

Registration number: 1848143

Harrods Holdings Limited

Annual Report and Financial Statements

for the period ended 28 January 2023

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Harrods Holdings Limited

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Harrods Holdings Limited

Strategic Report for the Period ended 28 January 2023

The Directors present their Strategic Report and the Financial Statements for the 52 week period ended 28 January 2023 (2022: 52 weeks ended 29 January 2022).

Principal activity

The principal activity of Harrods Holdings Limited (the "Company") is that of an investment holding company.

Business review

On 18 March 2022, due to the levels of surplus cash held in the group, the Company cancelled its £200m revolving credit facility with the banks.

On 26 August 2022, and in line with the provisions of the facility agreement, the Company paid back £15m to the banks by way of amortisation of the term loan. The value of the term loan reduced accordingly to £605m.

On 20 December 2022, the Company signed an amendment to its banking facility agreement with the three incumbent banks, which had been due to be repayable on 29 October 2023. The new term loan was for £500m leading to a repayment of £105m on the same day. The new repayment date under the amended and restated agreement is 20 December 2027. A revolving credit facility for £200m was also re-introduced for a period of 3 years with an option to apply for an extension for a further 2 years.

The balances outstanding at the end of the year were £500m for the term loan (2022: £620m) and £nil on the revolving credit facility (2022: £nil). During the period £120m (2022: £nil) was repaid on the bank loan.

Due to the scale of the reduction in the term loan value of the bank loan facility, there was deemed to have been a "substantial modification" in the existing debt leading to its derecognition. As a result, all previously capitalised finance and other costs were written off to the income statement. In addition, the derecognition triggered a break in the hedging relationship between the SWAPS in place and the hedged item. This resulted in the transfer of the balance held in the hedging reserve (£16.2m) at that point to credit the profit and loss account.

A further £1.4m charge was recognised in the income statement being the movement in the value of the SWAPS from 20 December 2022 until their termination in January. On the same date, 2 new SWAPS were entered onto for a total notional value of £200m to help mitigate the risks of increases in the floating rate ending on 20 December 2027 in line with the bank loan facility repayment date.

Principal risks and uncertainties

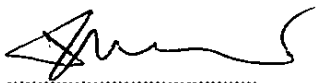
Interest rate risk

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

Liquidity risk

Dividend and interest income from group undertakings are used to make repayments of interest and principal on the Company's borrowings as they fall due.

Approved by the Board on 14 July 2023 and signed on its behalf by:



D J Webster
Company secretary and director

Harrods Holdings Limited
Directors' Report
for the period ended 28 January 2023

The Directors present their Annual Report and the Financial Statements for the 52 week period ended 28 January 2023 (2022: 52 weeks ended 29 January 2022).

Results and dividends

The profit for the period, after taxation, amounted to £205.4m (2022: loss of £13.7m). During the year the Company paid a dividend of £180.0m (2022: £nil).

Directors of the Company

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

M A Ward

D J Webster

T N B Parker (appointed 15 July 2022)

Going concern

Harrods Holdings Limited (the "Company") provides treasury operations for Harrods Group (Holding) Limited and its subsidiaries (the "Group") through external borrowings that it holds, and is dependent on the operating entities within the Group generating sufficient cashflows such that the Company can make repayments of interest and principal on its borrowings as they fall due, and in order for it to comply with the related covenant requirements. As a result, the ability of the Company to continue as a going concern is based on the ability of the Group to continue as a going concern. In addition, the Company generates its income through dividend income from other members of the Harrods group and therefore will be indirectly affected by the impact of the pandemic. Management are confident that the Company has access to sufficient liquidity through group resources to meet its obligations as they fall due over the 12 months from the date of approval of the accounts. The Directors have also reviewed the Group's going concern assessment and concur that the group is expected to continue as a going concern for at least 12 months from the date of approval of these financial statements.

The Company is reliant on the continued financial support of other group companies. A fellow group company, Harrods Limited has indicated its intention to continue to make available such funds as are needed by the Company for a period of at least 12 months from the date of approval of these financial statements. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

KPIs

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

Political donations

During the period the Company did not make any political donations (2022: £nil).

