

# HARRODS AVIATION LIMITED

## REPORTS AND FINANCIAL STATEMENTS

For the period ended  
30 January 2016



# **HARRODS AVIATION LIMITED**

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# HARRODS AVIATION LIMITED

## STRATEGIC REPORT

For the period ended 30 January 2016

The directors present their strategic report for the period from 1 February 2015 to 30 January 2016.

### Business review

Turnover for the period ended 30 January 2016 was £46.6 million (2015: £49.3 million). The reduction in turnover was due to the lower base cost of aviation fuel.

The operating profit before provision against loans to a subsidiary company was £2.5 million (2015: £1.3 million profit). The loss for the period before taxation amounted to £0.6 million (2015: £1.8 million loss), which included a further provision against loans to a subsidiary company of £2.4 million (2015: £2.4 million).

The directors are pleased with the underlying performance during the period and believe that Harrods Aviation Limited is in a strong position to continue its current performance.

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

### Strategy

The strategy adopted during the period has been to maintain the market position established by the company. This strategy is based largely on exceptional customer service and our brand name. We will continue with this strategy during 2016.

### Principal risks and uncertainties

The management of the business and the nature of the company's strategy are subject to a number of risks. The directors have set out below the principal risks facing the business.

#### Economic downturn

The state of the world economy affects the business of Harrods Aviation Limited.

In response to this risk, senior management aim to keep abreast of economic conditions. In cases of severe economic downturn, marketing and pricing strategies are modified to reflect the new market conditions.

#### High proportion of fixed overheads

A large proportion of the company's overheads are fixed. There is the risk that any significant changes in revenue may lead to the inability to cover such costs.

Management closely monitor fixed overheads against budget on a monthly basis and cost saving exercises are implemented when there is an anticipated decline in revenues.

#### Product obsolescence

Due to the nature of the market in which part of the company operates, products are subject to technological advances and as a result, obsolescence. The directors are committed to ensuring that products which have excessive risk attached to them are not carried in stock.

#### Regulatory changes

The industry in which the company operates is subject to regulation. Future changes in such regulation may impact the company's ability to generate income, either through decreased revenues, increased expenditure or a combination of both.

Management aims to mitigate such risks by ensuring that the customer base is adequately informed of the impact of new legislation. Any restrictions on air travel would potentially have an adverse effect on Harrods Aviation Limited.

# HARRODS AVIATION LIMITED

## STRATEGIC REPORT

For the period ended 30 January 2016

### People

The success of the company is largely dependent upon the recruitment and retention of our employees. There are training programmes and remuneration schemes in place to mitigate the risk of the absence of suitable staff resources.

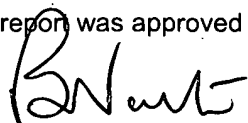
### Credit risk

The company's principal credit risk relates to the recovery of trade debtors. In order to manage credit risk the directors set limits for customers based on a combination of payment history and references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history.

### Interest rate risk

Exposure to interest rate risk is limited through the use of fixed interest rates on inter company loans.

This report was approved by the board on 7.6.16 and signed on its behalf by:



.....  
P D Norton  
Director

## **HARRODS AVIATION LIMITED**

### **DIRECTORS' REPORT**

For the period ended 30 January 2016

The directors present their report and the financial statements for the period ended 30 January 2016.

#### **Directors' responsibilities statement**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom 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 satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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.

#### **Principal activity**

The company provides aircraft handling and maintenance services from London Stansted Airport and London Luton Airport.

#### **Going concern**

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

#### **Directors**

The directors who served during the period were:

P D Norton

J Bool

W Holroyd

M A Ward

J P Edgar

H.E. A M Al-Sayed (resigned 5 February 2015)

H.E. H A Al-Abdulla (resigned 4 February 2015)

## **HARRODS AVIATION LIMITED**

### **DIRECTORS' REPORT**

For the period ended 30 January 2016

#### **Registered office**

87 - 135 Brompton Road  
Knightsbridge  
London  
London  
SW1X 7XL

Registered number: 02043317

#### **Future developments**

The directors recognise that the travel market and particularly the Fixed Base Operation market are subject to variations in economic conditions not only in the UK but worldwide. The directors are actively pursuing new business to place the company in a strong position in the event that a downturn should occur. We continue to enhance our facilities, which leaves us ideally placed to take advantage of an improvement in market conditions.

