SHEL Holdings Europe Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS
For the period ended 1 February 2020

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REGISTERED OFFICE

103 Wigmore Street, London, England W1U 1QS

COMPANY SECRETARY

E Howes

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, 1 Embarkment Place, London, WC2N 6RH

COMPANY'S REGISTERED NUMBER

The Company's registered number is 07826605

SHEL Holdings Europe Limited

Strategic report for the period ended 1 February 2020

The directors present their strategic report and the audited financial statements of SHEL Holdings Europe Limited (the 'Company'), together with its European subsidiary undertakings ('the Group') for the 52 week period ended 1 February 2020 (2019: 52 weeks ended 2 February 2019).

Principal activities

The principal activity of the Company is as a holding company for the Group whose activities are department store and online retailing.

Results

The financial statements reflect the results of the Group. Revenue for the 52 weeks to 1 February 2020 was £1,522.4 million (52 weeks ended 2 February 2019: £1,452.6 million) for the Group.

The Group's profit before income tax was £37.8 million (2019: £103.3 million) and EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) for the period amounted to £299.0m (2019: £206.3m). The profit for the financial period of £31.1 million (2019: £82.2 million) has been transferred to reserves.

At 1 February 2020, the Group had net assets of £1,766.3 million (2 February 2019: £1,814.2 million).

The Group adopted IFRS 16 'Leases' with effect from 3 February 2019 using the modified transition approach, and in accordance with the standard, the Group's comparative financial results for the period ended 2 February 2019 have not been restated. As a result, the financial results for the period ended 1 February 2020 are not directly comparable with those for the period ended 2 February 2019.

The main impact of the adoption of IFRS 16 on the Statement of Comprehensive Income and Balance Sheet is shown in the below table:

	At 01 February 2020			2019
	Pre IFRS 16	IFRS 16 Impact	Under IFRS 16	Pre IFRS 16
	£m	£m	£m	£m
Operating profit	99.1	36.0	135.1	117.7
Profit for the financial period	90.4	(59.3)	31.1	82.2
Right-of-use assets (net book value)	-	2,362.2	2,362.2	-
Lease Liabilities	-	(2,508.2)	(2,508.2)	-
Dilapidations Provision	-	(3.6)	(3.6)	-
Prepayments and accrued income	25.2	(11.3)	13.9	27.6
Accruals and deferred income	(91.6)	1.5	(90.1)	(99.2)

As the Group adopted the modified transition approach, the comparatives have not been restated, however, the prior year comparatives have been included to demonstrate the key changes in the income statement and balance sheet as a result of applying IFRS 16 from February 2019.

Further detail on this can be found in Note 2(b) to these financial statements.

Despite the challenging economic climate, the Group continues to grow revenue and be profitable, which is in line with directors' expectations. This has been achieved by good performance in the underlying business, plus a continued capital investment in stores and online.

The full results for the period are set out in the consolidated income statement and other comprehensive income on page 16.

Principal risks and uncertainties

The Group identifies and manages its key risks and uncertainties. These are monitored on an ongoing basis by the directors and strategies are developed as appropriate to mitigate against such risks and minimise their impact. The principal risks affecting the Group's strategy and business relate to:

- The challenging economic environment in Europe including the uncertainty created following the UK's decision to leave the European Union; the Group monitors this activity closely.
- Operating in a highly competitive retail market; the Group delivers a strong commercial proposition for our customers and continues to invest in our business.
- Employee retention and the ability to attract and recruit talent; employee engagement through our vision and values strengthens commitment to the business.
- The evolving cyber threat; the Group's strategic plans ensure investment in robust control environments, training and awareness
- The impact of interest rates on consumer demand and other financial risks; the Group's policies for dealing with these risks are discussed in Note 26 Financial Risk Management.

Following the year end, the Covid -19 global pandemic has impacted markets across the world. In all of the European jurisdictions in which the Group operates, local governments implemented social distancing measures through national lockdowns during March 2020 which involved closing businesses and schools to limit the spread of the virus.

The Group's key priority is the health and wellbeing of customers and staff. Where possible across all jurisdictions, staff worked from home and all physical stores were closed for a period of time between March and June, the length of closures differed in each jurisdiction in line with local government guidelines. The businesses continued to trade online throughout this period.

During this time the Group has worked closely together to take decisive action to provide financial resilience and further flexibility to manage the uncertainty in light of the adverse impact on liquidity and profitability. In addition, Group has continued to maintain strong controls and governance, and this continues to be a key priority. The Group continues to closely monitor and follow the advice of local governments.

There is no way to predict the duration or extent that the effect of Covid-19 will have on our businesses and what the medium to long term effect of this pandemic will be on consumer behaviour. We expect 2020/2021 to be a challenging year for performance but we are working to mitigate this where possible by managing costs and liquidity carefully.

Key performance indicators ("KPIs")

The directors believe that other than the statutory KPIs of revenue, gross profit and operating profit set out in the Consolidated income statement and other comprehensive income, there are no other financial or non-financial KPIs required to be reported to give a full understanding of the business.

The directors and their duties under Section 172 of the Companies Act 2006 ('Section 172')

The directors are required to consider factors which will contribute to the Company's success, having regard to the requirements of Section 172.

The Group operates under high standards of corporate governance which underpin the importance of the role of statutory directors, at both the Company and subsidiary level. During the period, the Company undertook a governance review, which encompassed the Group, and, as a result of this process, is updating and improving its corporate governance practices and procedures in line with the Wates Corporate Governance Principles (the "Wates Principles"). The Wates Principles were adopted across the Group and will ensure the robustness of the corporate governance procedures. This is primarily to support the directors in meeting their statutory and fiduciary duties, to promote the success of the Group companies and regulate the behaviour and activities of the Company's and its subsidiaries' boards and each of their respective executive committees.

The Board and Executive Management are committed to the Group strategy and to the creation of long-term sustainable value, for the benefit of its sole shareholder and wider stakeholders. Long term success is monitored by the Board, as well as its parent company. Further details of the corporate governance arrangements in place are set out in the Corporate Governance Statement (page 7). As part of the Group strategy and corporate governance arrangements in place, supporting and retaining a highly skilled workforce across the Group is recognised as essential for long term success. As such, we support, inspire and develop our team members, continuing to ensure that the subsidiaries each have their own dedicated and tailored approach to employee engagement, as well as sustainability and financial targets which are monitored by the Board.

Stakeholder engagement is a key component of the Group's approach to corporate governance (details of which are set out on page 7 - Stakeholder engagement statement) and has been an important part of the Company's success. The Company has a long tradition of engaging with each of its stakeholders and obtaining their perspectives as appropriate.

These practices, along with other corporate governance practices, compare favourably under the Wates Principles.

The Company held board meetings in 2019, including to approve the payment of dividends, to approve the annual financial statements and to approve the appointment and removal of certain directors. The Company, along with other companies in the Group, amended its articles of association and carried out a review and update of directors' training materials. All of the Board directors and Executive Management have had training in directors' duties.

Approved by the Board of Directors on 29 October 2020 and signed by order of the Board:

DocuSigned by:
Emma Howes
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E Howes
Company Secretary

Directors' report for the period ended 1 February 2020

The directors present their report and the audited financial statements for the Company and the Group for the 52 week period ended 1 February 2020 (2019: 52 weeks ended 2 February 2019).

General information

The Company is a private company limited by shares, domiciled and incorporated in the United Kingdom. The Company's registered address is 103 Wigmore Street, London, W1U 1QS.

The direct parent undertaking is Selfridges Group Limited. The directors consider the ultimate parent company and controlling party to be Wittington Investments, Limited, which is headquartered in Canada.

Future developments and going concern

Future growth is planned to be driven by investment in the existing business model portfolio of stores and digital channels in each of our European businesses.

The Directors note that the Group has net current liabilities due to the adoption of IFRS16 driven by lease liabilities and associated prepayments. In addition, the Directors have considered the impact of Covid-19 on the Group's financial standing and sought to obtain the best possible information to enable them to assess the risks posed to the business. Covid-19 has had a significant short-term impact on the Group's profitability and a number of steps have been taken to manage the associated liquidity risk. An entity under common control has fully drawn on its £200m revolving credit facility with an external bank and has committed funding to the Company and each of the European businesses. Each business has arranged local bank funding which taken in aggregate totals £147m, of which £75m has already been drawn on and in the UK, financial covenants in relation to the local bank funding have been renegotiated. In addition the UK business has been granted access to a £300m commercial paper facility which is available until March 2021 for a term of 12 months from the date of issue. The requirements of the commercial paper facility were updated on 9 October 2020. The UK business is in the process of obtaining documentation to meet these new requirements.. Notwithstanding this, the ultimate parent of the Group, has provided a letter of support to the business confirming their continued support in order for the business to meet its financial obligations for a 12 month period following the date of the signing of these financial statements.

Whilst the long term impact of the pandemic remains unclear, having considered detailed forecasts of each businesses future performance the Directors have concluded the Group has access to sufficient facilities to continue to trade for the foreseeable future, including through a severe but plausible downside scenario. This scenario considers the impact to the business of further local government measures to tighten restrictions such as further store closures, or in the event of a more pronounced adverse economic impact. In the UK, the covenants associated with its local bank funding would be breached under the severe but plausible downside scenario, however it is expected that the business could renegotiate the covenants and continue to draw on the funding. In the unlikely event the covenants cannot be renegotiated the UK business has committed support from its ultimate parent company and should have access to a further commercial paper facility as outlined above. The Group is confident that it has sufficient cash and committed funding in place with internal and external counterparties to meet our obligations for the foreseeable future. On this basis the Directors continue to adopt the going concern basis in preparing the financial statements for the Group and Company.

Financial risk management and financial instruments

The Directors consider the Group's financial risk profile to be low. The principle financial risks faced by the Group are liquidity and counterparty risk due to its deposits held within financial institutions, and the Group's operations do expose it to fluctuations in foreign currency exchange rates. The Group identifies, evaluates and hedges financial risks where appropriate. Further information on these risks and the methods employed to mitigate them can be found in Note 26 of the notes to these financial statements.

Since the year end, the Group has taken a number of steps to manage the challenges to liquidity caused by Covid-19, further details of this can be found as note 2(d) to the financial statements.

Dividends

An interim dividend of £0.00098 (2019: £0.55) per ordinary share, amounting to £44.3 million (2019: £59.7 million) was paid in April 2019.

A further dividend of £0.00044 (2019: £0.03) per ordinary share, amounting to £20.0 million (2019: £8.7 million) was paid in December 2019. The directors do not recommend payment of a final dividend.

Post balance sheet events

Following the year end, the Covid-19 global pandemic has impacted markets across the world. In all of the jurisdictions in which the Group operates, local governments implemented social distancing measures through national lockdowns during March 2020 which involved closing businesses and schools to limit the spread of the virus. As the impact of Covid-19 could not have been known at the balance sheet date nor were the lockdown measures in effect, it is management's view that the Covid-19 pandemic is a non-adjusting post balance sheet event.

In response to the Covid-19 outbreak, the Group has taken measures to mitigate the impact of the virus including temporarily closing its physical retail stores in each jurisdiction for a duration of between six and thirteen weeks. Each business continued to operate through their digital channel during this time.

In September 2020 the UK Government announced plans to end the VAT Retail Export Scheme, effective from the end of the Brexit transition period on 31 December 2020. Many of the UK businesses overseas customers make use of the scheme and sales are likely to be adversely affected by this decision. Management are considering the impact of the announcement on the business.

Further details can be found at note 34 in the financial statements.

Directors

The directors who held office during the period and up to the date the financial statements were signed are:

N Hanratty	
K Down	
E Howes	(appointed 1 May 2019)
N Powar	(appointed 1 May 2019)
A Pitcher	(appointed 1 June 2019)
P Kelly	(resigned 31 May 2019)

No director had any interest in the Company during the period and up to the date the financial statements were signed.

Directors' third-party indemnity provisions

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the period ended 1 February 2020 and continues to be in force. The Company also purchased and maintained throughout the financial period Directors' and Officers' liability insurance in respect of itself and its Directors.

Employees

The Group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Group plays a major role in achieving the Group's business goals.

Employees (continued)

The Group is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The Group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Group. If members of staff become disabled the Group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Employee engagement statement

In its role as a holding company and UK-based Head Office of the subsidiaries, it considers the employees of its subsidiaries when making any decisions which may affect them. In the UK, all employees are employed by Selfridges Retail Limited. Selfridges Retail Limited has disclosed a detailed employee engagement statement in respect of UK employees in the Group in its annual financial statements for the current reporting period.

As part of the governance review which the Company undertook during the reporting period, new processes around employee engagement are being implemented in respect of employees, in particular to ensure that employee engagement is appropriately considered and recorded in decision-making. Any principal decision to be taken that has a significant effect on the employees of subsidiaries is discussed between the Company and the relevant subsidiaries as part of the ongoing engagement between them.

Stakeholder engagement statement

The Company believes that only through ongoing dialogue with stakeholders across the Group can it successfully deliver its Group strategy and create long-term sustainable value, for the benefit of its sole shareholder and wider stakeholders. The Company engages regularly with its subsidiaries and its parent company. Engagement with stakeholders is critical for the Group as it enables the directors of the Company and the respective subsidiaries to appropriately consider the implications of their decisions.

The Company is a holding company and the UK-based Head Office of a Group that has a clearly defined Group strategy, with the customer at the heart. We recognise that our retail businesses are best placed to engage their respective customers and stakeholders directly and have appropriately delegated responsibility for day-to-day engagement. This is reviewed by the Board on a regular basis and as practicable, including at the time when significant decisions are being made that may impact stakeholders.

Examples of engagement undertaken by our subsidiary businesses in the UK include regular customer surveys, receiving direct feedback from customers, and input from the Personal Shopping and Customer Relations platforms. Suppliers are welcomed to visit sites with relationship meetings taking place regularly, and suppliers' ideas and recommendations fed back into system and process design, deadlines, business readiness and decision making. Our businesses regularly engage with other key stakeholders: law enforcement, regulators and local authorities, local businesses, local business improvement or community representation groups, charities and non-governmental organisations.

Corporate governance statement

The Board presents its Corporate Governance Statement for the period to 1 February 2020. This statement includes a review of how corporate governance acts as the foundation to our business and the decisions taken by the Company and across the Group.

During the reporting period the Company, and its key operating subsidiaries and affiliated companies, adopted the Wates Principles and undertook an internal governance review. Having adopted the Wates Principles, the Company reviewed its internal governance to better align its governance with the guidelines enumerated by the Wates Principles. This included ensuring that there is an appropriate number of board meetings, with appropriate terms of reference in place, that attendees' roles and responsibilities are periodically reviewed and

Corporate governance statement (continued)

that appropriate processes are in place for key decisions to be made.

The details regarding Company board meetings in 2019 are set out on page 4.

The Group takes very seriously the importance of good governance and, whilst being a private, family-owned business, one of the core principles of the Group's strategy is that we are transparent, both in how we communicate with each other within the Group and externally, with the outside world. The Company is in the process of updating its corporate governance framework across the Group. As detailed in 'The Directors and their duties under Section 172 of the Companies Act 2006' (the "Section 172 Statement") in the Strategic Report, the framework will support the directors in ensuring compliance with both the Wates Principles and their fiduciary duties, with a view to ensuring that the Company's directors and subsidiaries' directors can demonstrate sound and competent execution of their statutory duties.

The Board continues to delegate key matters and stakeholder engagement to its subsidiaries. Principal decisions made during the reporting period have been referred to above and in the Section 172 Statement. The subsidiaries report back to the Board and/or Executive Management of the Company via various committees and periodic meetings, as part of wider risk management and internal controls in place across the Group, allowing the Board to demonstrate its oversight of any delegated responsibilities.

