

**Selfridges Properties Limited**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
Company registration number 04969613  
for the 52 week period ended 01 February 2020

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Selfridges Properties Limited

Selfridges Properties Limited  
Annual Report and Financial Statements  
For the period ended 01 February 2020

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Selfridges Properties Limited

Company information

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Company secretary &  
Registered office      E Howes  
                                 103 Wigmore Street  
                                 London  
                                 W1U 1QS  
                                 England

Company's registered number      04969613

Independent auditors      PricewaterhouseCoopers LLP  
                                 Chartered Accountants and Statutory Auditors  
                                 1 Embankment Place  
                                 London  
                                 WC2N 6RH

## Selfridges Properties Limited

## Strategic Report for the period ended 01 February 2020

The Directors present their Strategic Report and the audited Financial Statements of Selfridges Properties Limited ("the Company") for the 52 week period ended 01 February 2020 (2019: 52 week period ended 02 February 2019).

**Principal activities**

The principal activity of the Company is that of a retail property holding company.

**Review of the business**

Revenue in the 52 weeks to 01 February 2020 was £53.2m (2019: £54.0m).

Profit before taxation for the 52 weeks to 01 February 2020 was £13.2m (2019: £33.9m). The profit after taxation for the financial period of £11.1m (2019: £48.7m) has been transferred to reserves.

At 01 February 2020 the Company had net assets of £834.3m (2019: £830.4m), which, in the opinion of the Directors, is satisfactory.

The full results for the period are set out in the Statement of Comprehensive Income on page 9.

**Principal risks and uncertainties**

The key risks and uncertainties faced by the business are those experienced across the property sector. The Company is part of the Selfridges group of companies ("the Group") whose principal business is holding retail investments. The Group consists of SHEL Holdings Europe Limited ("SHEL") and its key operating subsidiaries, including Selfridges Retail Limited ("Selfridges Retail"), along with other companies under common control, including Selfridges Manchester Limited, SFP Holdings Limited and each of their direct and indirect subsidiaries (the "Subsidiaries", and each a "Subsidiary"). Risk is mitigated by the Group's historically strong financial performance, its long standing reputation and by appropriate measures taken by management in the context of current market conditions.

In June 2016, the United Kingdom voted to leave the European Union, leading to uncertainty in the financial markets and the wider economy. The full impact remains unclear until the outcome of political and trade negotiations are finalised. The Company's risks have been assessed alongside their potential impact and we will continue to closely monitor the on-going situation.

Following the financial crisis, the replacement of benchmark interest rates such as LIBOR and other interbank offered rates ("IBORs") has become a priority for global regulators. The Company holds financial instrument such as interest rate swaps that will be impacted by this reform. An assessment has been made around the Company's existing hedging relationships and accounting treatment, and the company will continue to monitor the situation along with any potential impact.

Following the year end, the Covid-19 global pandemic has impacted markets across the world. In the UK the government implemented social distancing measures, including the closure of businesses and schools from mid-March, in order to limit the spread of the virus. A phased relaxation of the rules commenced on 01 June 2020.

The Company's key areas of risk as set out above are increased as a result of the pandemic with many businesses in retail, leisure and hospitality closed for some or all of the period between March and July 2020. However, the Company's business model is underpinned by long term lease arrangements with a related party, and on this basis management consider the risks faced by the Company will decrease if business activity returns to pre-pandemic levels in the longer term.

**Key performance indicators ("KPIs")**

The Directors believe that other than the statutory KPIs of revenue, gross profit and operating profit set out in the Statement of Comprehensive Income and the carrying value of the properties, there are no other 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)**

Selfridges Properties Limited is part of the Group. The principal activity of the Company is to act as a retail property holding company on behalf of the Group. The Directors are required to consider those 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 Group and Subsidiary level. During the period, the Group undertook a governance review and, as part of this, is implementing a corporate governance strategy 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 corporate governance procedures. This is to support the application of Section 172, to promote the success of the Group companies, regulate the behaviour and activities of the Company board and the subsidiary boards and their respective executive committees.

The Directors of the Company understand the application and execution of Section 172 duties and demonstrate this in their decision-making. Directors are kept up to date on new legislation and market developments by the Company Secretary and are encouraged to attend at least one face-to-face directors' duties training session each year, with a key focus of the training being Section 172.

The Group is implementing a corporate governance strategy which supports the principal decision-making of the Directors and a process to be followed by the Directors when making principal decisions. Responsibility for the implementation of any decisions remain with the Company, with ongoing monitoring of governance processes in accordance with the Group's approach to governance. During the year the Company Board met to approve its annual financial statements. The Company also considered and resolved to extend an existing loan facility, the details of which are set out in these financial statements; as part of this process the directors took into account the financial position of the Company and the interests of its stakeholders.

Except as referred to above, the Company did not make any principal decisions.

Approved by the Board of Directors on 24 September 2020 and signed by order of the board:

DocuSigned by:

Emma Howes

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E Howes

Company Secretary

24 September 2020

## Selfridges Properties Limited

## Directors' Report for the period ended 01 February 2020

The Directors present their report for the 52 weeks ended 01 February 2020 (2019: 52 weeks ended 02 February 2019).

**General information**

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

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

**Going concern**

The Directors have considered the impact of Covid-19 pandemic on the Company's financial standing and sought to obtain the best possible information to enable them to assess the risks posed to the business. Whilst the long term impact of the pandemic remains unclear, based on currently available information the Directors have sought to monitor and mitigate these risks. The Company's investment properties are under long term lease arrangements with a related party and on this basis management are comfortable that it will continue to have sufficient cash in place to meet its obligations for the foreseeable future. Notwithstanding this the parent company has provided a letter of ongoing support for the Company to meet its debts and liabilities at the year end for a period of 12 months from the date the financial statements are signed and on this basis the Directors continue to adopt the going concern basis in preparing the financial statements.

**Financial risk management**

The Company's operations expose it to interest rate risk as seen in note 18. The Company manages the risk through use of an interest rate swap to fix the interest rates payable, and LIBOR floor derivative instruments to protect against negative interest rates. This position gives rise to a small credit exposure at 01 February 2020 (2019: small credit exposure at 02 February 2019). Given the nature of the Company's operations, it is not exposed to price or foreign currency risk.

