

HARRODS LIMITED

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

28 JANUARY 2006



Company no 30209

HARRODS LIMITED

FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

INDEX	PAGE
Report of the directors	1 – 3
Report of the independent auditors	4 – 5
Principal accounting policies	6 – 8
Consolidated profit and loss account	9
Balance sheets	10
Other primary statement	11
Consolidated cash flow statement	12
Notes to the financial statements	13 – 32

HARRODS LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the audited consolidated financial statements of Harrods Limited and its subsidiary companies ("the Group") for the period ended 28 January 2006.

Principal activity

The group's activities consist principally of retailing in the United Kingdom. The group operates the world-renowned department store in London. Other activities include concessions at London airports and export of branded merchandise to overseas department stores and airport terminals.

Business review

The directors consider the trading performance of the group to be satisfactory.

Turnover for the period ended 28 January 2006 totalled £352.1 million (2005: £343.9 million).

There was a profit for the period after taxation amounting to £13.5 million (2005: £10.5 million as restated). The directors paid a dividend of £17 million (2005: £39 million) in respect of the period.

Post balance sheet events

Since the balance sheet date, and up to the date of signing these financial statements, dividends amounting to £55m have been proposed and paid.

Directors

The present membership of the Board is set out below.

M Al Fayed (Chairman)

A Fayed

R L Assanand

N C Blow

J Byrne

J P Healy

D R Parker

A Tanna

M-G McKee (Appointed 24 November 2005)

In accordance with the Articles of Association, no director is required to seek re-election at the forthcoming Annual General Meeting.

R.Simonin resigned from the Board on 9 February 2005, J-L.Ouellette resigned from the Board on 29 April 2005, and M.Franzese resigned from the Board on 30 April 2005.

Apart from M Al Fayed and A Fayed, who are beneficially interested in the shares of the company as described in note 27, no other director in office during the period held any beneficial interest in the shares of the company, or of any of its subsidiary undertakings at 28 January 2006.

HARRODS LIMITED

REPORT OF THE DIRECTORS

Statement of directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Credit risk

The group's principal credit risk relates to the recovery of trade debtors, although it is not considered significant due to the nature of the business.

Amounts owing from credit card companies represent almost two-thirds of the group's trade debtors. However, the directors consider credit risk to be limited due to the terms of contract the group has with the credit card companies.

In order to manage credit risk relating to other trade debtors, the credit controller and Directors review the aged debtors and collection history on a regular basis.

Currency risk

The group is exposed to transaction foreign exchange risk on overseas purchasing.

Approximately 27% of the group's purchases are from suppliers outside the United Kingdom. These purchases are generally invoiced in the local currency of the supplier. Transaction exposures are hedged partially using forward currency contracts. Whilst the aim is to achieve an economic hedge the company does not adopt an accounting policy of hedge accounting for these financial statements.

Interest rate risk

The group finances its operations through a mixture of retained profits and bank borrowings. The group's exposure to interest rate fluctuations on its borrowings has been eliminated by entering into swap agreements that fix the rate of interest over the term of the borrowings.

Excess cash balances are placed in an overnight money market account to attract higher rates of interest.

HARRODS LIMITED

REPORT OF THE DIRECTORS

Charitable and political donations

The charitable donations made by the group and charged in the financial statements were £76,200 (2005: £169,017). There were no political donations.

Disabled persons

It is the policy of the group to give full and fair consideration to applications for employment from disabled persons, to continue wherever possible the employment of members of staff who may become disabled and to ensure that suitable training career development and promotion is afforded to such persons.

Employee involvement

Information is provided regularly to employees by means of normal management communication channels using written materials, face-to-face meetings and video presentations. The Store magazine 'The Harroddian Gazette' has been issued during the year and has been available to all employees.

Consultation with employees takes place through elected staff committees, health and safety committees and through normal recognised trade union channels. The Harrods Group Pension Plan has two member trustees amongst its trustee board. It also has a committee of staff and management representatives who are kept informed of the administration, performance and development of the Plan. Written information about the Plan is regularly circulated to both current and potential members. Further details of the Plan are set out in note 25 to the financial statements.

A general awareness of the company's performance is maintained through regular half-hour training sessions for all staff and, through individual performance appraisals, employees are made aware of their individual contribution to the company.

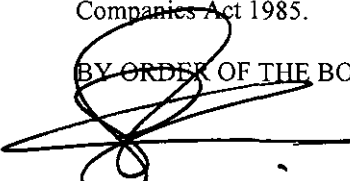
Policy on payment of creditors

It is the group's policy to agree payment terms as part of any formal contract with a supplier and to make every endeavour to abide by the agreed terms. Where a purchase is not covered by a formal contract, and no agreement is reached in advance of raising an order, the group's policy is to pay suppliers within 30 days of receipt of goods or services.

The group is sympathetic to, and pays particular attention to, the cash flow needs of its smaller suppliers. The group takes on average 31 days to pay its creditors (2005: 28 days).

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.


BY ORDER OF THE BOARD

S Dean FCIS
Secretary
21 July 2006

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF HARRODS LIMITED

We have audited the financial statements of Harrods Limited for the period ended 28 January 2006 which comprise the principal accounting policies, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the statement of total recognised gains and losses, the note of historical cost profits and losses and notes 1 to 28. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

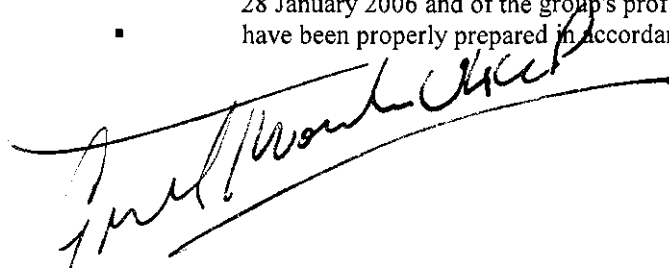
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
HARRODS LIMITED**

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 28 January 2006 and of the group's profit for the period then ended; and
- have been properly prepared in accordance with the Companies Act 1985

A handwritten signature in black ink, appearing to read 'Paul M. Smith', is written over a horizontal line. The signature is slanted upwards from left to right.

**GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

**LONDON
21 July 2006**

HARRODS LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of the group's properties, and comply with applicable United Kingdom accounting standards.

The principal accounting policies of the group are set out below. The group has adopted a policy of revaluation in accordance with FRS15 and has fully adopted FRS17 in the accounts, with the result that certain figures relating to the prior year have been restated. The group has also adopted FRS 21, 25 and 28. The accounting policies have otherwise remained unchanged.

BASIS OF CONSOLIDATION

The consolidated financial statements include the results of the company and its subsidiary undertakings.