The Board is ultimately responsible for organising and directing the affairs of the Company in a manner most likely to promote the success of the Company for the benefit of its sole shareholder, whilst complying with legal and regulatory frameworks. Directors are required to consider factors which will contribute to the Company's success, and those that are affected by the Company's activities (details of the principal risks and uncertainties are set out on page 3 - Strategic Report).

The Six Wates Principles and how these are applied:

1. Purpose and Leadership	• The Company is a holding company whose main role is oversight of its subsidiaries, being iconic retail brands including Brown Thomas and Arnotts in Ireland, Selfridges in the UK and de Bijenkorf in the Netherlands. These iconic retail brands provide leading retail experiences for customers worldwide through its store network and online platforms. • The Company's activities consist of providing various corporate functions to its operating subsidiaries, including finance and treasury, tax, legal, property, strategy, audit and risk management, and human resources services. • The Group continues to oversee strategy. The Board and Executive Management are committed to the Group strategy and to the creation of long-term sustainable value, for the benefit of its sole shareholder and wider stakeholders. • The Board and Executive Management ensure that that the Group operates its business in line with the Group strategy.
2. Board Composition	• The Board, Executive Management and each of the Committees across the Group consist of individuals who are appointed to their roles with consideration of skills, experience, capability and their ability to lead the business with effective and strategic decision making. Board meetings are held at least once a year and more often as required. In addition to approving any strategic and other key decisions, board meetings are held to approve the payment of dividends, to appoint and remove directors, to approve the financial statements, as well as to approve other corporate reporting, such as the Group's tax strategy and modern slavery statement. • Other business may be addressed as required at board meetings or through written resolutions.

Corporate governance statement (continued)

3. Director Responsibilities	• All new directors and new members of the Executive Management team are provided with an orientation and training programme covering their duties and responsibilities. General training is provided to all directors and officers at least annually. • The directors and Executive Management also have opportunities to participate in training when there are key changes in legislation and guidance. This enables the directors and Executive Management to continue to be aware of the environment in which they make decisions and ensure that their decision-making is underpinned by good governance. All Board members and Executive Management have access to the advice and services of the Company Secretary. • The directors and Executive Management are aware of their duties should conflicts of interest arise. A formal request asking directors to disclose any conflict or potential conflict is sent out and collated once a year. The articles of association of the Company contain conflict provisions to ensure that the directors do not breach their duties. These provisions also support the directors in their duty to exercise independent judgement. • The Company engages independent external advice on key matters as required. • The Board, delegated to Executive Management as appropriate, reviews the public reports required to be published by the Company and its subsidiaries each year, including financial statements, gender pay gap report, modern slavery statement and tax strategy reports. • The Board is committed to reviewing and, where appropriate, improving its operational governance and ensuring that the Company's strategy, as well as the proper discharge of directors' duties, are fully considered and demonstrably remain central to all Company decisions. • The Group Risk Management Committee (RMC) meets bi-annually, and more regularly as necessary. The RMC operates under its Terms of Reference which cover its role, remit, quorum and purpose of meetings. The RMC supports the Board in identifying and managing key corporate risks, identifying actions for directors and managers to address or mitigate risks or to improve controls. The RMC meetings are chaired by the Group Finance Director. • The Board and the RMC are supported by Executive Management and other senior team members from across the Company. The subsidiaries each have their own risk committees, which feed into the RMC. The RMC provides a bi-annual report and update to the Company's parent company. • An Audit Committee is in place in respect of each of the operating subsidiaries. At least one representative of the Board sits on each Audit Committee. The Audit Committee meetings take place bi-annually and are also attended by representatives from Group Audit and Risk and Group Legal. • The Company sets the agenda for the subsidiaries' Audit Committees to ensure the Audit Committees cover all key areas required for appropriate oversight of subsidiaries. The Board discusses and approves the key topics and themes arising from previous Audit Committees. There are also audit and governance committees of the parent company that are attended by certain of the Company's directors and representatives of Executive Management and senior team members as required. This provides a robust review of all subsidiaries and ensures that the directors of the Company and its sole shareholder have oversight and an understanding of the principal risks and opportunities (as further detailed below) within the subsidiaries' businesses and are able to satisfy their duties as directors of the Company.

Corporate governance statement (continued)

4. Opportunity and Risk	• The Board and the RMC are committed to regularly reviewing the Company's and its subsidiaries' principal risks and opportunities to ensure that these are adequately addressed. This is with a view to ensuring the Company is promoting and delivering long term value to the shareholder, in line with the Group's strategy. • Principal risks have been identified across the Company at a department, project and subsidiary level. Risks are assessed on a matrix of impact (financial and reputational) and likelihood, with target risks noted and a plan to address, mitigate or improve the risk position where possible. This is supported by input from the Audit and Risk Management Committees. • The key corporate risks are as identified on page 3. • All risks have mitigation plans in place. • The directors regularly discuss and receive updates on key risk matters and ensure these are factored into decisions made, with appropriate controls in place such as policies, formal contracts with third parties and insurance coverage, each where appropriate. • Significant capital expenditure projects are reviewed by senior individuals as part of a capital approval process. The risks of each significant transaction are reviewed against internal mechanisms and monitored on ongoing basis.
5. Remuneration	• The Group has a Remuneration Committee which reviews the compensation for defined senior team members of the Company and across the Group at least once per year. This is governed by the Remuneration Committee's Terms of Reference which outline the Remuneration Committee's remit and responsibilities. • The Remuneration Committee ensures there are clear pay structures based on grade, seniority and responsibility. Bonus schemes are aligned with the Company's financial and operating performance and individual performance, as well as behaviours in line with the Group's strategy. • The Remuneration Committee meetings are always attended by a representative of the shareholder to support engagement.
6. Stakeholder Relationships and Engagement	• The Board regularly engages with its sole shareholder and ensures the shareholder is kept abreast of developments both at Company and subsidiary level. This includes Audit Committee meetings as referred to above, budget meetings and quarterly business reviews, in respect of each subsidiary's business. • The Group HR function oversees an annual employee engagement survey across the Group, with surveys carried out during the year as required. The surveys are completed by team members across the Group. There is a robust process in place for analysis of the results and feedback is taken into account by the Board and Executive Management in decision making. • As detailed in the Stakeholder Engagement Statement, the Board has delegated day-to-day engagement with key stakeholders across the Group to the respective subsidiaries and ensures oversight via regular engagement with the respective subsidiaries.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the annual general meeting.

Approved by the Board of Directors on 29 October 2020 and signed on its behalf by:

DocuSigned by:
Keith Down
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K Down
Director

Statement of directors' responsibilities for the period ended 1 February 2020

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial 52 or 53 week period. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with IFRSs as adopted by the European Union. 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 Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have 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 Group and Company's auditors are aware of that information.

Approved by the Board of Directors on 29 October 2020 and signed by order of the Board:

DocuSigned by:
Emma Howes
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E Howes
Company Secretary

Independent auditors' report to the members of SHEL Holdings Europe Limited

Report on the audit of the financial statements

Opinion

In our opinion, SHEL Holdings Europe Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 1 February 2020 and of the group's profit and the group's and the company's cash flows for the 52 week period (the "period") then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company balance sheets as at 1 February 2020; the Consolidated income statement and other comprehensive income, the Consolidated and Company cash flow statements, and the Consolidated and Company statements of changes in equity for the 52 week period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 1 February 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities , the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

O. Mackney

Owen Mackney (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 October 2020

Consolidated income statement and other comprehensive income for the period ended 1 February 2020

	Note	**52 weeks ended 1 February 2020 £m**	52 weeks ended 2 February 2019 £m
Revenue	3	**1,522.4**	1,452.6
Cost of sales	4	**(680.5)**	(670.6)
Gross profit		**841.9**	782.0
Distribution costs	4	**(484.3)**	(464.2)
Administrative expenses	4	**(222.5)**	(200.1)
Operating profit		**135.1**	117.7
Interest expense	9	**(102.4)**	(13.8)
Interest income	10	**3.2**	-
Other finance income/(expenses)	11	**1.9**	(0.6)
Net finance costs		**(97.3)**	(14.4)
Profit before income tax		**37.8**	103.3
Income tax expense	12	**(6.7)**	(21.1)
Profit for the financial period		**31.1**	82.2
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	28	**(11.0)**	3.7
Related tax	19	**1.7**	(0.6)
Items that may be subsequently reclassified to profit or loss			
Foreign currency translation differences		**(5.7)**	(2.0)
Impact of change in UK tax rate on deferred tax		**-**	0.1
Other comprehensive (expense)/income		**(15.0)**	1.2
Total comprehensive income for the period		**16.1**	83.4

The results for the period reflect trading from continuing operations.

Total comprehensive income is allocated in full to the owners of the company.

Consolidated balance sheet as at 1 February 2020

	Note	**As at 1 February 2020 £m**	As at 2 February 2019 £m
Assets			
Non-current assets			
Property, plant and equipment	14	**518.0**	531.7
Right of use assets	15	**2,362.2**	-
Intangible assets	16	**1,316.1**	1,283.7
Investment in associate	17	**0.8**	0.3
Lease Receivables	18	**76.2**	-
Deferred income tax assets	19	**12.4**	29.8
Total non-current assets		**4,285.7**	1,845.5
Current assets			
Inventories	20	**189.5**	177.1
Trade and other receivables	21	**116.6**	157.8
Lease Receivables	18	**4.5**	-
Cash and cash equivalents		**136.9**	139.2
Current income tax asset		**1.4**	-
Deferred income tax assets	19	**-**	0.3
Total current assets		**448.9**	474.4
Total assets		**4,734.6**	2,319.9

SHEL Holdings Europe Limited

Consolidated balance sheet as at 1 February 2020 (continued)

	Note	**As at 1 February 2020 £m**	As at 2 February 2019 £m
Equity			
Share capital	29	**453.0**	453.0
Merger reserve		**1,218.7**	1,218.7
Retained earnings		**94.6**	142.5
Total equity		**1,766.3**	1,814.2
Liabilities			
Non-current liabilities			
Lease liabilities		**2,468.1**	-
Deferred income tax liabilities	19	**4.2**	33.3
Post-employment benefits	28	**28.1**	21.9
Trade and other payables	22	**1.0**	16.5
Provisions	27	**6.3**	0.8
Total non-current liabilities		**2,507.7**	72.5
Current liabilities			
Trade and other payables	22	**417.8**	420.2
Current income tax liabilities		**0.3**	6.9
Lease liabilities		**40.1**	-
Derivative financial instruments	25	**0.6**	0.1
Provisions	27	**1.8**	6.0
Total current liabilities		**460.6**	433.2
Total liabilities		**2,968.3**	505.7
Total liabilities and equity		**4,734.6**	2,319.9

The financial statements on pages 16 to 78 were authorised for issue by the Board of Directors on 29 October 2020 and were signed on its behalf by:

DocuSigned by:

Keith Down

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K Down
Director

SHEL Holdings Europe Limited

Consolidated statement of changes in equity for the period ended 1 February 2020

	Note	Share capital £m	Merger reserves £m	Retained earnings £m	Total equity £m
Balance as at 4 February 2018		1.1	1,218.7	127.5	1,347.3
Profit for the financial period		-	-	82.2	82.2
Other comprehensive income		-	-	1.2	1.2
Total comprehensive income for the financial period		**-**	**-**	**83.4**	**83.4**
Shares issued		451.9	-	-	451.9
Dividends	13	-	-	(68.4)	(68.4)
Total transactions with owners recognised directly in equity		**451.9**	**-**	**(68.4)**	**383.5**
Balance as at 2 February 2019		**453.0**	**1,218.7**	**142.5**	**1,814.2**
Balance as at 3 February 2019 as previously stated		453.0	1,218.7	142.5	1,814.2
Impact of adoption of IFRS 16		-	-	0.3	0.3
Balance as at 3 February 2019 (restated)		**453.0**	**1,218.7**	**142.8**	**1,814.5**
Profit for the financial period		-	-	31.1	31.1
Other comprehensive expense		-	-	(15.0)	(15.0)
Total comprehensive income for the financial period		**-**	**-**	**16.1**	**16.1**
Dividends	13	-	-	(64.3)	(64.3)
Total transactions with owners recognised directly in equity		**-**	**-**	**(64.3)**	**(64.3)**
Balance as at 1 February 2020		**453.0**	**1,218.7**	**94.6**	**1,766.3**

All changes in equity are attributable to the owners of the company.

SHEL Holdings Europe Limited

Consolidated cash flow statement for the period ended 1 February 2020

	Note	**52 weeks ended 1 February 2020 £m**	52 weeks ended 2 February 2019 £m
Cash flows from operating activities			
Operating profit		**135.1**	117.7
Adjustments for:			
• Depreciation of property, plant and equipment	14	**75.5**	70.8
• Loss on disposal of property, plant and equipment	14	**0.7**	0.1
• Depreciation of right of use assets	15	**64.3**	-
• Amortisation of intangible fixed assets	16	**24.1**	17.8
• Difference between pension charge and cash contributions		**(4.4)**	(2.5)
• Cash payment for the interest portion of the lease liability		**(84.0)**	-
• Cash receipt for interest portion of the lease receivable		**3.0**	-
• Other non-cash movements		**1.4**	(1.8)
Changes in:			
• Increase in inventory		**(16.2)**	(21.4)
• Decrease/(increase) in trade and other receivables		**31.8**	(4.5)
• Increase in trade and other payables		**10.9**	30.1
• (Decrease)/Increase in provisions		**(3.3)**	0.5
Cash generated from operating activities		**238.9**	206.8
Interest paid		**(0.4)**	(16.3)
Income tax paid		**(20.3)**	(24.7)
Net cash generated from operating activities		**218.2**	165.8
Cash flows from investing activities			
Purchases of property, plant and equipment		**(73.6)**	(124.6)
Purchases of intangible assets		**(56.9)**	(55.0)
Investment in associate	17	**(0.5)**	(0.3)
Financing lease receipts		**1.5**	-
Interest received		**0.2**	-
Net cash used in investing activities		**(129.3)**	(179.9)
Cash flows from financing activities			
Proceeds from issue of share capital		**-**	1.9
Repayment of borrowings		**-**	(2.0)
Cash payment for the principal portion of the lease liability		**(24.3)**	-
Dividends paid to owners of the Company	13	**(64.3)**	(68.4)
Net cash used in financing activities		**(88.6)**	(68.5)
Net increase/(decrease) in cash and cash equivalents		**0.3**	(82.6)
Cash and cash equivalents at beginning of financial period		**139.2**	222.3
Exchange losses on cash and cash equivalents		**(2.6)**	(0.5)
Cash and cash equivalents at end of financial period		**136.9**	139.2

The total cash outflow in relation to leases in the current financial period was £108.3m.

1 General information

SHEL Holdings Europe Limited (the "Company") is a private limited company limited by shares, registered and domiciled in the United Kingdom. The address of the Company's registered office is 103 Wigmore Street, London, W1U 1QS.

The Group operates in the department store and online retailing sector. Operating businesses include Selfridges in the United Kingdom, de Bijenkorf in the Netherlands and Brown Thomas and Arnotts in Ireland.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements of the Group as at and for the period ended 1 February 2020 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group companies").

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities which are measured at fair value.

The consolidated financial statements were authorised for issue by the Board of Directors on 29 October 2020.

b) Adoption of new and revised standards

The Group has adopted and applied the following standards for the first time for the current reporting period commencing 3 February 2019:

IFRS 16 Leases

IFRS 16 'Leases' was published in January 2016 and replaces IAS 17 'Leases'. The main principle of the standard is to provide a single model for lessee accounting by eliminating the dual accounting model under IAS 17, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases.

The Group's principal lease arrangements are for property. Whilst the Group's leasing arrangements have been reviewed in light of these new lease accounting rules, the Group does not currently intend to alter its approach going forward as to whether assets should be leased or bought.

