the Board.

The amount of borrowing costs capitalised during the period was £17,848 (2016: £58,958) with a capitalisation rate of 2% and related to the refurbishment of the ground floor in the Knightsbridge store which was completed in November 2016.

Property, plant and equipment under construction

In respect of the Knightsbridge ground floor refurbishment, the amount £1,900,000 that was under construction at 2 April 2016 was completed by 1 April 2017.

Notes (continued)

12. Tangible fixed assets (continued)

The key assumptions of this calculation are shown below:

	1 April 2017	2 April 2016
Period on which management approved forecasts are based	**2016/17**	2015/16
Average growth rate applied beyond approved forecasts	**3.00%**	3.00%
Discount rate	**8.26%**	8.21%

Management estimate discount rates using pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the Company. Changes in selling prices and direct costs are based on past experience and expectations of future changes in the market.

The pre-tax discount rate used to calculate value in use is derived from the Company's weighted average cost of capital.

13. Stocks

	1 April 2017 £000	2 April 2016 £000
Finished goods, goods for resale, beverages and food ingredients	**15,036**	15,814

The cost of inventories recognised as an expense and included in cost of sales amounted to £34,375,000 (2016: £31,586,000).

14. Debtors

	1 April 2017 £000	2 April 2016 £000
Due within one year:		
Trade debtors	**5,275**	4,108
Other debtors	**1,706**	952
Prepayments and accrued income	**3,146**	2,663
Due within one year:	**10,127**	7,723
Due after more than one year: Amounts owed by group undertakings	**121,285**	128,027
	131,412	135,750

Loans to subsidiary undertakings are repayable on 31 March 2020 and earn interest at LIBOR plus 1.75% per annum.

Notes (continued)

15. Creditors: amounts due within one year

	1 April 2017 £000	2 April 2016 £000
Trade creditors	**7,230**	8,642
Other taxation and social security	**3,561**	1,051
Other creditors	**2,659**	2,890
Accruals	**7,052**	11,532
Deferred Revenue	**427**	339
	20,929	24,454

16. Creditors: amounts falling due after more than one year

	1 April 2017 £000	2 April 2016 £000
Amounts owed to group undertakings	**84,886**	81,253

Loans from subsidiary undertakings are repayable on 31 March 2020 and incur interest at LIBOR plus 1.75%.

17. Deferred taxation

	1 April 2017 £000	2 April 2016 £000
Deferred tax asset	**2,450**	2,397
Deferred tax liability	**(621)**	(863)
Net deferred tax asset	**1,829**	1,534

The deferred tax asset of £2,450,000 (2016: £2,397,000) arises in connection with the net defined benefit pension scheme liability (note 22). During the year, £7,000 was credited (2016: £nil was debited) to the income statement and £46,000 was credited (2016: £275,000 was credited) through the statement of other comprehensive income.

The deferred tax liability of £621,000 (2016: £863,000) comprises timing differences between accumulated depreciation and amortisation and capital allowances of £474,000 (2016: £716,000) and other timings differences of £147,000 (2016: £147,000). During the year, £249,000 (2016: £481,000 charged) was credited to the profit and loss account in respect of these timing differences.

The Directors believe that the deferred tax asset is recoverable as it relates to deductible temporary differences on the net pension liability which will reverse over time.

Notes (continued)

18. *Other provisions*

	Other provisions £000
At 3 April 2016	790
Charge to the profit and loss account for the period	-
Utilisation of provisions	(173)
At 1 April 2017	**617**

The provision relates to works of the Knightsbridge Store, which will be released during the course of the store refurbishment programme.

19. Capital and reserves

Share capital	**1 April 2017 £000**	**2 April 2016 £000**
Allotted, called up and fully paid:		
Ordinary shares of £1 each (11,000,000 shares)	**11,000**	11,000

Reserves

The reserves of the Company represent retained earnings, comprising of cumulative profits and losses, net of distributions to owners. Dividends are disclosed in note 10.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Company.

20. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings	
	1 April 2017 £000	**2 April 2016 £000**
Less than one year	**7,066**	6,014
Between one and five years	**28,571**	23,995
More than five years	**61,625**	56,918
	97,262	86,927

During the year £7,018,000 was recognised as an expense in the profit and loss account in respect of operating leases (2016: £6,282,000).