Harrods Holdings Limited

Directors' Report for the period ended 28 January 2023 (continued)

Post balance sheet events

On 20 March 2023, the Company entered into two new interest rate swaps with a total notional value of £100m which will terminate on 20 December 2027. These instruments were with the same counterparties as the swaps already in place as at 28 January 2023, and were entered into so as to further hedge against the floating interest rate on the bank loan and therefore further reduce the Company's exposure to rising interest rates.

On 26 May 2023, the Trustees of Harrods Group Pension Plan entered into an agreement with Scottish Widows to purchase bulk annuity insurance policy that operate as an investment asset. Such arrangement is commonly referred to as "buy-in". The Trustees paid a premium of £380.1m to enter the transaction and purchase the buy-in policy. The buy-in premium has been funded through part of the plan's own assets.

The scheme made up 100% of total defined benefit assets and obligations on the balance sheet as at 28 January 2023. The buy-in removes approximately 97% of the pension's liabilities and exposure from the balance sheet, while maintaining the security of benefits to the scheme members. The uninsured liabilities have been estimated at £10m. The scheme has retained ownership of some less liquid investments, which will be liquidated over the next 3 years, and cash. These assets will be used to meet on-going expenses and any additional insurance premiums.

Under FRS 102.28.15(b), since the policy exactly matches the amount and timing of some or all of the benefits payable by the plan, the fair value that will be placed on the policy is equal to the present value of the related obligation i.e. £333.9m (measured at 26 May 2023); and accordingly, the value of plan assets (and therefore the net balance sheet asset) reduces by £46.2m.

Whilst the purchase of the buy-in policy is an investment decision of the Trustee, it is the Company's view (which is shared by the Trustee) that the buy-in purchase is the first step in a process that will lead to the settlement of all of the Plan's liabilities and the Plan winding up. As such, whilst full settlement has not been achieved as at 26 May 2023, the Company has indicated a commitment to this course of action and it is therefore reasonable to account for the immediate impact on the Plan's balance sheet position as a settlement of liabilities, and so results in a P&L loss as at 26 May 2023.

There are no other events affecting the Company since the year end.

Disclosure of information to the auditors

Each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The Directors who held office at the date of approval of this directors' report confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Harrods Holdings Limited
Directors' Report
for the period ended 28 January 2023 (continued)

Reappointment of auditors

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

Approved by the Board on 14 July 2023 and signed on its behalf by:



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

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

Harrods Holdings Limited

Statement of Directors' Responsibilities in respect of the annual report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 HARRODS HOLDING LIMITED

Opinion

We have audited the financial statements of Harrods Holding Limited ("the Company") for the 52-week period ended 28 January 2023 which comprise the Profit and Loss Account, statement of Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 January 2023 and of its profit for the 52-week period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, internal audit and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARRODS HOLDING LIMITED (continued)

- Reading Board, HR Remuneration & Nomination Committee, Governance Risk & Compliance Committee and Management Executive Committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Company management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition as the Company does not have any revenue streams.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included: Journal entries associated with key words including 'tribunal' and 'error', unexpected journal entries posted to cash, journal entries associated with related parties and material post-closing journal entries

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: data protection laws, anti-bribery and employment law. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARRODS HOLDING LIMITED (continued)

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; 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

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they 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 HOLDING LIMITED (continued)

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Chrissy Douka (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
Date: 18 July 2023

Harrods Holdings Limited

Profit and Loss Account
for the period ended 28 January 2023

		52 weeks ended 28 January 2023 £ m	52 weeks ended 29 January 2022 £ m
Administrative expenses		(0.4)	(0.3)
Operating loss	3	(0.4)	(0.3)
Income from shares in group companies	4	203.0	-
Interest receivable and similar income	5	0.1	-
Interest payable and similar charges	6	(16.0)	(16.9)
Gain on financial assets at fair value	5	14.8	-
Profit/(loss) before tax		201.5	(17.2)
Taxation	8	3.9	3.5
Profit/(loss) for the financial period		205.4	(13.7)

The above results were derived from continuing operations.