Transition to IFRS 16 for the Group took place on 3 February 2019, and the Group has adopted the modified transition approach. Under this approach, the cumulative effect of the adoption of IFRS 16 was accounted for as an adjustment to the opening equity balance on 3 February 2019, and therefore the comparatives in these consolidated financial statements will not be restated per the specific transitional provisions in the standard. The reclassifications and adjustments arising from the adoption of IFRS 16 are therefore recognised in the opening consolidated balance sheet on transition date i.e. 3 February 2019.

The new standard requires that the Group's leased assets are recognised as right of use assets with a corresponding lease liability which is measured at the present value of future payments discounted using the incremental borrowing rate on the date of transition. For the purpose of consolidation, the weighted average incremental borrowing rate applied to the Group's lease portfolio is 4.14%

2 Summary of significant accounting policies (continued)

b) Adoption of new and revised standards (continued)

The below reconciles the total commitments for operating leases as at 2 February 2019 (per Note 31) as required under the previous IAS 17, to the opening lease liability as at 3 February 2019 and as required under IFRS 16:

	£m
Operating lease commitments as disclosed as at 2 February 2019	**2,755.2**
Discounted using the weighted average incremental borrowing rate of 4.14%	(1,081.2)
Add adjustments due to different treatment of extension and termination options	885.0
Add finance lease liabilities recognised as at 2 February 2019	49.4
Add arrangements captured under IFRS 16 and other reconciling items	3.5
Less contracts to which the short-term leases exemption has been applied	(1.4)
Less services/non-lease components of lease contracts	(81.1)
IFRS 16 lease liability as at 3 February 2019	**2,529.4**
Of which are:	
Current liabilities	45.7
Non-current liabilities	2,483.7

Owing to the length of the remaining term of the Group's most significant lease, the profile of the lease liabilities is such that the interest expense outweighs lease payments in the short term. As a result, for leases with this profile the current portion of the lease liability relates solely to the repayment of interest and therefore no lease liability is included within current liabilities in the Financial Statements. The current liabilities for leases that are presented represent the remaining leases where the interest expense does not outweigh lease payments in the short term.

The right of use assets recognised on transition relate to the following types of assets:

	£m
Property	2,430.8
Vehicles	2.6
IT Equipment	0.3
Total right of use assets as at 3 February 2019	**2,433.7**

Additionally, a lease receivable is recognised for property subleases classified as finance leases, whereby substantially all of the risks and rewards transfer to the lessee. The lease receivables recognised on transition include:

	£m
Current	4.5
Non-Current	78.9
Total lease receivables as at 3 February 2019	**83.4**

The profile of the costs recognised in the consolidated income statement under IFRS 16 will change compared to what was previously recognised under IAS 17. Under the new standard, the existing lease expense previously recorded in operating costs will be replaced by a depreciation charge, as well as a separate financing expense which will be recognised within interest expense.

The total cash outflow for lease payments will not change under IFRS 16 but the allocation between operating cash flows and financing cash flows in the consolidated cash flow statement will change.

2 Summary of significant accounting policies (continued)

b) Adoption of new and revised standards (continued)

In adopting IFRS 16, the Group is applying the following practical expedients permitted by the standard:

- reliance on previous assessments on whether arrangements contain a lease;
- excluding initial direct costs from the initial measurement of the right of use asset;
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease;
- electing to apply a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- the exemption for short-term (i.e. lease contracts less than one year) and low value (i.e. leases of which the underlying asset is less than US $5,000) leases, whereby these leases will be expensed in the consolidated income statement on a straight-line basis over the lease term.

c) Accounting periods

The financial statements are drawn up to either a 52 or 53 week period, to the nearest Saturday ending within one week of 31 January in each year, being 1 February in 2020 and 2 February in 2019.

d) Going concern

In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities as well as the Group's principal risks and uncertainties as set out on page 3. Based on the Group's cash flow forecasts and projections, the Board is satisfied that the Group will be able to operate within the level of its facilities for the going concern period. For this reason, the Group continues to adopt the going concern basis in preparing its financial statements.

In particular, the Directors note that the Group has net current liabilities due to the adoption of IFRS16 driven by lease liabilities and associated prepayments. In addition, the Directors have considered the impact of Covid-19 on the Group's financial standing and sought to obtain the best possible information to enable them to assess the risks posed to the business. Covid-19 has had a significant short-term impact on the Group's profitability and the Group have taken the following steps to manage the associated liquidity risk:

- The Group has focussed on cost mitigation plans and rephasing investment spend
- The Group has accessed local government support in each of the jurisdictions where it operates and availed of government reliefs where available
- The Group has delayed tax payments for a period of time in line with local government rules. These have since been settled in all jurisdictions and the Group continues to make tax payments in full and on time
- The Group has committed funding of £147m in place with external counterparties and where necessary covenants in relation to this funding have been renegotiated.
- In the wider group, an entity under common control has fully drawn on its £200m revolving credit facility with an external bank and has committed funding to the Company and each of the European businesses.
- If required, the Group's UK business has been granted access to a £300m commercial paper facility until March 2021 for a term of 12 months from the date of issue. The requirements of the commercial paper facility were updated on 9 October 2020. The UK business is in the process of obtaining documentation to meet these new requirements. Notwithstanding this, the ultimate parent of the Group, has provided a letter of support to the business confirming their continued support in order for the business to meet its financial obligations for a 12 month period following the date of the signing of these financial statements.

Whilst the long term impact of the pandemic remains unclear, having considered detailed forecasts of each businesses future performance the Directors have concluded the Group has access to sufficient facilities to continue to trade for the foreseeable future, including through a severe but plausible downside scenario. This scenario considers the impact to the business of further local government measures to tighten restrictions such

2 Summary of significant accounting policies (continued)

d) Going concern (continued)

as further store closures, or in the event of a more pronounced adverse economic impact. In the UK, the covenants associated with its local bank funding would be breached under the severe but plausible downside scenario, however it is expected that the business could renegotiate the covenants and continue to draw on the funding. In the unlikely event the covenants cannot be renegotiated the UK business has committed support from its ultimate parent company and should have access to a further commercial paper facility as outlined above. The Group is confident that it has sufficient cash and committed funding in place with internal and external counterparties to meet our obligations for the foreseeable future. On this basis the Directors continue to adopt the going concern basis in preparing the financial statements for the Group and Company.

e) Functional and presentation currency

These consolidated financial statements are presented in Great British Pounds ("GBP"), which is the Company's functional currency. All financial information presented in GBP has been rounded to the nearest hundred thousand.

f) Foreign currencies

The results of overseas subsidiaries are translated at the average of monthly exchange rates for revenue and profits. The balance sheets of overseas subsidiaries are translated at year end exchange rates. The resulting exchange differences are recognised through reserves and reported in the consolidated statement of comprehensive income. Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Foreign currency monetary assets and liabilities held at the end of the reporting period are translated at the closing balance sheet rate. The resulting exchange gain or loss is recognised within the consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

g) Consolidation

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group at the date of acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The results of subsidiaries acquired during the period are included from the date of acquisition.

Subsidiary undertakings are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiary undertakings acquired during the period are recorded using the acquisition method of accounting and their results are included from the date of acquisition.

The separable net assets, including property, plant and equipment and intangible assets, of the newly acquired subsidiary undertakings are incorporated into the consolidated financial statements at fair value as at the effective date of control.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated.

The Group accounts for its investment in associate at cost.

2 Summary of significant accounting policies (continued)

h) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred and assumed, and equity instruments issued by the Company in exchange for control in the acquiree. Acquisition related costs are recognised in the consolidated statement of comprehensive income as incurred.

Goodwill arising on acquisition or in a business combination is recognised as an asset at the date that control is acquired. Goodwill is measured at cost being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the Company's interest in the net fair value at the acquisition date of the identifiable assets acquired and the liabilities assumed.

If the Company's interest in the net fair value of the acquiree's identifiable assets and liabilities exceeds the cost of the business combination, the excess is recognised immediately in the consolidated income statement.

i) Dividends

Final dividends are recorded in the financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recorded in the period in which they are approved and paid.

j) Revenue

Revenue, which excludes value added tax and appropriate deduction for loyalty scheme vouchers, comprises of:

(i) the fair value of sales to external customers of products and services, and
(ii) the fair value of concession income earned in respect of sales made through concession outlets.

Revenue from sales to external customers is recognised upon the delivery of the goods and services to the customers, being the point at which control of the goods is passed. Concession income is recognised when sales are made through the concession outlets upon the delivery of goods and services to customers. Discounts provided to staff have been classified as deductions against revenue.

Credit card points for future discounts earned by customers participating in the Group's customer loyalty programs are deferred on the balance sheet at the time of the sale when these points are granted and subsequently recognised in the income statement when redeemed.

The Group adopted and applied the following standards for the first time for the prior reporting period commencing 4 February 2018:

IFRS 15 Revenue from contracts with customers
Transition to IFRS 15 'Revenue from Contracts with Customers' for the Group took place in the prior year on 4 February 2018. There was no impact on the profit, net assets or retained earnings of the Group.

The standard introduced a five-step approach to the timing and recognition of revenue, based on the performance obligations in customer contracts. Under IFRS 15, revenue should only be recognised when a customer obtains control of the goods or services and has the ability to direct the use and obtain the benefits from the goods or services. It applies to all contracts with customers, except those in the scope of other standards.

During the 53 weeks ended 3 February 2018, the Group completed an impact assessment in relation to the adoption of IFRS 15. Key elements of the assessment in addition to the impact of the adoption of the new standard are set out below:

2 Summary of significant accounting policies (continued)

j) Revenue (continued)

i) Sale of Goods

Revenue from sales to external customers was previously recognised upon the delivery of the product or service to the customers. This treatment remains appropriate under IFRS 15, and as such there was no significant impact on the timing of revenue recognition.

ii) Principal vs. Agent

Concession income
The Group acts as an agent in relation to its concession agreements and as a result the existing recognition of concession income on a net basis remains appropriate.

Other sources of income
Certain income streams are were recognised on a net basis against the associated costs incurred. Under IFRS 15 these income streams were reclassified to reflect which party has control of the goods or services before they pass to the customer, with the Group being the principal in the transaction. As such, the Group recognises the full sale within revenue, and the full cost within expenses, rather than recognising the net impact.

iii) Other areas of consideration

Returns Provision
Adjustments made for the expected return of goods were previously recognised in the statement of comprehensive income in relation to anticipated returns based on historical data. Under IFRS 15, goods and services sold by the Group have a right of return, and entities are required to utilise an expected value method to estimate the goods that will be returned, as this provides the best estimate of the variable consideration the Group will be entitled to.

Giftcard Provision
A provision for deferred sales in relation to unredeemed giftcards is carried on the Consolidated balance sheet as detailed in Note 2(t). Under IFRS 15 deferred sales on giftcards are considered to be a contractual liability and therefore the giftcard provision has been shown separately within creditors.

k) Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

l) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amounts of replaced parts are derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

2 Summary of significant accounting policies (continued)

l) Property, plant and equipment (continued)

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	%
Freehold and long leasehold properties	1.00
Structural assets	3.33 to 50.00
Plant and machinery	5.00 to 50.00
Fixtures and fittings	5.00 to 50.00

Freehold land is not depreciated.

The group adopts a range of depreciation rates appropriate to each entity's assets. The assets' residual values and useful lives are reviewed and adjusted if appropriate at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The useful life determined is based on the nature of the specific asset, history of usage and replacement of such assets within the group.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Administrative expenses' in the consolidated income statement.

m) Intangible assets

Goodwill
Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over and above the fair value of the identifiable net assets acquired. If the total consideration transferred is less than the fair value of the net assets of the subsidiary acquired the difference is recognised directly in the consolidated income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs that is expected to benefit from the synergies of the combination. Each unit or Group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense.

Computer licences
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over the life of the associated support contract.

Computer software
Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

2 Summary of significant accounting policies (continued)

m) Intangible assets (continued)

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it;
- there is an ability to use the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of the relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised on a straight line basis over their estimated useful lives, which does not exceed eight years.

n) Financial assets and liabilities

(i) Classification

The Group classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value through profit or loss; and
- those to be measured at amortised cost.

No financial assets are designated as fair value through other comprehensive income.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortised cost: assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the consolidated income statement and other comprehensive income.

- Fair value through profit or loss (FVPL): assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

2 Summary of significant accounting policies (continued)

n) Financial assets and liabilities (continued)

(iii) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. For longer-term financial assets, the impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 26 contains further details how the Group determines the impact of credit risk on financial assets.

Borrowings and other financial liabilities
Interest-bearing bank loans, loan notes, promissory notes and overdrafts are initially recorded at fair value, which equals the proceeds received, net of direct issue costs. They are subsequently held at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for using an effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Derivative financial instruments and hedging activities
The Group primarily uses forward foreign currency contracts to manage its exposures to fluctuations in foreign exchange rates. These instruments are initially recognised at fair value on the trade date and are subsequently remeasured at their fair value at the end of the reporting period. Changes in the fair value of such derivative financial instruments (which do not qualify for hedge accounting) are recognised in the consolidated income statement as they arise.

Other financial assets
Other financial assets consist of long term loans and receivables. Other financial assets are initially measured at fair value and are subsequently held at amortised cost. As such, this results in their recognition at nominal value less any allowance for any doubtful debts.

o) Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 Summary of significant accounting policies (continued)

o) Current and deferred taxation (continued)

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries except for where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

p) Trade and other receivables

Supplier income that has been earned but not invoiced at the balance sheet date is recognised in Trade and other receivables.

Trade and other receivables also include amounts receivable in the ordinary course of business for customer transactions paid on credit and charge cards.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

q) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated as a weighted average. All inventories are finished goods. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

r) Cash and cash equivalents

Cash and cash equivalents includes short-term deposits with banks and other financial institutions, with an initial maturity of three months or less.

s) Employee benefits

Defined benefit pension schemes
The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

The Group operates a number of defined benefit pension schemes for its employees which are operated at the segment level.

Selfridges
Selfridges operates the Selfridges Pension Scheme for the benefit of all employees who were members at 31 October 2001, the date at which the scheme was closed to new members.
The Scheme is a funded defined benefit scheme which is periodically valued and has contributions assessed by a qualified actuary. The assets of the Scheme are held by Trustees in independent funds which are separate from the assets of the Group.

Brown Thomas
Brown Thomas operates two multi-employer defined benefit schemes.

2 Summary of significant accounting policies (continued)

s) Employee benefits (continued)

The Schemes are funded defined benefit schemes which are periodically valued and have contributions assessed by a qualified actuary. The assets of the Scheme are held by Trustees in independent funds which are separate from the assets of the Group.

Defined contribution pension schemes
The Group also operates a number of separate defined contribution pension schemes. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Defined contributions payable in respect of defined contribution plans are charged to operating profit as incurred.

Employee incentive schemes
The Group operates a long term incentive plan (LTIP) for certain employees, including directors. New schemes are set up each year.

For schemes on and after 2015, redemption payments are calculated based on the financial and non-financial performance of the business. Incentive units are redeemable after three years' service.

A separate annual bonus scheme which covers most employees within the business is also in operation. Payments are made based on Company and individuals' performance.

t) Trade and other payables

Trade and other payables are recorded initially at fair value and subsequently measured at amortised cost. Generally, this results in their recognition at their nominal value.

Refunds
Management monitors the extent of returns and refunds on an ongoing basis. Accruals for such returns and refunds are estimated and recorded on the basis of such historical evidence. However, actual refunds and returns could vary from those estimates.

Gift cards
Unredeemed gift cards are carried on the balance sheet unless the likelihood of redemption is remote in which case they are recognised as revenue. This is based on historical non-redemption rates. These balances are reviewed regularly and updated to reflect management's latest best estimates. However, actual redemptions could vary from those estimates.

