

HARRODS LIMITED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
29 JANUARY 2005



HARRODS LIMITED

FINANCIAL STATEMENTS

For the period ended 29 JANUARY 2005

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
Consolidated cash flow statement	11
Notes to the financial statements	12 – 31

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 29 January 2005.

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 29 January 2005 totalled £343.9 million (2004: £329.4 million).

There was a profit for the period after taxation amounting to £14.1 million (2004: £15.3 million). The directors paid a dividend of £39 million (2004: £27 million) in respect of the period.

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)

Other directors who served during the period were:

X M Carr-Griffiths (resigned 23 April 2004)
J Akeroyd (resigned 26 July 2004)
R Simonin (resigned 9 February 2005)
M Franzese (resigned 30 April 2005)
J-L Ouellette (appointed 16 September 2004 and resigned 29 April 2005)

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

Apart from M Al Fayed and A Fayed, who are beneficially interested in the shares of the company as described in note 29, 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 29 January 2005.

HARRODS LIMITED

REPORT OF THE DIRECTORS

Directors' responsibilities for the financial statements

United Kingdom 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 those 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Charitable and political donations

The charitable donations made by the group and charged in the financial statements were £169,017 (2004: £15,299). 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.

HARRODS LIMITED

REPORT OF THE DIRECTORS

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.

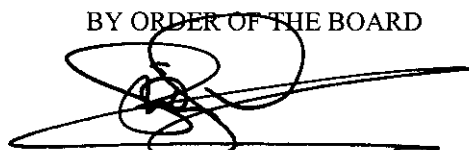
The group is sympathetic to, and pays particular attention to, the cash flow needs of its smaller suppliers. The group takes on average 28 days to pay its creditors (2004: 30 days).

Auditors

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

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
28 November 2005

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 29 January 2005 which comprise the principal accounting policies, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and notes 1 to 29. 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 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 United Kingdom auditing standards.

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 transactions with the company is not disclosed.

We read other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

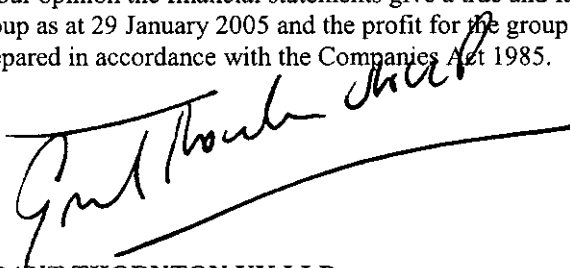
We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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 of the state of affairs of the company and the group as at 29 January 2005 and the profit for the group 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 'Grant Thornton', is written over a horizontal line.

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

**LONDON
28 November 2005**

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 have remained unchanged from the previous period.

BASIS OF CONSOLIDATION

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

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 profit on goods sold during the year which will be returned and refunded after the year end date.

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.

HARRODS LIMITED

PRINCIPAL ACCOUNTING POLICIES

TANGIBLE FIXED ASSETS AND DEPRECIATION

Freehold and long leasehold properties are stated at cost or professional or directors' valuations less accumulated depreciation. All other fixed assets are stated at cost less accumulated depreciation. On adoption of FRS 15 in the 2001 accounts, the group and the company followed the transitional rules and ceased its previous policy of revaluing properties on a regular basis, instead retaining them at their current book values. The values brought forward are retained subject to the requirement to test assets for impairment in accordance with FRS 11. All additions therefore are accounted for at cost.

Depreciation is provided by the group and the company in order 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
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 permanent diminution 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 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.

FOREIGN CURRENCY

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 amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the period, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members.

The group has taken advantage of the transitional provisions of FRS 17 'Retirement Benefits'. Accordingly the pensions charge has been calculated under the existing policy which is in accordance with SSAP 24 'Pension Costs' and disclosure has been made of the assets and liabilities of the scheme under FRS 17.

HARRODS LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

For the period ended 29 JANUARY 2005

	Note	52 weeks ended 29 January 2005 £m	52 weeks ended 31 January 2004 £m
Gross transaction value		492.3	472.5
Turnover	1	343.9	329.4
Cost of sales		(156.8)	(155.4)
Gross profit		187.1	174.0
Distribution and store costs		(130.4)	(125.1)
Administrative expenses		(15.3)	(15.5)
Operating profit	2	41.4	33.4
Other income		0.3	0.5
Profit before exceptional items, interest and taxation		41.7	33.9
Exceptional items	3	(1.5)	0.9
Profit before interest and taxation		40.2	34.8
Net interest	4	(16.3)	(14.9)
Profit on ordinary activities before taxation		23.9	19.9
Tax on profit on ordinary activities	6	(9.8)	(4.6)
Profit on ordinary activities after taxation		14.1	15.3
Dividends	8	(39.0)	(27.0)
Loss retained and transferred from reserves	18	(24.9)	(11.7)

All transactions arise from continuing operations.