Risk management is controlled by the Company under policies approved by the board of directors. The Company identifies, evaluates and hedges financial risks. The board provides written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

**Stakeholder Engagement Statement**

As detailed in the Strategic Report above, the principal activity of the Company is to act as a retail property holding company on behalf of the Group. The principal stakeholders which the Board considers when making its decisions are its immediate parent company and the Group, as well as suppliers and customers, as appropriate in accordance with the Group's approach to governance.

The Directors are required to consider certain factors when making decisions including the impact of these decisions on our stakeholders. The Company believes that only through ongoing dialogue with its stakeholders (directly or indirectly, as appropriate) can it deliver its vision and purpose to the extent it relates to team members and customers. The Company engages regularly with its immediate parent company and the Group. Engagement with customers and team members is substantially delegated throughout the Group to the respective Subsidiary businesses and this is regularly fed back to the Directors via the established channels in place across the Group, enabling Directors to apply this knowledge when making decisions in respect of each respective entity.

As above, the Group has established a framework to enable the Directors to determine those decisions that are principal decisions, and a process to be followed by the Directors when making principal decisions. Regular engagement with stakeholders, in particular the Subsidiary businesses, supports the Directors' decision-making. As part of their decision-making process in respect of the reporting year, the Directors considered the solvency of the Company, its stakeholders as referred to above and had regard to the impact of their decisions on the Group.

**Directors**

The Directors who held office during the period and up to the date the Financial Statements were signed are given below:

T Reade  
K Down  
M Smith  
A Pither (appointed 1 June 2019)  
N Powar (appointed 1 May 2019)  
P G Kelly (resigned 1 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 and pension scheme 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 last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

**Results and dividends**

No dividend was paid during the period (2019: a dividend was paid at 63.5 pence per £1 share, amounting to £103.5m). The Directors do not recommend the payment of a final dividend.

## Selfridges Properties Limited

## Directors' Report for the period ended 01 February 2020 (continued)

**Employees**

The Company has no direct employees. Directors are employed and remunerated by Selfridges Retail Limited or SHEL Holdings Europe Limited, companies under common control.

**Post balance sheet events**

Following the year end, the Covid-19 global pandemic has impacted markets across the world. It is the Directors' view that the Covid-19 pandemic is a non-adjusting post balance sheet event. 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. Further details can be found at note 24 in the financial statements.

The Company's parent company, Selfridges Financing Limited, fully utilised its £200.0m rolling cash facility on 19 March 2020. As part of the Company's financing arrangements with its parent company, it is able to call on this funding, however the Company has waived its rights to receive this funding. In place of this, the parent company has provided a letter of ongoing support for the Company to meet its debts and liabilities at the year end for a period of 12 months from the date the financial statements are signed.

**Independent auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditors, PricewaterhouseCoopers LLP, Chartered Accountants, will continue in office.

**Company's registered number**

The Company's registered number in 04969613.

**Statement of Directors' responsibilities in respect of the financial statements**

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 year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (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 Company and of the profit or loss of the 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, 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 Company will continue in business.

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

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

**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 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 Company's auditors are aware of that information.

Approved by the Board of Directors on 24 September 2020 and signed by order of the board:

DocuSigned by:

Emma Howes

E Howes

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Company Secretary

Selfridges Properties Limited

## Independent auditors' report to the members of Selfridges Properties Limited

### Report on the audit of the financial statements

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#### Opinion

In our opinion, Selfridges Properties Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 1 February 2020 and of its profit and 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
- 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 Balance Sheet as at 01 February 2020; the Statement of Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the 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 company 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 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 authorized for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the 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 company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Selfridges Properties Limited

## Independent auditors' report to the members of Selfridges Properties Limited (continued)

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

#### 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](http://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.

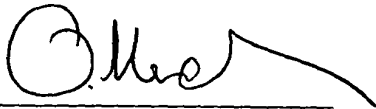
### Other required reporting

#### 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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



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

## Selfridges Properties Limited

**Statement of Comprehensive Income**  
for the period ended 01 February 2020

	Note(s)	52 weeks ended 01 February 2020 £m	52 weeks ended 02 February 2019 £m
Revenue	4	53.2	54.0
Administrative expenses	5	(3.1)	(3.5)
<b>Operating profit before investment property valuation movements</b>		<b>50.1</b>	<b>50.5</b>
Net loss on revaluation of investment properties	11	(24.5)	-
<b>Operating profit</b>		<b>25.6</b>	<b>50.5</b>
Finance costs	9	(12.4)	(16.6)
<b>Profit before Income tax</b>		<b>13.2</b>	<b>33.9</b>
Income tax (charge)/credit	10	(2.1)	14.8
<b>Profit after tax for the financial period</b>		<b>11.1</b>	<b>48.7</b>
<b>Other comprehensive (expense)/Income</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
Fair value losses of interest rate swaps held in cash flow hedges	17/18	(9.9)	(4.9)
Fair value gains recycled to interest expense	17/18	1.2	1.5
Movement in deferred tax on cash flow hedges	10	1.5	0.6
<b>Total other comprehensive expense</b>		<b>(7.2)</b>	<b>(2.8)</b>
<b>Total comprehensive income for the period</b>		<b>3.9</b>	<b>45.9</b>

The results for the period reflect trading from continuing operations.

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

There are no material differences between the profits before taxation and the profits for the period stated above, and their historical cost equivalents.

The notes on pages 13 to 25 form an integral part of these financial statements.

## Selfridges Properties Limited


## Balance Sheet as at 01 February 2020

	Note	01 February 2020 £m	02 February 2019 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Investment properties	11	1,285.3	1,309.8
Property, plant and equipment	12	12.6	14.8
Derivative financial instruments	16	0.3	0.6
Deferred income tax asset	14	5.8	0.2
<b>Total non-current assets</b>		<b>1,304.0</b>	<b>1,325.4</b>
<b>Current Assets</b>			
Trade and other receivables		0.1	-
Cash and cash equivalents		6.0	10.8
<b>Total current assets</b>		<b>6.1</b>	<b>10.8</b>
<b>Total Assets</b>		<b>1,310.1</b>	<b>1,336.2</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13	28.8	67.7
Corporation tax liabilities		7.0	6.3
Derivative financial instruments	17	1.7	0.8
<b>Total current liabilities</b>		<b>37.5</b>	<b>74.8</b>
<b>Non-current liabilities</b>			
Borrowings and other financial liabilities	15	344.7	344.3
Derivative financial instruments	17	7.8	0.3
Deferred income tax liabilities	14	85.8	86.4
<b>Total non-current liabilities</b>		<b>438.3</b>	<b>431.0</b>
<b>Total liabilities</b>		<b>475.8</b>	<b>505.8</b>
<b>Equity</b>			
Called up share capital	20	163.0	163.0
Hedging reserve		(8.1)	(0.9)
Retained earnings		679.4	668.3
<b>Total equity</b>		<b>834.3</b>	<b>830.4</b>
<b>Total liabilities and equity</b>		<b>1,310.1</b>	<b>1,336.2</b>

The notes on pages 13 to 25 form an integral part of these financial statements.