Notes (continued)

21. Financial instruments

The carrying values of the Company's financial instruments at the balance sheet date were as follows:

	1 April 2017 £000	2 April 2016 £000
Current financial assets:		
- Loans and receivables at amortised cost	**8,018**	6,855
Current financial liabilities:		
- Measured at amortised cost	**20,929**	24,454

Loans and receivables comprise of trade and other debtors but exclude prepayments.

Financial liabilities at amortised cost comprise trade creditors, accruals and other creditors.

22. Employee benefits

Defined contribution schemes

The Company contributes to three defined contribution schemes, two schemes operate for UK members and one scheme operates for members based in the Republic of Ireland. Employer's contributions to the defined contribution schemes by the Company over the period amounted to £896,000 (2016: £833,000). The number of members in the Company's defined contribution schemes as at 1 April 2017 was 1,459 (2016: 1,442).

Defined benefit scheme

The Company participates in the Harvey Nichols Pension Scheme ("the Scheme"), which is a defined benefit scheme providing benefits based on final pensionable pay and length of service.

The defined benefit pension is valued at least every three years by a qualified independent actuary, the rates of contribution payable being determined by the actuary. The most recent valuation was performed as at 31 March 2013 and updated to 1 April 2017, in order to assess the liabilities of the Scheme at that date, using the projected unit method. The assumptions that had the most significant effect on the results of the valuation were those relating to the rates of return on investments and the rates of increase in salaries and pensions. The valuation for March 2016 was completed subsequent to year end.

Net pension liability

	1 April 2017 £000	2 April 2016 £000
Defined benefit obligation	**51,553**	44,604
Plan assets	**(37,150)**	(31,290)
Net pension liability	**14,403**	13,314

Notes (continued)

22. Employee benefits (continued)

Movement in the Present Value of Defined benefit obligation

	1 April 2017 £000	2 April 2016 £000
At beginning of period	44,604	44,621
Current service cost	-	510
Interest expense	1,502	1,503
Contributions by members	-	56
Benefits paid	(837)	(1,394)
Actuarial gain/ (loss) on re-measurement	6,284	(692)
At end of period	51,553	44,604

Movements in fair value of plan assets

	1 April 2017 £000	2 April 2016 £000
At beginning of period	31,290	34,010
Return on plan assets	5,234	(3,384)
Contributions by employer	516	961
Member contributions	-	56
Interest income	1,057	1,148
Administration expenses	(110)	(107)
Benefits paid	(837)	(1,394)
At end of period	37,150	31,290

Notes (continued)

22. Employee benefits (continued)

Expense recognised in the profit and loss account

	1 April 2017 £000	2 April 2016 £000
Current service cost	-	510
Administration expenses	110	107
Net interest on net defined benefit liability	445	355
Total expense recognised in profit or loss	555	972

	1 April 2017 £000	2 April 2016 £000
Remeasurements of the net defined benefit obligation as recognised in Statement of Other Comprehensive income	(1,050)	(2,692)

The fair value of the plan assets and the return on those assets were as follows:

	1 April 2017 £000	2 April 2016 £000
Equities	31,804	31,041
Bonds	3,248	-
Property	1,851	-
Cash	134	249
Other	113	-
	37,150	31,290
Actual return on plan assets	5,234	(3,384)

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	1 April 2017 %	2 April 2016 %
Discount rate	2.6	3.4
Future salary increases	n/a pa	n/a pa
RPI inflation	3.2	3.1
CPI inflation	2.0	2.1
Revaluation of deferred pensions (non-GMP)	2.0	2.1

In valuing the liabilities of the pension fund at 1 April 2017, mortality assumptions have been made as indicated below. The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 60-year old to live for a number of years as follows:

Life expectancy (in years)

	1 April 2017		2 April 2016	
	Males	Females	Males	Females
For an individual aged 60 in 2016	26.7	28.7	26.9	29.0
At age 60 for an individual aged 40 in 2016	28.3	30.3	28.7	31.0

The Scheme is no longer open to new members and therefore the age profile of the membership is expected to increase over time. As a result, the service cost will increase as a percentage of pensionable salaries in the future.