There were no recognised gains or losses other than the profit for the financial period.

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

HARRODS LIMITED

BALANCE SHEETS AT 29 JANUARY 2005

		Consolidated		Company	
	Note	At 29 January 2005 £m	At 31 January 2004 £m	At 29 January 2005 £m	At 31 January 2004 £m
Fixed assets					
Tangible fixed assets	9	626.7	645.6	75.1	83.7
Investments	10	7.7	7.7	213.8	213.8
		<u>634.4</u>	<u>653.3</u>	<u>288.9</u>	<u>297.5</u>
Non-current assets					
Debtors due after one year	13	144.0	139.0	144.7	140.1
Current assets					
Properties held for resale	11	6.6	-	-	-
Stocks	12	33.4	31.9	30.2	29.3
Debtors	13	18.1	14.2	17.9	20.7
Cash and bank balance		62.4	37.7	54.5	30.5
		<u>120.5</u>	<u>83.8</u>	<u>102.6</u>	<u>80.5</u>
Creditors: amounts falling due within one year	14	<u>(101.4)</u>	<u>(88.2)</u>	<u>(80.1)</u>	<u>(72.9)</u>
Net current assets/(liabilities)		<u>19.1</u>	<u>(4.4)</u>	<u>22.5</u>	<u>7.6</u>
Total assets less current liabilities		<u>797.5</u>	<u>787.9</u>	<u>456.1</u>	<u>445.2</u>
Creditors: amounts falling due after more than one year	15	(373.4)	(339.0)	(30.2)	-
Provisions for liabilities and charges	16	<u>(5.4)</u>	<u>(5.3)</u>	<u>(6.4)</u>	<u>(6.1)</u>
		<u>418.7</u>	<u>443.6</u>	<u>419.5</u>	<u>439.1</u>
Capital and reserves					
Called up share capital	17	19.2	19.2	19.2	19.2
Revaluation reserve	18	368.6	368.6	0.5	0.5
Profit and loss account	18	30.9	55.8	399.8	419.4
Shareholders' funds	19	<u>418.7</u>	<u>443.6</u>	<u>419.5</u>	<u>439.1</u>

The financial statements were approved by the Board of Directors on 28 November 2005.



A Tanna - Director

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

HARRODS LIMITED**CONSOLIDATED CASH FLOW STATEMENT**

For the period ended 29 JANUARY 2005

	Note	52 weeks ended 29 January 2005 £m	52 weeks ended 31 January 2004 £m
Net cash inflow from operating activities	20	65.3	66.3
Returns on investments and servicing of finance			
Interest received		11.3	10.7
Interest paid		(22.8)	(23.0)
Dividends received from fixed asset investments		0.3	0.4
Net cash outflow from returns on investments and servicing of finance		(11.2)	(11.9)
Taxation paid		(7.5)	(1.1)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(10.4)	(6.1)
Disposal of tangible fixed assets		0.2	1.7
Movement in loans with group undertakings and related parties		(6.1)	(0.5)
Net cash outflow from capital expenditure and financial investment		(16.3)	(4.9)
Equity dividends paid		(39.0)	(27.0)
Financing			
Proceeds from bank borrowings		39.5	-
Repayment of bank borrowings		(6.1)	(4.0)
Net cash inflow/(outflow) from financing	21	33.4	(4.0)
Increase in cash	21,22	24.7	17.4

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 29 JANUARY 2005

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 29 January 2005 £m	52 weeks ended 31 January 2004 £m
Geographical analysis		
United Kingdom	338.7	322.8
Rest of Europe	0.2	0.3
Japan	4.3	5.8
Other	0.7	0.5
	<u>343.9</u>	<u>329.4</u>

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 29 January 2005 £m	52 weeks ended 31 January 2004 £m
Auditors' remuneration:		
Audit services	0.2	0.2
Depreciation on tangible fixed assets	21.6	22.7
Impairment of tangible fixed assets	-	0.7
Rentals paid under operating leases:		
Property	0.2	0.1
Plant and machinery	0.7	0.4
Royalty (income)	<u>(1.2)</u>	<u>(1.3)</u>

Auditors' remuneration in respect of group non-audit services during the period amounted to £24,600 (2004: £nil).