Loyalty schemes
Accruals for loyalty scheme redemptions are estimated on the basis of actual loyalty scheme points awarded adjusted for average redemption rates as determined on the basis of historic evidence. However, actual redemptions could vary from those estimates.

u) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are valued at discounted amounts where discounting is material.

v) Leases

Accounting policy applied until 2 February 2019 (IAS 17)

2 Summary of significant accounting policies (continued)

v) Leases (continued)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Accounting policy applied from 3 February 2019 (IFRS 16)

Lessee Accounting
The Group's principal lease arrangements are for property. IFRS 16 requires that the Group's leased assets are recognised as right of use assets with a corresponding lease liability.

Lease liabilities are initially measured at the present value of the following lease payments:

- fixed payments less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable by Group under residual value guarantees;
- exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using an incremental borrowing rate for which the Group uses a risk-free interest rate adjusted for specifications in the lease including the lease term and country, as well as adjusting for whether the asset is likely to be secured or unsecured.

Subsequent to recognition, each lease payment is allocated between the principal repayment of the liability and the finance cost or interest expense element. The finance cost is charged to the consolidated income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right of use assets are initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- restoration costs.

Subsequently, right of use assets are depreciated on a straight-line basis over the shorter of the asset's useful economic life or the lease term. Right of use assets are adjusted when lease liabilities are remeasured and are also subject to impairment assessment.

Lessor Accounting
The Group subleases some of its right of use assets. Where substantially all of the risks and rewards transfer to the lessee, the sublease is classified as a finance lease, otherwise the sublease is an operating lease.

Where the sub lease is classified as a finance lease, the portion of the right of use asset in the head lease is derecognised and a lease receivable is recognised. The lease receivable is measured at the present value of future lease receipts. Any difference on initial recognition of finance sublease is recorded by an adjustment to opening retained earnings on adoption of IFRS 16, and going forward, in the consolidated income statement. Subsequently, the interest income on the lease receivable and interest expense on the lease liability are accrued applying the effective interest method. Rental income from operating subleases is recognised on a straight line basis over the period of the sublease in the consolidated income statement within other income.

2 Summary of significant accounting policies (continued)

w) Commercial income and capital contributions

Commercial income has been an area of heightened focus for many businesses. The elements of commercial income recognised in the Consolidated income statement and other comprehensive income may require the application of judgment based on the contractual terms in place with suppliers and estimates of amounts a company is entitled to where transactions span the financial period-end. For the retail stores and online business, such arrangements including volume rebates, promotional support and media income agreements do not have a material impact on our revenue, gross margins or reported profit. Contributions received in respect of property fit-out costs are amortised over the shorter of the lease term or the period to the first rent review, or useful economic life of the associated store fit.

x) Significant accounting estimates and judgments

In preparing the consolidated financial statements, judgments, estimates and assumptions are made by management, which affect the reported amounts in the financial statements. Actual results may differ from these estimates. Changes in the assumptions can affect the financial statements, particularly with regards to the following assumptions:

- Calculations made to determine the recoverable amount of a cash-generating unit to which goodwill is allocated. The calculation of the recoverable amount is based on the estimated future cash flows and an appropriate discount rate and long term growth rate has to be applied to calculate the present value. A sensitivity analysis has been performed and is disclosed in note 16.

- The assumptions and estimates used in calculating the defined benefit pension obligation. The actuarial movements will affect other comprehensive income in the period these adjustments occur and the post-employment benefits liability within the consolidated balance sheet.

- Project costs are capitalised when there is an expectation that the resulting asset will deliver future economic benefits to the Group. Capitalised project costs often include a proportion of internal staff costs, including an allocation of staff wages and business overhead costs, as well as external costs. Management judgement is exercised in the determination of costs to be capitalised, the estimated useful life of the asset and the estimated recoverable value of the asset.

- IFRS 16 requires assumptions and judgement to be applied in assessing a lease. The main elements of judgement are:

  (i) Discount rate: lease payments and receipts are discounted using incremental borrowing rates, as in the majority of leases held by the Group, the interest rate implicit in the lease is not readily identifiable. Calculating the discount rate is an estimate made in calculating the lease liability. This rate is the rate that Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms and conditions. To determine the

  incremental borrowing rate, the Group uses a risk-free interest rate adjusted for specifications in the lease including the lease term and country, as well as adjusting for whether the asset is likely to be secured or unsecured. The impact of an increase of 0.5% on the discount rate applied to the 2020 right-of-use asset, depreciation charge, lease liability and finance costs is presented below.

Right-of-use asset	206.5	(decrease)/increase
Depreciation	2.5	(decrease)/increase
Lease liability	208.5	(decrease)/increase
Finance cost	2.4	increase/(decrease)

2 Summary of significant accounting policies (continued)

x) Significant accounting estimates and judgements (continued)

(ii) Extension periods (or periods after termination options): These are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Management assessed extension periods on a lease by lease basis, considering all factors and circumstances that create an economic incentive to exercise, including the operational significance of the lease, especially where utilised for store retail activities.

3 Segmental analysis

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Managing Director.

The UK segment primarily consists of the UK retail business, Selfridges. The Netherlands segment consists of the Dutch retail business, de Bijenkorf. The Ireland segment consists of the Irish retail businesses, Brown Thomas and Arnotts.

	Financial period ended 1 February 2020			
	United Kingdom £m	**Netherlands £m**	**Ireland £m**	**Total £m**
Revenue	854.7	436.5	231.2	1,522.4
Operating EBITDA	216.9	61.3	20.8	299.0
Depreciation	(89.2)	(38.3)	(12.3)	(139.8)
Amortisation	(15.4)	(5.1)	(3.6)	(24.1)
Net finance costs	(80.0)	(16.0)	(1.3)	(97.3)
Profit before income tax	**32.3**	**1.9**	**3.6**	**37.8**
Capital expenditure	92.8	25.3	10.7	128.8
	As at 1 February 2020			
Total assets	3,383.4	1,036.6	314.6	4,734.6
Total liabilities	2,152.6	708.9	106.8	2,968.3

3 Segmental analysis (continued)

	Financial period ended 2 February 2019			
	United Kingdom £m	Netherlands £m	Ireland £m	Total £m
Revenue	817.8	411.1	223.7	1,452.6
Operating EBITDA	151.2	36.5	18.5	206.2
Depreciation	(42.9)	(19.3)	(8.6)	(70.8)
Amortisation	(10.0)	(4.3)	(3.5)	(17.8)
Interest expense	(13.5)	(0.3)	-	(13.8)
Other	(0.3)	-	(0.2)	(0.5)
Profit before income tax	**84.5**	**12.6**	**6.2**	**103.3**
Capital expenditure	124.3	33.6	12.7	170.6
	As at 2 February 2019			
Total assets	1,516.5	500.5	302.9	2,319.9
Total liabilities	250.1	172.6	83.0	505.7

4 Expenses by nature

Operating profit is stated after charging/(crediting) the items set out below:

	2020 £m	2019 £m
Cost of sales	**678.5**	669.0
Cost of sales, write-off obsolete inventories	**2.0**	1.6
Employee costs (Note 5)	**270.9**	249.7
Premises rent payable to entities under common control under operating leases	**1.2**	56.5
Premises rent payable to third parties under operating leases	**3.9**	46.7
Depreciation of right of use assets	**64.3**	-
Depreciation of tangible fixed assets	**75.5**	70.8
Amortisation of intangible assets	**24.1**	17.8
Loss on disposal of tangible fixed assets	**0.9**	0.1
Foreign exchange loss/(gain)	**0.1**	(1.2)
Other costs	**265.9**	223.9
Total cost of sales, distribution and administrative expenses	**1,387.3**	1,334.9

Within rent payable to entities under operating leases, £1.39m in the current financial period relates to short term leases.

These costs are included in the functional cost lines (in the Consolidated income statement) as follows:

	2020 £m	2019 £m
Cost of sales	**680.5**	670.6
Distribution costs	**484.3**	464.2
Administrative expenses	**222.5**	200.1
Total cost of sales, distribution and administrative expenses	**1,387.3**	1,334.9

5 Employee costs

Employee costs during the period amounted to:

	2020 £m	2019 £m
Wages and salaries	**224.4**	206.6
Social security costs	**25.4**	24.6
Amount payable under long term incentive plan	**7.9**	7.9
Amounts payable under post-employment defined benefit plans	**0.8**	2.4
Contributions to defined contribution plans	**12.4**	8.2
Total employee costs	**270.9**	249.7

6 Employee numbers

The average monthly number of employees during the period was:

	2020 Number	2019 Number
Full time	**4,216**	4,109
Part time	**3,503**	3,410
Total employees	**7,719**	7,519

Split between:

	2020 Number	2019 Number
Selling	**5,586**	5,480
Management and administration	**2,133**	2,039
Total employees	**7,719**	7,519

7 Directors' emoluments

	2020 £m	2019 £m
Aggregate emoluments	**2.5**	3.2
Aggregate amounts received under long term incentive schemes	**3.2**	2.1
Total directors' emoluments	**5.7**	5.3

Key management personnel comprise Board directors only. These are persons having responsibility for directing and controlling the activities of the Group.

Of the total aggregate amounts disclosed, compensation to directors for loss of office totalled nil (2019: £0.3 million) for the period.

The highest paid director received total emoluments and amounts under the long term incentive schemes of £2.3 million (2019: £3.1 million). There are no retirement benefits accruing to directors in the financial period under defined benefit schemes (2019: nil).

In the financial period, contributions of £11,500 (2019: £nil) were paid into the money purchase scheme.

8 Auditors' remuneration

During the period the Group (including its overseas subsidiaries) obtained the following services from the company's auditors and their associates:

8 Auditors' Remuneration (continued)

	2020	2019
	£m	£m
Auditors' remuneration – for the audit of the Company's and the consolidated financial statements	**0.1**	0.1
Auditors' remuneration – for the audit of subsidiary financial statements	**0.8**	0.6
Auditors' remuneration – tax advisory services	**0.3**	0.3
Auditors' remuneration – other services	**-**	0.1
Total auditors' remuneration	**1.2**	1.1

9 Interest expense

	2020	2019
	£m	£m
Bank interest expense	**0.5**	0.3
Interest expense on loan notes	**-**	13.5
Interest expense on lease liabilities	**101.9**	-
Interest expense	**102.4**	13.8

10 Interest income

	2020	2019
	£m	£m
Bank interest income	**0.2**	-
Interest income on lease receivables	**3.0**	-
Interest income	**3.2**	-

11 Other finance income/(expenses)

	2020	2019
	£m	£m
Net expense on post-employment liabilities	**(0.3)**	(0.5)
Gain on lease remeasurement	**2.2**	-
Fair value losses on derivative financial instruments	**-**	(0.1)
Other finance income/(expenses)	**1.9**	(0.6)

12 Income tax expense

	2020 **£m**	2019 £m
Current tax		
Current tax expense in respect of the current period	**11.8**	21.6
Adjustments in respect of prior periods	**0.7**	0.4
Total current tax	**12.5**	22.0
Deferred tax		
Deferred tax expense recognised in the current period (Note 19)	**(3.5)**	(1.1)
Adjustments recognised in the current period in relation to the deferred tax of prior periods	**(2.1)**	0.2
Adjustments to deferred tax attributable to changes in tax rates and laws	**(0.2)**	-
Total deferred tax	**(5.8)**	(0.9)
Tax on profit on ordinary activities	**6.7**	21.1

Reconciliation of current tax charge

The UK standard rate of corporation tax for the period is 19.00% (2019: 19.00%). The tax charge for the current period differs from (2019: differs from) the standard rate for the reasons set out in the following reconciliation:

	2020 **£m**	2019 £m
Profit before income tax	**37.8**	103.3
Tax on profit on at standard rate of 19.00% (2019: 19.00%)	**7.2**	19.6
Tax effects of:		
- Adjustment in respect of prior periods	**(1.4)**	0.6
- Expenses not deductible for tax purposes	**0.9**	0.6
- Rate change impact	**0.3**	0.1
- Change in rate of foreign deferred tax	**(0.2)**	-
- Overseas tax differences	**(0.1)**	0.3
- Other	**-**	(0.1)
Total tax charge for the period	**6.7**	21.1

Changes to the UK corporation tax rates were substantially enacted as part of the Finance Bill 2015 (on 26 October 2015) and the Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

In the UK budget on 11 March 2020, it was announced that the cut in the tax rate to 17% will now not occur and the UK corporation tax rate will instead remain at 19%. As this was not substantively enacted by the balance sheet date, deferred tax balances as at balance sheet date continue to be measured at 17%. The estimated impact of the rate change is an increase in the carrying value of the deferred tax asset of £1.0m.

13 Dividends

	2020 £m	2019 £m
Equity - ordinary		
Interim: paid April 2019 £0.00098 (2019: £0.55) per £0.01 share	**44.3**	59.7
Interim: paid Dec 2019 £0.00044 (2019: £0.03) per £0.01 share	**20.0**	8.7
Total dividends	**64.3**	68.4

14 Property, plant and equipment

	Freehold and long leasehold properties and land £m	Structural assets £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost or valuation					
At 4 February 2018	145.7	350.3	51.8	374.5	922.3
Effect of retranslation	1.2	(1.1)	(0.2)	(1.3)	(1.4)
Additions	-	26.2	10.6	73.9	110.7
Disposals	-	-	-	(0.1)	(0.1)
Reclassification	-	-	1.7	(2.3)	(0.6)
As at 2 February 2019	146.9	375.4	63.9	444.7	1,030.9
Effect of retranslation	(3.9)	(6.0)	(1.5)	(7.0)	(18.4)
Additions	-	17.4	10.0	44.0	71.4
Disposals	-	(16.3)	(3.7)	(14.9)	(34.9)
As at 1 February 2020	**143.0**	**370.5**	**68.7**	**466.8**	**1,049.0**
Accumulated depreciation					
At 4 February 2018	9.4	159.4	32.4	229.0	430.2
Effect of retranslation	(0.2)	(0.7)	(0.1)	(0.8)	(1.8)
Charge for the period	1.2	19.3	5.1	45.2	70.8
Reclassification	-	-	2.0	(2.0)	-
At 2 February 2019	**10.4**	**178.0**	**39.4**	**271.4**	**499.2**
Effect of retranslation	(0.5)	(3.2)	(1.1)	(4.9)	(9.7)
Charge for the period	1.2	21.6	8.1	44.6	75.5
Disposals	-	(15.9)	(3.7)	(14.4)	(34.0)
At 1 February 2020	**11.1**	**180.5**	**42.7**	**296.7**	**531.0**
Net book value					
As at 2 February 2019	136.5	197.4	24.5	173.3	531.7
As at 1 February 2020	**131.9**	**190.0**	**26.0**	**170.1**	**518.0**

Included within total property, plant and equipment is £13.0 million (2019: £26.2 million) of assets relating to assets under course of construction that are not being depreciated.

