

Harrods Limited

Directors' Report and Consolidated Financial Statements

for the Period ended 28 January 2012



Registration number 30209

Harrods Limited

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Harrods Limited

Directors' Report for the Period from 30 January 2011 to 28 January 2012

The directors present their report together with audited the consolidated financial statements of Harrods Limited and its subsidiary companies ("the group") for the 52 weeks ended 28 January 2012

Principal activity

The group operates Harrods, the world-renowned store in Knightsbridge, London. Since the store first opened its doors in 1849, Harrods has always prided itself on a reputation for service excellence and for offering the finest quality merchandise. London's - and England's - largest department store, Harrods remains the finest, most exciting and fulfilling place to shop.

Other group activities include concessions at London's Heathrow and Gatwick airports, export of Harrods branded merchandise to overseas department stores and airport terminals, and direct sales via the internet at Harrods.com. The group also operates in the real estate business through Harrods Estates Limited.

Results of ordinary activities before exceptional items

The year ended 28 January 2012, was another record year for Harrods with group turnover (the sale of goods and services, excluding VAT, trade discounts and concession sales) growing 11% to £651.7m (2011: £585.9m), and operating profit up 22% to £125.0m (2011: £102.1m) and profit before tax 15% to £125.3m (2011: £108.9m).

The year saw a very significant programme of capital expenditure, with total additions of £107.8m (2011: £32.2m). This included investment in new infrastructure, such as a new distribution centre near Reading and a new head office building in central London, as well as vibrant new boutiques in Store and at Heathrow Airport. Highlights include the new Watches Emporium, which houses more than 35 brands, the new Room of Luxury on the Ground Floor, showcasing designer handbags and accessories, the refurbishment of the Harrods boutique at London Heathrow Terminal 3, the creation of the new Harrods Mens Shoes department, the largest in Europe, Tom Ford's first Ready-to-Wear womens boutique, a UK exclusive, and the relocation and enlargement of our Pizzeria. In addition to this sum, Harrods continued to benefit from the value of the very significant spend on shop fittings invested by partner brands. The directors expect to continue with a high level of capital expenditure in 2012.

As always, these results could not have been achieved without the commitment of and excellent service provided by our retail and our support teams, along with those of our concession and brand partners who work within the Store.

Harrods Limited
Directors' Report for the Period from 30 January 2011 to 28 January 2012

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Business review

Principal risks and uncertainties

The major business risks and uncertainties for the Harrods business relate to

- (i) Events impacting the level of international travel to the UK, including terrorism and natural disasters
- (ii) Disruption caused by relocation to a new distribution centre
- (iii) Risk to store infrastructure arising from the increased level of refurbishments and capital expenditure
- (iv) Breach of data security

These risks are monitored regularly by the Directors and plans have been put in place to mitigate them as efficiently as possible. Cash and liquidity levels are actively reviewed. Disaster recovery plans have been drawn up. Significant investment has been incurred – and more is planned – for further improving the Store's security and disaster recovery infrastructure. In addition the group works with its internal audit function and with its insurers to identify and mitigate or remedy operational risks on an on-going basis.

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 which is primarily a retail business with purchases settled at the time of the transaction.

Amounts owing from credit card companies represent more than half 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, subsidiary credit controllers and Directors review the aged debtors and collection history on a regular basis and take follow up action where required.

The group also has a significant loan to a related party, Harrods Property Limited, amounting to £286.5m (2011 £286.5m). This loan has been assessed by the directors and has been considered recoverable.

Harrods Limited

Directors' Report for the Period from 30 January 2011 to 28 January 2012

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Currency risk

The group is exposed to foreign exchange risk on overseas purchasing

Approximately 10% of the group's purchases are contracted in a foreign currency. Transaction exposures are hedged partially using forward currency contracts or currency options, up to one year in advance. Whilst the aim is to achieve an economic hedge the company does not adopt an accounting policy of hedge accounting in these financial statements.

Finally, the group accepts foreign currency in the Knightsbridge store and airport outlets and retains this currency to settle foreign currency obligations.

Interest rate risk

The group finances its operations through retained earnings as the group has no significant external borrowings. Excess cash balances are placed on deposit to earn higher rates of interest.

Future developments and going concern

The company has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have every expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Profit for the financial period and the dividend

The profit for the period after taxation amounted to £89.5m (2011: £78.4m). Dividends of £100.5m have been declared in relation to the year ended 28 January 2012 (2011: £22.7m).

Directors of the company

The directors who held office during the period were as follows:

R L Assanand

J P Healy

M G McKee

D R Parker

B J Smith

M A Ward

His Excellency Sheikh Hamad Bin Jassim Bin Jaber Al Thani

H Al-Abdulla

K J Al-Kuwari

A M Al-Sayed

K Maamria

Harrods Limited

Directors' Report for the Period from 30 January 2011 to 28 January 2012

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Employee involvement

Information is provided regularly by means of normal management communication channels using written material, face-to-face meetings and team presentations

Consultation with employees takes place through elected staff committees, health and safety committees and through normal recognised trade union channels. Employees are made aware of their contribution to the group through team meetings and updates as well as through individual performance appraisals

Employment of 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

Charitable donations

The charitable donations made by the group and charged in the financial statements were £0.1m (2011 £0.1m). In addition, during the period the group supported various charities by hosting fundraising events within the Harrods store in Knightsbridge. There were no political donations.

