

Selfridges Properties Limited
ANNUAL REPORT AND FINANCIAL STATEMENTS
Company registration number 04969613
for the 52 week period ended 30 January 2021

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Selfridges Properties Limited

Selfridges Properties Limited
Annual Report and Financial Statements
For the year ended 30 January 2021

Page	Contents
3	Company information
4	Strategic Report
5	Directors' Report
7	Independent auditors' report to the members of Selfridges Properties Limited
9	Statement of Comprehensive Income
10	Balance Sheet
11	Statement of Changes in Equity
12	Cash Flow Statement
13	Notes to the Financial Statements

Selfridges Properties Limited

Company Information

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 40 Clarendon Road Watford Hertfordshire WD17 1JJ

Selfridges Properties Limited

Strategic Report for the year ended 30 January 2021

The Directors present their Strategic Report and the audited Financial Statements of Selfridges Properties Limited ("the Company") for the 52 week period ended 30 January 2021 (2020: 52 week period ended 01 February 2020).

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 30 January 2021 was £54.3m (2020: £53.2m).

Loss before taxation for the 52 weeks to 30 January 2021 was £93.5m (2020: profit of £13.2m).

At 30 January 2021 the Company had net assets of £749.1m (2020: £834.3m), which, in the opinion of the Directors, is satisfactory.

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

Principal risks and uncertainties

The Company is part of the Selfridges group of companies ("Selfridges Group" or "the Group") whose principal business is owning and operating retail investments. Risk is mitigated by Selfridges Group's historically strong financial performance, its long standing reputation and by appropriate measures taken by management in the context of current market conditions.

The key risks and uncertainties faced by the Company are those experienced across the investment property sector including, valuation of investment properties and tenant default, and the global Covid-19 pandemic has exacerbated these risks and pushed the UK property market into a downturn. The Group'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 as business activity returns to pre-pandemic levels in the longer term. The Company operates with a long-term view and therefore focus is on underlying income and value generating potential over short term value fluctuations.

The London Interbank Offered rate (LIBOR) is being phased out and is expected to be replaced by various alternative risk-free rates (RFRs), with the cessation of LIBOR on 31 December 2021. This is an industry-wide change driven by the relevant regulators in respect of the Company's LIBOR-linked facility, interest rate swap and LIBOR floor, the Company is required to enter into documentation to be in a position to transition from LIBOR to an alternative RFR by the cessation date on 31 December 2021. The Company is currently working with its external advisers and the external banks it holds LIBOR-linked products with to ensure it is in a position to switch from LIBOR to an alternative RFR by the cessation date. We anticipate that the RFR that will be transitioned to is the Sterling Overnight Index Average (SONIA), which is the RFR selected by the Bank of England. The Company is continuing to assess the impact of the transition from LIBOR to SONIA on an ongoing basis.

The trade deal between the United Kingdom and the European Union ("EU") came into effect on 1 January 2021 upon the UK leaving the EU. These are very early stages and the deal is complex, the Directors continue to monitor and assess the ongoing situation.

Key performance indicators ("KPIs")

The Directors believe that other than the statutory KPIs of revenue, operating profit before investment property revaluation movements and operating profit/(loss) 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)

The Directors of the Company have acted in a way that it considers, in good faith, would be the most likely to promote the long-term success of the Company taking into account, amongst other matters, the matters set out in Section 172(1) (a) to (e) of the Companies Act 2006:

- a) the likely consequence of any decision in the long term.
- b) the interests of the company's employees.
- c) the need to foster the company's business relationships with suppliers, customers and others.
- d) the impact of the company's operations on the community and the environment.
- e) the desirability of the company maintaining a reputation for high standards of business conduct.

There may be other factors relevant to certain decisions, which may also be taken into account as appropriate.

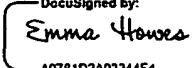
Selfridges Group operates under high standards of corporate governance which underpin the importance of the role of statutory directors, at both Group and subsidiary level. Directors are kept up to date on new legislation and market developments by the Company Secretary and are aware of their duties as directors.

