

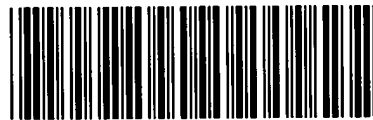
Registration number: 00030209

Harrods Limited

Annual Report and Financial Statements

for the period ended 3 February 2018

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Harrods Limited

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Harrods Limited

Strategic Report
for the period ended 3 February 2018

The directors present their Strategic Report for the 53 week period ended 3 February 2018 (2017: 52 weeks). The financial year 2017/2018 was a 53 week period which occurs every 5 to 6 years to ensure the year end date remains aligned to the weekend closest to 31 January. The last time the company reported a 53 week period was 2012/2013.

Principal activity

The principal activity of the company is that it 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 activities include direct sales via the internet at Harrods.com.

Results of ordinary activities before exceptional items

For the period ended 3 February 2018, Harrods gross transaction value grew by 6.8% to £2,135.3m (2017: £1,998.9m) whilst turnover grew 4.6% to £862.5m (2017: £824.6m). 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 board believes that Gross Transaction Value represents a good guide to the overall activity of the company.

Gross Transaction Value

	Period end 3 February 2018	Period ended 28 January 2017	Growth	Growth
	£m	£m	£m	%
Gross Transaction Value (Incl. VAT)	2,135.3	1,998.9	136.4	6.8
Gross Transaction Value (Excl. VAT)	1,794.0	1,679.9	114.1	6.8
Turnover	862.5	824.6	37.9	4.6

Profit after tax for the period, was up 8.7% to £176.7m (2017: £162.5m), a result of increased turnover. Operating profit for the period was up 15.8% to £218.4m.

The period saw a significant programme of capital expenditure, with total additions of £55.0m (2017: £48.7m). Focus has continued on investing in luxury boutiques in our Knightsbridge store. This level of capital expenditure is expected to increase in 2018.

During the prior period, the Knightsbridge store building and its ancillary properties were transferred from Harrods Property Limited to its parent Harrods Limited, as part of a corporate rationalisation initiative.

Harrods Limited
Strategic Report
for the period ended 3 February 2018 (continued)

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, natural disasters and movements in currency exchange
- (ii) The state of the economy and its impact on the retail environment
- (iii) Staff retention and recruitment

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

Credit risk

The company'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.

Harrods Limited has a significant loan to a related party, Harrods Corporate Management Limited, amounting to £444.5m (2017: £465.0m). The loan bears interest at 3% plus base rate. The related party finances its interest obligation from royalties received. There is sufficient interest cover to provide the directors with comfort that the risk in this case is negligible.

Currency risk

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

Approximately 11 % (2017: 10%) of the company'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 company accepts foreign currency in the Knightsbridge store and retains this currency to settle foreign currency obligations.

Harrods Limited

Strategic Report for the period ended 3 February 2018 (continued)

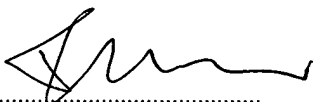
Interest rate risk

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

KPIs

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

Approved by the Board on 19 June 2018 and signed on its behalf by:



.....
D J Webster
Company secretary

Registered office:
87-135 Brompton Road
Knightsbridge
London
SW1X 7XL

Harrods Limited
Directors' Report
for the period ended 3 February 2018

The directors present their report and the financial statements for the period from 29 January 2017 to 3 February 2018.

Following a series of corporate reorganisations over the last two years resulting in simplification of the group structure, property ownership and loan relationships, the directors have concluded that with effect from the year ended 3 February 2018, Harrods Limited will produce and file company accounts only.

The consolidated accounts of Harrods Group (Holding) Limited, the ultimate UK controlling party, will continue to incorporate the results of Harrods Limited and all its subsidiaries.