Harrods Bank Limited, a company registered in England and Wales, has been accounted for as an unlisted investment, due to it having independent management and control (in accordance with Bank of England direction in 1991), although the group continues to retain 100% ownership through the non-voting shares.

RESTATEMENT OF COMPARATIVES

Certain figures for the prior year have been restated due to the adoption of FRS17. Notes affected are Note 4 (Net interest), Note 6 (tax on profit on ordinary activities), Note 18 (Reserves) and Note 25 (Retirement benefit obligations).

Certain figures for the prior year have been restated due to the company adopting a policy of revaluing the group's properties in accordance with FRS15. Notes affected are Note 2 (Operating profit), Note 9 (Fixed assets), Note 18 (Reserves).

TURNOVER

The group has adopted FRS 5 Application Note G 'Revenue Recognition' ("FRS 5 ANG") issued in November 2003.

Turnover is the total amount receivable by the group for goods and services provided, excluding VAT, trade discounts and concession sales.

When a transaction involves a number of goods and services, these are separately identified and income is recognised when earned.

Concession sales

FRS 5 ANG requires that in calculating turnover a distinction is made between transactions where the seller is deemed to act as principal and those where it is agent. Where concessionaires sell their goods through the Group's retail operations, the group is considered to act as an agent. Accordingly, turnover for sales made under concessionary arrangements represents commission and other income receivable from the concessionaires.

Discounts

FRS 5 ANG states that revenue should be recorded net of discounts. Accordingly turnover is disclosed net of discounts provided to customers and staff.

Estimated sales returns

FRS 5 states that turnover should exclude the sales value of estimated returns. The group has recognised a provision for estimated refunds, representing an estimate of the value of goods sold during the year which will be returned and refunded after the year end date.

HARRODS LIMITED

PRINCIPAL ACCOUNTING POLICIES

Gross transaction value

In order to present a measure that provides a guide to the value of overall activity of the group, the gross transaction value (excluding VAT) is presented on the face of the profit and loss account. The gross value of sales to customers includes sales made by concessions but excludes discounts and returns.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Freehold properties are stated at professional or directors' valuations less accumulated depreciation. All other fixed assets are stated at cost less accumulated depreciation. The values brought forward are retained subject to the requirement to test assets for impairment in accordance with FRS 11. All additions thereafter are accounted for at cost. Shop fit out expenditure is stated net of supplier contributions where relevant.

Depreciation is provided by the group and the company in order to write down to estimated residual value (if any) the cost or valuation of tangible fixed assets over their estimated useful economic lives by equal annual instalments, as follows:

Land	Not depreciated
Certain freehold and long leasehold properties	35 - 50 years
Short leasehold property	Remaining period of lease
Fixtures and fittings	3 - 20 years
Vehicles and equipment	4 - 7 years

It is the practice of the group to maintain its properties to a high standard. Accordingly, for the Harrods department store in Knightsbridge, the directors consider that the life of this asset is so long, and the residual value is so high, that the depreciation is immaterial. Any impairment in the value of this property is charged to the profit and loss account as appropriate.

Assets held for resale are classified within current assets, and are stated at the lower of cost or valuation, and net realisable value.

FIXED ASSET INVESTMENTS

The group and the company account for their fixed asset investments at the lower of cost or directors' valuation less any provision required for permanent diminution in value.

LEASED ASSETS

Rentals payable under operating leases are charged on a straight-line basis to the profit and loss account over the lease term.

STOCKS

Stocks are stated at the lower of cost and net realisable value.

DEFERRED TAXATION

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

HARRODS LIMITED

PRINCIPAL ACCOUNTING POLICIES

FINANCIAL INSTRUMENTS

The group uses derivative financial instruments, primarily to manage exposures to fluctuations in interest rates.

Discounts or premiums on financial instruments designated as interest rate hedges are reflected as adjustments to interest payable.

Income and expenditure arising on financial instruments is recognised on the accruals basis, and credited or charged to the profit and loss account in the financial period to which it relates.

Interest differentials, under which the amounts and periods for which interest rates on borrowings are varied, are reflected as adjustments to interest payable.

ISSUE COSTS

In accordance with FRS 4 'Capital Instruments', issue costs associated with borrowings have been deferred and are being expensed to the profit and loss account over the period of the loan repayments. Loans are therefore shown net of such amounts deferred.

FOREIGN CURRENCY

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currency are translated at exchange rates ruling at the transaction date. Realised gains and losses are dealt with in the profit and loss account.

Gains and losses on forward foreign exchange contracts used to manage foreign exchange exposure are carried forward and taken to the profit and loss account on maturity to match the underlying transactions.

RETIREMENT BENEFIT OBLIGATIONS

Defined Contribution Scheme

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

Defined Benefit Scheme

The group and company employees are members of the Harrods Holdings Group Pension Plan under which retirement benefits are funded by contributions from the group and employees. Payment is made to the pension trust, which is separate from the group, in accordance with calculations made periodically by consulting actuaries.

The group and company has adopted the provisions of FRS 17 'Retirement Benefits', which replaces SSAP 24 'Accounting for Pension Costs'. Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet. A net surplus is recognized only to the extent that it is recoverable. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the current service cost of providing the benefits, curtailment and settlement gains and losses and financial returns on the pension fund, all reflected in the period to which they relate. The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included in other finance costs. Actuarial gains and losses are recorded through the statement of recognized gains and losses. Disclosure has been made of the assets and liabilities of the scheme under FRS 17 in Note 25 to the accounts.

HARRODS LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

For the period ended 28 JANUARY 2006

	Note	52 weeks ended 28 January 2006 £m	52 weeks ended 29 January 2005 as restated £m
Gross transaction value		513.5	492.3
Turnover	1	352.1	343.9
Cost of sales		(159.8)	(156.8)
Gross profit		192.3	187.1
Distribution and store costs		(135.6)	(133.2)
Administrative expenses		(18.7)	(15.9)
Operating profit	2	38.0	38.0
Other income		0.4	0.3
Profit before exceptional items, interest and taxation		38.4	38.3
Profit/(loss) on disposal of fixed assets	3	0.6	(1.5)
Profit before interest and taxation		39.0	36.8
Net interest	4	(16.7)	(17.7)
Profit on ordinary activities before taxation		22.3	19.1
Tax on profit on ordinary activities	6	(8.8)	(8.6)
Profit on ordinary activities after taxation	18,19	13.5	10.5

All transactions arise from continuing operations.

The accompanying accounting policies and notes form an integral part of these financial statements.