15 Right of use assets

	Property £m	Vehicles £m	Equipment £m	Total £m
Cost or valuation				
At 3 February 2019	2,430.8	2.6	0.3	2,433.7
Effect of retranslation	(20.5)	(0.1)	-	(20.6)
Additions	12.6	-	-	12.6
Disposals	(0.3)	-	-	(0.3)
At 1 February 2020	**2,422.6**	**2.5**	**0.3**	**2,425.4**
Accumulated depreciation				
At 3 February 2019	-	-	-	-
Effect of retranslation	(0.8)	-	-	(0.8)
Charge for the period	63.7	0.5	0.1	64.3
Disposals	(0.3)	-	-	(0.3)
At 1 February 2020	**62.6**	**0.5**	**0.1**	**63.2**
Net book value				
As at 1 February 2020	**2,360.0**	**2.0**	**0.2**	**2,362.2**

16 Intangible assets

	Goodwill £m	Computer Software £m	Computer Software under Development £m	Total £m
Cost or valuation				
At 4 February 2018	1,169.5	98.6	32.5	1300.6
Effect of retranslation	-	(0.2)	(0.1)	(0.3)
Additions	-	10.2	49.7	59.9
Reclassifications	-	27.0	(26.4)	0.6
At 2 February 2019	1,169.5	135.6	55.7	1360.8
Effect of retranslation	-	(2.3)	-	(2.3)
Additions	-	21.4	36.0	57.4
Disposals	-	(6.6)	-	(6.6)
Reclassifications	-	32.8	(32.8)	-
As at 1 February 2020	**1,169.5**	**180.9**	**58.9**	**1,409.3**
Accumulated amortisation and impairment				
At 4 February 2018	-	59.5	-	59.5
Effect of retranslation	-	(0.2)	-	(0.2)
Charge for the period	-	17.8	-	17.8
At 2 February 2019	-	77.1	-	77.1
Effect of retranslation	-	(1.4)	-	(1.4)
Charge for the period	-	24.1	-	24.1
Disposals	-	(6.6)	-	(6.6)
As at 1 February 2020	**-**	**93.2**	**-**	**93.2**
Net book value				
As at 2 February 2019	1,169.5	58.5	55.7	1,283.7
As at 1 February 2020	**1,169.5**	**87.7**	**58.9**	**1,316.1**

16 Intangible assets (continued)

Impairment tests for goodwill

IFRS requires a cash-generating unit ("CGU") to which goodwill has been allocated to be tested for impairment annually by comparing the carrying amount of the CGU, including goodwill, with its recoverable amount. If the carrying amount of the CGU, including goodwill, exceeds the recoverable amount of the CGU, then an impairment loss has to be recognised.

Management reviews the business performance and completes the CGU impairment analysis based on operating segments (as defined in Note 3). Goodwill is therefore monitored by management at this level. The following is a summary of goodwill allocation for each operating segment:

	United Kingdom £m	Netherlands £m	Ireland £m	Total £m
As at 2 February 2019 & 1 February 2020	838.5	284.7	46.3	**1,169.5**

There were no additions or impairments during the period.

The recoverable amount of all CGUs has been determined based on value-in-use calculations. Value in use calculations are underpinned by the Group's budgets and forecasts covering a five year period, which have regard to historical performance and knowledge of the current market, together with management's view on the future achievable growth and committed initiatives. The cash flows which derive from the budgets are pre-tax and include ongoing capital expenditure. Cash flows beyond the five-year period are extrapolated using the estimated long term growth rates.

On the basis the Covid-19 pandemic is a non-adjusting post balance sheet event, the value-in-use calculations have been based on an assessment of the businesses five-year plans prior to the Covid-19 pandemic. In addition, while there has been no change in the underlying business or significant change to assumptions as at the balance sheet date, the underlying asset values and value-in-use test has been revised due to the adoption of IFRS 16. The adoption of the new standard has driven a reduction in the discount rate applied, and an increase in both the underlying assets and value in use calculated for each CGU. While the overall impact has been to increase headroom across the CGUs compared to the prior period, this has been seen to a lesser extent in the UK CGU, driven by the composition of leases in this CGU.

Other than detailed budgets and five-year plans prepared prior to the Covid-19 pandemic, the key assumptions for the value in use calculations are the long term growth rates and the pre-tax discount rate. All key assumptions were prepared prior to the Covid-19 pandemic. The long term growth rates are management's expected long term growth rates. The pre-tax discount rate is based on the Group's weighted cost of capital adjusted for country, industry and market risk. A more specific entity based assessment of discount rates has been carried out for the current year and it has been updated for the impact of IFRS 16.

	United Kingdom	Netherlands	Ireland
As at 2 February 2019			
Long term growth rate	2.5%	2.5%	2.5%
Pre-tax discount rate	11.08%	11.58%	12.08%
As at 1 February 2020			
Long term growth rate	2.0%	2.0%	2.0%
Pre-tax discount rate	7.7%	6.9%	7.2%

Sensitivity analysis

Whilst management believes the assumptions for the budgets and five year plans on a pre-covid 19 basis are realistic, and as such no impairment has currently been identified, it is possible that an impairment would be

16 Intangible assets (continued)

identified if any of the above key assumptions were changed significantly for the UK CGU. For this CGU, a sensitivity analysis has been performed on each of these key assumptions with other variables held constant and a 1.1% reduction in the long term growth or a 0.9% increase in the discount rate could result in the available headroom of £480.5m reducing to nil.

As part of the post balance sheet assessment, the Group is considering its current budgets and five year plans in light of the Covid-19 pandemic and the UK Government announcement to end the VAT Retail Export Scheme. Clearly, given the significant uncertainty this is challenging, and management have sort to reassess the key drivers of uncertainty, being the assumptions around sales growth, gross profit and cost growth. Based on this assessment and the sensitivity of other underlying assumptions including discount rates, the Directors consider there is a possible risk of impairment for the goodwill allocated to the UK CGU of up to 80% of the current carrying values prior to certain mitigating actions the business may be able to take.

17 Investment in associate

The Company owns 30% of the ordinary share capital of Eataly Retail UK Limited, whose current registered office address is Rutland House 148 Edmund Street, Birmingham, B3 2JR.

It is anticipated that Eataly Retail UK Limited will develop an enhanced dining and food shopping experience in London. Post the opening of the store, there are two put options exercisable by the majority shareholder for the Company's 30% shareholding. These put options can only be exercised within a certain period after the 5th and 10th anniversary of the first Eataly store opening. Given the first store is not yet open, no consideration has been taken of the potential impact of these put options.

	£m
Carrying value of investment in associate at 3 February 2018	-
Additions	0.3
Carrying value at 2 February 2019	**0.3**
Additions	0.5
Carrying value at 1 February 2020	**0.8**

18 Lease Receivables

	£m
Lease receivables on transition to IFRS 16 as at 3 February 2019	**83.4**
Current receivables	4.5
Non-current receivables	78.9
Reassessment/modification	2.2
Lease receipts	(4.5)
Interest receivable	3.0
Foreign exchange impact on opening balance	(3.4)
Lease receivables as at 1 February 2020	**80.7**
Of which are:	
Current receivables	4.5
Non-current receivables	76.2

The future undiscounted receipts from subleases reconciled to lease receivables is as follows:

18 Lease Receivables (continued)

	Finance subleases £m	Operating subleases £m
Timing of cash flows		
Within one year	4.5	0.5
Between one and two years	4.5	0.5
Between two and five years	13.5	1.5
Later than five years	101.6	4.5
Total undiscounted receipts	**124.1**	**7.0**
Unearned finance income	43.4	
Lease receivables	**80.7**	

In addition to the minimum lease receipts above in relation to non-cancellable operating leases, there is a variable rental element based on fixed percentage of the receipts generated by the lessee.

19 Deferred tax balances

The movement in deferred tax assets and liabilities, without taking into consideration the offsetting of balances within the same taxable entity, is as follows:

	Net balance 2019 £m	Re-presentation £m	IFRS 16 Opening retained earning adjustment £m	Recognised in profit or loss £m	Recognised in OCI (including rate change impact) £m	2020 Deferred tax asset £m	Deferred tax liability £m	Net balance £m
Property, plant and equipment / Intangible assets	26.6	(16.7)	(3.9)	(6.1)	-	(9.7)	9.6	(0.1)
Tax (gains)/losses	(2.2)	-	-	0.1	-	(2.1)	-	(2.1)
Other temporary differences	(18.4)	16.7	-	(0.6)	-	(2.3)	-	(2.3)
Employee benefits	(2.8)	-	-	0.8	(1.7)	(3.7)	-	(3.7)
Tax liabilities / (assets)	3.2	-	(3.9)	(5.8)	(1.7)	(17.8)	9.6	(8.2)

	Net balance 2018 £m	Recognised in profit or loss £m	Recognised in OCI (including rate change impact) £m	2019 Deferred tax asset £m	Deferred tax liability £m	Net balance £m
Property, plant and equipment / Intangible assets	33.0	(6.4)	-	(1.4)	28.0	26.6
Tax gains	(2.2)	-	-	(2.2)	-	(2.2)
Other temporary differences	(23.6)	5.2	-	(20.0)	1.6	(18.4)
Employee benefits	(3.7)	0.3	0.6	(2.8)	-	(2.8)
Tax liabilities / (assets)	3.5	(0.9)	0.6	(26.4)	29.6	3.2

Having reviewed the latest business plans and forecasts, the directors are confident that the business will generate sufficient taxable income in the future to justify the recognition of deferred tax assets in respect of tax losses.

During the period the categorisation of deferred tax balances has been reviewed, resulting in a £16.7m deferred tax asset being reclassified from 'Other Temporary Differences' to 'Property, Plant and Equipment' to more accurately reflect its nature. This has no impact on the income statement or balance sheet.

19 Deferred tax balances (continued)

The deferred tax balance consists of the following deferred tax (assets)/liabilities:

	2020	2019
	£m	£m
Deferred tax assets due within 12 months	**-**	(0.3)
Total – current	**-**	(0.3)
Deferred tax assets due after more than 12 months	**(12.4)**	(26.1)
Deferred tax liabilities due after more than 12 months	**4.2**	29.6
Total – non-current	**(8.2)**	3.5
Total	**(8.2)**	3.2

Deferred tax assets have not been recognised on gross losses of £1.6 million (2019: £1.6 million).

20 Inventories

	2020 £m	2019 £m
Finished goods for resale	**195.3**	182.1
Provision for obsolescence	**(5.8)**	(5.0)
Total inventories	**189.5**	177.1

The Consolidated income statement and other comprehensive income includes a write-off of £2.0 million (2019: £1.6 million) of inventory during the period which is included within 'cost of sales'.

21 Trade and other receivables

	2020 £m	2019 £m
Current		
Trade debtors	**78.2**	63.6
Provisions for past due debts receivable	**(1.5)**	(1.8)
Amounts owed by entities under common control	**14.9**	59.4
Other debtors	**11.1**	9.0
Prepayments and accrued income	**13.9**	27.6
Total current	**116.6**	157.8

Amounts owed by Group undertakings and entity undertakings under common control are non-interest bearing and repayable upon demand.

Movements on the provision for impairment of trade and other receivables are as follows:

	2020 £m	2019 £m
At the beginning of the period	**(1.8)**	(1.3)
Receivables written off during the period as uncollectable	**0.5**	0.1
Additional provision for receivable impairment	**(0.2)**	(0.6)
At the end of the period	**(1.5)**	(1.8)

22 Trade and other payables

	2020 £m	2019 £m
Current		
Trade creditors	**255.4**	237.6
Amounts owed to entities under common control	**0.3**	0.5
Other creditors	**4.2**	9.2
Other taxation and social security	**18.1**	24.6
Deferred income associated with gift card sales	**45.7**	47.2
Deferred income associated with customer loyalty program	**4.0**	1.9
Accruals and other deferred income	**90.1**	99.2
Total current	**417.8**	**420.2**
Non - current		
Other creditors	**1.0**	15.4
Deferred income associated with customer loyalty program	**-**	1.1
Total non-current	**1.0**	16.5

Amounts owed to entity undertakings under common control are non-interest bearing, unsecured and have no fixed date of repayment.

On transition to IFRS 16, lease incentives of £15.6m were reclassified from other creditors to right of use assets.

23 Financial assets by category

	Financial assets at fair value through profit and loss £m	**Amortised cost £m**	**Total £m**
As at 2 February 2019			
Cash and cash equivalents			
• Current	-	139.2	139.2
Trade and other receivables			
• Current (excluding prepayments)	-	131.8	131.8
Total	**-**	**271.0**	**271.0**
As at 1 February 2020			
Cash and cash equivalents			
• Current	-	136.9	136.9
Trade and other receivables			
• Current (excluding prepayments)	-	103.6	103.6
Total	**-**	**240.5**	**240.5**

There are no significant differences between the fair and book values of the financial assets.

24 Financial liabilities by category

	Financial liabilities at fair value through profit and loss £m	Other financial liabilities £m	Total £m
As at 2 February 2019			
Trade and other payables			
• Current (excluding deferred income)	-	391.5	391.5
• Non-current	-	16.5	16.5
Derivative financial instruments			
• Current	0.1	-	0.1
Total	**0.1**	**408.0**	**408.1**
As at 1 February 2020			
Trade and other payables			
• Current (excluding deferred income)	-	387.4	387.4
• Non-current	-	1.0	1.0
Derivative financial instruments			
• Current	0.6	-	0.6
Total	**0.6**	**388.4**	**389.0**

There are no significant differences between the fair and book values of the financial liabilities.

25 Derivative financial instruments

The Group transacts in derivative financial instruments for the purposes of managing its foreign currency risks arising from the Group's operations. The Group does not transact in derivative financial instruments for trading or speculative purposes. As hedge accounting is not applied, derivative financial instruments are classified as fair value through the profit or loss.

The Group principally transacts structured foreign exchange forward contracts. These contracts are primarily transacted between GBP/EUR and GBP/USD. The fair value of the Group's financial instruments is summarised below:

	Derivative assets £m	Derivative liabilities £m	Net position £m
Structured forward foreign exchange contracts			
• Current	-	(0.1)	(0.1)
As at 2 February 2019	**-**	**(0.1)**	**(0.1)**
Structured forward foreign exchange contracts			
• Current	-	(0.6)	(0.6)
As at 1 February 2020	**-**	**(0.6)**	**(0.6)**

25 Derivative financial instruments (continued)

Derivative assets and derivative liabilities amounts represent the fair value as at the balance sheet date of the structured foreign exchange forward contracts. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

IFRS standards require an analysis of financial instruments into the following categories based on their valuation method. The different levels have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The fair value of structured forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value. All derivative financial instruments held by the Group at the end of the period were therefore categorised as level 2 (2019: level 2).

The following table presents the timing of cash flows related to the structure forward foreign exchange contracts. Cash flows are exchanged as presented, i.e. the contracts are not net-settled.

	Derivative assets £m	Derivative liabilities £m	Net position £m
Timing of cash flows			
Within one year	16.5	(16.6)	(0.1)
As at 2 February 2019	**16.5**	**(16.6)**	**(0.1)**
Timing of cash flows			
Within one year	22.8	(23.4)	(0.6)
As at 1 February 2020	**22.8**	**(23.4)**	**(0.6)**

The carrying amounts of all of the Group's financial instruments equal their fair values as at the balance sheet date.

26 Financial risk management

The Directors consider the Group's financial risk profile to be low. The principal financial risks faced by the Group are liquidity and funding, counterparty, credit, interest rate, foreign exchange and capital risks. Risk management is controlled by the Group under policies approved by the board of directors. The Group identifies, evaluates and hedges financial risks. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity and funding

Liquidity and funding risk is the risk that the Group will not be able to meet its short term financial demands.

The Group's subsidiary undertakings are funded by a combination of retained profits, bank borrowings and loan facilities with companies under common control. Specifically in the UK, the business has a committed £50m revolving credit facility with an external bank.

Cashflow forecasting is performed in the operating entities and this analysis is aggregated at a Group level. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

The following are the contractual maturities of financial liabilities owing by the Group:

	Derivative financial instruments £m	Trade and other payables £m	Total £m
Timing of cash flows			
Within one year	16.6	391.5	408.1
Between one and two years	-	16.5	16.5
Between two and five years	-	-	-
As at 2 February 2019	**16.6**	**408.0**	**424.6**
Timing of cash flows			
Within one year	23.4	387.4	410.8
Between one and two years	-	1.0	1.0
Between two and five years	-	-	-
As at 1 February 2020	**23.4**	**388.4**	**411.8**

The maturity analysis of derivative financial instruments in the table above represents the gross settled liability leg of structured forward foreign exchange contracts. A full analysis of derivative assets and liabilities can be found in Note 25.

The following is the undiscounted cashflow payments of lease liabilities owing by the Group:

	Lease Liabilities £m
Timing of cash flows	
Within one year	103.7
Between one and two years	107.8
Between two and five years	325.7
Later than five years	5,975.2
As at 1 February 2020	**6,512.4**

26 Financial risk management (continued)

Counterparty risks
Counterparty risk is the risk that one of the Group's counterparties will not meet its contractual obligations.