The Financial Statements on pages 9 to 25 were authorised for issue by the board of directors on **24** September 2020 and were signed on its behalf by:

DocuSigned by:



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Matthew Smith  
Director

## Selfridges Properties Limited

## Statement of Changes in Equity for the period ended 01 February 2020

	Called up share capital £m	Hedging reserve £m	Retained earnings £m	Total equity £m
Balance at 04 February 2018	1.0	1.9	723.1	726.0
Profit for the financial period	-	-	48.7	48.7
Other comprehensive expense	-	(2.8)	-	(2.8)
Total comprehensive income for the period	-	(2.8)	48.7	45.9
Issue of share capital	162.0	-	-	162.0
Dividends paid	-	-	(103.5)	(103.5)
Balance at 03 February 2019	163.0	(0.9)	668.3	830.4
Profit for the financial period	-	-	11.1	11.1
Other comprehensive expense	-	(7.2)	-	(7.2)
Total comprehensive income for the period	-	(7.2)	11.1	3.9
Balance at 01 February 2020	163.0	(8.1)	679.4	834.3

The notes on pages 13 to 25 form an integral part of these financial statements.

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

## Selfridges Properties Limited

## Cash Flow Statement for the period ended 01 February 2020

	Note	52 weeks ended 01 February 2020 £m	52 weeks ended 02 February 2019 £m
<b>Cash flows from operating activities</b>			
Operating profit		25.6	50.5
Adjustments for:			
- Depreciation of property, plant and equipment	12	2.2	1.6
- Net loss on revaluation	11	24.5	-
		<u>52.3</u>	<u>52.1</u>
Changes in:			
- Increase in debtors		(0.1)	-
- Decrease in creditors		(38.9)	(12.4)
Cash generated from operating activities		<u>13.3</u>	<u>39.7</u>
Interest paid		(11.1)	(15.8)
Income tax paid		(6.1)	(1.1)
Net cash (used in)/generated from operating activities		<u>(3.9)</u>	<u>22.8</u>
<b>Cash flows from investing activities</b>			
Capital expenditure on investment properties	11	-	(13.1)
Proceeds on property disposal	11	-	103.5
Net cash generated from investing activities		<u>-</u>	<u>90.4</u>
Dividends paid to owners of the Company		-	(103.5)
Legal and arrangement fees on refinancing		(0.9)	(1.2)
Net cash flows used in financing activities		<u>(0.9)</u>	<u>(104.7)</u>
Net (outflow)/inflow in cash and cash equivalents		<u>(4.8)</u>	<u>8.5</u>
Cash and cash equivalents at beginning of financial period		10.8	2.3
Cash and cash equivalents at end of financial period		<u>6.0</u>	<u>10.8</u>

## Reconciliation of liabilities arising from financing activities

	Non-cash changes				01 February 2020 £m
	02 February 2019 £m	Cash flows £m	Amortisation £m	Other non- cash changes £m	
Loans with entities under common control	344.3	(0.9)	1.3	-	344.7
Total liabilities from financing activities	<u>344.3</u>	<u>(0.9)</u>	<u>1.3</u>	<u>-</u>	<u>344.7</u>

Notes to the Financial Statements for the period ended 01 February 2020

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**1 General Information**

Selfridges Properties 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, England.

The principal activity of the Company is that of a retail property holding company.

**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 years presented, unless otherwise stated.

**a) Basis of preparation**

These 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.

**b) Adoption of new and revised Financial Reporting Standards****IFRS 16**

IFRS 16 'Leases' was published in January 2016 and was effective for the Company from the period beginning 03 February 2019, replacing 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.

As the Company acts as a lessor rather than a lessee there has been no significant impact on the Company's profit and net assets as a result of the implementation of the standard.

**Amended standards early adopted**

The Company has elected to early adopt the 'Amendments to IFRS 9 Interest Rate Benchmark Reform' issued in September 2019. In accordance with the transition provisions, the amendments have been adopted retrospectively to hedging relationships that existed at the start of the reporting period or were designated thereafter, and to the amount accumulated in the cash flow hedge reserve at that date.

The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continues to be recorded in the Statement of Comprehensive Income. Furthermore, the amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present.

In summary, the reliefs provided by the amendments that apply to the Company are:

- When considering the 'highly probable' requirement, the Company has assumed that the GBP LIBOR interest rate on which our hedged debts are based does not change as a result of IBOR reform.
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis the Company has assumed that the GBP LIBOR interest rate on which the cash flows of the hedged debt and the interest rate swap that hedges it are based is not altered by IBOR reform.
- The Company has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.

Note 18 provides the required disclosures of the uncertainty arising from IBOR reform for hedging relationships for which the Company applied the reliefs.

**c) Accounting convention**

The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, and financial liabilities (including derivative instruments) at fair value through the statement of other comprehensive income.

## Notes to the Financial Statements for the period ended 01 February 2020 (continued)

## 2 Summary of significant accounting policies (continued)

## d) 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 02 February in 2019 and 01 February in 2020.

## e) Going concern

The Directors have considered the impact of the Covid-19 pandemic on the Company's financial standing and sought to obtain the best possible information to enable them to assess the risks posed to the business. Whilst the long term impact of the pandemic remains unclear, based on currently available information the Directors have sought to monitor and mitigate these risks. The Company's investment properties are under long term lease arrangements with a related party and on this basis management are comfortable that it will continue to have sufficient cash in place to meet its obligations for the foreseeable future. On this basis the Directors continue to adopt the going concern basis in preparing the financial statements.