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 after the end of the month of receipt of goods or services.

The group is sympathetic to, and pays particular attention to, the cash flow needs of its smaller suppliers. At period end the number of days payable outstanding was 31 days (2011 37 days).

Harrods Limited

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditors


Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

Reappointment of auditors

Ernst & Young LLP were appointed as auditors on 12th January 2012.

The auditors Ernst & Young LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 19 July 2012 and signed on its behalf by



J M Goldberg
Company secretary

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

Independent Auditor's Report to the Members of Harrods Limited

We have audited the financial statements of Harrods Limited for the period from 30 January 2011 to 28 January 2012 which comprises the Group Profit and Loss Account, the Group and Parent Company Balance Sheets and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities (set out on page 5), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 28 January 2012 and of the group's profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

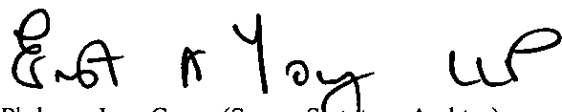
**Independent Auditor's Report to the Members of
Harrods Limited**

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Matters on which we are required to report by exception

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

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



Philippa Jane Green (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor

Date 23/7/2012

Harrods Limited
Consolidated Profit and Loss Account for the Period from 30 January 2011 to 28
January 2012

		52 weeks ended 28 January 2012 Total £m	52 weeks ended 29 January 2011 Total £m
Turnover	2	651 7	585 9
Cost of sales		<u>(285 1)</u>	<u>(256 4)</u>
Gross profit		366 6	329 5
Distribution costs		(250 7)	(226 5)
Administrative expenses		(11 7)	(13 6)
Other income	3	<u>20 8</u>	<u>12 7</u>
Operating profit	3	125 0	102 1
Non-operating exceptional items	4	(0 4)	(2 6)
Interest receivable	7	1 5	9 7
Interest payable	8	<u>(0 8)</u>	<u>(0 3)</u>
Profit on ordinary activities before taxation		125 3	108 9
Tax on profit on ordinary activities	9	<u>(35 8)</u>	<u>(30 5)</u>
Profit on ordinary activities after taxation	19	<u><u>89 5</u></u>	<u><u>78 4</u></u>

Turnover and operating profit derive wholly from continuing operations

Harrods Limited
Consolidated Statement of Total Recognised Gains and Losses for the Period from 30
January 2011 to 28 January 2012

	Note	52 weeks ended 28 January 2012 £m	52 weeks ended 29 January 2011 £m
Profit for the financial period		89.5	78.4
Actuarial (loss)/gain recognised on defined benefit pension scheme net of deferred tax		(10.1)	1.4
Total recognised gains and losses relating to the period		<u>79.4</u>	<u>79.8</u>

Harrods Limited
Consolidated Balance Sheet at 28 January 2012

	Note	28 January 2012 £m	29 January 2011 £m
Fixed assets			
Tangible fixed assets	10	190.8	102.9
Investments		9.1	8.1
		<u>199.9</u>	<u>111.0</u>
Current assets			
Stocks	12	79.3	66.2
Debtors	13	433.6	432.9
Cash at bank and in hand		62.1	126.7
		<u>575.0</u>	<u>625.8</u>
Creditors: Amounts falling due within one year	14	<u>(189.2)</u>	<u>(169.9)</u>
Net current assets		<u>385.8</u>	<u>455.9</u>
Total assets less current liabilities		585.7	566.9
Creditors: Amounts falling due after more than one year	15	(44.2)	(6.0)
Provisions for liabilities	16	<u>(7.0)</u>	<u>(5.2)</u>
Net assets excluding pension asset/liability		534.5	555.7
Net pension liability		<u>-</u>	<u>(0.1)</u>
Net assets		<u>534.5</u>	<u>555.6</u>
Capital and reserves			
Called up share capital	17	19.2	19.2
Revaluation reserve	19	0.4	0.4
Profit and loss account	19	<u>514.9</u>	<u>536.0</u>
Shareholders' funds	20	<u>534.5</u>	<u>555.6</u>

Approved by the Board on 19 July 2012 and signed on its behalf by

M A Ward
Director

Harrods Limited
(Registration number: 30209)
Balance Sheet at 28 January 2012

	Note	28 January 2012 £m	29 January 2011 £m
Fixed assets			
Tangible fixed assets	10	145 3	97 2
Investments	11	14 9	13 9
		<u>160 2</u>	<u>111 1</u>
Current assets			
Stocks	12	73 2	59 2
Debtors	13	434 0	432 2
Cash at bank and in hand		55 2	123 5
		<u>562 4</u>	<u>614 9</u>
Creditors Amounts falling due within one year	14	(186 0)	(165 0)
Net current assets		<u>376 4</u>	<u>449 9</u>
Total assets less current liabilities		536 6	561 0
Creditors Amounts falling due after more than one year	15	(16 2)	(16 9)
Provisions for liabilities	16	(6 8)	(5 0)
Net assets excluding pension asset/liability		513 6	539 1
Net pension liability		-	(0 1)
Net assets		<u>513 6</u>	<u>539 0</u>
Capital and reserves			
Called up share capital	17	19 2	19 2
Revaluation reserve	19	0 4	0 4
Profit and loss account	19	494 0	519 4
Shareholders' funds	20	<u>513 6</u>	<u>539 0</u>