The Wales Corporate Governance Principles for Large Private Companies (the "Wales Principles") were adopted across Selfridges Group and provide a framework for the Group's corporate governance standards. This is primarily to support the directors in meeting their statutory and fiduciary duties, to promote the success of Selfridges Group companies and regulate the behaviour and activities of the Company's and its subsidiaries' boards and each of their respective executive committees.

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 certain decisions, including approval of 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.

Approved by the Board of Directors on 26 April 2021 and signed by order of the board

DocuSigned by:

A0781D2A0234454
E Howes
Company Secretary
26 April 2021

Selfridges Properties Limited

Directors' Report for the year ended 30 January 2021

The Directors present their report for the 52 weeks ended 30 January 2021 (2020: 52 weeks ended 01 February 2020).

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 Willington Investments, Limited, which is incorporated in Canada.

Future developments and going concern

Future growth is planned to be driven by continued rental income from the lease of the Company's properties.

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. Based on this assessment 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.

Financial risk management

The principal financial risks faced by the Company are liquidity and interest rate risks, and counterparty risks, and this is managed through use of interest rate swaps to fix the interest rates payable, and LIBOR floor derivative instruments to protect against negative interest rates. 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 (where appropriate). 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. Please refer to note 18 for further details.

Stakeholder Engagement Statement

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 consider a number of 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 Selfridges Group's new strategy to reinvent retail and to imagine and create a sustainable future for our customers (the "Vision and Purpose"), adopted by the Group in 2020. The Company engages regularly with its immediate parent company and Selfridges Group. Engagement with customers and team members is substantially delegated throughout Selfridges 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 residing as directors on their respective Boards.

As above, the corporate governance strategy also supports the principal decision-making of the Directors. This, and regular engagement with the retail businesses, supports the Directors' decision-making as the Directors are kept informed of engagement with stakeholder groups by Selfridges Group.

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 year and up to the date the Financial Statements were signed are given below:

T Reade
K Down
M Smith (resigned 5 October 2020)
A Pitcher
N Power

No Director had any interest in the Company during the year 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 year (2020: nil). The Directors do not recommend the payment of a final dividend.

Streamlined Energy and Carbon Reporting

In the reporting period, the Company consumed less than 40,000 kWh of energy, and therefore, it qualifies as a low energy user and is exempt from reporting under the Companies (Directors' Report) and Limited Liability Partnership (Energy and Carbon Report) Regulations 2018.

Selfridges Properties Limited

Directors' Report for the year ended 30 January 2021 (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

There were no post balance sheet events requiring disclosure.

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 is 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) in conformity with the requirements of the Companies Act 2006 and International financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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 year. In preparing the financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently;
- state whether applicable International accounting standards in conformity with the requirements of the Companies Act 2006 and International financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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.

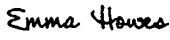
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies 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 26 April 2021 and signed by order of the board

DocuSigned by:

E HOWES
Company Secretary

Selfridges Properties Limited



Independent auditors' report to the members of Selfridges Properties Limited

Report on the audit of the financial statements

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 30 January 2021 and of its loss for the 52 week period then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements 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, which comprise: Balance Sheet as at 30 January 2021; Statement of Comprehensive Income; 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 30 January 2021 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

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manipulation of accounting entries by management, as well as bias exhibited in accounting estimates. Audit procedures performed included:

- review of minutes of meetings of those charged with governance
- testing and sensitising of estimates relating to the valuation of the investment property owned by the company
- review of the expert's valuation which the directors have used to determine the fair value of the investment property
- testing of journal entries regarded as higher risk, including journals with unusual descriptions, unusual postings to revenue, unusual words included in the description and a sample of smaller journals as an unpredictability test

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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/auditors/responsibilities. 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.