Harrods Holdings Limited

Statement of Other Comprehensive Income for the period ended 28 January 2023

		52 weeks ended 28 January 2023 £ m	52 weeks ended 29 January 2022 £ m
	Note		
Profit/(loss) for the period		<u>205.4</u>	<u>(13.7)</u>
Actuarial (losses)/gains on defined benefit pension schemes	12	(3.4)	3.2
Movement on deferred tax relating to defined benefit pension asset	12	0.4	(0.6)
Hedging reserve movement in the period	11	<u>(5.1)</u>	<u>14.0</u>
Other comprehensive (loss)/income for the period		<u>(8.1)</u>	<u>16.6</u>
Total comprehensive income for the period		<u><u>197.3</u></u>	<u><u>2.9</u></u>

Harrods Holdings Limited

(Registration number: 1848143)

Balance Sheet as at 28 January 2023

	Note	28 January 2023 £ m	29 January 2022 £ m
Fixed assets			
Investments	9	1,299.5	1,299.5
Current assets			
Debtors: amounts falling due after more than one year	10	12.6	2.9
Debtors: amounts falling due within one year	10	17.0	13.3
Cash at bank and in hand		4.8	2.5
		<u>34.4</u>	<u>18.7</u>
Creditors: Amounts falling due within one year	11	<u>(364.6)</u>	<u>(261.6)</u>
Net current liabilities		<u>(330.2)</u>	<u>(242.9)</u>
Total assets less current liabilities		969.3	1,056.6
Creditors: Amounts falling due after more than one year	11	(494.7)	(602.5)
Provisions for liabilities	8	<u>(1.7)</u>	<u>(1.9)</u>
Net assets excluding pension asset		472.9	452.2
Pension asset	12	<u>6.8</u>	<u>10.2</u>
Net assets		<u>479.7</u>	<u>462.4</u>
Capital and reserves			
Called up share capital	13	50.0	50.0
Share premium reserve	13	198.4	198.4
Merger reserve		217.8	217.8
Hedging reserve	11	(2.2)	2.9
Profit and loss account		<u>15.7</u>	<u>(6.7)</u>
Total equity		<u>479.7</u>	<u>462.4</u>

Approved and authorised by the Board on 14 July 2023 and signed on its behalf by:

M A Ward
Director

Harrods Holdings Limited

Statement of Changes in Equity for the period ended 28 January 2023

	Share capital £ m	Share premium £ m	Non-distributable reserve £ m	Hedging reserve £ m	Profit and loss account £ m	Total £ m
At 31 January 2021	50.0	198.4	217.8	(11.1)	4.4	459.5
Loss for the period	-	-	-	-	(13.7)	(13.7)
Actuarial gain on defined benefit pension schemes (net of deferred tax)	-	-	-	-	2.6	2.6
Hedging reserve movement in the period	-	-	-	14.0	-	14.0
Total comprehensive income	-	-	-	14.0	(11.1)	2.9
At 29 January 2022	50.0	198.4	217.8	2.9	(6.7)	462.4

Harrods Holdings Limited

Statement of Changes in Equity for the period ended 28 January 2023 (continued)

	Share capital £ m	Share premium £ m	Non-distributable reserve £ m	Hedging reserve £ m	Profit and loss account £ m	Total £ m
At 30 January 2022	50.0	198.4	217.8	2.9	(6.7)	462.4
Profit for the period	-	-	-	-	205.4	205.4
Actuarial loss on defined benefit pension schemes (net of deferred tax)	-	-	-	-	(3.0)	(3.0)
Hedging reserve movement in the period	-	-	-	(5.1)	-	(5.1)
Total comprehensive income	-	-	-	(5.1)	202.4	197.3
Dividends	-	-	-	-	(180.0)	(180.0)
At 28 January 2023	50.0	198.4	217.8	(2.2)	15.7	479.7

The notes on pages 15 to 29 form an integral part of these financial statements.
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Harrods Holdings Limited

Notes to the Financial Statements for the period ended 28 January 2023

1 General information

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

2 Accounting policies

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"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £m to one decimal place.