#### **Policy and practice on 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 policy is that any valid invoice will be paid in full. The company is sympathetic to, and pays particular attention to, the cash flow needs of its smaller suppliers. Trade creditors at the period end amount to 29 days (2015: 20 days) of average supply for the period.

# HARRODS AVIATION LIMITED

## DIRECTORS' REPORT

For the period ended 30 January 2016

### Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant information, being information needed by the auditor in connection with preparing its report, of which the company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### Post balance sheet events

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

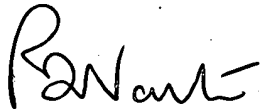
### Auditors

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

This report was approved by the board on

7.6.16

and signed on its behalf by:



.....  
P D Norton  
Director

## **HARRODS AVIATION LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HARRODS AVIATION LIMITED**

We have audited the financial statements of Harrods Aviation Limited for the period ended 30 January 2016, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and the related note 1 to 26. 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'.

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

#### **Respective responsibilities of Directors and Auditors**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 January 2016 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, 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.

#### **Opinion on other matter prescribed by the Companies Act 2006**

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



## HARRODS AVIATION LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HARRODS AVIATION LIMITED

#### Matters on which we are required to report by exception

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

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



Julie Carlyle (Senior Statutory Auditor)

for and on behalf of  
**Ernst & Young LLP**

External Auditors

1 More London Place  
London  
London  
SE1 2AF

Date: 8 June 2016

## HARRODS AVIATION LIMITED

### PROFIT AND LOSS ACCOUNT

For the period ended 30 January 2016

		52 weeks ended 30 January 2016 £000	52 weeks ended 31 January 2015 £000
Turnover	2	46,643	49,346
Cost of sales		(25,566)	(30,167)
<b>Gross profit</b>		<b>21,077</b>	<b>19,179</b>
Administrative expenses		(21,318)	(20,669)
Other operating income	3	314	353
<b>Operating profit / (loss)</b>		<b>73</b>	<b>(1,137)</b>
Interest receivable and similar income	4	1,242	1,168
Interest payable and similar charges	5	(1,890)	(1,875)
Other finance cost		(1)	(10)
<b>Loss on ordinary activities before taxation</b>	2	<b>(576)</b>	<b>(1,854)</b>
Taxation on loss on ordinary activities	8	(538)	(311)
<b>Loss for the period</b>		<b>(1,114)</b>	<b>(2,165)</b>

The notes on pages 13 to 35 form part of these financial statements.

All transactions arise from continuing operations.

## HARRODS AVIATION LIMITED

### STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 January 2016

	<b>52 weeks ended 30 January 2016 £000</b>	<b>52 weeks ended 31 January 2015 £000</b>
Loss for the financial period	<u>(1,114)</u>	<u>(2,165)</u>
Other comprehensive income		
Actuarial gains / (losses) on defined benefit schemes	509	(740)
Movement on deferred tax relating to pension gains / (losses)	(92)	148
Other comprehensive income for the period	<u>417</u>	<u>(592)</u>
<b>Total comprehensive income for the period</b>	<u><u>(697)</u></u>	<u><u>(2,757)</u></u>

The notes on pages 13 to 35 form part of these financial statements.

**HARRODS AVIATION LIMITED**

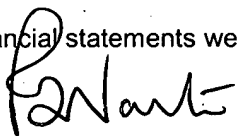
Registered number: 02043317

**BALANCE SHEET**

As at 30 January 2016

	Note	30 January 2016 £000	31 January 2015 £000
<b>Fixed assets</b>			
Intangible assets	9	24	39
Tangible assets	10	10,059	10,935
		<u>10,083</u>	<u>10,974</u>
<b>Current assets</b>			
Stocks	12	1,470	1,141
Debtors	13	7,306	8,301
Cash at bank and in hand	14	639	285
		<u>9,415</u>	<u>9,727</u>
Creditors: amounts falling due within one year	15	(5,187)	(3,941)
		<u>4,228</u>	<u>5,786</u>
<b>Net current assets</b>		<u>14,311</u>	<u>16,760</u>
<b>Total assets less current liabilities</b>		<u>14,311</u>	<u>16,760</u>
Creditors: amounts falling due after more than one year	16	(26,264)	(27,274)
Provisions for liabilities	17	(101)	(50)
		<u>(12,054)</u>	<u>(10,564)</u>
Pension asset/ (liability)	22	569	(224)
<b>Net assets/ (liabilities)</b>		<u>(11,485)</u>	<u>(10,788)</u>
<b>Capital and reserves</b>			
Called up share capital	19	23,500	23,500
Profit and loss account	18	(34,985)	(34,288)
		<u>(11,485)</u>	<u>(10,788)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

  
.....  
P D Norton  
Director

Date:

7.6.16.