HARRODS LIMITED

BALANCE SHEETS AT 28 JANUARY 2006

		Consolidated		Company	
	Note	At 28 January 2006 £m	At 29 January 2005 as restated £m	At 28 January 2006 £m	At 29 January 2005 as restated £m
Fixed assets					
Tangible fixed assets	9	755.9	697.4	66.2	75.1
Investments	10	7.7	7.7	213.8	213.8
		<u>763.6</u>	<u>705.1</u>	<u>280.0</u>	<u>288.9</u>
Non-current assets					
Debtors due after one year	13	136.3	144.0	137.4	144.7
Current assets					
Properties held for resale	11	-	10.4	-	-
Stocks	12	31.0	33.4	27.8	30.2
Debtors	13	18.1	18.1	15.3	17.9
Cash and bank balance		72.1	62.4	68.3	54.5
		<u>121.2</u>	<u>124.3</u>	<u>111.4</u>	<u>102.6</u>
Creditors: amounts falling due within one year	14	<u>(91.0)</u>	<u>(98.4)</u>	<u>(73.7)</u>	<u>(77.4)</u>
Net current assets		<u>30.2</u>	<u>25.9</u>	<u>37.7</u>	<u>25.2</u>
Total assets less current liabilities		<u>930.1</u>	<u>875.0</u>	<u>455.1</u>	<u>458.8</u>
Creditors: amounts falling due after more than one year	15	(361.8)	(373.5)	(26.2)	(30.2)
Provisions for liabilities and charges	16	(6.2)	(6.3)	(6.5)	(7.2)
Retirement benefit obligations	25	(74.7)	(55.3)	(71.8)	(53.1)
		<u>487.4</u>	<u>439.9</u>	<u>350.6</u>	<u>368.3</u>
Capital and reserves					
Called up share capital	17	19.2	19.2	19.2	19.2
Revaluation reserve	18	504.1	443.0	0.5	0.5
Profit and loss account	18	(35.9)	(22.3)	330.9	348.6
Shareholders' funds	19	<u>487.4</u>	<u>439.9</u>	<u>350.6</u>	<u>368.3</u>

The financial statements were approved by the Board of Directors on 21 July 2006.



A Tanna - Director

HARRODS LIMITED

OTHER PRIMARY STATEMENT

For the period ended 28 JANUARY 2006

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2006 £m	2005 £m
Profit for the financial period	13.5	10.5
Unrealised surplus on revaluation of land and buildings	69.7	60.4
Actuarial gains and losses on pension scheme (net of tax)	(18.8)	(5.3)
Total recognised gains and losses for the period	64.4	65.6
Prior year adjustment (adoption of FRS 17)	(53.2)	
Prior year adjustment (adoption of FRS 15)	74.4	
Total recognised gains and losses since last report	85.6	

GROUP NOTE OF HISTORICAL COST PROFIT AND LOSSES

	2006 £m	2005 £m
Profit on ordinary activities before taxation	22.3	19.1
Realisation of revaluation gains or previous years	7.5	-
Difference between historical cost depreciation charge and depreciation charge based on revalued amounts	1.2	0.6
Historical cost profit on ordinary activities before taxation	31.0	19.7
Historical cost profit retained	5.2	(27.9)

HARRODS LIMITED**CONSOLIDATED CASH FLOW STATEMENT**

For the period ended 28 JANUARY 2006

	Note	52 weeks ended 28 January 2006 £m	52 weeks ended 29 January 2005 £m
Net cash inflow from operating activities	20	58.9	65.3
Returns on investments and servicing of finance			
Interest received		12.2	11.3
Interest paid		(23.4)	(22.8)
Dividends received from fixed asset investments		0.4	0.3
Net cash outflow from returns on investments and servicing of finance		(10.8)	(11.2)
Taxation paid		(10.4)	(7.5)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(12.5)	(10.4)
Disposal of tangible fixed assets		12.0	0.2
Movement in loans with group undertakings and related parties		5.8	(6.1)
Net cash inflow/(outflow) from capital expenditure and financial investment		5.3	(16.3)
Equity dividends paid		(17.0)	(39.0)
Financing			
Proceeds from bank borrowings		-	39.5
Repayment of bank borrowings		(16.4)	(6.1)
Net cash (outflow)/inflow from financing	21	(16.4)	33.4
Increase in cash	21,22	9.6	24.7

The accompanying accounting policies and notes form an integral part of these financial statements.

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

1 TURNOVER AND SEGMENTAL ANALYSIS

Turnover is the total amount receivable by the group for goods supplied and services provided, excluding VAT, trade discounts and concession sales, and arises principally from retailing activities.

Turnover by destination and origin are not materially different as follows:

	52 weeks ended 28 January 2006 £m	52 weeks ended 29 January 2005 £m
Geographical analysis		
United Kingdom	346.0	338.7
Rest of Europe	0.3	0.2
Japan	5.0	4.3
Other	0.8	0.7
	352.1	343.9

All costs are incurred in the United Kingdom and all operating assets are held in the United Kingdom.

2 OPERATING PROFIT

Profit on ordinary activities before exceptional items, interest and taxation is stated after charging/(crediting):

	52 weeks ended 28 January 2006 £m	52 weeks ended 29 January 2005 £m
Auditors' remuneration:		
Audit services	0.2	0.2
Depreciation on tangible fixed assets	22.8	22.3
Rentals paid under operating leases:		
Property	0.2	0.2
Plant and machinery	0.8	0.7
Royalty (income)	(1.4)	(1.2)

Auditors' remuneration in respect of group non-audit services during the period amounted to £16,198 (2005: £24,600).

The audit fee of the company was £130,701 (2005: £136,694) and remuneration in respect of non-audit services for the company amounted to £nil (2005: £nil).

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

3 EXCEPTIONAL ITEMS

	52 weeks ended 28 January 2006 £m	52 weeks ended 29 January 2005 £m
Profit on disposal of properties	1.6	-
Loss on disposal of fixed assets	(1.0)	(1.5)
	<u>0.6</u>	<u>(1.5)</u>

Cash proceeds from the sale of these fixed assets were £12.2m (2005: £0.2m). The majority of the profit on disposal of properties relates to the disposal of Brompton Place.