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

FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The area involving a higher degree of judgment, or area where assumptions and estimates are significant to the financial statements is the investment impairment, see relevant accounting policy.

Harrods Holdings Limited is a wholly owned subsidiary of Harrods Group (Holding) Limited which produces group accounts in accordance with the Companies Act 2006. Consequently, the Company has taken advantage of the exemption permitted by section 400 of the Act from producing group accounts. These accounts therefore present information about the Company and not about its group.

Measurement Convention

The Financial Statements have been prepared under the historical cost convention except for the treatment of financial derivatives, which are accounted for under the fair value convention.

Financial Reporting Standard 102 - reduced disclosure exemptions

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

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

This information is included in the Consolidated Financial Statements of Harrods Group (Holding) Limited as at 28 January 2023 and these Financial Statements may be obtained from the Registrar of Companies.

Harrods Holdings Limited
Notes to the Financial Statements
for the period ended 28 January 2023 (continued)

2 Accounting policies (continued)

Going concern

Harrods Holdings Limited (the "Company") provides treasury operations for the Group through external borrowings that it holds, and is dependent on the operating entities within the Group generating sufficient cashflows such that the Company can make repayments of interest and principal on its borrowings as they fall due, and in order for it to comply with the related covenant requirements. As a result, the ability of the Company to continue as a going concern is based on the ability of the Group to continue as a going concern. In addition, the Company generates its income through dividend income from other members of the Harrods group and therefore will be indirectly affected by the impact of the pandemic. Management are confident that the Company has access to sufficient liquidity through group resources to meet its obligations as they fall due over the 12 months from the date of approval of the accounts. The directors have also reviewed the Group's going concern assessment and concur that the group is expected to continue as a going concern for at least 12 months from the date of approval of these financial statements.

The Company is reliant on the continued financial support of other group companies. A fellow group company, Harrods Limited has indicated its intention to continue to make available such funds as are needed by the Company for a period of at least 12 months from the date of approval of these financial statements. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Investments

Investments in subsidiaries are measured at cost less accumulated impairment. Investments are impaired when the carrying amount is greater than its estimated recoverable amount. Any impairment charge arising, is recognised in the Profit and Loss Account. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Hedge accounting

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

Finance costs

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

Harrods Holdings Limited

Notes to the Financial Statements for the period ended 28 January 2023 (continued)

2 Accounting policies (continued)

Borrowing costs

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

Issue costs

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

Dividend income

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

Pensions

Defined benefit pension obligation

Certain group 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.

The group's defined benefit pension scheme is assessed annually in accordance with FRS 102. 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 group. The amount charged to the Profit and Loss Account in respect of pension costs and other post-retirement benefits includes the interest cost on the scheme liabilities for the period and the interest income on the scheme assets and are included in finance costs. In addition, administrative expenses which are funded by the group are also charged to the Profit and Loss Account under operating costs.

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

The group pension assets and liabilities have been allocated amongst the contributing employers by reference to detailed data of the buyout liabilities of members and deferred members supplied by the scheme actuary as at the April 2015 triennial valuation.

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

Financial instruments

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

Deferred taxation

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

Harrods Holdings Limited

Notes to the Financial Statements
for the period ended 28 January 2023 (continued)

2 Accounting policies (continued)

Current taxation

Current tax, including UK corporation tax, is provided as amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank accounts.

Debtors

Debtors are initially recognised at fair value, and subsequently measured at amortised cost less any impairment.

Creditors

Creditors are initially recognised at fair value and subsequently measure at amortised cost.

3 Operating loss

The operating loss is stated after charging:

Audit fees for the period of £17,905 (2022: £16,277).

Non-audit fees for the period of £10,000 (2022: £10,000).