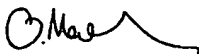
Other required reporting

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
Watford
28 April 2021

Selfridges Properties Limited

Statement of Comprehensive Income
for the year ended 30 January 2021

	Note(s)	52 weeks ended 30 January 2021 £m	52 weeks ended 01 February 2020 £m
Revenue	4	54.3	53.2
Administrative expenses	5	(2.1)	(3.1)
Operating profit before investment property valuation movements		52.2	60.1
Net loss on revaluation of investment properties	11	(135.3)	(24.5)
Operating (loss)/profit		(83.1)	25.6
Finance costs	9	(10.4)	(12.4)
(Loss)/profit before income tax		(93.5)	13.2
Income tax credit/(charge)	10	12.4	(2.1)
(Loss)/profit after tax for the financial year		(81.1)	11.1
Other comprehensive (expense)/income			
Items that may be subsequently reclassified to profit or loss			
Fair value losses of interest rate swaps held in cash flow hedges	17/18	(8.1)	(9.9)
Fair value gains recycled to interest expense	17/18	2.8	1.2
Movement in deferred tax on cash flow hedges	10	1.2	1.5
Total other comprehensive expense		(4.1)	(7.2)
Total comprehensive (expense)/income for the year		(85.2)	3.9

The results for the year reflect trading from continuing operations.

Total comprehensive (expense)/income is allocated in full to the owners of the Company.

The notes on pages 13 to 24 form an integral part of these financial statements.


Selfridges Properties Limited

Balance Sheet as at 30 January 2021

	Note	30 January 2021 £m	01 February 2020 £m
Assets			
Non-current assets			
Investment properties	11	1,150.0	1,285.3
Property, plant and equipment	12	11.4	12.6
Derivative financial instruments	16	0.7	0.3
Deferred income tax asset	14	-	5.8
Total non-current assets		1,162.1	1,304.0
Current Assets			
Trade and other receivables		0.2	0.1
Cash and cash equivalents		21.4	6.0
Total current assets		21.6	6.1
Total Assets		1,183.7	1,310.1
Liabilities			
Current liabilities			
Trade and other payables	13	16.5	28.8
Corporation tax liabilities		0.7	7.0
Derivative financial instruments	17	4.2	1.7
Total current liabilities		21.4	37.5
Non-current liabilities			
Borrowings and other financial liabilities	15	345.7	344.7
Derivative financial instruments	17	10.7	7.8
Deferred income tax liabilities	14	56.8	85.8
Total non-current liabilities		413.2	438.3
Total liabilities		434.6	475.8
Equity			
Called up share capital	20	163.0	163.0
Hedging reserve		(12.2)	(8.1)
Retained earnings		598.3	679.4
Total equity		749.1	834.3
Total liabilities and equity		1,183.7	1,310.1

The notes on pages 13 to 24 form an integral part of these financial statements.

The Financial Statements on pages 9 to 12 were authorised for issue by the board of directors on 26 April 2021 and were signed on its behalf by:

DocuSigned by:

 K Down
 Director

Selfridges Properties Limited

Statement of Changes in Equity for the year ended 30 January 2021

	Called up share capital £m	Hedging reserve £m	Retained earnings £m	Total equity £m
Balance at 02 February 2019	163.0	(0.9)	668.3	830.4
Profit for the financial year	-	-	11.1	11.1
Other comprehensive expense	-	(7.2)	-	(7.2)
Total comprehensive income for the year	-	(7.2)	11.1	3.9
Balance at 01 February 2020	163.0	(8.1)	679.4	834.3
Loss for the financial year	-	-	(81.1)	(81.1)
Other comprehensive expense	-	(4.1)	-	(4.1)
Total comprehensive expense for the year	-	(4.1)	(81.1)	(85.2)
Balance at 30 January 2021	163.0	(12.2)	598.3	749.1

The notes on pages 13 to 24 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 year ended 30 January 2021

	Note	52 weeks ended 30 January 2021 £m	52 weeks ended 01 February 2020 £m
Cash flows from operating activities			
Operating (loss)/profit		(83.1)	25.6
Adjustments for:			
- Depreciation of property, plant and equipment	12	1.2	2.2
- Amortisation of refinancing prepayments		1.0	-
- Net gain on revaluation of LIBOR floor		(0.4)	-
- Net loss on revaluation of investment property	11	135.3	24.5
		<u>54.0</u>	<u>52.3</u>
Changes in:			
- Increase in debtors		(0.1)	(0.1)
- Decrease in creditors		(12.1)	(38.9)
Cash generated from operating activities		<u>41.8</u>	<u>13.3</u>
Interest paid		(9.9)	(11.1)
Income tax paid		(16.5)	(6.1)
Net cash generated from/(used in) operating activities		<u>15.4</u>	<u>(3.9)</u>
Legal and arrangement fees on refinancing		-	(0.9)
Net cash flows used in financing activities		-	<u>(0.9)</u>
Net inflow/(outflow) in cash and cash equivalents		<u>15.4</u>	<u>(4.8)</u>
Cash and cash equivalents at beginning of financial year		6.0	10.8
Cash and cash equivalents at end of financial year		<u>21.4</u>	<u>6.0</u>