Approved by the Board on 19 July 2012 and signed on its behalf by

M A Ward
Director

Harrods Limited
Consolidated Cash Flow Statement for the Period from 30 January 2011 to 28 January
2012

Reconciliation of operating profit to net cash flow from operating activities

	30 January 2011 to 28 January 2012 £m	31 January 2010 to 29 January 2011 £m
Operating profit	125 0	102 1
Depreciation, amortisation and impairment charges	19 7	17 3
Increase in stocks	(13 1)	(4 4)
Increase in debtors	(2 7)	(1 0)
Increase in creditors	14 3	20 0
(Decrease)/increase in provisions	(0 2)	2 1
Release of deferred income	(0 9)	(11 5)
Defined benefit pension contributions	(13 7)	(21 9)
Net cash inflow from operating activities	<u>128 4</u>	<u>102 7</u>

Cash flow statement

	30 January 2011 to 28 January 2012 £m	31 January 2010 to 29 January 2011 £m
Net cash inflow from operating activities	<u>128 4</u>	<u>102 7</u>
Returns on investments and servicing of finance		
Interest received	1 5	9 7
Interest paid	(0 8)	(0 3)
	0 7	9 4
Tax paid	(28 7)	(23 7)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(111 8)	(30 8)
Acquisitions and disposals		
Acquisition of investments in subsidiary undertakings (note 11)	(1 0)	(0 5)
Equity dividends paid	(90 5)	(22 7)
Net cash (outflow)/inflow before management of liquid resources and financing	<u>(102 9)</u>	<u>34 4</u>
Financing		
New loans obtained from group undertakings	38 9	-
Repayment of loans and borrowings	(0 6)	(0 1)
	<u>38 3</u>	<u>(0 1)</u>

The notes on pages 14 to 37 form an integral part of these financial statements

Harrods Limited
Consolidated Cash Flow Statement for the Period from 30 January 2011 to 28 January
2012

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(Decrease)/increase in cash	(64 6)	34 3
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Reconciliation of net cash flow to movement in net debt

	Note	30 January 2011 to 28 January 2012 £m	31 January 2010 to 29 January 2011 £m
(Decrease)/increase in cash		(64 6)	34 3
Cash inflow from increase in loans		(38 9)	-
Cash outflow from repayment of loans		0 6	0 1
Change in net debt resulting from cash flows		(102 9)	34 4
Movement in net debt		(102 9)	34 4
Net funds at start of period		120 8	86 4
Net funds at end of period		17 9	120 8

Harrods Limited

Notes to the Financial Statements for the Period from 30 January 2011 to 28 January 2012

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and comply with applicable United Kingdom accounting standards

The principal accounting policies of the group have remained unchanged from the previous period and are set out below

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 its having independent management and control (in accordance with Bank of England direction in 1991), although the group continues to retain 100% ownership through non-voting shares

Turnover

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

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, only commission and other income receivable from the concessionaires is presented within turnover.

Estimated sales returns

Turnover excludes the sales value of estimated returns. The group has recognised a provision for estimated refunds, representing an estimate of the value of the goods sold during the year which will be returned and refunded after the year end date.

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.

Tangible Fixed Assets and Depreciation

All tangible fixed assets are stated at cost less accumulated depreciation. Fit out expenditure is stated net of supplier and concession contributions where relevant.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful lives. The rates generally applicable are:

Land	Not depreciated
Freehold and long leasehold properties	35 – 50 years
Short leasehold property	Remaining period of lease

Harrods Limited

Notes to the Financial Statements for the Period from 30 January 2011 to 28 January 2012

Fixtures and fittings	3 - 20 years
Vehicles and equipment	4 - 7 years

Leased assets

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

Finance leases

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

Stock

Stocks are stated at the lower of cost and net realisable value using weighted average cost

Deferred tax

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

Deferred tax relating to defined benefit pension scheme surpluses or deficits is netted against the respective retirement benefit surplus or obligation

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 or at contracted forward rates. Transactions in foreign currency are translated at exchange rates ruling at the transaction date or at contracted forward rates. Realised gains and losses are dealt with in the profit and loss account

Loyalty points

Loyalty points are treated as a deduction in sales as part of the fair value of consideration received is deferred and subsequently recognised when the award is redeemed. The fair value of the points awarded is determined with reference to the fair value of the customer redemption rate

Harrods Limited

Notes to the Financial Statements for the Period from 30 January 2011 to 28 January 2012

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

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

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet.