Profit for the financial period and the dividend

The turnover for the period was £862.5m (2017: £824.6m). The profit for the period after taxation amounted to £176.7m (2017: £162.5m). Dividends of £125.0m have been declared in relation to the period ended 3 February 2018 (2017: £110.0m)

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

H.E. H A Al-Abdulla

M A Ward

J P Edgar (resigned 10 November 2017)

R L Assanand

J P Healy

Future developments

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 company 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 3 February 2018 (continued)

Charitable donations

The charitable donations made by the company and charged in the financial statements were £1.1m (2017: £0.1m), including a £1 million donation to the Red Cross in support of the Grenfell Tower disaster victims. 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 company'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 company's policy is to pay suppliers within 30 days after the end of the month of receipt of goods or services.

The company 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 32 days (2017: 33 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 3 February 2018, 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 18,870 Co2 tonnes (2017: 21,267 Co2 tonnes).

Harrods is committed to a year on year carbon reduction.

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 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.

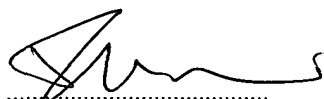
Post balance sheet events

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

Reappointment of auditors

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

Approved by the Board on 19 June 2018 and signed on its behalf by:



.....
D J Webster
Company secretary

Registered office:
87-135 Brompton Road
Knightsbridge
London
SW1X 7XL

Harrods Limited

Statement of Directors' Responsibilities for the period ended 3 February 2018

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

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

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

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

Independent Auditor's Report to the Members of Harrods Limited

Opinion

We have audited the Financial Statements of Harrods Limited (the 'company') for the period ended 3 February 2018, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the Financial Statements:

- give a true and fair view of the state of the company's affairs as at 3 February 2018 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

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

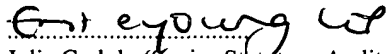
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



Julie Carlyle (Senior Statutory Auditor)

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

1 More London Place
London
SE1 2AF

Date: 25 June 2018

Harrods Limited

Profit and Loss Account for the period ended 3 February 2018

	Note	53 weeks ended 3 February 2018 £ m	52 weeks ended 28 January 2017 £ m
Turnover	3	862.5	824.6
Cost of sales		<u>(348.6)</u>	<u>(335.3)</u>
Gross profit		513.9	489.3
Distribution costs		(317.3)	(321.0)
Administrative expenses		(10.9)	(11.6)
Other operating income	4	33.7	32.8
Fair value movement		<u>(1.0)</u>	<u>(0.9)</u>
Operating profit	5	218.4	188.6
Loss on sale of assets		-	(2.1)
Profit on disposal of subsidiaries		<u>-</u>	<u>39.5</u>
Profit on ordinary activities before interest and taxation		<u>218.4</u>	<u>226.0</u>
Income from shares in group companies	9	8.0	8.0
Interest receivable and similar income	10	17.0	18.0
Interest payable and similar charges	11	<u>(27.5)</u>	<u>(53.9)</u>
Profit before tax		215.9	198.1
Taxation	12	<u>(39.2)</u>	<u>(35.6)</u>
Profit for the financial period		<u>176.7</u>	<u>162.5</u>

Harrods Limited

Statement of Comprehensive Income for the period ended 3 February 2018

		53 weeks ended 3 February 2018 £ m	52 weeks ended 28 January 2017 £ m
Profit for the period		<u>176.7</u>	<u>162.5</u>
Actuarial gains/(losses) on defined benefit pension scheme	22	1.3	(41.8)
Movement of deferred tax relating to pension (surplus)/deficit	22	<u>(0.2)</u>	<u>7.3</u>
Other comprehensive income/(loss) for the period		<u>1.1</u>	<u>(34.5)</u>
Total comprehensive income for the period		<u><u>177.8</u></u>	<u><u>128.0</u></u>

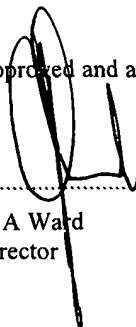
Harrods Limited

(Registration number: 00030209)