Reconciliation of liabilities arising from financing activities

	02 February 2019 £m	Cash flows £m	Non-cash changes		01 February 2020 £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>
	01 February 2020 £m	Cash flows £m	Amortisation £m	Other non-cash changes £m	30 January 2021 £m
Loans with entities under common control	344.7	-	1.0	-	345.7
Total liabilities from financing activities	<u>344.7</u>	<u>-</u>	<u>1.0</u>	<u>-</u>	<u>345.7</u>

Selfridges Properties Limited

Notes to the Financial Statements for the year ended 30 January 2021

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 accounting standards in conformity with the requirements of the Companies Act 2006.

b) 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.

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 01 February in 2020 and 30 January in 2021.

d) 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. Based on this assessment 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.

e) 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.

f) Dividends

Final dividends are recorded in the Financial Statements in the year in which they are paid. Interim dividends are recorded in the year in which they are paid.

g) Revenue

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

h) 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.

i) Property, Plant and Equipment

Property, plant and equipment is stated at historical 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

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.

Setridges Properties Limited

Notes to the Financial Statements for the year ended 30 January 2021 (continued)

2 Summary of significant accounting policies (continued)

j) 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 of how the Company determines the impact of credit risk on financial assets.

k) Current and deferred taxation

The tax expense for the year 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.

l) 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.

m) 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.

n) 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.

Selfridges Properties Limited

Notes to the Financial Statements for the year ended 30 January 2021 (continued)**2 Summary of significant accounting policies (continued)****o) 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 deferred 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 each year end. 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
The Company is required to enter into documentation to be in a position to transition from LIBOR to SONIA by the cessation date on 31 December 2021. 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. The Company is currently working with its external advisers and the external banks it holds LIBOR-linked products with to ensure it is in a position to switch from LIBOR to an alternative RFR by the cessation date. The Company is continuing to monitor and assess the impact of the transition from LIBOR to SONIA on an ongoing basis.

3 Segmental analysis

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

For the purposes of IFRS 8 'Operating Segments', 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 current 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.

6 Administrative Expenses

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

	52 weeks ended 30 January 2021	52 weeks ended 01 February 2020
	£m	£m
Depreciation of property, plant and equipment	1.2	2.2
Other costs	0.9	0.9
Total administrative expenses	2.1	3.1

6 Auditors' remuneration

The audit fee for the Company for the year ending 30 January 2021 is £18,000 (2020: £17,000). There were no other non-audit fees charged to the Company during the year (2020: none).

7 Employee Information

The average monthly number of employees during the year excluding the Directors was nil (2020: nil).

Selfridges Properties Limited

Notes to the Financial Statements for the year ended 30 January 2021 (continued)

8 Directors' emoluments

No directors were remunerated for their services in relation to the Company (2020: 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 30 January 2021	52 weeks ended 01 February 2020
	£m	£m
Loan interest payable		
- Interest on borrowings from entities under common control	9.8	10.9
- Amortisation of refinancing costs	1.0	1.3
Fair value (gains)/losses on unhedged derivative financial instruments	(0.4)	0.2
Total finance costs	10.4	12.4

10 Income tax (credit)/charge

	52 weeks ended 30 January 2021	52 weeks ended 01 February 2020
	£m	£m
Current tax		
UK corporation tax on profits of the year	9.7	7.0
Adjustments in respect of prior years (excluding group relief)	(0.1)	(0.2)
Total current tax	9.6	6.8
Deferred tax		
Origin and reversal of timing differences	(27.5)	(4.0)
Impact of tax rate changes	9.2	-
Adjustments in respect of prior years	(3.7)	(0.7)
Total deferred tax	(22.0)	(4.7)
Income tax (credit)/charge for the year	(12.4)	2.1