The audit fee of the company was £136,694 (2004: £133,159) and remuneration in respect of non-audit services for the company amounted to £nil (2004: £nil).

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 29 JANUARY 2005

3 EXCEPTIONAL ITEMS

	52 weeks ended 29 January 2005 £m	52 weeks ended 31 January 2004 £m
(Loss)/profit on disposal of fixed assets	<u>(1.5)</u>	<u>0.9</u>

Cash proceeds from the sale of these fixed assets were £0.2m (2004: £1.7m).

4 INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks ended 29 January 2005 £m	52 weeks ended 31 January 2004 £m
Interest payable:		
To third parties	(27.5)	(25.7)
Interest receivable:		
From third parties	0.5	0.3
From group undertakings	<u>10.7</u>	<u>10.5</u>
Net interest payable	<u>(16.3)</u>	<u>(14.9)</u>

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 29 JANUARY 2005

5 DIRECTORS AND EMPLOYEES

Staff costs during the period were as follows:

	52 weeks ended 29 January 2005 £m	52 weeks ended 31 January 2004 £m
Wages and salaries	72.2	72.8
Social security costs	6.6	6.3
Pension costs	4.1	5.8
	<u>82.9</u>	<u>84.9</u>

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

	2005 Number	2004 Number
Production	369	392
Selling and distribution	2,581	2,977
Administration	93	99
	<u>3,043</u>	<u>3,468</u>

In addition, the group employed an average of 78 (2004: nil) agency staff during the period at a cost of £1.1 million (2004: £nil).

Remuneration in respect of directors was as follows:

	52 weeks ended 29 January 2005 £m	52 weeks ended 31 January 2004 £m
Emoluments excluding pension contributions	2.4	2.4
Compensation for loss of office	-	0.2
	<u>2.4</u>	<u>2.6</u>

There are 9 directors to whom retirement benefits are accruing under a defined benefit pension scheme (2004: 10).

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

Emoluments	0.6	0.5
Compensation for loss of office	-	-
	<u>0.6</u>	<u>0.5</u>

The highest paid director's accrued pension at the period end was £2,545 (2004: £894).

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 29 JANUARY 2005

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	52 weeks ended 29 January 2005 £m	52 weeks ended 31 January 2004 £m
Current tax		
Corporation tax at 30% (2004: 30%)	(5.0)	(3.6)
Foreign tax	(0.1)	(0.1)
Group relief	(3.8)	(3.2)
	<u>(8.9)</u>	<u>(6.9)</u>
Under provision in respect of prior years	(0.8)	-
	<u>(9.7)</u>	<u>(6.9)</u>
Deferred tax		
Accelerated capital allowances	-	2.1
Origination and reversal of timing differences	(0.1)	0.2
	<u>(0.1)</u>	<u>2.3</u>
Total tax charge for the period	<u>(9.8)</u>	<u>(4.6)</u>

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% (2004: 30%) for the following reasons:

	52 weeks ended 29 January 2005 £m	52 weeks ended 31 January 2004 £m
Profit on ordinary activities before tax	<u>23.9</u>	<u>19.9</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30% (2004: 30%)	(7.2)	(6.0)
Effect of:		
Expenses not deductible for tax purposes	(0.7)	-
Depreciation for the period in excess of capital allowances	(1.1)	(0.7)
Income and expenses assessed/relieved on a cash basis	0.1	(0.2)
Under provision in respect of prior years	(0.8)	-
Current tax charge for period	<u>(9.7)</u>	<u>(6.9)</u>

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 29 JANUARY 2005

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 £19.4 million (2004: £15.4 million).

8 DIVIDENDS

Equity - ordinary

	52 weeks ended 29 January 2005 £m	52 weeks ended 31 January 2004 £m
Interim paid: 20.3p (2004: 14.1p) per 10p share	<u>39.0</u>	<u>27.0</u>