Balance Sheet as at 3 February 2018

	Note	3 February 2018 £ m	28 January 2017 £ m
Fixed assets			
Intangible assets	13	17.5	20.0
Tangible assets	14	1,443.5	1,433.0
Investments	15	225.2	225.2
		1,686.2	1,678.2
Current assets			
Stocks	16	98.9	88.8
Debtors: amounts falling due after more than one year	17	0.5	0.5
Debtors: amounts falling due within one year	17	746.5	809.7
Cash at bank and in hand		83.7	19.7
Deferred tax asset	12	5.3	5.5
		934.9	924.2
Creditors: Amounts falling due within one year	18	(417.8)	(385.9)
Net current assets		517.1	538.3
Total assets less current liabilities		2,203.3	2,216.5
Creditors: Amounts falling due after more than one year	18	(217.3)	(458.0)
Net assets excluding pension asset/(liability)		1,986.0	1,758.5
Pension asset/(liability)	22	9.6	(14.1)
Net assets		1,995.6	1,744.4
Capital and reserves			
Called up share capital	21	19.2	19.2
Share premium reserve	21	921.0	722.6
Revaluation reserve		0.4	0.4
Profit and loss account		1,055.0	1,002.2
Total equity		1,995.6	1,744.4

Approved and authorised by the Board on 19 June 2018 and signed on its behalf by:



 M A Ward
 Director

Harrods Limited

Statement of Changes in Equity for the period ended 3 February 2018

	Share capital £ m	Share premium £ m	Revaluation reserve £ m	Profit and loss account £ m	Total £ m
At 31 January 2016	19.2	722.6	0.4	984.2	1,726.4
Profit for the period	-	-	-	162.5	162.5
Actuarial losses on pension scheme	-	-	-	(34.5)	(34.5)
Total comprehensive income	-	-	-	128.0	128.0
Dividends	-	-	-	(110.0)	(110.0)
At 28 January 2017	19.2	722.6	0.4	1,002.2	1,744.4

	Share capital £ m	Share premium £ m	Revaluation reserve £ m	Profit and loss account £ m	Total £ m
At 29 January 2017	19.2	722.6	0.4	1,002.2	1,744.4
Profit for the period	-	-	-	176.7	176.7
Actuarial gains on pension scheme	-	-	-	1.1	1.1
Total comprehensive income	-	-	-	177.8	177.8
Dividends	-	-	-	(125.0)	(125.0)
New share capital subscribed	-	198.4	-	-	198.4
At 3 February 2018	19.2	921.0	0.4	1,055.0	1,995.6

The notes on pages 15 to 34 form an integral part of these financial statements.

Harrods Limited

Statement of Cash Flows for the period ended 3 February 2018

	53 weeks ended 3 February 2018 £ m	52 weeks ended 28 January 2017 £ m
Cash flows from operating activities		
Profit for the period	176.7	162.5
<u>Adjustments to cash flows from non-cash items</u>		
Depreciation and amortisation	47.1	39.9
Profit from disposals of investments	-	(32.4)
Finance income	(17.0)	(18.0)
Finance costs	27.5	53.9
Income tax expense	39.2	35.6
Assets written off	1.2	-
Fair value movement	1.0	0.9
Non-cash forex adjustment on stock	1.3	(2.0)
	277.0	240.4
<u>Working capital and other adjustments</u>		
Increase in stocks	(11.5)	(7.9)
Increase in debtors	(7.2)	(131.6)
Increase in creditors	3.5	56.7
Defined retirement benefit contributions	(23.3)	(5.0)
Cash generated from operations	238.5	152.6
Corporation taxes paid	(16.0)	(40.9)
Net cash flow from operating activities	222.5	111.7
Cash flows from investing activities		
Acquisitions of tangible assets	(50.2)	(48.5)
Disposal of investment	-	0.1
Interest received	17.0	18.0
Net cash flows from investing activities	(33.2)	(30.4)
Cash flows from financing activities		
Dividends paid	(125.0)	(110.0)
Interest paid	(0.3)	(1.1)
Net cash flows from financing activities	(125.3)	(111.1)
Net increase/(decrease) in cash and cash equivalents	64.0	(29.8)
Cash and cash equivalents at 29 January	19.7	49.5
Cash and cash equivalents at 3 February	83.7	19.7

The notes on pages 15 to 34 form an integral part of these financial statements.