Reconciliation of total tax charge

The UK standard rate of corporation tax for the year is 19% (2020: 19%). The tax charge for the current and prior year differs from (2020: differs from) the standard rate for the reasons set out in the following reconciliation:

	52 weeks ended 30 January 2021	52 weeks ended 01 February 2020
	£m	£m
(Loss)/profit before taxation	(93.5)	13.2
Profit before taxation multiplied by the standard rate of taxation of 19% (2020: 19%)	(17.8)	2.5
Tax effects of:		
Adjustments in respect of prior years	(3.8)	(0.9)
Impact of tax rate changes	9.2	0.5
Tax (credit)/charge for the year	(12.4)	2.1

Tax components of Other Comprehensive Income

Tax on items that may be reclassified to the Statement of Comprehensive Income

	52 weeks ended 30 January 2021	52 weeks ended 01 February 2020
	£m	£m
Impact of tax on derivative hedge taken to equity	(1.2)	(1.5)
Total tax in other comprehensive income	(1.2)	(1.5)
Deferred tax	(1.2)	(1.5)

In the UK budget on 11 March 2020, it was announced that the cut in the tax rate to 17% will now not proceed and the UK Corporation Tax Rate will instead remain at 19%.

Setridges Properties Limited

Notes to the Financial Statements for the year ended 30 January 2021 (continued)

11 Investment properties

	Freehold land and buildings £m	Total £m
Cost or valuation		
As at 02 February 2019	1,309.8	1,309.8
Disposals	(24.5)	(24.5)
As at 01 February 2020	1,285.3	1,285.3
Net loss on revaluation	(135.3)	(135.3)
As at 30 January 2021	1,150.0	1,150.0

The Directors have assessed the most recent external valuation of the properties and a net loss on revaluation of £135.3m was recognised during the year (2020: £24.5m) 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:

	30 January 2021 £m	01 February 2020 £m
Cost	743.8	743.8
Accumulated depreciation	(6.9)	(6.4)
Net book value	736.9	737.4

External valuers

Investment properties were subject to external valuations as at 30 January 2021 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 year were therefore rated level three (2020: 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% +/- movement in value represents a reasonable possible change. However this analysis is for illustrative purposes only.

	30 January 2021 £m	01 February 2020 £m
Impact on Statement of Comprehensive Income		
10% (2020: 10%) weakening in property estimated rental value	(20.0)	(25.0)
10% (2020: 10%) strengthening in property estimated rental value	30.0	25.0
0.50% (2020: 0.5%) strengthening of rent yields	(90.0)	(125.0)
0.50% (2020: 0.5%) weakening of rent yields	120.0	150.0

Selfridges Properties Limited

Notes to the Financial Statements for the year ended 30 January 2021 (continued)

12 Plant and equipment

	Plant and equipment £m	Total £m
Cost		
As at 1 February 2020	33.4	33.4
Disposals	-	-
As at 30 January 2021	<u>33.4</u>	<u>33.4</u>
Accumulated depreciation		
As at 1 February 2020	(20.8)	(20.8)
Charge for the year	(1.2)	(1.2)
As at 30 January 2021	<u>(22.0)</u>	<u>(22.0)</u>
Net book value		
As at 01 February 2020	<u>12.6</u>	<u>12.6</u>
As at 30 January 2021	<u>11.4</u>	<u>11.4</u>

13 Trade and other payables

	30 January 2021 £m	01 February 2020 £m
Amounts owed to entity undertakings under common control	9.2	20.5
Accruals and deferred income	7.3	8.2
Other creditors	-	0.1
Total trade and other payables	<u>16.5</u>	<u>28.8</u>

Amounts owed by the Company to entity undertakings under common control are non-interest bearing and repayable upon demand. During the year the balance owed by the Company to Selfridges Retail Limited, a company under common control, reduced from £14.1m to £nil.