## HARRODS AVIATION LIMITED

### STATEMENT OF CHANGES IN EQUITY

As at 30 January 2016

	Share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 February 2015	23,500	(34,288)	(10,788)
Loss for the period	-	(1,114)	(1,114)
Actuarial gains on pension scheme net of tax	-	417	417
<b>At 30 January 2016</b>	<b>23,500</b>	<b>(34,985)</b>	<b>(11,485)</b>

## HARRODS AVIATION LIMITED

### STATEMENT OF CHANGES IN EQUITY

As at 31 January 2015

	Share capital	Profit and loss account	Total equity
	£000	£000	£000
At 2 February 2014	23,500	(31,531)	(8,031)
Loss for the period	-	(2,165)	(2,165)
Actuarial losses on pension scheme net of tax	-	(592)	(592)
<b>At 31 January 2015</b>	<b><u>23,500</u></b>	<b><u>(34,288)</u></b>	<b><u>(10,788)</u></b>

The notes on pages 13 to 35 form part of these financial statements.

# HARRODS AVIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 January 2016

### 1. Accounting policies

#### 1.1 Basis of preparation of financial statements

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

Application of FRS 102 is required for all accounting periods beginning on or after 1 January 2015 (the effective date). This is the first year of adoption for both the group and company. In accordance with section 35.6 the standard has been applied to all comparatives (reported balances for financial periods ending 31 January 2015 and 1 February 2014) and related information.

Information on the impact of first-time adoption of FRS 102 is given in note 26.

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

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Basic Financial Instruments paragraph 11.41;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Harrods Group (Holding) Limited as at 30 January 2016.

Group financial statements are not presented as the company is a wholly owned subsidiary undertakings of Harrods Group (Holding) Limited. These accounts therefore present information about the company and not its group.

In order that the financial statements be prepared on a going concern basis, Harrods Group (Holding) Limited, a company under control of the ultimate parent undertaking has indicated that it will not call for repayments of amounts due to the group undertakings, without first ensuring that the company has adequate funds to meet its obligations as they fall due.

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.

The following principal accounting policies have been applied:

# HARRODS AVIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 January 2016

### 1. Accounting policies (continued)

#### 1.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

##### Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

##### Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably, and;
- the costs incurred and the costs to complete the contract can be measured reliably.

#### 1.3 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any 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.



# HARRODS AVIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 January 2016

### 1. Accounting policies (continued)

#### 1.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

The estimated useful lives range as follows:

Short-term leasehold property	-	Period of lease
Plant and machinery	-	between 3 to 10 years
Office equipment	-	3 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.

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.

#### 1.5 Operating leases: Lessee

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

#### 1.6 Finance leases: Lessee

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

#### 1.7 Stocks and work in progress

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 first in, first out 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.

#### 1.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

# HARRODS AVIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 January 2016

### 1. Accounting policies (continued)

#### 1.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

#### 1.10 Pensions

##### Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payments obligations.

The contributions are recognised as an expense in the Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the company in independently administered funds.

##### Group pension plan

Where the risks of a defined benefit plan are shared between entities under common control, each entity recognises the net defined benefit cost charged in its own financial statements.

#### 1.11 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Balance Sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Balance Sheet date.

#### 1.12 Current and deferred taxation

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

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

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date:

## HARRODS AVIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 January 2016

#### 2. Analysis of turnover

An analysis of turnover by class of business is as follows:

	52 weeks ended 30 January 2016 £000	52 weeks ended 31 January 2015 £000
Sales - UK	<u>46,643</u>	<u>49,346</u>

The turnover and loss on ordinary activities before taxation is attributable to aviation services in the geographical markets analysed above.