Harrods Limited

Notes to the Financial Statements for the period ended 3 February 2018

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

2 Accounting policies

Basis of preparation

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

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.

Revenue recognition

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

The company recognises revenue when:

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

Concession sales

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

Estimated sales returns

Turnover excludes the sales value of estimated returns. The company 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.

Interest income

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

Investments

The company account for their fixed asset investments at the lower of cost or recoverable amount less any provision required for permanent diminution in value.

Harrods Limited

Notes to the Financial Statements for the period ended 3 February 2018 (continued)

2 Accounting policies (continued)

Intangible assets

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

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

Tangible assets

Tangible assets are stated in the Balance Sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

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:

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

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Profit and Loss Account.

Revaluation of investment property

Investment property is presented within 'freehold property' and is stated at fair value at the date of the revaluation, with changes in fair value recognised in Profit or Loss. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Harrods Limited

Notes to the Financial Statements for the period ended 3 February 2018 (continued)

2 Accounting policies (continued)

Leased assets

Rentals paid under operating leases are charged to the Profit or Loss on a straight line basis over the period of the lease.

Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

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

Lease payments are apportioned between finance costs in the Profit and Loss Account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment losses.

Stocks

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

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

Tax

The tax expense for the period comprises tax. Tax is recognised in Profit or Loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements.

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

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

Harrods Limited

Notes to the Financial Statements for the period ended 3 February 2018 (continued)

2 Accounting policies (continued)

Debtors

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

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

Cash and cash equivalents

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

Creditors

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

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

Finance costs

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

Dividends

Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Harrods Limited

Notes to the Financial Statements for the period ended 3 February 2018 (continued)

2 Accounting policies (continued)

Defined contribution pension obligation

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

Defined benefit pension obligation

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

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

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

Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and Loss Account in the year that the group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

Foreign currency transactions and balances

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

Loyalty points

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

Harrods Limited

Notes to the Financial Statements for the period ended 3 February 2018 (continued)

2 Accounting policies (continued)

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 and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and Loss Account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives include foreign exchange forward contracts and are initially recognised at fair value on the date the derivative contract is entered into. Derivatives are subsequently re measured at their fair value. Changes in the fair value of derivatives are recognised in Profit or Loss.

Harrods Limited

Notes to the Financial Statements for the period ended 3 February 2018 (continued)

3 Revenue

The analysis of the company's turnover for the period is attributable to continuing operations as follows:

	53 weeks ended 3 February 2018 £ m	52 weeks ended 28 January 2017 £ m
Sale of goods	<u>862.5</u>	<u>824.6</u>

All turnover arose within the United Kingdom.

4 Other operating income

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

	53 weeks ended 3 February 2018 £ m	52 weeks ended 28 January 2017 £ m
Advertising and rebate income	<u>33.7</u>	<u>32.8</u>

5 Operating profit

Operating profit is stated after charging:

	53 weeks ended 3 February 2018 £ m	52 weeks ended 28 January 2017 £ m
Depreciation and amortisation of assets	47.1	39.9
Royalties to Harrods Corporate Management	<u>45.2</u>	<u>42.6</u>

6 Auditors' remuneration

	53 weeks ended 3 February 2018 £ m	52 weeks ended 28 January 2017 £ m
Fees payable to the company's Auditor and its associates for the audit of the company's annual accounts	<u>0.1</u>	<u>0.1</u>

Harrods Limited

Notes to the Financial Statements for the period ended 3 February 2018 (continued)

7 Staff costs

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

		53 weeks ended 3 February 2018 £ m	52 weeks ended 28 January 2017 £ m
Wages and salaries	Wages and salaries	130.7	131.4
Social security costs	Social security costs	13.0	12.2
Defined contribution pension scheme cost	Defined contribution pension scheme cost	4.3	4.0
		<u>148.0</u>	<u>147.6</u>