4 Income from Shares in Group companies

	52 weeks ended 28 January 2023 £ m	52 weeks ended 29 January 2022 £ m
Dividend receivable from group companies	203.0	-

The Company received dividends from Harrods (UK) Limited of £180.0m (2022: £nil) and Harrods Corporate Management Limited of £23.0m (2022: £nil).

5 Interest receivable and similar income

	52 weeks ended 28 January 2023 £ m	52 weeks ended 29 January 2022 £ m
Interest receivable from group companies	0.1	-
Net changes in fair value of hedged item	14.8	-
	14.9	-

Harrods Holdings Limited

Notes to the Financial Statements for the period ended 28 January 2023 (continued)

6 Interest payable and similar expenses

	52 weeks ended 28 January 2023 £ m	52 weeks ended 29 January 2022 £ m
Other loan interest payable	13.6	13.8
Other finance costs	2.4	2.1
Interest payable on loans from group undertakings	-	1.0
	<u>16.0</u>	<u>16.9</u>

7 Directors and employees

The Company has 3 directors employed by a subsidiary undertaking (2022: 2).

The Company did not employ any persons or incur any staff costs during the period (2022: £nil).

The value of emoluments incurred directly by the Company was £nil (2022: £nil). Emoluments incurred by the group's subsidiary undertakings was £3.1m (2022: £2.6m). The highest paid director received remuneration of £2.3m (2022: £2.3m). Included in emoluments for the period ended 28 January 2023 are pension contributions of £2.6k (2022: £15k).

There are 0 directors to whom retirement benefits are accruing under a defined benefit pension scheme (2022: 0) and 2 directors to whom retirement benefits are accruing under a defined contribution scheme (2022: 1).

The total paid is for services performed across the Group.

Harrods Holdings Limited
Notes to the Financial Statements
for the period ended 28 January 2023 (continued)

Notes to the Financial Statements (continued)

8 Taxation

Tax charged/(credited) in the income statement

	52 weeks ended 28 January 2023 £ m	52 weeks ended 29 January 2022 £ m
Current taxation		
Group relief receivable	(0.3)	(3.6)
Total current tax	<u>(0.3)</u>	<u>(3.6)</u>
Deferred taxation		
Arising from origination and reversal of timing differences	0.2	0.1
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(3.8)	-
Total deferred taxation	<u>(3.6)</u>	<u>0.1</u>
Tax credit in the income statement	<u>(3.9)</u>	<u>(3.5)</u>
Tax relating to items recognised in other comprehensive income or equity		
	52 weeks ended 28 January 2023 £ m	52 weeks ended 29 January 2022 £ m
Deferred tax related to items recognised as items of other comprehensive income	<u>(0.4)</u>	<u>0.6</u>

Harrods Holdings Limited

Notes to the Financial Statements for the period ended 28 January 2023 (continued)

Notes to the Financial Statements (continued)

8 Taxation (continued)

The tax on profit before tax for the period is lower than the standard rate of corporation tax in the UK (2022 - higher than the standard rate of corporation tax in the UK) of 19% (2022 - 19%).

The differences are reconciled below:

	52 weeks ended 28 January 2023 £ m	52 weeks ended 29 January 2022 £ m
Profit/(loss) before tax	201.5	(17.2)
Corporation tax at standard rate	38.3	(3.3)
Effects of:		
Tax rate changes	0.2	-
Adjustment in respect of prior period	(3.8)	(0.2)
Dividends from UK companies	(38.6)	-
Total tax credit	(3.9)	(3.5)

Changes to UK corporation tax rates were substantively enacted by the Finance Bill 2021 (on 24 May 2021). These included an increase in the corporation tax rate from 19% to 25% from 1 April 2023. Deferred tax balances have been remeasured accordingly where appropriate.