A net surplus is recognized only to the extent that it is recoverable by the company/group. 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 recognised gains and losses. Disclosure has been made of the assets and liabilities of the scheme under FRS17 in note 21 to the accounts.

2 Turnover

An analysis of turnover by geographical location is given below

	52 weeks ended 28 January 2012 £m	52 weeks ended 29 January 2011 £m
Sales - UK	645.9	580.5
Sales - Europe	0.2	0.2
Sales - Rest of world	5.6	5.2
	<u>651.7</u>	<u>585.9</u>

Harrods Limited
Notes to the Financial Statements for the Period from 30 January 2011 to 28 January
2012

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

3 Operating profit

Operating profit is stated after charging

	52 weeks ended 28 January 2012 £m	52 weeks ended 29 January 2011 £m
Operating lease - rent payable to related party (note 25)	42.6	41.3
Depreciation of owned assets	19.7	17.3
Repairs to historic terracotta facade	1.5	1.3
Auditor's remuneration	0.3	0.3
Cost of closure of the Harrods distribution centre	-	3.6
Change in basis for estimating the cost of the Reward Card loyalty points	-	3.1
Exceptional gain on termination of the distribution centre operating lease	-	(11.3)
Advertising and rebate income	(20.8)	(12.7)
	<u> </u>	<u> </u>

4 Exceptional items

	52 weeks ended 28 January 2012 £m	52 weeks ended 29 January 2011 £m
Loss on sale of fixed assets	(0.4)	(2.6)
	<u> </u>	<u> </u>

5 Particulars of employees

The average number of persons employed by the group (including directors) during the period, analysed by category was as follows

	52 weeks ended 28 January 2012 No	52 weeks ended 29 January 2011 No.
Administration and support	94	96
Production	382	374
Sales, marketing and distribution	3,041	2,905
	<u> </u>	<u> </u>
	3,517	3,375
	<u> </u>	<u> </u>

Harrods Limited

Notes to the Financial Statements for the Period from 30 January 2011 to 28 January 2012

The aggregate payroll costs were as follows

	52 weeks ended 28 January 2012 £m	52 weeks ended 29 January 2011 £m
Wages and salaries	110.7	114.6
Social security costs	12.4	11.4
Staff pensions	3.2	3.3
	<u>126.3</u>	<u>129.3</u>

6 Directors' remuneration

The directors' remuneration for the period was as follows

	52 weeks ended 28 January 2012 £m	52 weeks ended 29 January 2011 £m
Remuneration	2.8	6.4
	<u>2.8</u>	<u>6.4</u>

Included in emoluments for the period ended 28 January 2012 are pension contributions of £0.1m (2011 £0.1m). The value of emoluments incurred directly by the company was £2.5m (2011 £5.7m). Emoluments incurred by the group's subsidiary undertakings was £0.3m (2011 £0.4m). There are 3 directors to whom retirement benefits are accruing under a defined benefit pension scheme (2011 3) and 5 directors to whom retirement benefits are accruing under a defined contribution scheme (2011 5).

The remuneration of the highest paid director was £1.3m (2011 £2.2m).

7 Other interest receivable and similar income

	52 weeks ended 28 January 2012 £m	52 weeks ended 29 January 2011 £m
Bank interest receivable	1.4	1.2
Other interest receivable	0.1	8.5
Group interest receivable	<u>1.5</u>	<u>9.7</u>

Harrods Limited

Notes to the Financial Statements for the Period from 30 January 2011 to 28 January 2012

8 Interest payable and similar charges

	52 weeks ended 28 January 2012 £m	52 weeks ended 29 January 2011 £m
Interest on bank and other borrowings	0.7	0.3
Interest on loans from group undertakings	0.1	-
Group interest payable and similar charges	<u>0.8</u>	<u>0.3</u>

9 Taxation

Tax on profit on ordinary activities

	52 weeks ended 28 January 2012 £m	52 weeks ended 29 January 2011 £m
Current tax		
Corporation tax charge	21.3	12.9
Adjustments in respect of previous years	(0.9)	0.5
Double taxation relief	0.1	-
Group relief payable	<u>9.7</u>	<u>11.7</u>
UK Corporation tax	<u>30.2</u>	<u>25.1</u>
Deferred tax		
Origination and reversal of timing differences	2.0	(0.8)
Deferred tax relating to FRS 17	<u>3.6</u>	<u>6.2</u>
Group deferred tax	<u>5.6</u>	<u>5.4</u>
Total tax on profit on ordinary activities	<u>35.8</u>	<u>30.5</u>

Harrods Limited

Notes to the Financial Statements for the Period from 30 January 2011 to 28 January 2012

Factors affecting current tax charge for the period

Tax on profit on ordinary activities for the year is lower than (2011 - lower than) the standard rate of corporation tax in the UK of 26.32% (2011 - 28%)