Counterparty risks are minimised due to the cash based nature of transactions with the Group's customers. However, the Company does remain exposed to counterparty risks arising from its holdings of cash and cash equivalents, trade receivables (representing unsettled customer credit card transactions), outstanding loans receivable (from companies under common control and from unrelated parties) and open derivative financial instruments.

Cash and cash equivalents and open derivative financial instruments are held in regulated financial institutions with high credit ratings.

Credit card transactions are typically settled after two to three days. The short term nature of these settlements with credit card intermediaries help to mitigate the risks which might otherwise arise in dealing with such counterparties.

Credit risks
Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to retail customers.

As noted above, cash and cash equivalents and derivative financial instruments are held in regulated financial institutions with high credit ratings. Similarly, deposits are held with regulated banks and financial institutions with high credit ratings. Sales to retail customers are settled in cash or using major credit cards.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the *lifetime expected loss provision for all trade receivables*.

The maximum exposure to credit risk is the carrying amount of assets as disclosed within the financial assets table in Note 23.

Interest rate risks
Interest rate risk is the risk that the company will be impacted by adverse movements in interest rates.

Loans attracting interest are primarily held with entities held under common control and, as such, risks of adverse interest rate movements on these financial liabilities are not mitigated against.

Foreign exchange risks
The Group has investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Whilst recognising such risks, the Group undertakes no risk mitigation initiatives to protect against adverse foreign currency exchange movements.

Other foreign currency exposures arising from trading activities (particularly the risk arising from adverse currency movements on outstanding purchase orders in non-Sterling denominated currencies) are managed through the use of forward foreign exchange contracts. Such contracts are primarily USD and Euro denominated.

Sensitivity
The table below illustrates the estimated impact on the income statement and equity as a result of market movements in foreign exchange and interest rates in relation to the Group's financial instruments. The directors consider that a 1% +/- (2019: 1%) movement in interest rates and a 20% +/- (2019: 20%) weakening in sterling against the relevant currency represents a reasonable possible change. However, this analysis is for illustrative purposes only.

26 Financial risk management (continued)

The table excludes financial instruments that expose the Group to interest rate and foreign exchange risk where such risk is fully hedged with another financial instrument.

	2020	2019
	£m	£m
Impact on income statement		
• 20% weakening in sterling against Euro	**(3.5)**	0.9
• 20% strengthening in sterling against Euro	**3.5**	(0.9)
• 20% weakening in sterling against USD	**(0.5)**	(0.8)
• 20% strengthening in sterling against USD	**0.5**	0.8
• 20% weakening in sterling against HKD	**(0.8)**	(0.7)
• 20% strengthening in sterling against HKD	**0.8**	0.7

Capital risks

The Group's objectives when managing capital (i.e. the shareholders' equity in the business) are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an efficient capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

27 Provisions

	Restructuring programme £m	**Other £m**	**Dilapidations £m**	**Group total £m**
At 4 February 2018	6.1	0.3	-	6.4
Arising during the period	0.9	0.5	-	1.4
Utilised	(0.7)	-	-	(0.7)
Credited to the income statement	(0.3)	-	-	(0.3)
At 2 February 2019	**6.0**	**0.8**	**-**	**6.8**
At 3 February 2019	6.0	0.8	-	6.8
Reclassifications	-	-	1.5	1.5
Arising during the period	0.9	0.5	3.6	5.0
Utilised	(4.4)	-	-	(4.4)
Credited to the income statement	(0.6)	-	-	(0.6)
Foreign exchange differences	(0.1)	-	(0.1)	(0.2)
At 1 February 2020	**1.8**	**1.3**	**5.0**	**8.1**

Analysis of total provisions:

	2020	2019
	£m	£m
Non – current	**6.3**	0.8
Current	**1.8**	6.0
Provisions	**8.1**	6.8

Restructuring programme

During the period, St. Clair B.V.'s Head Office underwent a restructuring for which a provision was recognised to fulfil obligations to the employees involved. At 1 February 2020, a portion of this provision is still remaining.

27 Provisions (continued)

Other provisions

St. Clair B.V. merged its two distribution centres into one new distribution centre in mid-2019. The expected costs associated with the closure of the distribution centre in Woerden, being the termination of employee contracts based on the social plan are provided for.

Dilapidations provision

The dilapidations provision relates to the future costs of reinstating leasehold properties at the end of the lease term to the condition as specified per the lease. The provision will unwind over a period of up to 43 years, based on the length of the applicable leases. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the right of use asset and are depreciated over the life of the right of use asset.

28 Post-employment benefits

The Group operates a number of pension schemes for its employees which are operated at the segment level. These schemes are categorised as either defined benefit or defined contribution schemes.

Defined benefit arrangements entitle employees to retirement benefits based on their final salary and length of service at the time of leaving the scheme, payable on attainment of retirement age (or earlier death).

By funding its defined benefit pension schemes, the Group is exposed to the risk that the cost of meeting its obligations is higher than anticipated. This could occur for several reasons, for example:

- Investment returns on the schemes' assets may be lower than anticipated, especially if falls in asset values are not matched by similar falls in the value of the schemes' liabilities.
- The level of price inflation may be higher than that assumed, resulting in higher payments from the schemes.
- Scheme members may live longer than assumed, for example due to unanticipated advances in medical healthcare. Members may also exercise (or not exercise) options in a way that leads to increases in the schemes' liabilities, for example through early retirement or commutation of pension for cash.
- Legislative changes could also lead to an increase in the schemes' liabilities.
- The scheme liabilities are calculated using a discount rate set with reference to corporate bond yields. If scheme assets underperform this yield will create a deficit. The Group believes that due to the long term nature of the scheme liabilities, a level of continuing equity investment is an appropriate element of the Group's long term strategy to manage the schemes efficiently.
- A decrease in corporate bond yields will increase plan liabilities, although that will be partially offset by an increase in the value of the schemes' bond holdings.

For eligible employees, the Company pays contributions to defined contribution pension plans. The defined contribution plan is a pension plan under which the Group pays contributions to an independently administered fund; such contributions are based upon a fixed percentage of employees' pay. The Group has no legal or constructive obligations to pay further contributions to the fund once the contributions have been paid. Members' benefits are determined by the amount of contributions paid by the Group and the member, together with investment returns earned on the contributions arising from the performance of each individual's chosen investments and the type of pension the member chooses to buy at retirement. As a result, actuarial risk (that benefits will be lower than expected) and investment risk (that assets invested in will not perform in line with expectations) fall on the employee.

28 Post-employment benefits (continued)

Defined benefit schemes

Reconciliation of net pension liability

	Selfridges Retail Limited		BT & Co Limited		Magazijn De Bijenkorf B.V..		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m
Present value of scheme liabilities	**(342.1)**	(305.7)	**(83.3)**	(76.8)	**(2.0)**	(2.0)	**(427.4)**	(384.5)
Fair value of scheme assets	**332.1**	298.9	**67.2**	63.7	**-**	-	**399.3**	362.6
Deficit in the scheme	**(10.0)**	(6.8)	**(16.1)**	(13.1)	**(2.0)**	(2.0)	**(28.1)**	(21.9)
Related deferred tax asset	**1.7**	1.2	**2.0**	1.6	**-**	-	**3.7**	2.8
Net pension liability	**(8.3)**	(5.6)	**(14.1)**	(11.5)	**(2.0)**	(2.0)	**(24.4)**	(19.1)

Details of the individual schemes presented above are analysed further below.

28 Post-employment benefits (continued)

Selfridges Retail Limited

Selfridges Retail Limited operates a defined benefit pension scheme in the UK, the Selfridges Pension Scheme, providing benefits to its members. The scheme closed to new entrants on 31 October 2001 and closed to future accrual of benefits from 29 February 2012. Following closure to future accrual, benefits now increase broadly in line with price inflation. The weighted average duration to payment of the scheme's expected cash flows is 18 years.

The scheme is registered with HMRC for tax purposes and is operated separately from the Company and managed by an independent Trustee. The Trustee is responsible for payment of the benefits and management of the scheme's assets. The scheme is subject to UK regulations overseen by the Pensions Regulator, which require the company and Trustee to agree a funding strategy and contribution schedule for the scheme every three years. The most recent triennial review of the scheme was undertaken as at 6 April 2017 and identified a funding deficit. The Company has agreed to pay an additional £4.0 million per annum for the three years to 2021 in order to cover this deficit. The next triannual valuation is underway and the deadline for finalising the valuation is 5 July 2021.

The results of the formal actuarial valuations as at 6 April 2017 were updated to the accounting date by an independent qualified actuary in accordance with IAS 19 'Employee Benefits'.

The major assumptions used by the actuary were:

	2020	2019
Rate of increase in pensions in payment	**2.7%**	3.1%
Discount rate	**1.8%**	2.7%
Retail Prices Index (RPI) inflation	**2.8%**	3.2%
Consumer Prices Index (CPI) inflation	**1.9%**	2.1%

In valuing the liabilities of the scheme at 1 February 2020, mortality assumptions have been made. The assumptions relating to longevity underlying the pension scheme liabilities at the Balance Sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 61-year old to have the following life expectancy:

	2020 Years	2019 Years
Life expectancy at age 61 for current pensioners		
- Men	**24.9**	24.8
- Women	**28.2**	28.1
Life expectancy at age 61 for members retiring in 20 years' time		
- Men	**26.5**	26.4
- Women	**29.7**	29.6

Following the Lloyds Bank Guaranteed Minimum Pension (GMP) inequalities court judgement published in October 2018, it is now clear that GMP benefits will need to be equalised. The Trustees requested advice and recommendations on an appropriate allowance to include in the accounting figures for GMP equalisation in the Scheme from the scheme actuary as at 2 February 2019.

In line with that advice, an allowance of £1.6 million was recognised in the prior period as a past service cost in the Consolidated income statement and other comprehensive income (within operating profit).

28 Post-employment benefits (continued)

The assets in the scheme were as follows:

	2020 **£m**	2019 £m
Infrastructure	**37.8**	12.8
Multi-asset credit	**20.1**	18.6
Private credit	**14.8**	1.6
Property	**37.3**	36.2
Bonds	**41.8**	38.9
Liability driven investment	**84.0**	79.8
Partnership interests	**52.3**	52.1
Other	**44.0**	58.9
Total market value of assets	**332.1**	298.9

The Trustee determines the scheme's investment strategy after taking appropriate advice from its investment consultants to better align the investments with the management of risks to which the pension scheme is exposed. The Trustee's investment objective remains to ensure that the scheme has adequate resources to meet its liabilities and thereafter to maximise the long-term total rate of return on the assets. Investment risk is managed by diversifying the assets across asset classes whose return patterns are not highly correlated, and by periodically rebalancing asset classes. The assets include an interest in a Scottish Limited Partnership which is an entity under common control involving an agreed income stream paid to the scheme until no later than September 2032. Holdings shown in bonds are mainly corporate bonds. The equity-linked bond funds provide both equity and index-linked gilt exposure. The move towards LDI funds was looking to provide leveraged exposure to changes in long-term interest rates and inflation.

Assets are included at bid values as provided to our actuary by the scheme investment managers as at 1 February 2020. The scheme does not invest directly in financial securities issued by the Company.

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions holding other assumptions constant would have the affected the defined benefit obligation by the amounts shown below:

	2020 **£m**	2019 £m
Effect of following assumptions		
Discount rate decrease by 0.5% per annum	**+32**	+28
Future price inflation increase by 0.5% per annum	**+20**	+17
Assumed life expectancy at age 61 increase by 1 year	**+13**	+10

28 Post-employment benefits (continued)

Brown Thomas & Co. Limited

Brown Thomas & Co. Limited operates two multi-employer defined benefit schemes – the Brown Thomas Group Senior Executive Pension Scheme and the Brown Thomas Group Staff Pension Scheme. The schemes are set up under trusts and the assets of the schemes are therefore held separately from those of the Company.

There is a Section 50 Funding Agreement in place for the Brown Thomas Group Senior Executives Pension Scheme. Under the terms of this Funding Agreement for the Brown Thomas Group Senior Executives Pension scheme the Employer will contribute to the Scheme at a rate of 31.8% of pensionable salaries, plus an additional €150,000 (approximately £126,000) lump sum payment per annum, with the first lump sum paid in April 2015 and the last payable by 30 April 2024. The employee contribution rate is in addition and equals 5% of pensionable salary. This was not required this year due to minimum funding requirements being met.

Regarding the Brown Thomas Group Staff Pension Scheme the Employer will contribute to the Scheme at a rate of 18.9% of total pensionable salaries plus an additional €350,000 (approximately £294,000) lump sum payment per annum, with the first payment made in 2014 for a period of 10 years. The employee contribution rate is in addition and equals 5% of pensionable salary.

The valuations of the defined benefit schemes used for the purpose of IAS 19 disclosures have been based on the most recent actuarial valuations as identified and updated by independent actuaries to take account of the requirements of IAS 19 in order to assess the liabilities as at 1 February 2020.

The major assumptions used by the actuary were:

	2020	2019
Rate of increase in salaries	**1.40% to 2.40%**	1.60% to 2.60%
Rate of increase in pensions in payment	**1.10%**	1.30%
Discount rate	**0.75%**	1.75%
Price inflation assumption	**1.40%**	1.60%
Future pension increases for deferred benefits	**1.40% to 1.50%**	1.60%

In valuing the liabilities of the pension fund at 1 February 2020, mortality assumptions have been made. The assumptions relating to longevity underlying the pension scheme liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

	2020	2019
Life expectancy at age 65 for current pensioners		
- Men	**21.7**	21.5
- Women	**24.1**	24.0
Life expectancy at age 65 for members retiring in 20 years' time		
- Men	**24.0**	23.9
- Women	**26.1**	26.0

28 Post-employment benefits (continued)

The assets in the scheme were as follows:

	2020 **£m**	2019 £m Re-presented
Equities	**21.1**	21.7
Property	**3.4**	3.4
Fixed Interest	**28.8**	26.9
Cash	**3.9**	1.8
Other	**10.0**	9.9
Total market value of assets	**67.2**	63.7

The comparatives have been re-presented to provide further detail.

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions holding other assumptions constant would have the affected the defined benefit obligation by the amounts shown below:

	2020		2019	
	Increase £m	**Decrease £m**	Increase £m	Decrease £m
Effect of a 1% movement				
Rate of increase in salaries	**+2.4**	**-2.1**	+2.2	-1.9
Rate of increase in pensions in payment	**+11.2**	**-9.3**	+10.5	-8.8
Discount rate	**-14.1**	**+18.6**	-13.1	+17.2
Price inflation assumption	**+17.6**	**-13.6**	+16.4	-12.7
Mortality rate	**+3.8**	**N/a**	+3.4	N/a

St Clair B.V.

Magazijn De Bijenkorf B.V. operates a Jubilee plan, under which employees receive a payment when they reach a certain number of years' service (12.5, 25 and 40 years).

The present value of the Jubilee obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The major assumptions used by the actuary were:

	2020	2019
Rate of increase in salaries	**2.00%**	2.00%
Discount rate	**0.37%**	1.00%
Price inflation assumption	**n/a**	n/a

The Jubilee scheme is unfunded and, accordingly, no plan assets are in place.