9 TANGIBLE FIXED ASSETS

Consolidated

	Freehold land and buildings £m	Fixtures, fittings, vehicles and equipment £m	Total £m
Cost and valuation			
At 1 February 2004	578.0	204.0	782.0
Additions	1.2	9.8	11.0
Disposals	-	(5.1)	(5.1)
Assets held for resale transferred to current assets	(7.4)	-	(7.4)
At 29 January 2005	<u>571.8</u>	<u>208.7</u>	<u>780.5</u>
Accumulated depreciation			
At 1 February 2004	15.1	121.3	136.4
Provided in the period	4.7	16.9	21.6
Disposals	-	(3.4)	(3.4)
Assets held for resale transferred to current assets	(0.8)	-	(0.8)
At 29 January 2005	<u>19.0</u>	<u>134.8</u>	<u>153.8</u>
Net book amount at 29 January 2005	<u>552.8</u>	<u>73.9</u>	<u>626.7</u>
Net book amount at 31 January 2004	<u>562.9</u>	<u>82.7</u>	<u>645.6</u>
Cost and valuation			
Valuation	559.8	-	559.8
Cost	12.0	208.7	220.7
	<u>571.8</u>	<u>208.7</u>	<u>780.5</u>

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 29 JANUARY 2005

TANGIBLE FIXED ASSETS (CONTINUED)

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

Consolidated historical cost

	Freehold land and buildings £m	Fixtures, fittings, vehicles and equipment £m	Total £m
At 29 January 2005	205.7	208.7	414.4
Depreciation on historical cost at 29 January 2005	(19.4)	(134.8)	(154.2)
Net book value at 29 January 2005	186.3	73.9	260.2
At 31 January 2004	209.5	204.0	413.5
Depreciation on historical cost at 31 January 2004	(15.1)	(121.3)	(136.4)
Net book value at 31 January 2004	194.4	82.7	277.1

Company

	Freehold land and buildings £m	Fixtures, fittings, vehicles and equipment £m	Total £m
Cost and valuation			
At 1 February 2004	2.1	198.8	200.9
Additions	-	11.0	11.0
Disposals	(0.1)	(5.1)	(5.2)
Group transfers	-	(1.2)	(1.2)
At 29 January 2005	2.0	203.5	205.5
Accumulated depreciation			
At 1 February 2004	0.2	117.0	117.2
Provided in the period	-	16.6	16.6
Disposals	-	(3.4)	(3.4)
At 29 January 2005	0.2	130.2	130.4
Net book amount at 29 January 2005	1.8	73.3	75.1
Net book amount at 31 January 2004	1.9	81.8	83.7
Cost and valuation			
Valuation - 2000	2.0	-	2.0
Cost	-	203.5	203.5
	2.0	203.5	205.5

HARRÓDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 29 JANUARY 2005

TANGIBLE FIXED ASSETS (CONTINUED)

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
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	1.4	73.3	74.7
At 31 January 2004	1.6	198.8	200.4
Depreciation on historical cost at 31 January 2004	(0.1)	(117.0)	(117.1)
Net book value at 31 January 2004	1.5	81.8	83.3

Freehold properties are stated at cost or professional or directors' valuation. On adoption of FRS 15 in the 2001 accounts, the group and the company followed the transitional provision rules and ceased its previous policy of revaluing its properties, instead retaining them at their current book values.

Some of the freehold properties of the group were valued independently as at 31 December 1999. Those properties primarily occupied by the group were valued on the basis of Existing Use Value and the remainder (principally residential and development properties) on the basis of Open Market Value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. The group's principal valuers were Cushman & Wakefield Healey & Baker, International Real Estate Consultants, and W A Ellis, Estate Agents and Surveyors. The remainder of the freehold properties were revalued by the directors as at 31 December 1999. These valuations were adopted by the directors and incorporated in the financial statements at 29 January 2000.

The freehold properties of the group were revalued in September 2005 as detailed in the post balance sheet event note on page 29.

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 £6.8 million (2004: £2.7 million) in both the group and the company.

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 29 JANUARY 2005

10 INVESTMENTS

Consolidated

	Unlisted investments £m
Cost	
At 1 February 2004 and 29 January 2005	<u>7.7</u>
Net book amount at 29 January 2005	<u>7.7</u>
Net book amount at 31 January 2004	<u>7.7</u>

Company

	Unlisted investments £m	Shares in group under- takings £m	Total £m
Shares at cost:			
At 1 February 2004 and 29 January 2005	<u>2.3</u>	<u>211.9</u>	<u>214.2</u>
Provisions at 1 February 2004 and 29 January 2005	<u>-</u>	<u>(0.4)</u>	<u>(0.4)</u>
Net book value at 29 January 2005	<u>2.3</u>	<u>211.5</u>	<u>213.8</u>
Net book value at 31 January 2004	<u>2.3</u>	<u>211.5</u>	<u>213.8</u>

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 29 January 2005 the aggregate capital and reserves was £7.7 million (2004: £7.7 million) and the profit for the period ended 29 January 2005 was £0.4 million (2004: £0.2 million).