The differences are reconciled below

	52 weeks ended 28 January 2012 £m	52 weeks ended 29 January 2011 £m
Profit on ordinary activities before taxation	125.3	108.9
Corporation tax at standard rate	(33.0)	(30.5)
Capital allowances in excess of depreciation	1.1	(0.1)
Transfer pricing adjustment	(2.9)	(2.5)
Income and expenses relieved on a cash basis	3.6	6.1
Expenses not deductible for tax purposes	(0.1)	2.4
Adjustment for prior periods	1.1	(0.5)
Total current tax	(30.2)	(25.1)

Harrods Limited

Notes to the Financial Statements for the Period from 30 January 2011 to 28 January 2012

10 Tangible fixed assets

Group

	Freehold land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Other tangibles £m	Total £m
Cost or valuation					
At 30 January 2011	1 4	108 0	120 7	58 8	288 9
Additions	51 8	15 2	23 0	17 8	107 8
Disposals	-	(34 1)	(43 8)	-	(77 9)
At 28 January 2012	53 2	89 1	99 9	76 6	318 8
Depreciation					
At 30 January 2011	0 2	81 9	103 1	0 8	186 0
Charge for the period	-	7 9	11 8	-	19 7
Eliminated on disposals	-	(34 0)	(43 6)	(0 1)	(77 7)
At 28 January 2012	0 2	55 8	71 3	0 7	128 0
Net book value					
At 28 January 2012	53 0	33 3	28 6	75 9	190 8
At 29 January 2011	1 2	26 1	17 6	58 0	102 9

Harrods Limited

Notes to the Financial Statements for the Period from 30 January 2011 to 28 January 2012

Company

	Freehold land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Other tangibles £m	Total £m
Cost or valuation					
At 30 January 2011	1 4	106 6	112 3	57 7	278 0
Additions	12 9	15 2	23 0	15 7	66 8
Disposals	-	(34 1)	(42 7)	0 1	(76 7)
At 28 January 2012	14 3	87 7	92 6	73 5	268 1
Depreciation					
At 30 January 2011	0 2	81 5	98 6	0 5	180 8
Charge for the period	-	7 7	10 7	-	18 4
Eliminated on disposals	-	(34 0)	(42 4)	-	(76 4)
At 28 January 2012	0 2	55 2	66 9	0 5	122 8
Net book value					
At 28 January 2012	14 1	32 5	25 7	73 0	145 3
At 29 January 2011	1 2	25 1	13 7	57 2	97 2

Harrods Limited
Notes to the Financial Statements for the Period from 30 January 2011 to 28 January
2012

11 Investments held as fixed assets

Company

	28 January 2012 £m	29 January 2011 £m
Shares in group undertakings and participating interests	<u>14.9</u>	<u>13.9</u>
Shares in group undertakings and participating interests		
		Total £m
Cost		
At 30 January 2011		14.7
Additions		<u>1.0</u>
At 28 January 2012		15.7
Provision for impairment		
At 30 January 2011		<u>(0.8)</u>
Net book value		
At 28 January 2012		<u><u>14.9</u></u>

Harrods Limited

Notes to the Financial Statements for the Period from 30 January 2011 to 28 January 2012

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

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	Country of registration	Nature of business Principal activity
Operating at 28 January 2012		
Harrods International Limited	England and Wales	Tax free retailer and wholesaler
Harrods (Continental) Limited	England and Wales	Exporter
Harrods Estates Limited	England and Wales	Estate agents
Harrods Watches Limited	England and Wales	Purchasing company
PL Management Limited	England and Wales	Property management
Harrods Commercial Property Limited	England and Wales	Property holding company

In addition to the companies shown in the above list, the company also holds investments in other subsidiary undertakings which are not material. Details of all subsidiary undertakings will be annexed to the company's next annual return in compliance with section 410 of the Companies Act 2006

12 Stocks

	Group		Company	
	28 January 2012	29 January 2011	28 January 2012	29 January 2011
	£m	£m	£m	£m
Finished goods for resale	79.3	66.2	73.2	59.2

Of the £79.3m goods held for re-sale a lien over inventory of £68.3m (2011 £58.0m) has been granted to the trustee of the group's defined benefit pension scheme

Harrods Limited

Notes to the Financial Statements for the Period from 30 January 2011 to 28 January 2012

13 Debtors

	Group		Company	
	28 January 2012 £m	29 January 2011 £m	28 January 2012 £m	29 January 2011 £m
Trade debtors	19 0	16 4	16 7	14 1
Amounts owed by group undertakings	110 2	117 1	113 4	119 7
Other debtors	287 4	288 4	287 4	287 8
Prepayments and accrued income	17 0	11 0	16 5	10 6
	<u>433 6</u>	<u>432 9</u>	<u>434 0</u>	<u>432 2</u>

Group debtors includes £396 2m (2011 £403 2m) receivable after more than one year and parent company debtors includes £396 7m (2011 £403 7m) receivable after more than one year, analysed as follows

	Group		Company	
	28 January 2012 £m	29 January 2011 £m	28 January 2012 £m	29 January 2011 £m
Amounts owed by group undertakings	109 7	116 7	110 2	117 2
Other debtors	286 5	286 5	286 5	286 5
	<u>396 2</u>	<u>403 2</u>	<u>396 7</u>	<u>403 7</u>