The Directors have also considered the net current liabilities position of the Company and they have concluded that it remains appropriate to prepare these Financial Statements on a going concern basis. The Company's parent company, Selfridges Financing Limited, fully utilised its £200.0m rolling cash facility on 19 March 2020. As part of the Company's financing arrangements with its parent company, it was able to call on this funding, however the Company has waived its rights to receive this funding. In place of this, the parent company has provided a letter of ongoing support for the Company to meet the debts and liabilities held by the Company at the year end date for a period of 12 months from the date the financial statements are signed.

## f) Functional and presentation currency

These 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.

## g) 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.

## h) Revenue

Revenue, which excludes value added tax, comprises rents receivable from tenants under operating leases, recognised on an accruals basis. Rents are recognised on a straight-line basis over the term of the lease. Income arising as a result of rent reviews is recognised when agreement of new terms is reasonably certain.

## i) Investment properties

Investment properties are owned by the Company and are held to generate rental income or long-term capital appreciation or both.

Investment properties are initially recognised on acquisition at cost, including related acquisition costs, and are revalued annually to reflect market value. Fair value is determined by external professional valuers.

Gains or losses arising on the revaluation of investment properties are included in the Statement of Comprehensive Income in the accounting period in which they arise. Depreciation is not provided in respect of investment properties.

Additions to properties include the costs of a capital nature only. Expenditure is classified as capital when it results in identifiable future economic benefits which are expected to accrue to the Company. All other property expenditure is written-off in the Statement of Comprehensive Income as incurred.

Assets under construction are held at cost in the balance sheet as whilst under construction their fair value cannot be reliably estimated. At an appropriate stage of completion of the construction project, the fair value of the asset will be assessed as part of the overall fair value of the investment property. Any resulting gains or losses on revaluation will be accounted for as described above.

## j) Property, Plant and Equipment

Property, plant and equipment is stated at historic purchase 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.

Depreciation of 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:

Property, plant and equipment	3.33 to 16.67	%
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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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

## Notes to the Financial Statements for the period ended 01 February 2020 (continued)

**2 Summary of significant accounting policies (continued)****k) Financial assets and liabilities**

Financial assets and liabilities are recognised in the Company's Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

**i) Classification**

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

**iii) Impairment**

The Company 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 18 (financial risk management) contains further details how the Company determines the impact of credit risk on financial assets.

**l) Current and deferred taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, 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 country where the company generates taxable income. Management periodically 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 Financial Statements. 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.

In the case of deferred tax in relation to investment property revaluation surpluses, the base cost used is historical book cost and ignores any allowances or deductions which may be available to reduce the actual tax liability which would crystallise in the event of a disposal of an asset. The Company expects to recover the value of its investment property assets through future rental income streams.

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.

**m) 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.

**n) 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.

**o) Leases****The Company as lessor**

All of the Company's leases to its tenants fall within the definition of operating leases, as substantially all the risks and rewards of ownership are retained by the Company.

## Notes to the Financial Statements for the period ended 01 February 2020 (continued)

## 2 Summary of significant accounting policies (continued)

## p) Significant accounting estimates and judgements

In preparing the 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 as regards the following: -

- The Company uses the valuations performed by its external valuers, CBRE Limited, as the basis for the fair value of its investment properties. The valuation of the Company's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental income. As a result, the valuations the Company places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the commercial property market. CBRE Limited make a number of assumptions in forming their opinion on the valuation of our investment properties, which are detailed in the Basis of Valuation in note 11. These assumptions are in accordance with RICS Valuation Standards. However, if any assumptions made by the external valuers prove to be incorrect, this may mean that the value of the Company's properties differ from the valuation reported in the Financial Statements, which could have a material effect on the Company's financial position.

- Calculations made to determine the amount of tax provisions to be recognised. the calculation of the amount to be recognised is based on the estimated future taxable results and an estimate of the ultimate tax effect of certain transactions relating to the investment properties held by the Company. This is an area of significant judgment due to the potential for material changes in the property value going forward.

- Fair value of derivatives

The company entered into interest rate swaps and a LIBOR floor derivative policy. The carrying values of these derivatives are reviewed on a regular basis. These derivative assets and liabilities are held on the balance sheet at current market valuation provided by the Company's banks.

- Effect of IBOR reform

In calculating the change in fair value attributable to the hedged risk of floating-rate debt, the Company has assumed that the floating-rate debt will move to SONIA during 2022, and the spread will be similar on both items. No other changes to the terms of the floating-rate debt are anticipated.

## 3 Segmental analysis

The Company's properties, which are located in London, are managed as a single portfolio.

For the purposes of IAS 14, the London portfolio is considered to be a single operating segment. The aggregation criteria set out in IAS 14 have been applied to give one reportable segment.

The Board assesses the performance of the reportable segment based on the net property income and investment property valuation. All financial information provided to the Board is prepared on a basis consistent with these Financial Statements and, as the Company has only one reportable segment, the measures used in assessing the business are set out in the Statement of Comprehensive Income.

## 4 Revenue

All rents receivable are due from one company, an entity undertaking under common control.

## 5 Administrative Expenses

Operating profit is stated after charging the items set out below:

	52 weeks ended 01 February 2020	52 weeks ended 02 February 2019
	£m	£m
Depreciation of property, plant and equipment	2.2	1.6
Other costs	0.9	1.9
Total administrative expenses	<u>3.1</u>	<u>3.5</u>

These costs are included in the functional cost lines (in the Statement of Comprehensive Income) as follows:

Administrative expenses	3.1	3.5
Total administrative expenses	<u>3.1</u>	<u>3.5</u>

## 6 Auditors' remuneration

The audit fees are borne by Selfridges Retail Limited, an entity undertaking under common control, and are not recharged. The audit fee for the Company for the period ending 01 February 2020 is £17,000 (2019 £17,000). There were no other non-audit fees charged to the Company during the period (2019: none).

## 7 Employee information

The average monthly number of employees during the period excluding the Directors was nil (2019: nil).

## Selfridges Properties Limited

## Notes to the Financial Statements for the period ended 01 February 2020 (continued)

## 8 Directors' emoluments

No directors were remunerated for their services in relation to the Company (2019: nil). Directors are employed and remunerated by Selfridges Retail Limited or SHEL Holdings Europe Limited, companies under common control.