Notes (continued)

23. Guarantees

Harvey Nichols and Company Limited, along with its fellow subsidiary undertakings, guarantees some of the bank borrowings of the Company's intermediate holding company, Broad Gain (UK) Limited. The subsidiary undertakings may be obliged to make good any shortfall in capital and interest payments payable by Broad Gain (UK) Limited. As at 1 April 2017, Broad Gain (UK) Limited had bank borrowings under guarantee of £6,000,000 (2016: £9,800,000).

24. Commitments

Capital commitments of the Company at the end of the financial period for which no provision has been made are as follows:

	1 April 2017 £000	2 April 2016 £000
Estimated commitments not included in the accounts	-	10,120

The capital commitments last year relate to the refurbishment of the Knightsbridge store.

25. Related party transactions

Subsidiaries

Relationship	
Ultimate holding company	Dickson Investment Holding (PTC) Corporation
Parent company	Harvey Nichols Group Limited
Subsidiaries	Harvey Nichols Restaurants Limited
	Harvey Nichols (Distribution) Limited
	Harvey Nichols (Own Brand) Stores Limited
	Harvey Nichols Regional Stores Limited
	Harvey Nichols Beauty Bazaar Limited
	Harvey Nichols.com Limited
	Harvey Nichols (Dublin) Limited
	Chiswick Estates Limited
	Rainforest Café Limited
	Amazon Café Limited
	Bargains Around the Clock.com Limited

Key Management Personnel

Position	
Chairman	Sir Dickson Poon
Chief Executive Officer	Stacey Cartwright
Group Finance Director	Manju Malhotra
Group Commercial Director	Daniela Rinaldi
Group Trading Director	Paul Finucane
Group Property Director	Barry Tallintire
Executive Director	Pearson Poon

Transactions with key management personnel
Certain key management personnel receive emoluments in their capacity as Directors. The Directors' emoluments are disclosed in note 5.

Related party balances

Intercompany loans due to Harvey Nichols and Company Limited	1 April 2017 £000	2 April 2016 £000
Harvey Nichols (Own Brand) Stores Limited	15,768	13,327
Harvey Nichols Regional Stores Limited	24,285	27,438
Harvey Nichols.com Limited	4,231	1,145
Broad Gain (UK) Limited	54,603	64,487
Harvey Nichols (Dublin) Limited	15,644	14,918
Harvey Nichols Beauty Bazaar Limited	2,953	2,736
Chiswick Estates Limited	3,783	3,958
HN Trustees	18	18

Notes (continued)

26. Related party balances (continued)

	1 April 2017 £000	2 April 2016 £000
Intercompany loans due from Harvey Nichols and Company Limited		
Harvey Nichols Restaurants Limited	25,363	23,116
Harvey Nichols Group Limited	52,979	51,941
Harvey Nichols (Distribution) Limited	6,544	6,196

27. Ultimate parent company

Harvey Nichols and Company Limited is an indirect wholly-owned subsidiary of Dickson Investment Holding Corporation, the ultimate parent company, registered in the British Virgin Islands.

The parent company of the largest and smallest group of which Harvey Nichols and Company Limited is a member and for which group financial statements are drawn up is Broad Gain (UK) Limited whose registered address is 361-365 Chiswick High Road, London, W4 4HS. Copies of the consolidated financial statements of Broad Gain (UK) Limited can be obtained from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.

28. Subsequent events

Subsequent to the balance sheet date, there have been no material events requiring disclosure in the financial statements.

29. Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of the financial statements requires management to make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, be likely to differ from the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial are discussed below:

i. Retirement benefits

Pension accounting requires certain assumptions to be made in order to value our obligations and to determine the charges to be made to the income statement. These figures are particularly sensitive to assumptions for discount rates, mortality and inflation rates. Details of assumptions are given in note 22.

ii. Provisions and liabilities

Provisions and liabilities are reviewed on a regular basis and adjusted to reflect management's best current estimates. The judgemental nature of these items means that future amounts settled may be different from those provided. Provisions at year end include those for inventories and doubtful debts.