4 NET INTEREST

	52 weeks ended 28 January 2006 £m	52 weeks ended 29 January 2005 as restated £m
Interest payable:		
To third parties	(27.2)	(27.5)
Other finance expense (FRS17)	(1.6)	(1.4)
Interest receivable:		
From third parties	1.3	0.5
From group undertakings	10.8	10.7
Net interest payable	<u>(16.7)</u>	<u>(17.7)</u>

5 DIRECTORS AND EMPLOYEES

Group staff costs during the period were as follows:

	52 weeks ended 28 January 2006 £m	52 weeks ended 29 January 2005 £m
Wages and salaries	75.1	73.3
Social security costs	7.1	6.6
Pension costs	5.2	6.9
	<u>87.4</u>	<u>86.8</u>

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

DIRECTORS AND EMPLOYEES (CONTINUED)

The average number of employees of the group during the period was:

	2006 Number	2005 Number
Production	375	369
Selling and distribution	2,643	2,581
Administration	105	93
	<u>3,123</u>	<u>3,043</u>

Company staff costs during the period were as follows:

	52 weeks ended 28 January 2006 £m	52 weeks ended 29 January 2005 £m
Wages and salaries	69.5	68.1
Social security costs	6.5	6.2
Pension costs	4.8	6.4
	<u>80.8</u>	<u>80.7</u>

The average number of employees of the company during the period was:

	2006 Number	2005 Number
Production	375	369
Selling and distribution	2,428	2,387
Administration	89	75
	<u>2,892</u>	<u>2,831</u>

In addition, the company employed an average of 97 (2005: 78) agency staff during the period at a cost of £1.4 million (2005: £1.1m).

Remuneration in respect of directors was as follows:

	52 weeks ended 28 January 2006 £m	52 weeks ended 29 January 2005 as restated £m
Emoluments excluding pension contributions	7.0	2.4
Compensation for loss of office	0.4	1.0
	<u>7.4</u>	<u>2.4</u>

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

DIRECTORS AND EMPLOYEES (CONTINUED)

In the year ended 29 January 2005 a payment of £1.0m was made to a former director. These accounts are restated in this respect.

There are 7 directors to whom retirement benefits are accruing under a defined benefit pension scheme (2005: 9).

The amounts set out above include remuneration in respect of the highest paid director as follows:

	52 weeks ended 28 January 2006 £m	52 weeks ended 29 January 2005 £m
Emoluments	<u>5.0</u>	<u>0.6</u>

The highest paid director's accrued pension at the period end was £nil (2005: £2,545).

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	52 weeks ended 28 January 2006 £m	52 weeks ended 29 January 2005 as restated £m
Current tax		
Corporation tax at 30% (2005: 30%)	(5.5)	(5.0)
Foreign tax	(0.1)	(0.1)
Group relief	<u>(3.5)</u>	<u>(3.8)</u>
	(9.1)	(8.9)
Under provision in respect of prior years	<u>-</u>	<u>(0.8)</u>
	(9.1)	(9.7)
Deferred tax		
Origination and reversal of timing differences	0.1	0.1
FRS17 Deferred tax	<u>0.2</u>	<u>1.0</u>
Total tax charge for the period	<u>(8.8)</u>	<u>(8.6)</u>

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

	52 weeks ended 28 January 2006 £m	52 weeks ended 29 January 2005 as restated £m
Factors affecting current period corporation tax		
The current period corporation tax assessed for the period is higher than the standard rate of corporation tax of 30% (2005: 30%) for the following reasons:		
Profit on ordinary activities before tax	<u>22.3</u>	<u>19.1</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30% (2005: 30%)	(6.7)	(5.7)
Effect of:		
Income/(expenses) not assessable/(deductible) for tax purposes	0.2	(0.7)
Depreciation for the period in excess of capital allowances	(2.1)	(1.3)
Income and expenses assessed/relieved on a cash basis	(0.5)	(1.2)
Under provision in respect of prior years	-	(0.8)
Current tax charge for period	<u>(9.1)</u>	<u>(9.7)</u>

7 COMPANY PROFIT AND LOSS ACCOUNT

As permitted by section 230 of the Companies Act 1985 the profit and loss account of Harrods Limited is not presented as part of the financial statements. Harrods Limited's profit for the period after taxation amounted to £17.4 million (2005: £16.6 million).

8 DIVIDENDS

Equity - ordinary

	52 weeks ended 28 January 2006 £m	52 weeks ended 29 January 2005 £m
Interim paid: 8.8p (2005: 20.3p) per 10p share	<u>17.0</u>	<u>39.0</u>

Post balance sheet dividends are disclosed in note 28.

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

9 TANGIBLE FIXED ASSETS

Consolidated

	Freehold land and buildings £m	Fixtures, fittings, vehicles and equipment £m	Total £m
Cost and valuation			
At 30 January 2005 as restated	626.2	208.8	835.0
Additions	3.3	10.0	13.3
Disposals	(0.7)	(13.1)	(13.8)
Revaluation of properties	65.9	-	65.9
At 28 January 2006	<u>694.7</u>	<u>205.7</u>	<u>900.4</u>
Accumulated depreciation			
At 30 January 2005 as restated	2.8	134.8	137.6
Provided in the period	6.2	16.6	22.8
Disposals	(0.2)	(11.8)	(12.0)
Revaluation of properties	(3.9)	-	(3.9)
At 28 January 2006	<u>4.9</u>	<u>139.6</u>	<u>144.5</u>
Net book amount at 28 January 2006	<u>689.8</u>	<u>66.1</u>	<u>755.9</u>
Net book amount at 29 January 2005 as restated	<u>623.4</u>	<u>74.0</u>	<u>697.4</u>
Cost and valuation			
Valuation	694.0	-	694.0
Cost	0.7	205.7	206.4
	<u>694.7</u>	<u>205.7</u>	<u>900.4</u>

The value of fixed assets if determined according to the historical cost accounting rules is as follows:

Consolidated historical cost

	Freehold land and buildings £m	Fixtures, fittings, vehicles and equipment £m	Total £m
Historical cost at 28 January 2006	209.6	205.7	415.3
Depreciation on historical cost at 28 January 2006	(23.8)	(139.6)	(163.4)
Net book value at 28 January 2006	<u>185.8</u>	<u>66.1</u>	<u>251.9</u>
Historical cost at 29 January 2005	205.7	208.7	414.4
Depreciation on historical cost at 29 January 2005	(19.3)	(134.8)	(154.1)
Net book value at 29 January 2005	<u>186.4</u>	<u>73.9</u>	<u>260.3</u>

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

TANGIBLE FIXED ASSETS (CONTINUED)