## 9 Finance costs

	52 weeks ended 01 February 2020	52 weeks ended 02 February 2019
	£m	£m
Loan interest payable		
- Interest on borrowings from entities under common control	10.9	11.2
- Amortisation of refinancing costs	1.3	1.0
Subordinated loan note interest payable	-	4.6
Fair value losses/(gains) on unhedged derivative financial instruments	0.2	(0.2)
Interest payable and similar charges	<u>12.4</u>	<u>16.6</u>

In the prior period, £162.0m floating-rate subordinated loan notes from WFRG Investments Limited (WFRG), a company under common control were transferred to the immediate parent company in exchange for an issue of ordinary shares.

## 10 Income tax charge/(credit)

	52 weeks ended 01 February 2020	52 weeks ended 02 February 2019
	£m	£m
<b>Current tax</b>		
UK corporation tax on profits of the period	7.0	6.3
Adjustments in respect of prior periods (excluding group relief)	(0.2)	(0.1)
Total current tax	<u>6.8</u>	<u>6.2</u>
<b>Deferred tax</b>		
Origin and reversal of timing differences	(4.0)	(15.3)
Impact of tax rate changes	-	1.6
Adjustments in respect of prior periods	(0.7)	(7.3)
Total deferred tax	<u>(4.7)</u>	<u>(21.0)</u>
<b>Tax charge/(credit) for the period</b>	<u>2.1</u>	<u>(14.8)</u>

## Reconciliation of total tax charge

The UK standard rate of corporation tax for the period is 19% (2019: 19%). The tax charge for the current and prior period differs from (2019: differs from) the standard rate for the reasons set out in the following reconciliation:

	52 weeks ended 01 February 2020	52 weeks ended 02 February 2019
	£m	£m
<b>Profit before taxation</b>	<u>13.2</u>	<u>33.9</u>
Profit before taxation multiplied by the standard rate of taxation of 19% (2019: 19%)	2.5	6.4
<b>Tax effects of:</b>		
Expenses not deductible for tax purposes	-	0.3
Adjustments in respect of prior periods	(0.9)	(7.4)
Impact of tax rate changes	0.5	1.6
Other	-	(15.7)
<b>Tax charge/(credit) for the period</b>	<u>2.1</u>	<u>(14.8)</u>

	52 weeks ended 01 February 2020	52 weeks ended 02 February 2019
	£m	£m
<b>Tax components of Other Comprehensive Income</b>		
<i>Tax on items that may be reclassified to the Statement of Comprehensive Income</i>		
Impact of tax on derivative hedge taken to equity	(1.5)	(0.6)
<b>Total tax in other comprehensive income</b>	<u>(1.5)</u>	<u>(0.6)</u>
Current tax	-	-
Deferred tax	(1.5)	(0.6)
	<u>(1.5)</u>	<u>(0.6)</u>

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate, to reduce the rate to 17% from 01 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements. The Finance Act 2016 included a reduction in the main rate of UK corporation tax from 19% to 17% from 01 April 2020. However, 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 01 February 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 liability of £9.4m.

## Selfridges Properties Limited

## Notes to the Financial Statements for the period ended 01 February 2020 (continued)

## 11 Investment properties

	Freehold land and buildings £m	Long leasehold property £m	Assets in the course of construction £m	Total £m
Cost or valuation				
As at 04 February 2018	1,231.3	103.5	68.7	1,403.5
Additions	-	-	13.1	13.1
Reclassifications	78.5	-	(78.5)	-
Reclassifications to PPE	-	-	(3.3)	(3.3)
Disposals	-	(103.5)	-	(103.5)
As at 03 February 2019	1,309.8	-	-	1,309.8
Net loss on revaluation	(24.5)	-	-	(24.5)
As at 01 February 2020	1,285.3	-	-	1,285.3

The Directors have assessed the most recent external valuation of the properties and a net loss on revaluation of £24.5m was recognised during the period (2019: £nil) in order to reflect the current fair value of the properties.

*Historical cost of land and buildings*

If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	01 February 2020 £m	02 February 2019 £m
Cost	743.8	743.8
Accumulated depreciation	(6.4)	(5.9)
Net book value	737.4	737.9

*External valuers*

Investment properties were subject to external valuations as at 31 January 2020 by qualified valuers, being members of the Royal Institute of Chartered Surveyors, working for CBRE Limited.

All properties were valued on the basis of fair value and highest and best use in accordance with the RICS Valuation – Professional Standards 2014 and IFRS 13. When considering the highest and best use a valuer considers its actual and potential uses which are legally and financially viable. Where the highest and best use differs from the existing use, the valuer considers the use a market participant would have in mind when formulating the price it would bid and reflects the cost and likelihood of achieving that use.

The external valuations use information provided by the Company, such as tenancy information and capital expenditure expectations. The valuers, in forming their opinion make a series of assumptions. The assumptions are typically market related, such as yields and rental values, and are based on the valuers' professional judgment and market observations. The major inputs to the external valuation are reviewed by the Board.

*Fair value measurements*

The Company's investment properties are reported under IFRS 13 'Fair value measurement' which uses the following hierarchy to determine the valuation basis of assets and liabilities:

- 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 the Company's properties has been determined using a market approach which provides an indication of the value by comparing the subject assets with identical or similar assets for which price information is available. All properties held by the Company at the end of the period were therefore rated level three (2019: level three).

*Sensitivity*

The table below illustrates the estimated impact on the Statement of Comprehensive Income and equity as a result of market movements in the fair value of the Company's properties. Due to increased uncertainty caused by the Covid-19 pandemic, the Directors consider that a 10% +/- (last year 5%) movement in value represents a reasonable possible change. However this analysis is for illustrative purposes only.