The loss on ordinary activities before taxation is stated after:

	52 weeks ended 30 January 2016 £000	52 weeks ended 31 January 2015 £000
Auditors' remuneration:		
Audit services	37	36
Depreciation:		
Fixed assets owned	1,558	1,540
Operating leases - plant and machinery	197	149
Operating leases - other assets	3,308	3,468
Provision for intercompany debtors	<u>2,383</u>	<u>2,428</u>

The provision against intercompany debtor represents the amount of a loan made to a subsidiary company that may not be recoverable. The total amount provided for at the balance sheet date was £16,863 thousand (2015: £14,480 thousand).

#### 3. Other operating income

	52 weeks ended 30 January 2016 £000	52 weeks ended 31 January 2015 £000
Non trading rental income - receivable other	134	140
Non trading rental income - receivable intercompany	-	46
Commissions receivable	180	167
	<u>314</u>	<u>353</u>

## HARRODS AVIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 January 2016

#### 4. Interest receivable

	52 weeks ended 30 January 2016 £000	52 weeks ended 31 January 2015 £000
Interest receivable from group companies	1,238	1,165
Other interest receivable	4	3
	<u>1,242</u>	<u>1,168</u>

#### 5. Interest payable and similar charges

	52 weeks ended 30 January 2016 £000	52 weeks ended 31 January 2015 £000
Loans from group undertakings	(1,885)	(1,861)
Finance leases and hire purchase contracts	(5)	(14)
	<u>(1,890)</u>	<u>(1,875)</u>

#### 6. Other finance costs

	52 weeks ended 30 January 2016 £000	52 weeks ended 31 January 2015 £000
Net interest on net defined benefit liability	(1)	(10)
	<u>(1)</u>	<u>(10)</u>

## HARRODS AVIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 January 2016

#### 7. Employees

Staff costs, including directors' remuneration, were as follows:

	<b>52 weeks ended 30 January 2016 £000</b>	<b>52 weeks ended 31 January 2015 £000</b>
Wages and salaries	<b>8,081</b>	7,965
Social security costs	<b>863</b>	837
Cost of defined contribution scheme	<b>440</b>	449
	<b><u>9,384</u></b>	<b><u>9,251</u></b>

The average monthly number of employees, including the directors, during the period was 222 (2015: 212).

Remuneration in respect of qualifying services of directors was as follows:

	<b>52 weeks ended 30 January 2016 £000</b>	<b>52 weeks ended 31 January 2015 £000</b>
Directors' emoluments	<b>552</b>	536
Company contributions to defined contribution pension schemes	<b>39</b>	32
	<b><u>591</u></b>	<b><u>568</u></b>

During the period retirement benefits were accruing to three directors (2015: three) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £237 thousand (2015: £228 thousand).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £14 thousand (2015: £14 thousand).

The total accrued pension provision of the highest paid director at 30 January 2016 amounted to £nil (2015: £nil).

The amount of the accrued lump sum in respect of the highest paid director at 30 January 2016 amounted to £nil (2015: £nil).

## HARRODS AVIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 January 2016

#### 8. Taxation

The tax charge is based on the loss for the period and represents:

	<b>52 weeks ended 30 January 2016 £000</b>	<b>52 weeks ended 31 January 2015 £000</b>
Group relief claimed	402	212
Adjustments to tax charge in respect of prior period	3	11
<b>Total current tax</b>	<b><u>405</u></b>	<b><u>223</u></b>
<b>Deferred tax</b>		
Deferred tax - current year	51	22
Deferred tax - pension scheme	82	66
<b>Total deferred tax</b>	<b><u>133</u></b>	<b><u>88</u></b>
<b>Taxation on loss on ordinary activities</b>	<b><u>538</u></b>	<b><u>311</u></b>
<b>Total current and deferred tax relating to items of other comprehensive income</b>		
FRS 102 - Holiday pay	-	(10)
FRS 102 – Long term service awards	-	(19)
FRS 102 - Pension scheme	-	33
Deferred tax on pension scheme	92	(148)
<b>Total</b>	<b><u>92</u></b>	<b><u>(144)</u></b>
	<b><u>630</u></b>	<b><u>167</u></b>

## HARRODS AVIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 January 2016

#### 8. Taxation (continued)

##### Factors affecting tax charge for the period

The tax assessed for the period is higher than (2015: higher than) the standard rate of corporation tax in the United Kingdom at 20.16% (2015: 21.32%). The differences are explained below:

	52 weeks ended 30 January 2016 £000	52 weeks ended 31 January 2015 £000
Loss on ordinary activities before tax	<u>(576)</u>	<u>(1,854)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 20.16% (2015: 21.32%)	(116)	(395)
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	196	209
Adjustments to tax charge in respect of prior periods	2	11
Other timing differences leading to an increase/ (decrease) in taxation	1	(14)
Income and (expenses) assessed/ (relieved) on a cash basis	(1)	(3)
Intercompany provisioning (net)	480	518
Adjustment to tax charge in respect of tax rate changes	(24)	(15)
<b>Total tax charge for the period</b>	<u><u>538</u></u>	<u><u>311</u></u>

##### Factors that may affect future tax charges

The standard rate of tax applied to loss on ordinary activities is 20.16% (2015: 21.32%). The tax rate for the year has reduced following the gradual reduction of the corporation tax rates introduced in Finance Act 2013, with a tax rate of 20% applicable from 1 April 2015.

Following the substantive enactment of Finance (No. 2) Act 2015 on 18 November 2015, future tax rates will further decrease from 20% to 19% from 1 April 2017 and then down to 18% from 1 April 2020. As a result, deferred tax balances have been calculated using 18% on the basis that the assets/ liabilities are expected to unwind over a number of years.

On 16 March 2016 the Chancellor of the Exchequer announced in his Budget that corporation tax rates will further decrease to 17% and this will replace the expected decrease to 18% from 1 April 2020.

## HARRODS AVIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 January 2016

#### 9. Intangible assets

	<b>Software</b>
	<b>£000</b>
<b>Cost</b>	
At 1 February 2015	181
Additions	2
Disposals	(6)
<b>At 30 January 2016</b>	<u>177</u>
<b>Amortisation</b>	
At 1 February 2015	142
Charge for the year	16
On disposals	(5)
<b>At 30 January 2016</b>	<u>153</u>
<b>Net book value</b>	
<b>At 30 January 2016</b>	<u><u>24</u></u>
At 31 January 2015	<u><u>39</u></u>



## HARRODS AVIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 January 2016

#### 10. Tangible fixed assets

	Short-term leasehold property	Fixtures, fittings, vehicles and equipment	Office equipment	Total
	£000	£000	£000	£000
<b>Cost or valuation</b>				
At 1 February 2015	17,016	5,397	496	22,909
Additions	44	497	126	667
Disposals	(30)	(39)	(36)	(105)
<b>At 30 January 2016</b>	<b>17,030</b>	<b>5,855</b>	<b>586</b>	<b>23,471</b>
<b>Depreciation</b>				
At 1 February 2015	8,488	3,194	292	11,974
Charge for the period	955	477	110	1,542
Disposals	(30)	(38)	(36)	(104)
<b>At 30 January 2016</b>	<b>9,413</b>	<b>3,633</b>	<b>366</b>	<b>13,412</b>
<b>At 30 January 2016</b>	<b>7,617</b>	<b>2,222</b>	<b>220</b>	<b>10,059</b>
At 31 January 2015	8,528	2,203	204	10,935

Included within Fixtures, fittings, vehicles and equipment are fixed assets held under finance lease liabilities with a net book value of £156 thousand (2015: £231 thousand).

## HARRODS AVIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 January 2016

#### 11. Fixed asset investments

	Investments in subsidiary companies
	£000
<b>Cost or valuation</b>	
At 1 February 2015	10,700
<b>At 30 January 2016</b>	<u>10,700</u>
<b>Impairment</b>	
At 1 February 2015	10,700
<b>At 30 January 2016</b>	<u>10,700</u>
<b>At 30 January 2016</b>	<u>-</u>
At 31 January 2015	<u>-</u>
<b>Subsidiary undertakings</b>	

The following were subsidiary undertakings of the company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Air Harrods Limited	United Kingdom	Equity and voting rights	100 %	Non-scheduled air transport

#### 12. Stocks

	30 January 2016 £000	31 January 2015 £000
Raw materials and consumables	973	855
Work in progress	497	286
	<u>1,470</u>	<u>1,141</u>