28 Post-employment benefits (continued)

Movement in the net defined benefit liability

	Selfridges Retail Limited		BT & Co Limited		Magazijn De Bijenkorf B.V.		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m
Balance at start of financial period	**(6.8)**	(11.4)	**(13.1)**	(14.2)	**(2.0)**	(2.0)	**(21.9)**	(27.6)
Current service cost	**-**	-	**(0.6)**	(0.7)	**(0.2)**	(0.2)	**(0.8)**	(0.9)
Past service cost	**-**	(1.6)	**-**	-	**-**	-	**-**	(1.6)
Interest expense	**(0.1)**	(0.2)	**(0.2)**	(0.3)	**-**	-	**(0.3)**	(0.5)
	(6.9)	(13.2)	**(13.9)**	(15.2)	**(2.2)**	(2.2)	**(23.0)**	(30.6)
Remeasurement on the net defined benefit liability								
Actual return on pension scheme assets excluding amounts included in net interest expense/income	**30.0**	0.5	**6.4**	(1.2)	**-**	-	**36.4**	(0.7)
Experience gains and losses arising on the scheme liabilities								
• Changes in demographic assumptions	**-**	1.6	**2.7**	-	**-**	-	**2.7**	1.6
• Changes in financial assumptions	**(38.0)**	1.1	**(13.3)**	0.9	**(0.1)**	-	**(51.4)**	2.0
• Changes in experience adjustments	**0.8**	(0.7)	**0.5**	1.5	**-**	-	**1.3**	0.8
	(7.2)	2.5	**(3.7)**	1.2	**(0.1)**	-	**(11.0)**	3.7
Contributions paid by employer	**4.1**	3.9	**0.8**	0.8	**-**	-	**4.9**	4.7
Effect of movements in exchange rates	**-**	-	**0.7**	0.1	**0.1**	-	**0.8**	0.1
Benefits paid	**-**	-	**-**	-	**0.2**	0.2	**0.2**	0.2
	4.1	3.9	**1.5**	0.9	**0.3**	0.2	**5.9**	5.0
Balance at end of financial period	**(10.0)**	(6.8)	**(16.1)**	(13.1)	**(2.0)**	(2.0)	**(28.1)**	(21.9)

28 Post-employment benefits (continued)

Movement in the present value of scheme liabilities

	Selfridges Retail Limited		BT & Co Limited		Magazijn De Bijenkorf B.V.		Total	
	2020 £m	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Balance at start of financial period	**(305.7)**	(310.3)	**(76.8)**	(79.8)	**(2.0)**	(2.0)	**(384.5)**	(392.1)
Current service cost	**-**	-	**(0.6)**	(0.7)	**(0.2)**	(0.2)	**(0.8)**	(0.9)
Past service costs	**-**	(1.6)	**-**	-	**-**	-	**-**	(1.6)
Interest cost	**(8.1)**	(8.2)	**(1.3)**	(1.6)	**-**	-	**(9.4)**	(9.8)
	(313.8)	(320.1)	**(78.7)**	(82.1)	**(2.2)**	(2.2)	**(394.7)**	(404.4)
Experience gains and losses arising on the scheme liabilities								
• Changes in demographic assumptions	**-**	1.6	**2.7**	-	**-**	-	**2.7**	1.6
• Changes in financial assumptions	**(38.0)**	1.1	**(13.3)**	0.9	**(0.1)**	-	**(51.4)**	2.0
• Changes in experience adjustments	**0.8**	(0.7)	**0.5**	1.5	**-**	-	**1.3**	0.8
	(37.2)	2.0	**(10.1)**	2.4	**(0.1)**	-	**(47.4)**	4.4
Contributions from scheme members	**-**	-	**(0.1)**	(0.2)	**-**	-	**(0.1)**	(0.2)
Effect of movements in exchange rates	**-**	-	**3.5**	0.6	**0.1**	-	**3.6**	0.6
Benefits paid	**8.9**	12.4	**2.1**	2.5	**0.2**	0.2	**11.2**	15.1
	8.9	12.4	**5.5**	2.9	**0.3**	0.2	**14.7**	15.5
Balance at end of financial period	**(342.1)**	(305.7)	**(83.3)**	(76.8)	**(2.0)**	(2.0)	**(427.4)**	(384.5)

28 Post-employment benefits (continued)

Changes in the fair value of scheme assets

	Selfridges Retail Limited		BT & Co Limited		Total	
	2020	2019	**2020**	2019	**2020**	2019
	£m	£m	**£m**	£m	**£m**	£m
Balance at start of financial period	**298.9**	298.9	**63.7**	65.6	**362.6**	364.5
Interest income	**8.0**	8.0	**1.1**	1.3	**9.1**	9.3
	306.9	306.9	**64.8**	66.9	**371.7**	373.8
Actuarial return on pension scheme assets excluding net interest income	**30.0**	0.5	**6.4**	(1.2)	**36.4**	(0.7)
Effect of movements in exchange rates	**-**	-	**(2.8)**	(0.5)	**(2.8)**	(0.5)
	30.0	0.5	**3.6**	(1.7)	**33.6**	(1.2)
Contributions paid by employer	**4.1**	3.9	**0.8**	0.8	**4.9**	4.7
Contributions from scheme members	**-**	-	**0.1**	0.2	**0.1**	0.2
Benefits paid	**(8.9)**	(12.4)	**(2.1)**	(2.5)	**(11.0)**	(14.9)
	(4.8)	(8.5)	**(1.2)**	(1.5)	**(6.0)**	(10.0)
Balance at end of financial period	**332.1**	298.9	**67.2**	63.7	**399.3**	362.6

28 Post-employment benefits (continued)

Defined contribution schemes

Selfridges Retail Limited has a defined contribution pension scheme open to all employees, which commenced following the closure of the defined benefit pension scheme to new entrants. Contributions paid by the Company to this arrangement amounted to £3.4 million (2019: £3.0 million) during the period. Contributions paid by SHEL Holdings Europe Limited under the same arrangement amounted to £0.5 million (2019: £0.3 million)

Brown Thomas & Co. Limited presently operates two defined contribution schemes. The charge for the current period was £1.0 million (2019: £0.1 million).

Magazijn De Bijenkorf B.V. operates two defined contribution schemes. The charge for the current period was £7.0 million (2019: £6.5 million).

Arnotts Limited, a wholly owned subsidiary of Arnotts Retail Holdings Limited, operates a defined contribution scheme for its employees. The charge for the current period was £0.5 million (2019: £0.1 million).

There are contributions outstanding at the period end of £0.1 million (2019: £0.1 million).

29 Share capital

	2020	2019
	£m	£m
Allotted, called up and fully paid		
45,303,223,682 at £0.01 each (2019: 45,303,223,682 ordinary shares of £0.01)	**453.0**	453.0

30 Commitments for capital expenditure

Capital commitments, for which no provision has been made in these financial statements, were as follows:

	2020	2019
	£m	£m
Contracted but not provided for	**23.5**	32.0
Total	**23.5**	32.0

Property, plant and equipment	**13.9**	24.1
Intangible assets	**9.6**	7.9
Total	**23.5**	32.0

31 Commitments for operating leases

The Group leases properties under operating leases. Total future minimum rentals payable under non-cancellable operating leases are as follows:

	2020	Re-presented 2019
	£m	£m
Not later than one year	**0.1**	109.8
Later than one year and not later than five years	-	415.7
Later than five years	-	2,229.7
Total	**0.1**	2,755.2

In addition to the minimum lease payments above in relation to non-cancellable operating leases, there are contingent rents payable which are calculated as a percentage of the relevant store income.

During the period, the Group became aware that the commitments for operating leases for the prior period was misstated. As such the Group has re-presented these figures for comparative purposes and for utilisation in the reconciliation to the opening lease liability under IFRS 16, disclosed within note 2b. This re-presentation is for disclosure purposes and therefore has no effect on the comparative figures for the primary financial statements.

32 Related party transactions

Key management personnel compensation
Key management personnel comprise the Board of Directors (refer to Note 7). Compensation typically includes salaries and other short term employee benefits, post-employment benefits and other long term benefits. Key management personnel are eligible to receive discounts on goods purchased from the Group's trading companies. Such discounts are in line with discounts offered to all staff employed by Group companies.

In addition to their salaries, the Group also contributes to post-employment defined benefit and defined contribution plans (depending upon with which of the segments the individual is aligned). See Note 28 for details of the relevant schemes.

Certain key management personnel participate in incentive schemes aligned to the long term performance of the business. These schemes do not give the relevant individual any equity or similar interest in the company.

Property leases
Certain properties utilised by the companies within the Group are owned by companies under common control which do not form part of this consolidated Group. Rents are payable at a market value on inception of the lease and on a quarterly basis. The total value of rents payable to entities under common control was £62.8m (2019: £56.5m).

Transactions with subsidiary companies and companies under common control
Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Company and its subsidiaries are disclosed in the Company's financial statements. Refer to Note C14.

During the period, transactions occurred relating primarily to IT licenses and charges for Holt Renfrew & Co Limited.

During the period, donations of £1.3m (2019: £1.0m) were paid to Selfridges Group Foundation.

The Group incurs management fees recharged from its immediate parent undertaking, Selfridges Group Limited. As at 1 February 2020, the Group owed Selfridges Group Limited £0.3 million (2019: £0.5 million).

32 Related Party Transactions (continued)

During the period the Group incurred no expenses on behalf of SRL Scottish Limited Partnership (2019: £2.5m).

The remaining balances owed by entities under common control as at 1 February 2020 include:

- a receivable owed by Selfridges Properties Limited in the amount of £14.2 million (2019: £59.1 million);
- a receivable owed by Holt Renfrew & Co Limited in the amount of £0.4 million (2019: nil);
- a receivable owed by Selfridges Manchester limited in the amount of £0.3 million (2019: nil); and
- a receivable owed by SRL Scottish Limited Partnership of nil (2019: £0.3m).

33 Ultimate holding company

The immediate parent undertaking is Selfridges Group Limited.

The directors consider the ultimate parent company and controlling party to be Wittington Investments, Limited, which is incorporated in Canada.

The Company is the parent undertaking of the smallest and largest Group of undertakings to consolidate these financial statements at 1 February 2020.

34 Post balance sheet events

Following the year end, the Covid-19 global pandemic has impacted markets across the world. In all of the jurisdictions in which the Group operates, local governments implemented social distancing measures through national lockdowns during March 2020 which involved closing businesses and schools to limit the spread of the virus. As the impact of Covid-19 could not have been known at the balance sheet date nor were the lockdown measures in effect, it is management's view that the Covid-19 pandemic is a non-adjusting post balance sheet event.

Subsequent to the balance sheet date, the Group has committed funding of £147m in place with external counterparties of which £75m has been drawn since year end, and where necessary covenants in relation to this funding have been renegotiated. In the wider group, an entity under common control has fully drawn on its £200m revolving credit facility with an external bank and has committed funding to the Company and each of the European businesses.

As a result of the implications of Covid-19 on the Group, management believe 2020/2021 will be a challenging year. Depending on the duration of the Covid-19 pandemic and the continued adverse impact on economic activity the Group may experience further challenges to performance, liquidity and asset values during the year.

In September 2020 the UK Government announced plans to end the VAT Retail Export Scheme, effective from the end of the Brexit transition period on 31 December 2020. Many of the UK businesses overseas customers make use of the scheme and sales are likely to be adversely affected by this decision. Management are considering the impact of the announcement on the business.

An impairment assessment of the balance sheet has been undertaken of all material assets and management remain comfortable that there is no material movement in the carrying values of these assets at this time except for goodwill. The Group is considering its current budgets and five year plans in light of the Covid-19 pandemic and the UK Government announcement to end the VAT Retail Export Scheme. Clearly, given the significant uncertainty this is challenging, and management have sort to reassess the key drivers of uncertainty, being the assumptions around sales growth, gross profit and cost growth. Based on this assessment and the sensitivity of other underlying assumptions including discount rates, the Directors consider there is a possible risk of impairment for the goodwill allocated to the UK CGU of up to 80% of the current carrying values prior to certain mitigating actions the business may be able to take.

SHEL Holdings Europe Limited

Company balance sheet as at 1 February 2020

	Note	**As at 1 February 2020 £m**	As at 2 February 2019 £m
Assets			
Non-current assets			
Property, plant and equipment	C6	**1.3**	1.6
Right of use asset	C7	**6.0**	-
Intangible assets	C8	**0.2**	0.1
Investments in subsidiaries	C9	**539.1**	547.3
Investment in associate	C10	**0.8**	0.3
Current tax asset		**0.4**	-
Deferred tax asset	C19	**0.8**	0.5
Total non-current assets		**548.6**	549.8
Current assets			
Trade and other receivables	C11	**2.5**	4.1
Cash and cash equivalents	C15	**16.6**	10.7
Total current assets		**19.1**	14.8
Total assets		**567.7**	564.6
Equity			
Share capital	C13	**453.0**	453.0
Retained earnings		**93.2**	103.1
Total equity		**546.2**	556.1
Liabilities			
Non-current liabilities			
Lease liability	C16	**5.7**	-
Provisions	C17	**0.3**	-
Total non-current liabilities		**6.0**	-
Current liabilities			
Trade and other payables	C12	**15.2**	8.5
Lease liability	C16	**0.3**	-
Total current liabilities		**15.5**	8.5
Total liabilities		**21.5**	8.5
Total liabilities and equity		**567.7**	564.6

The Company's profit after tax was £54.4 million (2019: £72.5 million) which includes £64.7 million (2019: £84.7 million) of dividends received and nil deduction (2019: £13.5 million) of interest charges payable on loan notes.

The financial statements on pages 65 to 78 were authorised for issue by the Board of Directors on 29 October 2020 and were signed on its behalf by:

DocuSigned by:
Keith Down
543D20F17AE5493...

K Down
Director

Company statement of changes in equity for the period ended 1 February 2020

	Note	Share capital £m	Retained earnings £m	Total equity £m
Balance as at 4 February 2018		1.1	99.0	100.1
Profit for the financial period		-	72.5	72.5
Total comprehensive income for the financial period		**-**	**72.5**	**72.5**
Shares issued		451.9	-	451.9
Dividends	C5	-	(68.4)	(68.4)
Total transactions with owners recognised directly in equity		**451.9**	**(68.4)**	**383.5**
Balance as at 2 February 2019		**453.0**	**103.1**	**556.1**
Balance as at 3 February 2019		453.0	103.1	556.1
Profit for the financial period		-	54.4	54.4
Total comprehensive income for the financial period		**-**	**54.4**	**54.4**
Dividends	C5	-	(64.3)	(64.3)
Total transactions with owners recognised directly in equity		**-**	**(64.3)**	**(64.3)**
Balance as at 1 February 2020		**453.0**	**93.2**	**546.2**

All changes in equity are attributable to the owners of the company.

Company cash flow statement for the period ended 1 February 2020

	Note	**52 weeks ended 1 February 2020 £m**	52 weeks ended 2 February 2019 £m
Cash flows from operating activities			
Operating loss		**(10.5)**	(1.3)
Adjustments for:			
• Depreciation of property, plant and equipment	C6	**0.3**	0.4
• Depreciation of right of use asset	C7	**0.6**	-
• Impairment of Investments	C9	**8.2**	-
Changes in:			
• Decrease in trade and other receivables	C11	**1.6**	6.0
• Increase/(decrease) in trade and other payables	C12	**6.7**	(0.4)
Cash generated from operating activities		**6.9**	4.7
Interest received/(paid)		**0.1**	(16.3)
Cash payment for the interest portion of the lease liability		**(0.2)**	-
Income tax (paid)/received		**(0.2)**	2.8
Net cash generated from/(used in) operating activities		**6.6**	(8.8)
Cash flows from investing activities			
Dividends received from subsidiaries		**64.7**	84.7
Investments in subsidiary companies		**-**	(11.7)
Investment in associate	C10	**(0.5)**	(0.3)
Purchases of intangible assets	C8	**(0.1)**	(0.1)
Net cash generated from investing activities		**64.1**	72.6
Cash flows from financing activities			
Proceeds from issue of share capital		**-**	1.9
Dividends paid to owners of the Company	C5	**(64.3)**	(68.4)
Cash payment for the principal portion of the lease liability		**(0.5)**	-
Net cash used in financing activities		**(64.8)**	(66.5)
Net increase/(decrease) in cash and cash equivalents		**5.9**	(2.7)
Cash and cash equivalents at beginning of financial period		**10.7**	13.4
Cash and cash equivalents at end of financial period		**16.6**	10.7

The total cash outflow in relation to leases in the current financial period was £0.7m.