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

	2018 No.	2017 No.
Production	405	398
Administration and support	56	63
Sales, marketing and distribution	3,463	3,442
	<u>3,924</u>	<u>3,903</u>

8 Directors' remuneration

The directors' remuneration for the period was as follows:

	53 weeks ended 3 February 2018 £ m	52 weeks ended 28 January 2017 £ m
Remuneration	3.3	3.6

The value of emoluments incurred directly by the company was £3.0m (2017: £3.1m). Emoluments incurred by the company's subsidiary undertakings were £0.3m (2017: £0.5m). Included in emoluments for the period ended 3 February 2018 are pension contributions of £nil (2017: £nil). No directors were members of a defined contribution scheme (2017: none).

There is 1 director to whom retirement benefits are accruing under a defined benefit pension scheme (2017: 1).

The aggregate remuneration of the highest paid director in respect of qualifying services was £1.9m (2017: £2.0m).

Harrods Limited

Notes to the Financial Statements for the period ended 3 February 2018 (continued)

9 Dividends

	53 weeks ended 3 February 2018 £ m	52 weeks ended 28 January 2017 £ m
Dividend receivable from group undertakings	<u>8.0</u>	<u>8.0</u>

10 Interest receivable and similar income

	53 weeks ended 3 February 2018 £ m	52 weeks ended 28 January 2017 £ m
Interest income on bank deposits	0.3	0.1
Other finance income	<u>16.7</u>	<u>17.9</u>
	<u>17.0</u>	<u>18.0</u>

11 Interest payable and similar charges

	53 weeks ended 3 February 2018 £ m	52 weeks ended 28 January 2017 £ m
Other finance costs	0.1	0.2
Interest payable on loans from group undertakings	<u>27.4</u>	<u>53.7</u>
	<u>27.5</u>	<u>53.9</u>

Harrods Limited

Notes to the Financial Statements for the period ended 3 February 2018 (continued)

12 Taxation

Tax charged in the income statement:

	53 weeks ended 3 February 2018 £ m	52 weeks ended 28 January 2017 £ m
Current taxation		
UK corporation tax	39.4	37.8
UK corporation tax adjustment to prior periods	<u>(0.3)</u>	<u>(1.2)</u>
Total current income tax	<u>39.1</u>	<u>36.6</u>
Deferred taxation		
Origination and reversal of timing differences	0.3	(3.6)
Adjustment in respect of previous periods	-	2.1
Effect of tax rate changes	<u>(0.2)</u>	<u>0.5</u>
Total deferred taxation	<u>0.1</u>	<u>(1.0)</u>
Total tax on profit on ordinary activities	39.2	35.6
Tax included in the other comprehensive income		
Deferred tax on pension scheme	<u>0.2</u>	<u>(7.3)</u>
Tax on total comprehensive income	<u>39.4</u>	<u>28.3</u>

The tax on profit before tax for the period is lower than the standard rate of corporation tax in the UK (2017 - lower than the standard rate of corporation tax in the UK) of 19.16% (2017 - 20%).

The differences are reconciled below:

	53 weeks ended 3 February 2018 £ m	52 weeks ended 28 January 2017 £ m
Profit before tax	<u>215.9</u>	<u>198.1</u>
Corporation tax at standard rate	41.4	39.6
Effect of expense not deductible and income not taxable in determining taxable profit	(1.7)	(5.4)
Tax rate changes	(0.2)	0.4
Adjustment in respect of prior periods	<u>(0.3)</u>	<u>1.0</u>
Total tax charge	<u>39.2</u>	<u>35.6</u>

Harrods Limited

Notes to the Financial Statements for the period ended 3 February 2018 (continued)

12 Taxation (continued)

The standard rate of tax applied to profit on ordinary activities is 19.16% (2017: 20%). The Finance (No 2) Act 2015 introduced a reduction in the corporation tax rate to 19% for financial years 2017, 2018 and 2019. The Finance Act 2016 further reduced the corporation tax rate to 17% from 1 April 2020 (previously 18%).