Company

	Freehold land and buildings £m	Fixtures, fittings, vehicles and equipment £m	Total £m
Cost and valuation			
At 30 January 2005	2.0	203.5	205.5
Additions	-	12.6	12.6
Disposals	-	(13.0)	(13.0)
Group transfers	(0.7)	(3.3)	(4.0)
At 28 January 2006	<u>1.3</u>	<u>199.8</u>	<u>201.1</u>
Accumulated depreciation			
At 30 January 2005	0.2	130.2	130.4
Provided in the period	-	16.4	16.4
Disposals	-	(11.8)	(11.8)
Group transfers	(0.1)	-	(0.1)
At 28 January 2006	<u>0.1</u>	<u>134.8</u>	<u>134.9</u>
Net book amount at 28 January 2006	<u>1.2</u>	<u>65.0</u>	<u>66.2</u>
Net book amount at 29 January 2005	<u>1.8</u>	<u>73.3</u>	<u>75.1</u>
Cost and valuation			
Valuation – 2000	1.3	-	1.3
Cost	-	199.8	199.8
	<u>1.3</u>	<u>199.8</u>	<u>201.1</u>

The value of fixed assets if determined according to the historical cost accounting rules is as follows:

Company historical cost

	Freehold land and buildings £m	Fixtures, fittings, vehicles and equipment £m	Total £m
Historical cost at 28 January 2006	0.9	199.8	200.7
Depreciation on historical cost at 28 January 2006	(0.1)	(134.8)	(134.9)
Net book value at 28 January 2006	<u>0.8</u>	<u>65.0</u>	<u>65.8</u>
Historical cost at 29 January 2005	1.6	203.5	205.1
Depreciation on historical cost at 29 January 2005	(0.2)	(130.2)	(130.4)
Net book value at 29 January 2005	<u>1.4</u>	<u>73.3</u>	<u>74.7</u>

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

TANGIBLE FIXED ASSETS (CONTINUED)

The group's freehold properties were valued at £690 million on 26 September 2005 by an external valuer, Simon Smith MRICS, of Cushman & Wakefield Healey & Baker. The valuations were in accordance with the requirements of the RICS Appraisal and Valuation Standards and FRS15. The valuation of each property was on the basis of Existing Use Value, assuming that the properties would be sold as part of the continuing business. The valuer's opinion of Existing Use Value was primarily derived using comparable recent market transactions on arm's length basis.

All other fixed assets are stated at cost.

Included in the cost element of freeholds, fixtures, fittings, vehicles and equipment are costs incurred on unfinished projects at the period end amounting to £7.3 million (2005: £6.8 million) in both the group and the company.

Netted off the cost of fixed assets are supplier contributions amounting to £10.9m at the period end (2005: £9.2 million). Of this amount £6.8m (2005: £6m) had been taken to the profit and loss account by way of a reduction to accumulated depreciation.

10 INVESTMENTS

Consolidated

	Unlisted investments £m
Cost	
At 30 January 2005 and 28 January 2006	<u>7.7</u>
Net book amount at 28 January 2006	<u>7.7</u>
Net book amount at 29 January 2005	<u><u>7.7</u></u>

Company

	Unlisted investments £m	Shares in group under- takings £m	Total £m
Shares at cost:			
At 30 January 2005 and 28 January 2006	<u>2.3</u>	<u>211.9</u>	<u>214.2</u>
Provisions at 30 January 2005 and 28 January 2006	<u>-</u>	<u>(0.4)</u>	<u>(0.4)</u>
Net book value at 28 January 2006	<u>2.3</u>	<u>211.5</u>	<u>213.8</u>
Net book value at 29 January 2005	<u><u>2.3</u></u>	<u><u>211.5</u></u>	<u><u>213.8</u></u>

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

INVESTMENTS (CONTINUED)

Unlisted investments:

Harrods Bank Limited

Harrods Bank Limited, a company registered in England and Wales, has been accounted for as an unlisted investment, due to it having independent management and control (in accordance with Bank of England direction in 1991), although the group continues to retain 100% ownership through the non-voting shares. The consolidated investment of £7.7 million includes an amount of £5.4 million, which represents the share of post-acquisition reserves frozen at the point control transferred.

At 28 January 2006 the aggregate capital and reserves was £7.4 million (2005: £7.8 million) and the profit for the period ended 28 January 2006 was £0.2 million (2005: £0.4 million).

Shares in group undertakings:

The group has the following wholly owned (100% of equity) trading and non-trading subsidiary undertakings which are registered and operate in the United Kingdom:

Name	Nature of business
Harrods International Limited	International retailer and wholesaler
Harrods (Continental) Limited	Shipping and freight agency
Harrods Estates Limited	Estate agency
Harrods (Management) Limited	Non-trading
Harrods Property Holdings Limited	Holding company
Harrods Property Limited	Property Management
Wylie and Company Limited	Non-trading
Harrods Card Handling Company Ltd	Merchant card handling

The whole of the share capital of Harrods Property Limited is held by Harrods Property Holdings Limited. The whole of the share capital of Wylie and Company Limited is held by Harrods International Limited.

11 PROPERTIES HELD FOR RESALE

	Consolidated		Company	
	At 28	At 29	At 28	At 29
	January	January	January	January
	2006	2005	2006	2005
	£m	£m	£m	£m
Properties held for resale	-	10.4	-	-

Properties held for resale have been transferred from tangible fixed assets at their carrying value.

On 29 April 2005, the group sold its properties held for resale at a profit. Sale proceeds amounted to £13.5 million.

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

12 STOCKS

	Consolidated		Company	
	At 28	At 29	At 28	At 29
	January	January	January	January
	2006	2005	2006	2005
	£m	£m	£m	£m
Finished goods for resale	<u>31.0</u>	<u>33.4</u>	<u>27.8</u>	<u>30.2</u>

13 DEBTORS

	Consolidated		Company	
	At 28	At 29	At 28	At 29
	January	January	January	January
	2006	2005	2006	2005
	£m	£m	£m	£m
Amounts falling due within one year:				
Trade debtors	12.8	11.1	10.5	1.6
Amounts owed by group undertakings	-	0.9	0.2	11.4
Other debtors	0.9	1.7	0.8	1.2
Prepayments and accrued income	<u>4.4</u>	<u>4.4</u>	<u>3.8</u>	<u>3.7</u>
	<u>18.1</u>	<u>18.1</u>	<u>15.3</u>	<u>17.9</u>
Amounts due after one year:				
Amounts owed by group undertakings	<u>136.3</u>	<u>144.0</u>	<u>137.4</u>	<u>144.7</u>

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		Company	
	At 28	At 29	At 28	At 29
	January	January	January	January
	2006	2005	2006	2005
	£m	£m	£m	£m
Bank loans	6.7	6.9	-	-
Trade creditors	39.6	34.9	38.7	34.2
Amounts owed to group undertakings	3.6	6.5	0.4	2.9
Social security and other taxes	8.8	11.4	8.7	11.4
Corporation tax payable	2.9	4.0	2.9	4.0
Other creditors	15.2	15.6	9.8	10.0
Accruals and deferred income	<u>14.2</u>	<u>19.1</u>	<u>13.2</u>	<u>14.9</u>
	<u>91.0</u>	<u>98.4</u>	<u>73.7</u>	<u>77.4</u>