During the year, the Company received rental income on behalf of Selfridges Manchester Limited, a company under common control in the sum of £4.7m (2020: £4.7m). At the year end, the outstanding balance was £9.2m (2020: £6.4m).

Selfridges Properties Limited

Notes to the Financial Statements for the year ended 30 January 2021 (continued)

14 Deferred tax balances

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

	30 January 2021	01 February 2020
	£m	£m
Deferred tax assets due within 12 months	-	-
Deferred tax liabilities due within 12 months	-	-
Total provision	-	-
Deferred tax assets due after more than 12 months	-	5.8
Deferred tax liabilities due after more than 12 months	(56.8)	(85.8)
Total provision	(56.8)	(80.0)
Total deferred tax position	-	-
Total provision	(56.8)	(80.0)

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

	52 weeks ended 30 January 2021	52 weeks ended 01 February 2020
	£m	£m
As at beginning of year	80.0	86.2
Credited to the statement of comprehensive income	(22.0)	(4.7)
Credited to other comprehensive income	(1.2)	(1.5)
As at end of year	56.8	80.0

Deferred tax liabilities	Accelerated Capital Allowances	Derivative Instruments	Property Revaluation	Total
	£m	£m	£m	£m
As at 02 February 2019	(4.2)	-	(82.2)	(86.4)
Prior year adjustments	4.2	-	(7.7)	(3.5)
Credited to the statement of comprehensive income	-	-	4.1	4.1
As at 01 February 2020	-	-	(85.8)	(85.8)
Credited to the statement of comprehensive income	-	-	19.3	19.3
As at 30 January 2021	-	-	(66.5)	(66.5)

Deferred tax assets	Accelerated Capital Allowances	Derivative Instruments	Other timing differences	Total
	£m	£m	£m	£m
As at 02 February 2019	-	0.2	-	0.2
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	4.1	1.7	-	5.8
Prior year adjustments	-	-	-	-
Credited to the statement of comprehensive income	0.6	-	2.1	2.7
Credited to other comprehensive income	-	1.2	-	1.2
As at 30 January 2021	4.7	2.9	2.1	9.7

In the March 2021 UK Budget it was announced that legislation will be introduced in the Finance Bill 2021 to increase the main rate of UK Corporation tax from 19% to 25% effective 23 April 2023. As substantive enactment is after the balance sheet date, deferred tax balances as at 30 January 2021 continue to be measured at a rate of 19%. If the amended tax rate had been used, the deferred tax asset would be higher by around £18m.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- (i) The same taxable entity, or
- (ii) Different company entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets and liabilities are expected to be settled or recovered

As such the deferred tax assets have been offset against the deferred tax liabilities as the criteria for offset have been met.

Selfridges Properties Limited

Notes to the Financial Statements for the year ended 30 January 2021 (continued)

15 Borrowings and other financial liabilities

	30 January 2021 £m	01 February 2020 £m
Non-current		
Amounts owed to entity undertakings under common control	345.7	344.7
Total non-current	345.7	344.7

Amounts owed to entity undertakings under common control

In January 2018, a loan facility of £550.0m was entered into, of which £350.0m was drawn down and £200.0m was 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.

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 as it is shown net of a £0.2m balance owed by the parent company.

The loan liability as at 30 January 2021 of £345.7m (01 February 2020: £344.7m) is shown net of £7.4m (01 February 2020: £7.4m) direct financing costs which are being amortised over the term of the loan. Accrued amortisation at the year end amounted to £3.3m (2020: £2.3m). Covenant compliance has been maintained throughout the period.

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
As at 01 February 2020				
Cash and cash equivalents				
- Current	6.0	-	-	6.0
Derivative financial Instruments				
- Current	-	-	-	-
- Non-current	-	0.3	-	0.3
Total	6.0	0.3	-	6.3

	Amortised Cost £m	Assets held at fair value through the Statement of Comprehensive Income £m	Derivatives used for hedging £m	Total £m
As at 30 January 2021				
Cash and cash equivalents				
- Current	21.4	-	-	21.4
Derivative financial Instruments				
- Current	-	-	-	-
- Non-current	-	0.7	-	0.7
Total	21.4	0.7	-	22.1