Deferred tax

	3 February 2018	28 January 2017
	£ m	£ m
Fixed asset timing differences	3.6	2.2
Short term timing differences	1.7	3.3
Deferred tax asset	5.3	5.5

Deferred tax reconciliation

	£ m
At 28 January 2017	5.5
Deferred tax charge in OCI for the period	(0.2)
At 3 February 2018	5.3

13 Intangible assets

	Software £ m	Total £ m
Cost		
At 29 January 2017	24.7	24.7
Additions	3.5	3.5
At 3 February 2018	28.2	28.2
Amortisation		
At 29 January 2017	4.7	4.7
Amortisation charge	6.0	6.0
At 3 February 2018	10.7	10.7
Carrying amount		
At 3 February 2018	17.5	17.5
At 28 January 2017	20.0	20.0

Harrods Limited

**Notes to the Financial Statements
for the period ended 3 February 2018 (continued)**

14 Tangible assets

	Land and buildings £ m	Fixtures and fittings £ m	Plant and machinery £ m	Other tangibles £ m	Total £ m
Cost					
At 29 January 2017	1,239.3	212.4	127.0	39.0	1,617.7
Additions	-	13.2	29.4	9.1	51.7
Disposals	-	(7.5)	(1.7)	-	(9.2)
At 3 February 2018	<u>1,239.3</u>	<u>218.1</u>	<u>154.7</u>	<u>48.1</u>	<u>1,660.2</u>
Depreciation					
At 29 January 2017	1.6	123.4	59.6	0.1	184.7
Charge for the period	2.8	28.0	10.3	-	41.1
Eliminated on disposal	-	(7.4)	(1.7)	-	(9.1)
At 3 February 2018	<u>4.4</u>	<u>144.0</u>	<u>68.2</u>	<u>0.1</u>	<u>216.7</u>
Carrying amount					
At 3 February 2018	<u>1,234.9</u>	<u>74.1</u>	<u>86.5</u>	<u>48.0</u>	<u>1,443.5</u>
At 28 January 2017	<u>1,237.7</u>	<u>89.0</u>	<u>67.3</u>	<u>39.0</u>	<u>1,433.0</u>

Harrods Limited

Notes to the Financial Statements for the period ended 3 February 2018 (continued)

15 Investments

	3 February 2018	28 January 2017
	£ m	£ m
Investments in subsidiaries	225.2	225.2
Subsidiaries		£ m
Cost		
At 29 January 2017		237.0
At 3 February 2018		237.0
Provision		
At 29 January 2017		11.8
At 3 February 2018		11.8
Carrying amount		
At 3 February 2018		225.2
At 28 January 2017		225.2

Details of undertakings

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

Undertaking	Registered office	Class of shares	Holding	Principal activity
Harrods International Limited	England and Wales	Ordinary	100%	Tax free retailer and wholesaler
Harrods (Continental) Limited	England and Wales	Ordinary	100%	Exporter
Harrods Estates Limited	England and Wales	Ordinary	100%	Estate agents
PL Management Limited	England and Wales	Ordinary	100%	Property Management
Harrods Property Limited	England and Wales	Ordinary	100%	Property holding company
Harrods Management Limited	England and Wales	Ordinary	100%	Dormant company
Wylie and Company Limited	England and Wales	Ordinary	100%	Dormant company
Featurecode 2A Holdings	England and Wales	Ordinary	100%	Dormant company

The registered address of each entity listed above is 87-135 Brompton Road, Knightsbridge, London, SW1X 7XL, England and Wales.