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated		Company	
	At 28 January 2006 £m	At 29 January 2005 £m	At 28 January 2006 £m	At 29 January 2005 £m
Bank loan	344.3	360.2	-	-
Amounts owed to group undertakings	-	-	26.2	30.2
Accruals	17.5	13.3	-	-
	<u>361.8</u>	<u>373.5</u>	<u>26.2</u>	<u>30.2</u>

	Consolidated		Company	
	At 28 January 2006 £m	At 29 January 2005 £m	At 28 January 2006 £m	At 29 January 2005 £m
Bank loan with repayment dates:				
In one year or less	6.7	6.9	-	-
Between one and two years	7.1	6.7	-	-
Between two and three years	7.4	7.1	-	-
Between three and four years	8.2	7.4	-	-
Between four and five years	9.0	8.1	-	-
Between five and ten years	56.0	52.4	-	-
Between ten and fifteen years	260.3	74.4	-	-
Between fifteen and sixteen years	-	208.1	-	-
	<u>354.7</u>	<u>371.1</u>	<u>-</u>	<u>-</u>
Issue costs	(5.5)	(5.5)	-	-
Amortisation costs	1.8	1.5	-	-
	<u>351.0</u>	<u>367.1</u>	<u>-</u>	<u>-</u>

The loan is repayable quarterly in arrears over 16 years with a final payment due in November 2020 of £180.5 million (2005: £190 million). The loan is secured by way of fixed and floating charges over the group's assets. Interest is linked to LIBOR. However, the group entered into a swap arrangement to eliminate interest rate risk.

At 28 January 2006 the fair value of the swap amounted to a cost of £70.9m (2005: £54.3m). This cost will only be incurred if the swap arrangement is terminated.

On 29 April 2005, the group made a loan repayment of £9.5 million following the sale of one of its freehold properties.

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

16 PROVISIONS FOR LIABILITIES AND CHARGES

	Consolidated		Company	
	At 28 January 2006 £m	At 29 January 2005 £m	At 28 January 2006 £m	At 29 January 2005 £m
Deferred taxation				
Balance at 30 January 2005	6.3	5.3	7.2	6.1
Reversal of SSAP 24	-	1.0	-	1.0
Amended balance as at 30 January 2005	6.3	6.3	7.2	7.1
Transfer (to)/from profit and loss account	(0.1)	-	(0.7)	0.1
Balance at 28 January 2006	6.2	6.3	6.5	7.2
Accelerated capital allowances	6.3	6.4	6.5	7.3
Other timing differences	(0.1)	(0.1)	-	(0.1)
	6.2	6.3	6.5	7.2

In addition to the amount provided for deferred taxation, there are potential liabilities in respect of deferred taxation in relation to:

	Consolidated		Company	
	At 28 January 2006 £m	At 29 January 2005 £m	At 28 January 2006 £m	At 29 January 2005 £m
Revaluation of properties	41.4	7.6	0.1	-

In the opinion of the directors the potential taxation liability in respect of capital gains is unlikely to arise since the majority of the properties will be retained for use in the business. The potential deferred tax liability is stated after taking into account the latest assessment of the availability of capital losses.

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

17 CALLED UP SHARE CAPITAL

	Consolidated		Company	
	At 28	At 29	At 28	At 29
	January	January	January	January
	2006	2005	2006	2005
	£	£	£	£
Authorised:				
215,000,000 ordinary shares of 10p each	21,500,000	21,500,000	21,500,000	21,500,000
1 'A' special rights redeemable preference share of £1	1	1	1	1
1 'B' special rights redeemable preference share of £1	1	1	1	1
	<u>21,500,002</u>	<u>21,500,002</u>	<u>21,500,002</u>	<u>21,500,002</u>
Allotted and fully paid:				
192,000,000 ordinary shares of 10p each	19,200,000	19,200,000	19,200,000	19,200,000
Shares class as financial liabilities				
1 'A' special rights redeemable preference share of £1	1	1	1	1
1 'B' special rights redeemable preference share of £1	1	1	1	1
	<u>19,200,002</u>	<u>19,200,002</u>	<u>19,200,002</u>	<u>19,200,002</u>

The A and B special shares have certain special control rights over the company, rank in priority, at par, over the ordinary shares on winding-up, have reduced voting rights, and are redeemable at the option of the shareholders.

The nominal value of the shares, which can be redeemed at any time, is classified as a liability under FRS 25.

18 RESERVES

	Consolidated		Company	
	Revaluation	Profit and	Revaluation	Profit and
	reserve	loss	reserve	loss
	£m	account	£m	account
	£m	£m	£m	£m
Balance at 30 January 2005 as previously stated	368.6	30.9	0.5	399.8
Prior year adjustment - revaluation of properties	74.4			
Prior year adjustment - adoption of FRS 17	-	(53.2)	-	(51.2)
Balance at 30 January 2005 as restated	<u>443.0</u>	<u>(22.3)</u>	<u>0.5</u>	<u>348.6</u>
Surplus on revaluation of property	69.8	-	-	-
Depreciation on revaluation surplus	(1.2)	1.2		
Revaluation surplus realised on property disposal	(7.5)	7.5	-	-
Actuarial loss on pension scheme	-	(18.8)	-	(18.1)
Profit for the period	-	13.5	-	17.4
Dividends	-	(17.0)	-	(17.0)
Balance at 28 January 2006	<u>504.1</u>	<u>(35.9)</u>	<u>0.5</u>	<u>330.9</u>

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

RESERVES (CONTINUED)

Included in the profit and loss account reserve is £46.2 million (2005: £368.1 million) that is non distributable out of the Harrods Holdings Limited group.

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £m	2005 as restated £m
Profit for the financial period	13.5	10.5
Dividends	(17.0)	(39.0)
Retained loss for the period	(3.5)	(28.5)
Actuarial loss on pension scheme	(18.8)	(5.3)
Surplus on revaluation of property	69.8	60.4
Net increase in shareholders' funds	47.5	26.6
Shareholders' funds at 30 January 2005 as previously stated	418.7	413.3
Prior year adjustment - revaluation of properties	74.4	-
Prior year adjustment - adoption of FRS 17	(53.2)	-
Shareholders' funds at 30 January 2005 as restated	439.9	413.3
Shareholders' funds at 28 January 2006	487.4	439.9

20 NET CASH INFLOW FROM OPERATING ACTIVITIES

	52 weeks ended 28 January 2006 £m	52 weeks ended 29 January 2005 £m
Operating profit	38.0	38.0
Depreciation	22.8	22.3
Decrease/(increase) in stock	2.4	(1.5)
Increase in debtors	(0.9)	(3.4)
(Decrease)/increase in creditors	(3.4)	9.9
Net cash inflow from operating activities	58.9	65.3

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

21 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	52 weeks ended 28 January 2006 £m	52 weeks ended 29 January 2005 £m
Increase in cash in the period	9.6	24.7
Repayment of/(proceeds from) bank borrowings	16.4	(33.4)
Decrease/(increase) in net debt in the period	26.0	(8.7)
Other non cash charges	(0.3)	(0.3)
Net debt at 30 January 2005	(304.7)	(295.7)
Net debt at 28 January 2006	(279.0)	(304.7)

Non cash charges represent the amortisation of issue costs relating to the bank loan.