14 Creditors: Amounts falling due within one year

	Group		Company	
	28 January 2012 £m	29 January 2011 £m	28 January 2012 £m	29 January 2011 £m
Trade creditors	85 6	76 6	81 9	74 0
Amounts owed to group undertakings	10 0	0 3	16 1	4 1
Corporation tax	18 9	17 4	15 8	14 5
Other taxes and social security	6 0	8 0	5 6	7 5
Other creditors	17 5	12 8	17 4	12 7
Accruals and deferred income	51 2	54 8	49 2	52 2
	<u>189 2</u>	<u>169 9</u>	<u>186 0</u>	<u>165 0</u>

Harrods Limited

Notes to the Financial Statements for the Period from 30 January 2011 to 28 January 2012

15 Creditors: Amounts falling due after more than one year

	Group		Company	
	28 January 2012 £m	29 January 2011 £m	28 January 2012 £m	29 January 2011 £m
Other loans	5 3	5 9	5 3	5 9
Amounts owed to group undertakings	38 9	0 1	10 9	11 0
	<u>44 2</u>	<u>6 0</u>	<u>16 2</u>	<u>16 9</u>

16 Provisions

Group

	Deferred tax £m	Other provisions £m	Total £m
At 30 January 2011	1 6	3 6	5 2
Charged/(credited) to the profit and loss account	2 0	(0 2)	1 8
At 28 January 2012	<u>3 6</u>	<u>3 4</u>	<u>7 0</u>

Analysis of deferred tax

	28 January 2012 £m	29 January 2011 £m
Accelerated capital allowances	<u>3 6</u>	<u>1 6</u>

Company

	Deferred tax £m	Other provisions £m	Total £m
At 30 January 2011	1 4	3 6	5 0
Charged/(credited) to the profit and loss account	2 0	(0 2)	1 8
At 28 January 2012	<u>3 4</u>	<u>3 4</u>	<u>6 8</u>

Harrods Limited

Notes to the Financial Statements for the Period from 30 January 2011 to 28 January 2012

Legislation was introduced in the Finance Act 2011 to reduce the main rate of corporation tax from 27% to 26% with effect from 1 April 2011 and to 25% with effect from 1 April 2012. The effect of these tax rate reductions is reflected in the recognised deferred tax asset of the group of £3.6m.

On 21 March 2012 as part of the 2012 Budget, the UK government announced its intention to legislate to further reduce the rate to 24% with effect from 1 April 2012 and further, by 1% per annum falling to 22% with effect from 1 April 2014. These changes were not substantively enacted by the balance sheet date and therefore are not reflected in the closing deferred tax asset. The directors estimate the effect of these rate changes would be to reduce the deferred tax asset of the group by £0.6m.

Harrods Limited

Notes to the Financial Statements for the Period from 30 January 2011 to 28 January 2012

17 Share capital

	28 January 2012 £m	29 January 2011 £m
Authorised		
215m ordinary shares of 10p each	21.5	21.5
1 'A' special rights redeemable preference share of £1	-	-
1 'B' special rights redeemable preference share of £1	-	-
	<u>21.5</u>	<u>21.5</u>
Allotted, called up and fully paid shares		
192m Allotted and fully paid of £0.10 each (2011: 192m)	<u>19.2</u>	<u>19.2</u>

18 Dividends

	28 January 2012 £m	29 January 2011 £m
Dividends paid		
Current period interim dividend paid	90.5	22.7
Dividends proposed and recognised in the accounts		
Final dividend declared	<u>10.0</u>	<u>-</u>
	<u>100.5</u>	<u>22.7</u>

19 Reserves

Group

	Revaluation reserve £m	Profit and loss account £m	Total £m
At 30 January 2011	0.4	536.0	536.4
Profit for the period	-	89.5	89.5
Dividends	-	(100.5)	(100.5)
Actuarial loss on pension schemes	-	(13.7)	(13.7)
Deferred tax relating to actuarial gain/loss on pension schemes	-	3.6	3.6
At 28 January 2012	<u>0.4</u>	<u>514.9</u>	<u>515.3</u>

Harrods Limited

Notes to the Financial Statements for the Period from 30 January 2011 to 28 January 2012

Company

	Revaluation reserve £m	Profit and loss account £m	Total £m
At 30 January 2011	0.4	519.4	519.8
Profit for the period	-	84.8	84.8
Dividends	-	(100.5)	(100.5)
Actuarial loss on pension schemes	-	(13.2)	(13.2)
Deferred tax relating to actuarial gain/loss on pension schemes	-	3.5	3.5
At 28 January 2012	0.4	494.0	494.4

20 Reconciliation of movement in shareholders' funds

Group

	28 January 2012 £m	29 January 2011 £m
Profit attributable to the members of the group	89.5	78.4
Other recognised (losses)/gains relating to the period	(10.1)	1.4
Dividends	(100.5)	(22.7)
Net (reduction)/addition to shareholders' funds	(21.1)	57.1
Shareholders' funds at start of period	555.6	498.5
Shareholders' funds at end of period	534.5	555.6

Company

	28 January 2012 £m	29 January 2011 £m
Profit attributable to the members of the company	84.8	76.0
Other recognised (losses)/gains relating to the period	(9.7)	1.9
Dividends	(100.5)	(22.7)
Net (reduction)/addition to shareholders' funds	(25.4)	55.2
Shareholders' funds at start of period	539.0	483.8
Shareholders' funds at end of period	513.6	539.0

Harrods Limited

Notes to the Financial Statements for the Period from 30 January 2011 to 28 January 2012

21 Pension schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension charge for the period represents contributions payable by the group to the scheme and amounted to £3.2m (2011: £3.1m).