	01 February 2020 £m	02 February 2019 £m
Impact on Statement of Comprehensive Income		
10% (2019: 5%) weakening in property estimated rental value	(25.0)	(15.0)
10% (2019: 5%) strengthening in property estimated rental value	25.0	10.0
0.50% (2019: 0.25%) strengthening of rent yields	(125.0)	(65.0)
0.50% (2019: 0.25%) weakening of rent yields	150.0	70.0

## Selfridges Properties Limited

## Notes to the Financial Statements for the period ended 01 February 2020 (continued)

## 12 Property, plant and equipment

	Property, plant and equipment £m	Total £m
<b>Cost</b>		
As at 03 February 2019	37.5	37.5
Disposals	(4.1)	(4.1)
As at 01 February 2020	33.4	33.4
<b>Accumulated depreciation</b>		
As at 03 February 2019	(22.7)	(22.7)
Charge for the period	(2.2)	(2.2)
Disposals	4.1	4.1
As at 01 February 2020	(20.8)	(20.8)
<b>Net book value</b>		
As at 02 February 2019	14.8	14.8
As at 01 February 2020	12.6	12.6

## 13 Trade and other payables

	01 February 2020 £m	02 February 2019 £m
Amounts owed to entity undertakings under common control	20.5	60.7
Accruals and deferred income	8.2	7.0
Other creditors	0.1	-
<b>Total current</b>	28.8	67.7

Amounts owed by the Company to entity undertakings under common control are non-interest bearing and repayable upon demand. During the period the balance owed by the Company to Selfridges Retail Limited, a company under common control, reduced from £59.0m to £14.1m. The amount decreased due to payments of £52.4m (2019: £34.0m) to Selfridges Retail Limited during the period, offset by additional expenses paid on behalf of the Company amounting to £7.5m (2019: £18.1m).

During the period, the Company received rental income on behalf of Selfridges Manchester Limited, a company under common control in the sum of £4.7m (2019: £1.7m). At the period end, the outstanding balance was £6.4m (2019: £1.7m).

## Selfridges Properties Limited

## Notes to the Financial Statements for the period ended 01 February 2020 (continued)

## 14 Deferred tax balances

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

	01 February 2020	02 February 2019
	£m	£m
Deferred tax assets due within 12 months	-	-
Deferred tax liabilities due within 12 months	-	-
Total provision	<u>-</u>	<u>-</u>
Deferred tax assets due after more than 12 months	5.8	0.2
Deferred tax liabilities due after more than 12 months	(85.8)	(86.4)
Total provision	<u>(80.0)</u>	<u>(86.2)</u>
Total deferred tax position		
Total provision	<u>(80.0)</u>	<u>(86.2)</u>

The gross movement on the deferred income tax account is as follows:

	52 weeks ended 01 February 2020	52 weeks ended 02 February 2019
	£m	£m
As at beginning of period	(86.2)	(107.8)
Adjustment in respect of prior years	0.7	7.3
Credited to the statement of comprehensive income	4.0	13.7
Credited to other comprehensive income	1.5	0.6
As at end of period	<u>(80.0)</u>	<u>(86.2)</u>

	Accelerated Capital Allowances	Derivative Instruments	Property Revaluation	Total
	£m	£m	£m	£m
As at 04 February 2018	(2.5)	(0.5)	(104.8)	(107.8)
Prior period adjustments	(1.3)	0.1	8.5	7.3
(Charged)/credited to the statement of comprehensive income	(0.4)	-	14.1	13.7
Credited to other comprehensive income	-	0.4	-	0.4
As at 03 February 2019	<u>(4.2)</u>	<u>-</u>	<u>(82.2)</u>	<u>(86.4)</u>
Prior year adjustments	4.2	-	(7.7)	(3.5)
Credited to the statement of comprehensive income	-	-	4.1	4.1
Credited to other comprehensive income	-	-	-	-
Effect of change in tax rate	-	-	-	-
As at 01 February 2020	<u>-</u>	<u>-</u>	<u>(85.8)</u>	<u>(85.8)</u>

	Accelerated Capital Allowances	Derivative Instruments	Total
	£m	£m	£m
As at 04 February 2018	-	-	-
Charged to the statement of comprehensive income	-	-	-
Credited to other comprehensive income	-	0.2	0.2
As at 03 February 2019	<u>-</u>	<u>0.2</u>	<u>0.2</u>
Prior year adjustments	4.2	-	4.2
Charged to the statement of comprehensive income	(0.1)	-	(0.1)
Credited to other comprehensive income	-	1.5	1.5
As at 01 February 2020	<u>4.1</u>	<u>1.7</u>	<u>5.8</u>

## Selfridges Properties Limited

## Notes to the Financial Statements for the period ended 01 February 2020 (continued)

## 15 Borrowings and other financial liabilities

	01 February 2020 £m	02 February 2019 £m
Non-current		
Amounts owed to entity undertakings under common control	344.7	344.3
<b>Total non-current</b>	<b>344.7</b>	<b>344.3</b>

*Amounts owed to entity undertakings under common control*

In January 2018, a loan facility of £550.0m was entered into, of which £350.0m is drawn and £200.0m is available for general corporate purposes. This loan was entered into as part of a back-to-back financing arrangement with the parent company. The loan is secured by a fixed and floating charge over the Company's freehold properties and the Company, along with the parent company, Selfridges Financing Limited, are jointly responsible to the syndicate of lenders. The fair value of the long term loan is equivalent to the carrying value of the loans as this is a floating-rate financial instrument. The loan was for an original term of five years.

In January 2019 and January 2020, the term of the loan was extended by two consecutive years to January 2025. The original balance owed to the parent undertaking amounts to £349.8m (2019: £349.8m) as it is shown net of a £0.2m balance owed by the parent company.

The loan liability as at 01 February 2020 of £344.7m (02 February 2019 £344.3m) is shown net of £7.4m (02 February 2019 £6.5m) direct financing costs which are being amortised over the term of the loan. Accrued amortisation at the period end amounted to £2.3m (2019: £1.0m).

The Company's parent company, Selfridges Financing Limited, fully utilised its £200.0m rolling cash facility on 19 March 2020. As part of the Company's financing arrangements with its parent company, it is able to call on this funding, however the Company has waived its rights to receive this funding.