22 ANALYSIS OF CHANGES IN NET DEBT

	At 30 January 2005 £m	Cash flow £m	Other non- cash charges £m	At 28 January 2006 £m
Cash at bank and in hand	62.4	9.6	-	72.0
Bank loan	(367.1)	16.4	(0.3)	(351.0)
	(304.7)	26.0	(0.3)	(279.0)

23 CAPITAL COMMITMENTS

	Consolidated		Company	
	52 weeks ended 28 January 2006 £m	52 weeks ended 29 January 2005 £m	52 weeks ended 28 January 2006 £m	52 weeks ended 29 January 2005 £m
Contracted for but not provided	4.4	3.3	4.4	3.3
Authorised but not contracted for	7.6	7.5	-	-

There were no other capital commitments at 28 January 2006 or 29 January 2005.

24 CONTINGENT LIABILITIES

The group has a bank loan that is guaranteed by Harrods Holdings Limited and other group companies.

The group participated in derivative financial instruments during the period to manage its foreign exchange exposure to the Euro and the US dollar. Through its hedging activities the group seeks to minimise the risk that eventual cash flows required to settle related liabilities will be affected by changes in exchange rates. The exposure on outstanding forward foreign exchange contracts at the period end was £2.0 million (2005: £1.8 million).

There were no material contingent liabilities at 28 January 2006 or 29 January 2005. The group is involved in litigation in the ordinary course of business. However, in the opinion of the directors, no material losses in excess of provisions made are likely to arise.

25 RETIREMENT BENEFIT OBLIGATIONS

Pensions schemes operated

During the year the group has principally operated two schemes:

- (i) the Harrods Holdings Stakeholder Scheme (the Scheme), which is an approved defined contribution scheme; it was established with Scottish Equitable plc on 1 May 2002.
- (ii) the Harrods Holdings Group Pension Plan (the Plan), which is an approved defined benefit scheme.

Stakeholder Scheme ("the Scheme")

The pension cost under the defined contribution scheme amounted to £37,185 (2005: £45,222). A pension accrual of £nil (2005: £nil) is included in the balance sheet in relation to this scheme.

Defined Benefit Pension Scheme ("the Plan")

The employer has closed the Plan to future accrual with the following changes taking place as of 5 April 2006:

- (i) the Plan will close to all existing members and all new employees with the effect that members will not accrue future pension benefits under the Plan
- (ii) the existing accrued pension benefit of members will be protected and preserved at its existing level as at 5 April 2006 and will be revalued until retirement as if the members had left the Group
- (iii) a new defined contribution pension scheme, the Harrods Retirement Savings Plan, has been introduced with effect from 5 April 2006.

The Harrods Group has agreed with the Trustee of the Plan that it will be fully funded on an ongoing basis in ten years time. The deficit at 5 April 2005 was estimated at £95.0 million.

Accordingly, the Group has agreed to pay into the Plan additional contributions of £9.0 million per annum for the next ten years, with effect from 6 April 2006, and any further contributions as necessary thereafter. All participating employers will contribute toward this payment and it is expected that the Harrods Limited Group will contribute approximately £7.2m per annum toward this payment.

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

Recognising the risks inherent in the performance of the financial markets during the ten year deficit correction period, the principal employer has also agreed to fund any deficits outside an agreed tolerance band during this period.

Financial Reporting Standard 17 Disclosures

For the year ended 28 January 2006, the Group has accounted for its defined benefit pension liability in accordance with FRS 17. The Group has previously accounted for the liability under SSAP 24.

The triennial actuarial valuation of the Harrods Holdings Group Pension Plan was undertaken as at 6 April 2005 by qualified independent actuaries, Hymans Robertson.

Using the results of the actuarial valuation, an approximate actuarial assessment of the Plan for FRS 17 purposes has been carried out as at 28 January 2006 using the projected unit method of valuation. The major assumptions used by the actuary were:

	28 January 2006	% per annum 29 January 2005	31 January 2004
Discount rate	4.7%	5.3%	5.5%
Inflation assumption	3.0%	2.9%	2.8%
Rate of increase in salaries	4.5%	4.4%	4.3%
Rate of pension increases (LPI 5%)	2.9%	2.8%	2.7%
Rate of pension increases (LPI 2.5%)	2.5%	n/a	n/a
Longevity at age 60 for current pensioners			
- Men	24.5	21.2	21.2
- Women	27.5	24.2	24.2
Longevity at age 60 for future pensioners			
- Men	25.8	22.6	22.6
- Women	28.8	25.6	25.6

The sensitivities regarding these assumptions are as follows:

	Change in assumption	Effect of value of liabilities
Discount rate	Increase/decrease by 0.5% p.a.	Decrease/increase by 10.0%
Inflation assumption	Increase/decrease by 0.5% p.a.	Increase/decrease by 10.0%
Rate of increase in salaries	Increase/decrease by 0.5% p.a.	Increase/decrease by 1.5%
Longevity	Increase by 1 year	Increase by 3%

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

At 28 January 2006 the market value of the assets in the Plan, the expected long-term rate of return from them and the present value of Plan liabilities, all as defined in accordance with FRS 17 and valued by the Harrods Holdings Group's actuary were as follows:

	As at 28 January 2006		As at 29 January 2005		As at 31 January 2004	
	Harrods Group Pension Plan	Expected long-term rate of return % per annum	Harrods Group Pension Plan	Expected long-term rate of return % per annum	Harrods Group Pension Plan	Expected long-term rate of return % per annum
	£m		£m		£m	
Equities	145.8	7.0%	114.2	7.6%	102.5	7.9%
Corporate bonds	24.8	4.7%	24.2	5.3%	22.5	5.5%
Government bonds	14.0	4.0%	11.5	4.6%	10.6	4.9%
Other	5.1	4.0%	2.3	4.6%	1.8	4.9%
Total market value of assets	189.7		152.2		137.4	
Present value of plan liabilities	(296.4)		(231.2)		(205.6)	
Deficit in the Plan	(106.7)		(79.0)		(68.2)	
Related deferred tax asset	32.0		23.7		20.5	
Net pension liability under FRS 17	(74.7)		(55.3)		(47.7)	