Harrods Limited

Notes to the Financial Statements for the period ended 3 February 2018 (continued)

16 Stocks

	3 February 2018	28 January 2017
	£ m	£ m
Finished goods and goods for resale	98.9	88.8

17 Debtors

	3 February 2018	28 January 2017
	£ m	£ m
Trade debtors	33.2	37.6
Amounts owed by related parties	704.8	759.3
Other debtors	0.5	0.5
Prepayments and accrued income	8.0	7.6
Derivatives - Forex contracts	-	0.1
Corporation tax asset	-	4.6
	746.5	809.7
Debtors: amounts falling due after more than one year	0.5	0.5
Total trade and other debtors	747.0	810.2

The amounts owed by group undertakings includes the following significant group loans:

- A loan to Harrods Corporate Management Limited of £444.5m (2017: £465.0m) bearing interest at a rate of 3% per annum above the base rate. The debt is unsecured and repayable on 30 days prior written notice.
- An amount owed by QH Partners Limited, in consideration for the sale of Harrods Commercial Property Limited on 1 February 2016, was repaid in October 2017 (2017: £65.8m).
- A current account between Harrods Limited and Harrods Holdings Limited of £244.5m (2017: £210.1m).

Debts are paid within 30 days on average. Group receivables are repayable on demand.
There are no other long outstanding debtors at year end.

Details of non-current trade and other debtors
£0.5 (2017: £0.5) of amounts owed by group undertakings is classified as non-current.

Harrods Limited

Notes to the Financial Statements for the period ended 3 February 2018 (continued)

18 Creditors

	3 February 2018 £ m	28 January 2017 £ m
Due within one year		
Loans and borrowings	-	0.4
Trade creditors	169.1	158.2
Amounts due to related parties	106.1	77.1
Corporation tax liability	17.7	37.8
Group relief tax	6.8	-
Social security and other taxes	6.4	3.7
Other payables	31.6	26.1
Accruals and deferred income	80.1	82.6
	417.8	385.9
Due after one year		
Loans and borrowings	214.6	455.5
Accruals and deferred income	2.7	2.5
	217.3	458.0

An unsecured group loan was granted by 5A Property Holdings Limited (previously known as "Harrods Property Holdings Limited") to Harrods Limited on 8 May 2015 of £225.1m. Interest is charged at 7% per annum above LIBOR and is payable annually, with payment of the principle due by 8 May 2025. This amount was repaid on 2 October 2017 as part a loan rationalisation transaction (2017: £254.6m).

Amounts due after one year include a loan granted by Harrods Property Limited on 16 August 2016. The balance as at 3 February 2018 including accrued interest was £214.6m (2017: £200.8m). Interest is charged at 7.5% per annum, and the termination date of the loan is 30 April 2022. The loan was previously classified as creditors due within one year, but has now been re-classified as amounts due after one year, in accordance with the loan agreement.

19 Dividends

	3 February 2018 £ m	28 January 2017 £ m
Interim dividend declared	125.0	110.0

Harrods Limited

Notes to the Financial Statements for the period ended 3 February 2018 (continued)

20 Financial instruments

	3 February 2018 £ m	28 January 2017 £ m
Financial assets		
Financial assets measured at fair value through profit and loss	-	0.1
Financial assets measured at amortised cost	<u>830.8</u>	<u>829.7</u>
	<u>830.8</u>	<u>829.8</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(635.1)</u>	<u>(843.8)</u>
	<u>(635.1)</u>	<u>(843.8)</u>

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

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

21 Share capital

Allotted, called up and fully paid shares

	3 February 2018		28 January 2017	
	No. m	£ m	No. m	£ m
Ordinary shares of £0.10 each	<u>192</u>	<u>19.2</u>	<u>192</u>	<u>19.2</u>
			3 February 2018 £ m	28 January 2017 £ m
Share premium			<u>921.0</u>	<u>722.6</u>
			<u>921.0</u>	<u>722.6</u>

On 2 October 2017, Harrods Limited issued to Harrods (UK) Limited, one ordinary share with a nominal value of £0.1, and at a share premium of £198.4m, as part of a loan rationalisation transaction.

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

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

Harrods Limited

Notes to the Financial Statements for the period ended 3 February 2018 (continued)

22 Pension and other schemes

The company operate a defined contribution pension scheme and a defined benefit pension scheme.

Defined contribution pension scheme

The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £4.3m (2017 - £4.0m).