## 16 Financial assets by category

	Amortised Cost £m	Assets held at fair value through the Statement of Comprehensive Income £m	Derivatives used for hedging £m	Total £m
<b>As at 02 February 2019</b>				
Cash and cash equivalents				
- Current	10.8	-	-	10.8
Trade and other receivables				
- Current (excluding prepayments)	-	-	-	-
- Non-current	-	-	-	-
Derivative financial instruments				
- Current	-	-	-	-
- Non-current	-	0.5	0.1	0.6
<b>Total</b>	<b>10.8</b>	<b>0.5</b>	<b>0.1</b>	<b>11.4</b>

	Amortised Cost £m	Assets held at fair value through the Statement of Comprehensive Income £m	Derivatives used for hedging £m	Total £m
<b>As at 01 February 2020</b>				
Cash and cash equivalents				
- Current	6.0	-	-	6.0
Trade and other receivables				
- Current (excluding prepayments)	-	-	-	-
- Non-current	-	-	-	-
Derivative financial instruments				
- Current	-	-	-	-
- Non-current	-	0.3	-	0.3
<b>Total</b>	<b>6.0</b>	<b>0.3</b>	<b>-</b>	<b>6.3</b>

Derivative asset amounts represent the fair value as at the balance sheet date of the interest rate swap contracts (which are held in a cash flow hedge relationship) and the interest rate option (which is held at fair value through the Statement of Comprehensive Income). Fair values are estimated using discounted cash flow models that use observable yield curves prevailing as at the reporting date. The valuation technique falls within level 2 of the fair value hierarchy (see note 11 for definition).

## Selfridges Properties Limited

## Notes to the Financial Statements for the period ended 01 February 2020 (continued)

## 17 Financial liabilities by category

	Liabilities held at fair value through the Statement of Comprehensive Income £m	Derivatives used for hedging £m	Other liabilities held at amortised cost £m	Total £m
<b>As at 02 February 2019</b>				
Borrowings				
- Current	-	-	-	-
- Non-current	-	-	344.3	344.3
Trade and other payables				
- Current	-	-	67.7	67.7
Derivative financial instruments				
- Current	-	0.8	-	0.8
- Non-current	-	0.3	-	0.3
<b>Total</b>	<b>-</b>	<b>1.1</b>	<b>412.0</b>	<b>413.1</b>

	Liabilities held at fair value through the Statement of Comprehensive Income £m	Derivatives used for hedging £m	Other liabilities held at amortised cost £m	Total £m
<b>As at 01 February 2020</b>				
Borrowings				
- Current	-	-	-	-
- Non-current	-	-	344.7	344.7
Trade and other payables				
- Current	-	-	28.8	28.8
Derivative financial instruments				
- Current	-	1.7	-	1.7
- Non-current	-	7.8	-	7.8
<b>Total</b>	<b>-</b>	<b>9.5</b>	<b>373.5</b>	<b>383.0</b>

Derivative liability amounts represent the fair value as at the balance sheet date of the interest rate swap contracts. The fair value of the interest rate swap contracts have been estimated using a discounted cash flow model using an observable yield curve prevailing as at the reporting date. The valuation technique falls within level 2 of the fair value hierarchy (see note 11 for definition).

## 18 Financial risk management

The Directors consider the Company's financial risk profile to be low. The principal financial risks faced by the Company are interest rate risks. Given the nature of the Company's operations, it is not exposed to price or foreign currency risk. Risk management is controlled by the Company under policies approved by the board of directors. The Company identifies, evaluates and hedges financial risks. The board provides written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

**Interest rate risks**

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

Interest rate risk arises from the Company's use of interest bearing financial instruments, and is the risk that future cash flows from financial instruments will fluctuate due to changes in interest rates and credit costs. The Company's policy is to minimise this risk through long-term committed bank facilities and the use of long-term interest rate swaps on a large portion of its floating-rate bank debt.

## Notes to the Financial Statements for the period ended 01 February 2020 (continued)

## 18 Financial risk management (continued)

*Market risk**Instruments used by the Company*

Interest rate swaps currently in place cover 100% of the variable loan principal outstanding. The fixed interest rate of the swaps is 1.16220%, and the variable rate of the loan amounts to the 90-day LIBOR rate which, at the end of the reporting period, was 0.7648% (2019: 0.9135%).

The swap contracts require settlement of net interest receivable or payable every 90 days. The settlement rates coincide with the dates on which interest is payable on the underlying debt.

*Effects of hedge accounting on the financial position and performance*

The effects of the interest rate swaps on the group's financial position and performance are as follows:

	01 February 2020 £m	02 February 2019 £m
Interest rate swaps		
Carrying amount (liability)	(9.6)	(0.9)
Notional amount	350.0	350.0
Maturity dates	30 January 2023 30 January 2024 30 January 2025	30 January 2023 30 January 2024
Hedge ratio	1:1	1:1
Change in value of hedging instruments since 03 February (2019: 04 February)	(9.9)	(4.9)
Change in value of hedged item used to determine hedge effectiveness	9.9	4.9
Weighted average hedged rate for the year	1.1622%	1.1622%

*Effect of IBOR reform*

Following the financial crisis, the reform and replacement of benchmark interest rates such as GBP LIBOR and other interbank offered rates ('IBORs') has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes. The Company's risk exposure that is directly affected by the interest rate benchmark reform is its GBP 350,000,000 5-year floating-rate debt. The Company has hedged this debt with an interest rate swap, and it has designated the swap in a cash flow hedge of the variability in cash flows of the debt, due to changes in 3 month GBP LIBOR that is the current benchmark interest rate.

It is currently expected that SONIA (Sterling Overnight Index Average) will replace GBP LIBOR. There are key differences between GBP LIBOR and SONIA. GBP LIBOR is a 'term rate', which means that it is published for a borrowing period (such as 3 months), and it is 'forward-looking', because it is published at the beginning of the borrowing period. SONIA is currently a 'backward-looking' rate; it is based on overnight rates from actual transactions, and it is published at the end of the overnight borrowing period. Furthermore, GBP LIBOR includes a credit spread over the risk-free rate, which SONIA does not. To transition existing contracts and agreements that reference GBP LIBOR to SONIA, adjustments for term differences and credit differences might need to be applied to SONIA, to enable the two benchmark rates to be economically equivalent on transition.

At the time of reporting, industry working groups are reviewing methodologies for calculating adjustments between GBP LIBOR and SONIA.

All derivative instruments are held in cashflow hedge relationships and are impacted by the 3 month GBP LIBOR rate, therefore the full nominal value of the derivative instruments shown above is directly impacted by the IBOR reform. The Company is monitoring future changes to interest rate benchmarks and assessing the potential impact on an ongoing basis.