Contributions totalling £0.5m (2011: £0.5m) were payable to the scheme at the end of the period and are included in creditors.

Defined benefit pension scheme

During the period the group operated the Harrods Group Pension Plan ("the Plan"), an approved defined benefit scheme. This scheme was closed to new membership and new accruals in April 2006.

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

An actuarial valuation of the Plan as at 5 April 2009 on a Scheme Specific Funding basis was carried out by the Scheme Actuary. The deficit on this basis was £103.0m as at 5 April 2009. An updated funding position at 31 December 2009 revealed a shortfall in assets of £88.0m, on which a recovery plan was based as agreed with the Plan Trustees.

In order for the Plan to be fully funded by 31 January 2014, the Trustees and Principal Employer agreed the following on 25 August 2010:

- Annual contributions totalling £14.0m per annum payable in each of January 2011, January 2012, January 2013 and January 2014
- Plan expenses (including any insurance premiums and PPF levies) of £1.0m per annum to continue to be met by the Employers
- Recognising the risks inherent in the performance of the financial markets during the deficit correction period, the principal employer has also agreed to fund any deficits outside an agreed tolerance band during this period.

During the period ended 28 January 2012, the participating employers made total contributions to the plan of £17.2m (2011: £31.6m).

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the balance sheet are as follows:

	28 January 2012 £m	29 January 2011 £m
Fair value of scheme assets	340.5	304.5
Present value of scheme liabilities	(338.3)	(300.4)
	2.2	4.1
Irrecoverable surplus	(2.2)	(4.1)
Defined benefit pension scheme surplus/(deficit)	-	-

Harrods Limited

Notes to the Financial Statements for the Period from 30 January 2011 to 28 January 2012

Related deferred tax liability	-	0 0
Net liability in the balance sheet	-	0 0

Scheme assets

Changes in the fair value of scheme assets are as follows

	28 January 2012 £m	29 January 2011 £m
Fair value at start of period	304 5	269 6
Expected return on assets	16 5	16 1
Actuarial gains and losses	2 8	7 2
Employer contributions	13 7	21 9
Benefits paid	(10 2)	(10 3)
Transfers	13 2	-
Fair value at end of period	340 5	304 5

Pension scheme assets have been reallocated between group companies to bring allocations into line with actuarial valuations to ensure that the same principle of allocation be used across both the scheme assets and liabilities. The allocation adjustment is disclosed under the "Transfer" line in the changes of fair value of scheme assets section above.

Analysis of assets

The major categories of scheme assets are as follows

	28 January 2012 £m	29 January 2011 £m
Equity instruments	104 8	108 8
Debt instruments	134 1	102 5
Cash	50 4	43 7
Other assets	51 2	49 5
	340 5	304 5

Actual return on scheme's assets

	30 January 2011 to 28 January 2012 £m	31 January 2010 to 29 January 2011 £m
Actual return on scheme assets	19 3	23 4

Harrods Limited

Notes to the Financial Statements for the Period from 30 January 2011 to 28 January 2012

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company

The overall expected return on assets assumption is derived as the weighted average of the expected returns from each of the main asset classes

Scheme liabilities

Changes in the present value of scheme liabilities are as follows

	28 January 2012 £m	29 January 2011 £m
Present value at start of period	300.4	293.5
Actuarial gains and losses	31.6	1.1
Interest cost	16.5	16.1
Benefits paid	(10.2)	(10.3)
Present value at end of period	<u>338.3</u>	<u>300.4</u>
Analysed as.		
Present value arising from wholly or partly funded schemes	<u>338.3</u>	<u>300.4</u>

Principal actuarial assumptions

The principal actuarial assumptions at the balance sheet date are as follows

	28 January 2012 %	29 January 2011 %
Discount rate	4.7	5.6
Future pension increases	2.3	3.1
Inflation	3.1	3.6
Expected return on scheme assets - equity	6.2	7.6
Expected return on scheme assets - cash	2.6	4.0
Expected return on scheme assets - other	4.4	5.7

Post retirement (at age 60) mortality assumptions

	28 January 2012 Years	29 January 2011 Years
Current pensioners at retirement age - male	28.3	28.1
Current pensioners at retirement age - female	30.9	30.8
Future pensioners at retirement age - male	31.5	31.3
Future pensioners at retirement age - female	34.1	34.0