## HARRODS AVIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 January 2016

#### 13. Debtors

	30 January 2016 £000	31 January 2015 £000
<b>Due after more than one year</b>		
Amounts owed by group undertakings	612	3,117
	<u>612</u>	<u>3,117</u>
<b>Due within one year</b>		
Trade debtors	4,916	3,599
Other debtors	295	155
Prepayments and accrued income	1,483	1,430
	<u>7,306</u>	<u>8,301</u>

#### 14. Cash and cash equivalents

	30 January 2016 £000	31 January 2015 £000
Cash at bank and in hand	639	285
	<u>639</u>	<u>285</u>

#### 15. Creditors: Amounts falling due within one year

	30 January 2016 £000	31 January 2015 £000
Trade creditors	2,578	1,723
Amounts owed to group undertakings	104	-
Corporation tax	405	223
Obligations under finance lease and hire purchase contracts	10	91
Accruals and deferred income	2,090	1,904
	<u>5,187</u>	<u>3,941</u>

## HARRODS AVIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 January 2016

#### 16. Creditors: Amounts falling due after more than one year

	30 January 2016 £000	31 January 2015 £000
Net obligations under finance leases and hire purchase contracts	-	10
Amounts owed to group undertakings	26,264	27,264
	<u>26,264</u>	<u>27,274</u>

Amounts due to group undertakings are unsecured and have no fixed date of payment. Interest is charged on balances outstanding at the rate of 7.11% per annum netted against cash balances at base rate.

#### 17. Provisions for liabilities and deferred taxation

Deferred taxation provided for in the financial statements is set out below. There were no un-provided amounts of deferred taxation at 30 January 2016 or 31 January 2015.

	Deferred tax £000
At 1 February 2015	(50)
Charged to the profit or loss	(51)
<b>At 30 January 2016</b>	<u>(101)</u>

The provision for deferred taxation is made up as follows:

	30 January 2016 £000	31 January 2015 £000
Deferred tax - balance b/fwd	(50)	(29)
Deferred tax for current year	(51)	(33)
Prior period adjustment	-	12
<b>Deferred tax</b>	<u>(101)</u>	<u>(50)</u>

Following the substantive enactment of Finance (No. 2) Act 2015 on 18 November 2015, future tax rates will further decrease from 20% to 19% from 1 April 2017 and then down to 18% from 1 April 2020. As a result, deferred tax balances have been calculated using 18% on the basis that the assets/liabilities are expected to unwind over a number of years.

On 16 March 2016 the Chancellor of the exchequer announced in his Budget that corporation tax rates will further decrease to 17% and this will replace the expected decrease to 18% from 1 April 2020.

## HARRODS AVIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 January 2016

#### 18. Reserves

##### Profit and loss account

	<b>30 January 2016 £000</b>
Profit and loss account - b/fwd	(34,288)
Loss retained for the period	(1,114)
Actuarial gains on pension scheme	509
Tax relating to pension scheme	(92)
	<u>(34,985)</u>

#### 19. Share capital

	<b>30 January 2016 £000</b>	<b>31 January 2015 £000</b>
<b>Authorised</b>		
24,000,000 - Ordinary shares of £1 each	<u>24,000</u>	<u>24,000</u>
<b>Allotted, called up and fully paid</b>		
23,500,000 - Ordinary shares of £1 each	<u>23,500</u>	<u>23,500</u>

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

## **HARRODS AVIATION LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 30 January 2016

#### **20. Contingent liabilities**

The Harrods Group (Holding) cash netting is guaranteed by Harrods Aviation Limited and other group companies.

There were no other contingent liabilities at 30 January 2016 or 31 January 2015.

#### **21. Capital commitments**

Amounts contracted for but not provided in the financial statements amounted to £nil (2015: £nil).

#### **22. Pension commitments**

##### **Defined Contribution Scheme**

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

##### **Defined Benefit Scheme**

Certain company employees are members of the Harrods Group Pension Plan under which retirement benefits are funded by contributions from the company. Payment is made to the pension trust, which is separate from the company, 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 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 other comprehensive income.