Contributions totalling £0.8m (2017: £0.8m) were payable to the scheme at the end of the period and are included in creditors.

Defined benefit pension schemes

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

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

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

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

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

In aggregate, during the period ended 3 February 2018, the participating employers made total contributions to the plan of £31.5m (2017: £6.5m), of which £23.7m were additional payments made due to the deficit falling below the agreed tolerance band as per the recovery plan outlined above.

As the deficit has continued to fall below the agreed tolerance band, the participating employers will be making additional contributions in the following year ending 2 February 2019, commencing with £4.3m in March 2018 and to be reassessed quarterly thereafter. The additional payments will cease once the deficit recovers above the lower tolerance band.

The next triennial valuation is scheduled for April 2018.

Harrods Limited

Notes to the Financial Statements for the period ended 3 February 2018 (continued)

22 Pension and other schemes (continued)

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the Balance Sheet are as follows:

	3 February 2018 £ m	28 January 2017 £ m
Fair value of scheme assets	486.8	465.2
Present value of defined benefit obligation	<u>(477.2)</u>	<u>(479.3)</u>
Defined benefit pension scheme surplus/(deficit)	<u>9.6</u>	<u>(14.1)</u>

Reconciliation of present value of plan liabilities

Changes in the defined benefit obligation are as follows:

	3 February 2018 £ m
Present value at start of period	(479.3)
Interest cost	(13.3)
Actuarial gains and losses	0.5
Benefits paid	<u>14.9</u>
Present value at end of period	<u>(477.2)</u>

Fair value of scheme assets

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

	3 February 2018 £ m
Fair value at start of period	465.2
Interest income	13.4
Actuarial gains and losses	0.9
Employer contributions	23.2
Benefits paid	(14.9)
Administrative expenses	<u>(1.0)</u>
Fair value at end of period	<u>486.8</u>

Harrods Limited

Notes to the Financial Statements for the period ended 3 February 2018 (continued)

22 Pension and other schemes (continued)

Analysis of assets

The major categories of scheme assets are as follows:

	3 February 2018	28 January 2017
	£ m	£ m
Cash and cash equivalents	1.1	50.7
Equity instruments	74.2	64.7
Debt instruments	215.3	192.1
Other assets	196.2	157.7
	<u>486.8</u>	<u>465.2</u>

Principal actuarial assumptions

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

	2018	2017
	%	%
Discount rate	2.55	2.85
Future pension increases	2.25	2.45
Inflation	3.25	3.45

Post retirement (at age 60) mortality assumptions

	2018	2017
	Years	Years
Current UK pensioners at retirement age - male	27.7	28.1
Current UK pensioners at retirement age - female	29.4	29.9
Future UK pensioners at retirement age - male	29.6	30.4
Future UK pensioners at retirement age - female	31.3	32.3

23 Contingent liabilities

The company is not aware of any material contingent liabilities existing at the balance sheet date. The company 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 3 February 2018 or 28 January 2017.

Harrods Limited

Notes to the Financial Statements for the period ended 3 February 2018 (continued)

24 Capital commitments

Amounts contracted for but not provided in the Financial Statements amounted to £14.2m (2017: £8.1m) in relation to shop fittings and other tangible assets.

25 Commitments under operating leases

At 3 February 2018 the company had future minimum lease payments under non-cancellable operating leases.

	3 February 2018 £ m	28 January 2017 £ m
Other		
Within one year	0.7	0.7
Within two and five years	0.7	1.1
	<u>1.4</u>	<u>1.8</u>

26 Related party transactions

Harrods Limited is a wholly owned subsidiary of Harrods Group (Holding) Limited, and as permitted by Financial Reporting Standard 102 Section 33 "Related party disclosures" has not disclosed transactions with group undertakings.

27 Parent and ultimate parent undertaking

The company'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 UK group which consolidates the results of the company.

The company is an indirect 100% subsidiary of Qatar Holding LLC which is the strategic investment arm of Qatar Investment Authority, the ultimate controlling party, incorporated in Qatar.