Harrods Limited

Notes to the Financial Statements for the Period from 30 January 2011 to 28 January 2012

Amounts recognised in the profit and loss account

	30 January 2011 to 28 January 2012 £m	31 January 2010 to 29 January 2011 £m
Amounts recognised in operating profit		
Recognised in arriving at operating profit	-	-
Amounts recognised in other finance cost		
Interest cost	16 5	16 1
Expected return on scheme assets	(16 5)	(16 1)
Recognised in other finance cost	-	-
Total recognised in the profit and loss account	-	-

Harrods Limited

Notes to the Financial Statements for the Period from 30 January 2011 to 28 January 2012

Amounts recognised in the statement of total recognised gains and losses

	28 January 2012 £m	29 January 2011 £m
Actual return less expected return on scheme assets	2 8	7 2
Impact of irrecoverable surplus	15 1	(4 2)
Changes in assumptions	(31 6)	(1 1)
Actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses	<u>(13 7)</u>	<u>1 9</u>

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains/(losses) since 1 January 2002 is (£57 3m) (2011 (£43 5m))

History of experience adjustments on scheme assets and liabilities

Amounts for the current and previous 4 periods are as follows

	28 January 2012 £m	29 January 2011 £m	30 January 2010 £m	31 January 2009 £m	2 February 2008 £m
Fair value of scheme assets	340 5	304 5	269 6	213 0	257 3
Present value of scheme liabilities	<u>(338 3)</u>	<u>(300 4)</u>	<u>(293 5)</u>	<u>(232 5)</u>	<u>(249 0)</u>
Surplus/(deficit) in scheme	<u>2 2</u>	<u>4 1</u>	<u>(23 9)</u>	<u>(19 5)</u>	<u>8 3</u>

Experience adjustments

	28 January 2012 £m	29 January 2011 £m	30 January 2010 £m	31 January 2009 £m	2 February 2008 £m
Experience adjustments arising on scheme assets	<u>2 8</u>	<u>7 2</u>	<u>25 7</u>	<u>(51 9)</u>	<u>(1 1)</u>
Experience adjustments arising on scheme liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4 3)</u>

Harrods Limited

Notes to the Financial Statements for the Period from 30 January 2011 to 28 January 2012

22 Contingent liabilities

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 £35.2m (2011: £27.5m) and their fair value was -£0.8m (2011: £0.3m) based on exchange rates prevailing at the period end.

The group is not aware of any material contingent liabilities existing at the balance sheet date. 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.

The Harrods Group (Holding) Limited (formerly Qatar Holding UK Limited) cash netting facility is guaranteed by Harrods Limited and other group companies.

There were no other contingent liabilities at 28 January 2012 or 29 January 2011.

23 Commitments

Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £18.3m (2011: £13.9m).

Other Commitments

At 28 January 2012 the company had commitments under concession agreements with the British Airport Authority which were contracted for but not provided for in these financial statements of £6.0m as at the period end (2011: £4.5m).

Harrods Limited

Notes to the Financial Statements for the Period from 30 January 2011 to 28 January 2012

Operating lease commitments

Group

As at 28 January 2012 the group had annual commitments under non-cancellable operating leases as follows

Operating leases which expire

	28 January 2012 £m	29 January 2011 £m
Land and buildings		
Within two and five years	1 1	3 3
Over five years	<u>44 6</u>	<u>42 5</u>
	<u>45 7</u>	<u>45 8</u>
Other		
Within one year	0 5	0 1
Within two and five years	0 3	0 8
Over five years	<u>0 6</u>	<u>0 2</u>
	<u>1 4</u>	<u>1 1</u>

The land and building lease expiring over five years is with a related party (note 25)

Harrods Limited

Notes to the Financial Statements for the Period from 30 January 2011 to 28 January 2012

24 Post balance sheet events

On April 23, 2012 Harrods Limited sold most of its trademarks in respect of the Harrods brand for a market value of £541 million to Harrods Corporate Management Limited, another UK group company. Harrods Limited will now pay Harrods Corporate Management Limited a market royalty in return for the use of the Harrods brand and trademark.

25 Related party transactions

Harrods Limited is a wholly owned subsidiary of Harrods Group (Holding) Limited (formerly Qatar Holding UK Limited), and as permitted by Financial Reporting Standard No 8 "Related party disclosures" has not disclosed transactions with group undertakings.

The group has a subordinated loan to Harrods Property Limited, a company under common ownership, amounting to £286.5m (2011: £286.5m). The loan is non-interest bearing and is repayable on demand by the lender. The maximum receivable during the period was £286.5m (2011: £286.9m).

Harrods Limited is the tenant under a lease with Harrods Property Limited which is for a term of 35 years from December 2006. This lease covers the Harrods store in Knightsbridge and a number of ancillary Harrods properties used for trading operations. During the period the company was charged rent of £42.6m (2011: £41.3m) by Harrods Property Limited. At the period end, the balance of prepaid rent was £3.9m (2011: £3.5m).

There are no other material related party transactions.

26 Ultimate parent undertaking

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

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