Profit and Loss Disclosures

	28 January 2006	29 January 2005
	£m	£m
Analysis of amounts charged to operating profit		
Current service cost	6.2	6.9
Curtailment and settlements	(0.9)	-
Total operating charge	5.3	6.9

Analysis of amounts included as other finance costs

Expected return on pension plan assets	(10.6)	(9.9)
Interest cost on pension plan liabilities	12.2	11.3
Net financial cost	1.6	1.4

Analysis of amounts recognised in statement of total recognised gains and losses

Actual return less expected return on assets	27.1	4.8
Experience gain on liabilities	(2.3)	-
Impact of changes in assumptions relating to the present value of plan liabilities	(51.7)	(12.4)
Actuarial loss recognised in STRGL	(26.9)	(7.6)

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

	28 January 2006 £m	29 January 2005 £m
Movement in the deficit during the period		
Deficit in the plan at 30 January 2005	(79.0)	(68.2)
Current service cost	(6.2)	(6.9)
Contributions	6.1	5.1
Impact of curtailments and settlements	0.9	-
Net financial cost	(1.6)	(1.4)
Actuarial loss	(26.9)	(7.6)
Deficit in the plan at 28 January 2006	<u>(106.7)</u>	<u>(79.0)</u>

History of experience gains and losses

The following disclosures will be built up over time as a five year history:

	28 January 2006		29 January 2005		31 January 2004		1 February 2003	
	£m	%	£m			%	£m	%
Difference between actual and expected return on assets	27.1	14.3%	4.8	3.2%	18.7	13.6%	(44.4)	(39.6%)
Experience (losses)/gains on liabilities	(2.3)	(0.8%)	-	-	(4.5)	(2.2%)	5.8	3.2%
Amount recognised in statement of total recognised gains and losses against liabilities	(26.9)	(9.1%)	(7.6)	(3.3%)	6.1	2.9%	(52.1)	(28.7%)

26 TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES

During the period the group entered into transactions with a number of entities, which are under the control of the group's ultimate controlling party. These entities comprise Balnagown Castle Properties Limited, Barrow Green Court, Bocardo Societe Anonyme, Fulham Football Club (1987) Limited, Fulham Football Leisure Limited, Fulham Stadium Limited, Gallant Minerals Limited, Gallant Minerals Services Limited, Hyde Park Residence Limited, Jasmine Di Milo Limited, Liberty Holdings Limited (and subsidiaries), Metro Energy (Thailand) Limited, Metro Natural Resources Participations Limited, Mohafa, Prestige Properties S.A., The Ritz Hotel Limited, Samodal Properties, Scintilla Limited, Turnbull & Asser Limited (and subsidiaries) and West Heath 2000. The transactions and balances with these entities are not considered to be material except as described below.

During the period, stock amounting to £0.1m (2005: £0.2m) was sold to Balnagown Castle Properties Limited. Trade debtors due from Balnagown Castle Properties Limited at 28 January 2006 amounted to £0.2m (2005: £0.1m). The maximum debtor balance during the period was £0.2m (2005: £0.1m).

During the period, the group recharged payroll charges to Barrow Green Court, amounting to £nil (2005: £0.1m). The debtor outstanding at the period end was £nil (2005: £nil). The maximum debtor balance during the period was £nil (2005: £nil).

During the period, the group recharged payroll and made administration charges to Fulham Football Club (1987) Limited, amounting to £0.2m (2005: £0.1m). The debtor outstanding at the period end was £0.1m (2005: £nil). The maximum debtor balance during the period was £0.1m (2005: £nil).

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES (CONTINUED)

Fees in respect of marketing and advisory services, received from Fulham Stadium Limited during the period amounted to £nil (2005: £0.1m). Trade debtors due from Fulham Stadium Limited at 28 January 2006 amounted to £nil (2005: £0.1m). The maximum debtor balance during the period was £0.1m (2005: £0.1m).

Engineering, storage and general consulting charges were received from Hyde Park Residence Limited amounted to £0.1m (2005: £0.1m). The maximum debtor balance during the period was £0.1 (2005: £nil).

Jasmine Di Milo Limited operates a concession in the Knightsbridge Store, on commercial terms, for which it was charged £0.7m (2005: £0.1m). The debtor outstanding at period end was £nil (2005: £nil). The maximum debtor balance during the period was £nil (2005: £nil).

Occupancy charges including rent and telephone charges received from Liberty Publishing & Media Limited during the period amounted to £nil m (2005: £0.1m). The debtor outstanding at the period end was £0.1m (2005: £nil). The maximum debtor balance during the period was £0.1m (2005: £nil).

Fees in respect of marketing and advisory services levied to Prestige Properties S A during the period amounted to £0.4m (2005: £0.5m). Trade debtors due from Prestige Properties S A at 28 January 2006 amounted to £nil m (2005: £0.2m). The maximum debtor balance during the period was £0.2m (2005: £0.2m).

During the period, the group charged payroll charges to The Ritz Hotel Limited amounting to £0.1m (2005: £nil). The debtor outstanding at period end was £0.1m (2005: £nil).

Turnbull & Asser Limited operates a concession in the Knightsbridge Store, on commercial terms, for which it was charged £0.4 (2005: £0.4m). The debtor outstanding at period end was £nil (2005: £nil). The maximum debtor balance during the period was £nil (2005: £nil).

Harrods Limited is a wholly owned subsidiary of Harrods Holdings Limited, and as permitted by Financial Reporting Standard No 8 "Related party disclosures" and has not disclosed transactions with group undertakings.

All balances due to the group from related parties were repaid in full after the period end except for £0.1m (2005: £0.2m).

There are no other related party transactions.

27 ULTIMATE PARENT UNDERTAKING

The group's immediate parent undertaking is Harrods (UK) Limited. The immediate parent undertaking of Harrods (UK) Limited is Harrods Holdings Limited which is the largest group which consolidates the results of the company. The Harrods Holdings Group financial statements will be filed with the Registrar of Companies in due course.

The ultimate parent undertaking is Alfayed Investment and Trust PVT LP, a partnership based in Bermuda. All interests in the Partnership continue to be under the control and held for the benefit of the Fayed family, the ultimate controlling party.

28 POST BALANCE SHEET EVENTS

Harrods Limited has declared and paid dividends of £55m since the balance sheet date.