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

	Loan finance £m	Derivative financial instruments £m	Trade and other payables £m	Total £m
<b>Timing of undiscounted cash flows</b>				
Within one year	11.0	0.8	67.2	79.0
Between one and two years	11.0	-	-	11.0
Between two and five years	383.0	0.3	-	383.3
More than five years	-	-	-	-
As at 02 February 2019	<u>405.0</u>	<u>1.1</u>	<u>67.2</u>	<u>473.3</u>
<b>Timing of undiscounted cash flows</b>				
Within one year	11.0	1.8	28.7	41.5
Between one and two years	11.0	2.1	-	13.1
Between two and five years	383.0	5.7	-	388.7
More than five years	-	-	-	-
As at 01 February 2020	<u>405.0</u>	<u>9.6</u>	<u>28.7</u>	<u>443.3</u>

## Notes to the Financial Statements for the period ended 01 February 2020 (continued)

## 18 Financial risk management (continued)

**Counterparty risks**

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

Counterparty risks are minimised due to the cash based nature of transactions with the Company's customers. However, the company does remain exposed to counterparty risks arising from its holdings of cash and cash equivalents and open derivative financial instruments.

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

**Sensitivity**

The Company is exposed to market movements in interest rates. In the current year, risks arising with financial instruments issued by related parties are largely mitigated and hedged against through the use of an interest rate swap contract.

**Capital risks**

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

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

## 19 The Company as Lessor

Future aggregate minimum lease rental receivable under non-cancellable operating leases based on contractual rental income at year end is as follows:

	01 February 2020	02 February 2019
	£m	£m
Not later than one year	54.1	53.0
Later than one year but not later than two years	55.1	54.1
Later than two years but not later than three years	56.2	55.1
Later than three years but not later than four years	57.4	56.2
Later than four years but not later than five years	58.5	57.4
Later than five years	1,721.7	1,780.2
<b>Total</b>	<b>2,003.0</b>	<b>2,056.0</b>

As at the period end, the Company had three (2019: three) leases in issue with entities under common control. On 31st January 2018 the existing leases were renewed. The term of the leases is 30 years. Rents receivable are reviewed on an annual basis starting on 1st February 2020.

Although the Company is exposed to changes in the residual value at the end of the current leases, the Company typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

## 20 Called up share capital

	01 February 2020	02 February 2019
	£m	£m
Allotted, called up and fully paid		
163,000,000 (2019: 163,000,000) ordinary shares of £1 each	163.0	163.0

## 21 Dividends

	01 February 2020	02 February 2019
	£m	£m
Equity - ordinary		
Interim paid £nil (2019: £0.635) per £1 share	-	103.5
<b>Total dividends</b>	<b>-</b>	<b>103.5</b>

## 22 Ultimate holding company

The immediate parent undertaking is Selfridges Financing Limited, a company incorporated in the United Kingdom. The Directors consider the ultimate parent company and controlling party to be Wittington Investments, Limited which is incorporated in Canada.

SFP Holdings Limited, which is registered in the UK, is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements. Copies of the SFP Holdings Limited consolidated financial statements can be obtained from the Company Secretary at 103 Wigmore Street, London, W1U 1QS, England.

Notes to the Financial Statements for the period ended 01 February 2020 (continued)**23 Related party transactions**

The Company owns properties which are leased at market value rent as at the date of inception.

*The Company as lessor*

The Company leases its properties to Selfridges Retail Limited. A description of the terms of these leases can be found in note 19.

- During the period, rental income of £4.7m (2019: £1.7m) was received by the Company on behalf of Selfridges Manchester Limited, a company under common control. The balance of £6.4m (2019: £1.7m) was outstanding at the period end.
- The Company has a financial liability to Selfridges Retail Limited amounting to £14.1m (2019: £59.0m). During the period, there was further expenditure of £7.5m (2019: £18.1m) made on behalf of the Company and payments of £52.4m (2019: £34.0m) were made by the Company to part settle the balance during the period.

Certain loan facilities owed by the Company have been received from companies under common control. These facilities include:

- In January 2018, the Company borrowed £350.0m from its immediate parent company. (The balance owed to the parent undertaking amounts to £349.8m as it is shown net of a £0.2m balance owed by the parent company). The parent company sourced these funds from a syndicate of external banks and the Company is a joint borrower under that facility. This loan is secured by a fixed and floating charge over the Company's freehold property and the Company, along with the parent company, Selfridges Financing Limited, are jointly responsible to the syndicate of lenders. The fair value of long term loans is equivalent to the carrying value of the loans as this is a floating-rate financial instrument. The original loan is for a term of 5 years and the term was extended for two further years in January 2019 and January 2020. All fees, amounting to £7.4m (2020: £0.9m 2019: £1.2m) associated with the drawing of this facility were also recharged from the Company's immediate parent company.
- As part of the interest rate risk management strategy the Company entered into interest rate swap facilities with its immediate parent company for both the original loan term and for the one year extended term. These swaps are for a total notional amount of £350.0m and mature in line with the underlying loan facility. Under this swap, the Company receives interest on a variable basis and pays interest at a rate of 2.81%. These swaps have been designated as an effective cash flow hedge relationship against the related party loan.
- A further aspect of the Company's interest rate risk management strategy was to enter a LIBOR Floor derivative instrument with its immediate parent company. Under this instrument, the company will receive a rate equivalent to 3 month LIBOR below a strike value of 0%.

The Company considers the key management to be the Directors.

**24 Subsequent 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, including the closure of businesses and schools from mid-March, in order to limit the spread of the virus. A phased relaxation of the rules commenced on 01 June 2020. As the impact of Covid-19 could not have been known at the balance sheet date nor were the lockdown measure in effect, it is management's view that the Covid-19 pandemic is a non-adjusting post balance sheet event.

All rent due since the balance sheet date has been collected. The key assets are the Company's investment properties which are valued by estimating the future income from the asset and then capitalising it against a property investment yield. The valuation of the investment properties has been prepared by CBRE, an external valuer as described in note 11. Their current view is that the adverse impact of the pandemic could be up to a 10% weakening of the properties' estimated rental value which could impact the valuation by up to £25.0m, or a 0.5% strengthening of rental yields which could impact the valuation by up to £125.0m. This range is contained within the sensitivity analysis provided in their valuation reports and set out in note 11.

The Company's parent company, Selfridges Financing Limited, fully utilised its £200.0m rolling cash facility on 19 March 2020. As part of the Company's financing arrangements with its parent company, it is able to call on this funding, however the Company has waived its rights to receive this funding.