Deferred tax

Deferred tax is provided for at 25% (2022: 19%) in the financial statements set out below:

	28 January 2023 £ m	29 January 2022 £ m
Deferred tax on defined benefit pension scheme	(1.7)	(1.9)
Total deferred tax liability	(1.7)	(1.9)

Harrods Holdings Limited
Notes to the Financial Statements
for the period ended 28 January 2023 (continued)

Notes to the Financial Statements (continued)

9 Investments

	28 January 2023 £ m	29 January 2022 £ m
Investments in subsidiaries	<u>1,299.5</u>	<u>1,299.5</u>
Subsidiaries		£ m
Cost		
At 30 January 2022		<u>1,299.5</u>
Carrying amount		
At 28 January 2023		<u>1,299.5</u>
At 29 January 2022		<u>1,299.5</u>

Details of undertakings

Undertaking	Registered office	Class of shares	Holding	Principal activity
Subsidiary undertakings				
Harrods UK Limited*	England and Wales	Ordinary	100%	Holding company
Harrods Limited	England and Wales	Ordinary	100%	Department store
Harrods International Limited	England and Wales	Ordinary	100%	Tax free retailer and wholesaler
Harrods (Continental) Limited	England and Wales	Ordinary	100%	Exporter
Harrods Department Store (Shanghai) Co., Limited	China	Ordinary	100%	Personal Shopping service
Harrods Beauty Limited	England and Wales	Ordinary	100%	Retailer
Harrods Estates Limited	England and Wales	Ordinary	100%	Estate agency
5A Holdings Limited	England and Wales	Ordinary	100%	Holding company
Genavco Insurance Limited	England and Wales	Ordinary	100%	Insurance broker
Harrods Corporate Management Limited*	England and Wales	Ordinary	100%	Intellectual property management limited
Harrods Property Limited	England and Wales	Ordinary	100%	Property management
Harrods Nominees Limited	England and Wales	Ordinary	100%	Dormant company

Harrods Holdings Limited

Notes to the Financial Statements for the period ended 28 January 2023 (continued)

Notes to the Financial Statements (continued)

9 Investments (continued)

Undertaking	Registered office	Class of shares	Holding	Principal activity
Featurecode (Management) Limited (formerly Harrods (Management) Limited)	England and Wales	Ordinary	100%	Dormant company
Harrods Hong Kong Limited	Hong Kong	Ordinary	100%	Personal Shopping
Harrods Group Trustees Limited	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, except Harrods Department Store (Shanghai) Co., Limited, whose registered address is 4801 Binjiang Avenue, China (Shanghai) Free Trade Zone, and Harrods Hong Kong Limited, whose registered address is 21st Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong.

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

10 Debtors

	28 January 2023 £ m	29 January 2022 £ m
Debtors: due within one year		
Amounts owed by group undertakings	9.5	9.5
Other debtors	3.7	3.8
Deferred tax assets	3.8	-
	<u>17.0</u>	<u>13.3</u>

In prior years, the Company granted a non-interest bearing loan of £10.2m to QH Enterprises Limited. As at 28 January 2023, the balance outstanding was £9.5m (2022: £9.5m). The loan is repayable on demand.

	28 January 2023 £ m	29 January 2022 £ m
Debtors: due after more than one year		
Interest rate swaps	12.6	2.9
	<u>12.6</u>	<u>2.9</u>

Harrods Holdings Limited

Notes to the Financial Statements
for the period ended 28 January 2023 (continued)

Notes to the Financial Statements (continued)

11 Creditors

	28 January 2023 £ m	29 January 2022 £ m
Amounts falling due within one year		
Loans and borrowings	-	15.0
Amounts owed to group undertakings	362.4	245.3
Accrued expenses	2.2	1.3
	<u>364.6</u>	<u>261.6</u>
Amounts falling due after one year		
Bank loans	<u>494.7</u>	<u>602.5</u>

Loans and borrowings due within one year represent amounts repayable on term loan of £nil (2022: £15m).

Loans and borrowings due after more than one year represent a term loan of £500m (2022: £605m) which is repayable in December 2027. The balances outstanding at the end of the year were £500m for the term loan (2022: £605m) and £nil on the revolving credit facility (2022: £nil).

Loans are presented net of finance costs; Finance costs at 28 January 2023 are £5.3m (2022: £2.5m). The increase in finance costs relates to the agreement and professional fees paid on the extension of the financing facility with the banks.