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 year ended 30 January 2021 (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
As at 01 February 2020				
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
Total	-	9.5	373.5	383.0

	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
As at 30 January 2021				
Borrowings				
- Current	-	-	-	-
- Non-current	-	-	345.7	345.7
Trade and other payables				
- Current	-	-	16.5	16.5
Derivative financial instruments				
- Current	-	4.2	-	4.2
- Non-current	-	10.7	-	10.7
Total	-	14.9	362.2	377.1

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 principal financial risks faced by the Company are interest rate risks and this is managed through use of interest rate swaps to fix the interest rates payable, and LIBOR floor derivative instruments to protect against negative interest rates. 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 (where appropriate). 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.

Selfridges Properties Limited

Notes to the Financial Statements for the year ended 30 January 2021 (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 year, was 0.0394% (2020: 0.7648%).

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:

	30 January 2021 £m	01 February 2020 £m
Interest rate swaps		
Carrying amount (liability)	(14.9)	(9.6)
Notional amount	350.0	350.0
Maturity dates	30 January 2023 30 January 2024 30 January 2025	30 January 2023 30 January 2024 30 January 2025
Hedge ratio	1:1	1:1
Change in value of hedging instruments since 03 February (2020: 04 February)	(8.1)	(9.9)
Change in value of hedged item used to determine hedge effectiveness	8.1	9.9
Weighted average hedged rate for the year	1.1622%	1.1622%

Effect of IBOR reform

The London Interbank Offered rate (LIBOR) is being phased out and is expected to be replaced by various alternative risk-free rates (RFRs), with the cessation of LIBOR on 31 December 2021. This is an industry-wide change driven by the relevant regulators. We anticipate that the RFR that will be transitioned to is the Sterling Overnight Index Average (SONIA), which is the RFR selected by the Bank of England. 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.

In respect of the Company's LIBOR-linked £350m floating-rate facility which is hedged with an interest rate swap, the Company is required to enter into documentation to be in a position to transition from LIBOR to SONIA by the cessation date on 31 December 2021. 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. The Company is currently working with its external advisers and the external banks it holds LIBOR-linked products with to ensure it is in a position to switch from LIBOR to an alternative RFR by the cessation date. The Company is continuing to monitor and assess the impact of the transition from LIBOR to SONIA 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
Timing of undiscounted cash flows				
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	405.0	9.6	28.7	443.3
Timing of undiscounted cash flows				
Within one year	11.0	3.9	16.5	31.4
Between one and two years	11.0	3.8	-	14.8
Between two and five years	372.0	6.6	-	378.6
More than five years	-	-	-	-
As at 30 January 2021	394.0	14.3	16.5	424.8

Selfridges Properties Limited

Notes to the Financial Statements for the year ended 30 January 2021 (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.

The Company is 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 and external 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:

	30 January 2021	01 February 2020
	£m	£m
Not later than one year	55.1	54.1
Later than one year but not later than two years	56.2	55.1
Later than two years but not later than three years	57.4	56.2
Later than three years but not later than four years	58.5	57.4
Later than four years but not later than five years	59.7	58.5
Later than five years	1,662.0	1,721.7
Total	<u>1,948.9</u>	<u>2,003.0</u>

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

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

	30 January 2021	01 February 2020
	£m	£m
Allotted, called up and fully paid		
163,000,000 (2020: 163,000,000) ordinary shares of £1 each	<u>163.0</u>	<u>163.0</u>

21 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.

Selfridges Properties Limited

Notes to the Financial Statements for the year ended 30 January 2021 (continued)

22 Related party transactions

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 year, rental income of £4.7m (2020: £4.7m) was received by the Company on behalf of Selfridges Manchester Limited, a company under common control. A balance of £9.2m (2020: £6.4m) is payable to Selfridges Manchester Limited as at the year end.

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 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 each of the one year extended terms. These swaps are for a total notional amount of £350.0m and mature in line with the underlying loan facility. 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 has an outstanding balance of £0.02m (2020: £14.1m) due from Selfridges Retail Limited.

The Company considers the key management to be the Directors.

23 Subsequent events

Subsequent to the balance sheet date, there have been no events requiring disclosure