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

## HARRODS AVIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 January 2016

#### 22. Pension commitments (continued)

Reconciliation of present value of plan liabilities:

	30 January 2016 £000	31 January 2015 £000
At the beginning of the year	13,111	10,674
Interest cost	410	485
Actuarial gains and losses	(989)	2,066
Deferred tax on actuarial gains and losses	125	(49)
Benefits paid	(318)	(337)
Effect of experience adjustments	(348)	-
Derecognition of surplus	-	272
<b>At the end of the year</b>	<b><u>11,991</u></b>	<b><u>13,111</u></b>

Composition of plan liabilities:

	30 January 2016 £000	31 January 2015 £000
Pension liability - actuarial gain/loss	989	(2,066)
Pension liability - interest cost	(410)	(485)
Pension liability - benefits paid	318	337
Pension liability - experience adjustments	348	-
Pension liability - transfers	-	(272)
<b>Total plan liabilities</b>	<b><u>1,245</u></b>	<b><u>(2,486)</u></b>

## HARRODS AVIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 January 2016

#### 22. Pension commitments (continued)

Reconciliation of present value of plan assets:

	30 January 2016 £000	31 January 2015 £000
At the beginning of the year	12,887	10,755
Interest income	409	475
Actuarial gains and losses	(898)	1,320
Contributions	480	377
Benefits paid	(318)	(337)
Derecognition of surplus	-	297
<b>At the end of the year</b>	<b><u>12,560</u></b>	<b><u>12,887</u></b>

Composition of plan assets:

	30 January 2016 £000	31 January 2015 £000
Equity instruments	4,189	4,200
Debt instruments	5,132	5,207
Cash	358	1,168
Other assets	2,881	2,312
<b>Total plan assets</b>	<b><u>12,560</u></b>	<b><u>12,887</u></b>

	30 January 2016 £000	31 January 2015 £000
Fair value of plan assets	12,560	12,887
Present value of plan liabilities	(11,991)	(13,111)
<b>Net pension scheme liability</b>	<b><u>569</u></b>	<b><u>(224)</u></b>

The amounts recognised in profit or loss are as follows:

	30 January 2016 £000	31 January 2015 £000
Interest on obligation	(1)	(10)
Administration fee	(21)	-
<b>Total</b>	<b><u>(22)</u></b>	<b><u>(10)</u></b>



## HARRODS AVIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 January 2016

#### 22. Pension commitments (continued)

The cumulative amount of actuarial gains and losses recognised in the Statement of Comprehensive Income was £3.0m (2015: £3.6m).

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2016	2015
Discount rate	3.75%	3.15%
Future pension increases	2.20%	1.90%
Inflation assumption	3.00%	2.70%
Expected return on scheme assets - equity	- %	5.10%
Expected return on scheme assets - cash	- %	1.40%
Expected return on scheme assets - other	- %	3.20%
Post retirement (at age 60) mortality assumptions		
Current pensioners at retirement age - men	28	28.2
Current pensioners at retirement age - women	29.9	30.5
Future pensioners at retirement age - men	30.4	30.7
Future pensioners at retirement age - women	<u>32.2</u>	<u>33.0</u>

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

	2016 £000	2015 £000	2014 £000	2013 £000	2012 £000
Present value of scheme liabilities	(11,991)	(13,111)	(10,674)	(10,321)	(9,749)
Fair value of scheme assets	12,560	12,887	10,755	10,489	9,809
<b>Surplus / (deficit) in the scheme</b>	<u>569</u>	<u>(224)</u>	<u>81</u>	<u>168</u>	<u>60</u>

## HARRODS AVIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 January 2016

#### 23. Commitments under operating leases

At 30 January 2016 the company had future minimum lease payments under non-cancellable operating leases as follows:

	30 January 2016 £000	31 January 2015 £000
<b>Land and buildings</b>		
Within one year	3,308	3,308
Between one and five years	9,804	11,683
Over five years	9,050	10,479
	<u>22,162</u>	<u>25,470</u>
<b>Plant and machinery</b>		
Within one year	198	112
Between one and five years	504	100
	<u>702</u>	<u>212</u>
	<u><u>22,864</u></u>	<u><u>25,682</u></u>

Minimum lease payments under hire purchase fall due as follows:

	30 January 2016 £000	31 January 2015 £000
Within one year	10	91
Between one and five years	-	10
	<u>10</u>	<u>101</u>

Obligations under finance leases are included in Creditors (notes 15 and 16).