C1 Accounting policies

The Company's accounting policies are the same as those set out in Note 2 of the Group financial statements and have been applied consistently, except as noted below.

The carrying value of Investments in subsidiary undertakings is stated after deducting any provision for impairment in value. Any impairment arising is charged to the income statement.

Loans from other Group undertakings and all other payables are initially recorded at fair value, which is generally the proceeds received net of direct issue costs. They are then subsequently carried at amortised cost.

The Company's financial risk is managed as part of the Group's strategy and policies as discussed in Note 26 of the Group financial statements.

In accordance with the exemption allowed by Section 408(3) of the Companies Act 2006, the Company has not presented its own income statement or statement of comprehensive income.

a) *Adoption of new and revised standards*

IFRS 16 Leases

The Company's adoption of IFRS 16 is consistent with Note 2 of the Group financial statements.

The below reconciles the total commitments for operating leases as at 2 February 2019 (per Note C20) as required under the previous IAS 17, to the opening lease liability as at 3 February 2019 and as required under IFRS 16:

	£m
Operating lease commitments as disclosed as at 2 February 2019	**7.8**
Discounted using the weighted average incremental borrowing rate of 3.75%	(1.3)
IFRS 16 lease liability as at 3 February 2019	**6.5**
Of which are:	
Current liabilities	0.7
Non-current liabilities	5.8

C2 Employees

The Company has no employees other than the directors (2019: none).

C3 Directors' emoluments

	2020	2019
	£m	£m
Aggregate emoluments	**2.5**	3.2
Aggregate amounts received under long term incentive schemes	**3.2**	2.1
Total directors' emoluments	**5.7**	5.3

Key management personnel comprise Board directors only. These are persons having responsibility for directing and controlling the activities of the Group.

Of the total aggregate amounts disclosed, compensation to directors for loss of office totalled nil (2019: £0.3 million) for the period.

The highest paid director received total emoluments and amounts under the long term incentive schemes of £2.3 million (2019: £3.1 million). There are no retirement benefits accruing to directors in the financial period under defined benefit schemes (2019: nil).

In the financial period, contributions of £11,500 (2019: £nil) were paid into the money purchase scheme.

C4 Auditors' remuneration

During the period the Company obtained the following services from the company's auditors and their associates:

	2020	2019
	£m	£m
Auditors' remuneration – for the audit of the Company's financial statements	**0.2**	0.1
Total auditors' remuneration	**0.2**	0.1

C5 Dividends

	2020	2019
	£m	£m
Equity - ordinary		
Interim: paid April 2019 £0.00098 (2019: £0.55) per £0.01 share	**44.3**	59.7
Final: paid December 2019 £0.00044 (2019: £0.03) per £0.01 share	**20.0**	8.7
Total dividends	**64.3**	68.4

C6 Property, plant and equipment

	Fixtures and fittings £m	Total £m
Cost or valuation		
At 4 February 2018	3.3	3.3
At 2 February 2019	**3.3**	**3.3**
As at 1 February 2020	**3.3**	**3.3**
Accumulated depreciation		
At 4 February 2018	1.3	1.3
Charge for the period	0.4	0.4
At 2 February 2019	**1.7**	**1.7**
Charge for the period	0.3	0.3
At 1 February 2020	**2.0**	**2.0**
Net book value		
As at 2 February 2019	**1.6**	**1.6**
As at 1 February 2020	**1.3**	**1.3**

C7 Right of use asset

	Property £m
Cost or valuation	
At 3 February 2019	6.6
At 1 February 2020	**6.6**
Accumulated depreciation	
At 3 February 2019	-
Charge for the period	0.6
At 1 February 2020	**0.6**
Net book value	
As at 1 February 2020	**6.0**

C8 Intangible assets

	Computer software £m	Total £m
Cost or valuation		
At 4 February 2018	3.8	3.8
Additions	0.1	0.1
At 2 February 2019	**3.9**	**3.9**
Additions	0.1	0.1
As at 1 February 2020	**4.0**	**4.0**
Accumulated amortisation		
At 4 February 2018	3.8	3.8
Charge for the period	-	-
At 2 February 2019	**3.8**	**3.8**
Charge for the period	-	-
At 1 February 2020	**3.8**	**3.8**
Net book value		
As at 2 February 2019	0.1	0.1
As at 1 February 2020	**0.2**	**0.2**

C9 Investments in subsidiaries

	£m
Carrying value of investment in subsidiary undertakings at 2 February 2019	547.3
Impairment	(8.2)
Carrying value at 1 February 2020	**539.1**

The undertakings whose results or financial position affected the figures shown in the Group's annual financial statements are as presented below.

All companies listed are limited by shares unless otherwise stated.

The directors believe that the carrying value of the investments is supported by their underlying net assets or future cash flows. For one subsidiary, the investment value was not supportable by either of these methods, and an impairment has been taken to reflect this.

C9 Investments in subsidiaries (continued)

	Country of registration	Country of operation	Activity

The following companies are wholly owned (100% ordinary share capital unless otherwise stated) and have the registered office address of 400 Oxford Street, London, W1A 1AB:

Selfridges Holdings Limited	England & Wales	United Kingdom	Holding Company
Selfridges & Co Limited *	England & Wales	United Kingdom	Holding Company
Selfridges Retail Limited *	England & Wales	United Kingdom	Department store retailing
Selfridges EU Deliveries Limited *	England & Wales	Europe	Delivery Company
Selfridges Worldwide Deliveries Limited *	England & Wales	Worldwide	Delivery Company
Selfridges Trustee Company Limited*	England & Wales	United Kingdom	Pension Trustee

The following companies are wholly owned and have the registered office address of Haaksbergweg 34, 1101 BE Amsterdam:

St Clair B.V. *	Netherlands	Netherlands	Holding Company
Magazijn De Bijenkorf B.V. *	Netherlands	Netherlands	Department store retailing

The following companies are wholly owned and have the registered office address of 103 Wigmore Street, London, W1U 1QS:

SREL Retail Europe Limited**	England & Wales	United Kingdom	Holding Company
Selfridges Group Foundation***	England & Wales	United Kingdom	Charity

The following companies are wholly owned and have the registered office address of 12 Henry Street, Dublin:

Arnotts Retail Holdings Limited	Ireland	Ireland	Holding company
Arnotts Limited*	Ireland	Ireland	Department store retailing
Arnotts DC Trustees Limited*†	Ireland	Ireland	Dissolved

C9 Investments in subsidiaries (continued)

The following companies are wholly owned and have the registered office address of 92 Grafton Street, Dublin:

	Country of registration	Country of operation	Activity
Carlow Investment Company Limited *ŀ	Ireland	Ireland	Dissolved
BTG (Grafton Street) Holding Co Limited*	Ireland	Ireland	Holding Company
Brown Thomas Group Limited*	Ireland	Ireland	Holding Company
Brown Thomas & Co Limited *	Ireland	Ireland	Department store retailing
William Todd & Company Limited *	Ireland	Ireland	Dormant Company
BTLP Limited *‡	Ireland	Ireland	Dissolved
APL Real Estate Limited *ǀ	Ireland	Ireland	Dissolved

* Owned indirectly
** 100% of ordinary and preference share capital owned
*** Company limited by guarantee
† Company was liquidated on 22 March 2019
ŀ Company was liquidated on 5 June 2019
‡ Company was liquidated on 26 June 2019
ǀ Company was liquidated on 10 July 2019

C10 Investment in associate

The Company owns 30% of the ordinary share capital of Eataly Retail UK Limited, whose current registered office address is Rutland House 148 Edmund Street Birmingham B3 2JR.

It is anticipated that Eataly Retail UK Limited will develop an enhanced dining and food shopping experience in London. Post the opening of the store, there are two put options exercisable by the majority shareholder for the Company's 30% shareholding. These put options can only be exercised within a certain period after the 5th and 10th anniversary of the first Eataly store opening. Given the first store is not yet open, no consideration has been taken of the potential impact of these put options. The options state that as a minimum the group's investment will be recovered.

	£m
Carrying value of investment in associate at 3 February 2018	-
Additions	0.3
Carrying value at 2 February 2019	**0.3**
Additions	0.5
Carrying value at 1 February 2020	**0.8**

C11 Trade and other receivables

	2020 £m	2019 £m
Current		
Amounts owed by Group undertakings	**1.2**	3.2
Amounts owed by entities under common control	**0.7**	-
Other debtors and prepayments	**0.6**	0.9
Total current	**2.5**	4.1

Amounts owed by Group undertakings and entities under common control are non-interest bearing, unsecured and have no fixed date of repayment.

C12 Trade and other payables

	2020 £m	2019 £m
Current		
Trade creditors	**2.5**	0.3
Amounts owed to Group undertakings	**0.7**	-
Amounts owed to entities under common control	**0.1**	0.5
Accruals and deferred income	**11.9**	7.7
Total current	**15.2**	8.5

Amounts owed to Group undertakings and entities under common control are non-interest bearing, unsecured and have no fixed date of repayment.

C13 Share Capital

Refer to Note 29 of the Group consolidated financial statements.

C14 Related party transactions

Transaction support services undertaken by Selfridges Retail Limited on behalf of the Company are recharged to the Company.

Management services are provided by the Company to its subsidiaries and the Company charged management fees to the value of £12.7m for these services.

The outstanding balance owed to Group undertakings at year end was £0.7m, comprising £0.6m owed to Selfridges Retail Limited and £0.1m owed to SREL Retail Europe Limited.

The outstanding balance receivable from Group undertakings at year end was £1.2m, comprising of £0.7m Brown Thomas & Co. Limited and £0.5m owed by Arnotts Retail Holdings Limited.

Key management personnel comprise the Board of Directors for the Company. Refer to Note 32 of the Group consolidated financial statements.

C15 Financial assets by category

	Amortised cost £m	Total £m
As at 2 February 2019		
Cash and cash equivalents		
• Current	10.7	10.7
Trade and other receivables		
• Current (excluding prepayments)	3.9	3.9
Total	**14.6**	**14.6**
As at 1 February 2020		
Cash and cash equivalents		
• Current	16.6	16.6
Trade and other receivables		
• Current (excluding prepayments)	2.2	2.2
Total	**18.8**	**18.8**

C16 Financial liabilities by category

	Other financial liabilities £m	Total £m
As at 2 February 2019		
Trade and other payables		
• Current	8.5	8.5
Total	**8.5**	**8.5**
As at 1 February 2020		
Trade and other payables		
• Current	15.2	15.2
Lease liability		
• Non-current	5.7	5.7
• Current	0.3	0.3
Total	**21.2**	**21.2**

C17 Provisions

	Dilapidations £m	Total £m
At 3 February 2019	-	-
Arising during the period	0.3	0.3
At 1 February 2020	**0.3**	**0.3**

C18 Financial risk management

The Directors consider the Company's financial risk profile to be low. The principal financial risks faced by the Company are liquidity and funding, counterparty, credit, interest rate, foreign exchange and capital risks.

Liquidity and funding
Liquidity and funding risk is the risk that the Company will not be able to meet its short term financial demands.

The majority of the Company's operational outgoings (i.e. excluding loan repayments) are funded by a subsidiary company and are recharged to the Company on a monthly basis. Management of the subsidiary monitor rolling forecasts of total liquidity requirements to ensure it has sufficient cash to meet operational needs.

The following are the contractual maturities of financial liabilities owing by the Company:

	Trade and other payables £m	Total £m
Timing of cash flows		
Within one year	8.5	8.5
Between one and two years	-	-
Between two and five years	-	-
As at 2 February 2019	**8.5**	**8.5**
Timing of cash flows		
Within one year	15.2	15.2
Between one and two years	-	-
Between two and five years	-	-
As at 1 February 2020	**15.2**	**15.2**

The following is the undiscounted cashflow payments of the lease liability owing by the Company:

	Lease Liabilities £m
Timing of cash flows	
Within one year	0.5
Between one and two years	0.7
Between two and five years	2.4
Later than five years	3.5
As at 1 February 2020	**7.1**

Counterparty risks
Counterparty risk is the risk that one of the Company's counterparties will not meet its contractual obligations.

The Company's main counterparty risks rests with receivables from Subsidiary companies and other companies under common control. The Company also holds some cash and cash equivalents. Such funds are held in regulated financial institutions with high credit ratings.

Credit risks
Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to retail customers.

As noted above cash and cash equivalents, and derivative financial instruments are held in regulated financial institutions with high credit ratings. Similarly, deposits are held with regulated banks and financial institutions with high credit ratings. Sales to retail customers are settled in cash or using major credit cards.

C18 Financial risk management (continued)

The maximum exposure to credit risk is the carrying amount of assets as disclosed within the financial assets table in Note C15.

Interest rate risks
Interest rate risk is the risk that the company will be impacted by adverse movements in interest rates.

Loans attracting interest are primarily held with entities held under common control and, as such, risks of adverse interest rate movements on these financial liabilities are not mitigated against.

Foreign exchange risks
The Company has investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Whilst recognising such risks, the Company undertakes no risk mitigation initiatives to protect itself against adverse foreign currency exchange movements.

Capital risks
The Group's objectives when managing capital (i.e. the shareholders' equity in the business) are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an efficient capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, reduce capital to shareholders, issue new shares or sell assets to reduce debt.

Sensitivity
The table below illustrates the estimated impact on the income statement and equity as a result of market movements in foreign exchange rates in relation to the Company's financial instruments. The directors consider that a 20% +/- (2019: 20%) movement in sterling against the relevant currency represents a reasonable possible change. However, this analysis is for illustrative purposes only.

The table excludes financial instruments that expose the Group to foreign exchange risk where such risk is fully hedged with another financial instrument.

	2020	2019
	£m	£m
Impact on income statement		
• 20% weakening in sterling against Euro	**(0.5)**	-
• 20% strengthening in sterling against Euro	**0.5**	-

C19 Deferred tax asset

Deferred tax asset of £0.8 million (2019: £0.5 million) is based on other temporary differences.

Changes to the UK corporation tax rates were substantially enacted as part of the Finance Bill 2015 (on 26 October 2015) and the Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

In the UK budget on 11 March 2020, it was announced that the cut in the tax rate to 17% will now not occur and the UK Corporation Tax Rate will instead remain at 19%. As this was not substantively enacted by the balance sheet date, deferred tax balances as at 31 January 2020 continue to be measured at 17%. The estimated impact of the rate change is an increase in the carrying value of the deferred tax asset of £0.1m.

C20 Commitments for operating leases

The Company leases one property under operating leases. Total future minimum rentals payable under non-cancellable operating leases are as follows:

	2020	2019
	£m	£m
Not later than one year	-	0.5
Later than one year and not later than five years	-	2.9
Later than five years	-	4.4
Total	-	7.8

C21 Post balance sheet events

Following the year end, the Covid-19 global pandemic has impacted markets across the world. In the UK the government implemented social distancing measures through a national lockdown from mid March 2020 which involved closing businesses and schools to limit the spread of the virus. As the impact of Covid-19 could not have been known at the balance sheet date nor were the lockdown measures in effect, it is management's view that the Covid-19 pandemic is a non-adjusting post balance sheet event.

An impairment assessment of the balance sheet has been undertaken for all material assets and management remain comfortable that there is no material movement in the carrying values of these assets at the date of signing these financial statements.

As a result of the implications of Covid-19 on the Company, management believe 2020/2021 will be a challenging year. Depending on the duration of the Covid-19 pandemic and the continued adverse impact on economic activity the Company may experience further challenges to performance, liquidity and asset values during the year.

Subsequent to the balance sheet date, the Company entered into an agreement which will allow it to borrow up to £10m from an entity under common control.

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