On December 20, 2022, the Company concluded an agreement with its banking syndicate to extend by 5 years the term loan of £500m (2022: £620m) and the revolving credit facility of £200m was re-introduced for a period of 3 years with an option to apply for an extension for a further 2 years. The new repayment date under the amended and restated agreement is now 20 December 2027.

The covenant commitments under the new agreement involve covenant measures of net leverage ratios and interest cover. Sufficient headroom has been built into the covenants against the conservative cash and profit forecasts of the obligor group.

Loans

Analysis of the maturity of loans is given below:

	28 January 2023 £ m	29 January 2022 £ m
Amounts falling due within one year - Bank Loans	-	15.0
Amounts falling due after more than one year - Bank loans	<u>494.7</u>	<u>602.5</u>
	<u>494.7</u>	<u>617.5</u>

Harrods Holdings Limited
Notes to the Financial Statements
for the period ended 28 January 2023 (continued)

Notes to the Financial Statements (continued)

12 Pension and other schemes

Defined benefit pension schemes

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

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

An actuarial valuation of the Plan as at 5 April 2021 on a technical provision basis was carried out by the Scheme Actuary, with a surplus of £52m being calculated on that basis, a funding level of 108%. At the previous valuation at 5 April 2018, there was a surplus of £11m equating to a funding level of 102%.

Following the results of the April 2021 valuation, with the scheme experiencing an increase in surplus, the Group and the Pension Trustee agreed the following:

In the event that the Plan is in surplus of at least £1m on the agreed Technical provisions basis outlined with the Statement of Funding Principles at each Plan Year End (from 5 April 2022, and each 5 April thereafter during period covered by this Schedule of Contributions), the Plan will meet all expenses directly.

In the event of the Plan is in deficit or has a surplus of less than £1m on the agreed Technical provisions basis outlined with the Statement of Funding Principles at each Plan Year End (from 5 April 2022, and each 5 April thereafter during period covered by this Schedule of Contributions), the employer will recommence the payment of the expenses (estimated at circa £1m) following the month of the actuarial report being finalised.

The formal actuarial valuation as at 05 April 2021 was updated to 28 January 2023 accounting date by an independent qualified actuary in accordance with FRS 102. As required by FRS 102, the value of the defined benefit liabilities has been measured using the projected unit method.

In aggregate, during the period ended 28 January 2023, the participating employers made total contributions to the plan of £nil (2022: £518k).

The next triennial valuation is scheduled for April 2024.

Due to the full interest rate and inflation hedging that the plan had in place as well as the strong level of collateral held in its Liquidity Driven Investment portfolio, and the low risk investment strategy in place more generally, the plan did not experience any material adverse consequences to its net surplus position during the volatility that was experienced in the markets during September and October 2022.

Please refer to the post balance sheet event details in note 18 for further developments since the balance sheet date.

Harrods Holdings Limited

Notes to the Financial Statements
for the period ended 28 January 2023 (continued)

Notes to the Financial Statements (continued)

12 Pension and other schemes (continued)

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

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

	28 January 2023 £ m	29 January 2022 £ m
Fair value of scheme assets	27.3	39.7
Present value of defined benefit obligation	<u>(20.5)</u>	<u>(29.5)</u>
Defined benefit pension scheme surplus	<u>6.8</u>	<u>10.2</u>

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	28 January 2023 £ m
Present value at start of period	29.5
Interest cost	0.6
Actuarial gains	(9.7)
Benefits paid	(1.0)
Effect of experience adjustments	<u>1.1</u>
Present value at end of period	<u>20.5</u>

Fair value of scheme assets

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

	28 January 2023 £ m
Fair value at start of period	39.7
Interest income	0.7
Return on plan assets, excluding amounts included in interest income	(12.0)
Administration expenses	(0.1)
Benefits paid	<u>(1.0)</u>
Fair value at end of period	<u>27.3</u>

Harrods Holdings Limited

Notes to the Financial Statements for the period ended 28 January 2023 (continued)

Notes to the Financial Statements (continued)

12 Pension and other schemes (continued)

Analysis of assets

The major categories of scheme assets are as follows:

	28 January 2023 £ m	29 January 2022 £ m
Cash and cash equivalents	3.4	2.6
Debt instruments	21.4	29.1
Other assets	2.5	8.0
	<u>27.3</u>	<u>39.7</u>

The total assets include assets amounting to 9% (2022: 11%) classified as level 3 financial assets, which are not quoted on an active market, are considered to be the least liquid and hardest to value, and are therefore subject to a higher degree of estimation.