## HARRODS AVIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 January 2016

#### 24. Related party transactions

The company is a wholly owned subsidiary of Harrods Group (Holding) Limited as permitted by Financial Reporting Standard No 102, Section 33 "Related party disclosures" transactions with other entities in the Harrods Group (Holding) Limited group are not disclosed.

During the period, the company engaged in transactions with the following companies:

	<b>30 January</b>	31 January
	<b>2016</b>	2015
	<b>£000</b>	£000
Fees from Qatar Airways	334	311
Fees from Qatar AMIRI Flight	1,961	1,415
At the period end, balances with companies under common control were:		
Qatar Airways	9	14
Qatar AMIRI Flight	<u>122</u>	<u>216</u>

As part of their employment, directors and other employees of the company can purchase goods from the Harrods Store using a staff discount card. The amount of goods purchased is not considered to be material either to the company or the individuals.

There are no other related party transactions.

#### 25. Controlling party

At 30 January 2016 the immediate parent undertaking of Harrods Aviation Limited is Harrods Aviation Holdings Limited.

The largest group for which consolidated financial statements are publicly available is Harrods Group (Holding) Limited. The group financial statements will be filed with the Registrar of Companies in due course.

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

**HARRODS AVIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
For the period ended 30 January 2016

**26. First time adoption of FRS 102**

		As previously stated 2 February 2014 £000	Effect of transition 2 February 2014 £000	<b>FRS 102 (as restated) 2 February 2014 £000</b>	As previously stated 31 January 2015 £000	Effect of transition 31 January 2015 £000	<b>FRS 102 (as restated) 31 January 2015 £000</b>
	<b>Note</b>						
Fixed assets	1	11,830	(50)	<b>11,780</b>	10,974	(39)	<b>10,935</b>
Intangible fixed assets	1	-	50	<b>50</b>	-	39	<b>39</b>
Current assets		9,341	-	<b>9,341</b>	9,727	-	<b>9,727</b>
Creditors: amounts falling due within one year	2	(4,222)	(152)	<b>(4,374)</b>	(3,702)	(239)	<b>(3,941)</b>
<b>Net current assets</b>		<b>5,119</b>	<b>(152)</b>	<b>4,967</b>	<b>6,025</b>	<b>(239)</b>	<b>5,786</b>
<b>Total assets less current liabilities</b>		<b>16,949</b>	<b>(152)</b>	<b>16,797</b>	<b>16,999</b>	<b>(239)</b>	<b>16,760</b>
Creditors: amounts falling due after more than one year		(24,865)	-	<b>(24,865)</b>	(27,274)	-	<b>(27,274)</b>
Provisions for liabilities	3	(57)	96	<b>39</b>	(315)	41	<b>(274)</b>
<b>Net assets/ (liabilities)</b>		<b>(7,973)</b>	<b>(56)</b>	<b>(8,029)</b>	<b>(10,590)</b>	<b>(198)</b>	<b>(10,788)</b>
Capital and reserves		(7,973)	(56)	<b>(8,029)</b>	(10,590)	(198)	<b>(10,788)</b>

# HARRODS AVIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 January 2016

### 26. First time adoption of FRS 102 (continued)

	Note	As previously stated 31 January 2015 £000	Effect of transition 31 January 2015 £000	FRS 102 (as restated) 31 January 2015 £000
Turnover		49,346	-	49,346
Cost of sales		(30,167)	-	(30,167)
		19,179	-	19,179
Administrative expenses	4	(20,583)	(86)	(20,669)
Other operating income		353	-	353
<b>Operating loss</b>		(1,051)	(86)	(1,137)
Interest receivable and similar income		1,168	-	1,168
Interest payable and similar charges		(1,875)	-	(1,875)
Other finance income / (cost)	5	89	(99)	(10)
Taxation	4,5	(355)	44	(311)
<b>Loss on ordinary activities after taxation and for the financial period</b>		<u>(2,024)</u>	<u>(141)</u>	<u>(2,165)</u>

Explanation of changes to previously reported profit and equity:

- 1 Reclassification of non-intrinsic software to Intangible Fixed Assets;
- 2 Holiday pay and long service awards accruals;
- 3 Pension - defined benefit scheme effect of transition to FRS 102;
- 4 Administrative expenses have been restated to show the movement in holiday pay and long service awards accruals;
- 5 Other finance income has been restated to show the defined benefit pension scheme effect.