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

Principal actuarial assumptions

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

	2023 %	2022 %
Discount rate	4.4	2.1
Inflation - RPI	3.2	3.5
Inflation - CPI	2.6	2.9
Nominal rate of increase in pensions in payment - RPI 2.5%	1.9	2.3
Nominal rate of increase in pensions in payment - RPI 5%	<u>2.9</u>	<u>3.4</u>

Post retirement mortality assumptions

	2023 Years	2022 Years
Current UK pensioners at retirement age - male	26.1	26.3
Current UK pensioners at retirement age - female	28.8	29.0
Future UK pensioners at retirement age - male	27.5	27.8
Future UK pensioners at retirement age - female	<u>30.3</u>	<u>30.5</u>

Harrods Holdings Limited
Notes to the Financial Statements
for the period ended 28 January 2023 (continued)

Notes to the Financial Statements (continued)

13 Share capital

Allotted, called up and fully paid shares

	28 January 2023		29 January 2022	
	No. m	£ m	No. m	£ m
Ordinary shares of £1 each	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>
	28 January 2023		29 January 2022	
	£ m		£ m	
Share premium	<u>198.4</u>		<u>198.4</u>	
	<u>198.4</u>		<u>198.4</u>	

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

Dividends of £180.0m were declared and paid (2022: nil).

14 Commitments

Capital commitments

At 28 January 2023 the Company had no capital commitments (2022: £nil).

15 Contingent liabilities

Harrods Holdings Limited and other group entities are guarantors of the Harrods Group cash netting facility.

There were no other contingent liabilities at 28 January 2023 or 29 January 2022.

16 Related party transactions

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

Harrods Holdings Limited

Notes to the Financial Statements for the period ended 28 January 2023 (continued)

Notes to the Financial Statements (continued)

17 Parent and ultimate parent undertaking

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

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

18 Post balance sheet events

On 26 May 2023, the Trustees of Harrods Group Pension Plan entered into an agreement with Scottish Widows to purchase bulk annuity insurance policy that operate as an investment asset. Such arrangement is commonly referred to as "buy-in". The Trustees paid a premium of £380.1m to enter the transaction and purchase the buy-in policy. The buy-in premium has been funded through part of the plan's own assets.

The scheme made up 100% of total defined benefit assets and obligations on the balance sheet as at 28 January 2023. The buy-in removes approximately 97% of the pension's liabilities and exposure from the balance sheet, while maintaining the security of benefits to the scheme members. The uninsured liabilities have been estimated at £10m. The scheme has retained ownership of some less liquid investments, which will be liquidated over the next 3 years, and cash. These assets will be used to meet on-going expenses and any additional insurance premiums.

Under FRS 102.28.15(b), since the policy exactly matches the amount and timing of some or all of the benefits payable by the plan, the fair value that will be placed on the policy is equal to the present value of the related obligation i.e. £333.9m (measured at 26 May 2023); and accordingly, the value of plan assets (and therefore the net balance sheet asset) reduces by £46.2m.

Whilst the purchase of the buy-in policy is an investment decision of the Trustee, it is the Company's view (which is shared by the Trustee) that the buy-in purchase is the first step in a process that will lead to the settlement of all of the Plan's liabilities and the Plan winding up. As such, whilst full settlement has not been achieved as at 26 May 2023, the Company have indicated a commitment to this course of action and it is therefore reasonable to account for the immediate impact on the Plan's balance sheet position as a settlement of liabilities, and so results in a P&L loss as at 26 May 2023.

There are no other events affecting the Company since the year end.