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 29 JANUARY 2005

FIXED ASSETS - INVESTMENTS (CONTINUED)

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 29 January 2005 £m	At 31 January 2004 £m	At 29 January 2005 £m	At 31 January 2004 £m
Properties held for resale	6.6	-	-	-

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

On 29 April 2005, the group sold one of its freehold properties at a profit. Sale proceeds amounted to £13.5 million.

12 STOCKS

	Consolidated		Company	
	At 29 January 2005 £m	At 31 January 2004 £m	At 29 January 2005 £m	At 31 January 2004 £m
Finished goods for resale	33.4	31.9	30.2	29.3

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 29 JANUARY 2005

13 DEBTORS

	Consolidated		Company	
	At 29	At 31	At 29	At 31
	January	January	January	January
	2005	2004	2005	2004
	£m	£m	£m	£m
Amounts falling due within one year:				
Trade debtors	11.1	8.6	1.6	2.0
Amounts owed by group undertakings	0.9	0.3	11.4	14.5
Other debtors	1.7	1.0	1.2	0.6
Prepayments and accrued income	4.4	4.3	3.7	3.6
	<u>18.1</u>	<u>14.2</u>	<u>17.9</u>	<u>20.7</u>
Amounts due after one year:				
Amounts owed by group undertakings	<u>144.0</u>	<u>139.0</u>	<u>144.7</u>	<u>140.1</u>

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		Company	
	At 29	At 31	At 29	At 31
	January	January	January	January
	2005	2004	2005	2004
	£m	£m	£m	£m
Bank loans	6.9	3.9	-	-
Trade creditors	34.9	33.7	34.2	33.1
Amounts owed to group undertakings	6.5	6.5	2.9	2.6
Social security and other taxes	11.4	11.0	11.4	10.9
Corporation tax payable	4.0	2.4	4.0	2.4
Other creditors	15.6	13.1	10.0	7.7
Pension contribution accrual	3.0	3.9	2.7	3.6
Accruals and deferred income	19.1	13.7	14.9	12.6
	<u>101.4</u>	<u>88.2</u>	<u>80.1</u>	<u>72.9</u>

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated		Company	
	At 29	At 31	At 29	At 31
	January	January	January	January
	2005	2004	2005	2004
	£m	£m	£m	£m
Bank loan	360.2	329.5	-	-
Amounts owed to group undertakings	-	-	30.2	-
Accruals	13.2	9.5	-	-
	<u>373.4</u>	<u>339.0</u>	<u>30.2</u>	<u>-</u>

HARRODS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 29 JANUARY 2005

CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED)

	Consolidated		Company	
	At 29	At 31	At 29	At 31
	January	January	January	January
	2005	2004	2005	2004
	£m	£m	£m	£m
Bank loan with repayment dates:				
In one year or less	6.9	3.9	-	-
Between one and two years	6.7	5.0	-	-
Between two and three years	7.1	5.6	-	-
Between three and four years	7.4	6.2	-	-
Between four and five years	8.1	7.0	-	-
Between five and ten years	52.4	47.2	-	-
Between ten and fifteen years	74.4	74.3	-	-
Between fifteen and sixteen years	208.1	188.0	-	-
	<u>371.1</u>	<u>337.2</u>	-	-
Issue costs	(5.5)	(5.0)	-	-
Amortisation costs	1.5	1.2	-	-
	<u>367.1</u>	<u>333.4</u>	-	-

The loan is repayable quarterly in arrears over 16 years. During the year, the group renegotiated the facility and increased its borrowings by £40 million, with a final payment due in November 2020 of £190 million (2004: £150 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.

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

16 PROVISIONS FOR LIABILITIES AND CHARGES

	Consolidated		Company	
	At 29	At 31	At 29	At 31
	January	January	January	January
	2005	2004	2005	2004
	£m	£m	£m	£m
Deferred taxation				
Balance at 1 February 2004	5.3	7.5	6.1	8.0
Transfer to profit and loss account	0.1	(2.2)	0.3	(1.9)
Balance at 29 January 2005	<u>5.4</u>	<u>5.3</u>	<u>6.4</u>	<u>6.1</u>
Accelerated capital allowances	6.4	6.4	7.3	7.2
Other timing differences	(1.0)	(1.1)	(0.9)	(1.1)
	<u>5.4</u>	<u>5.3</u>	<u>6.4</u>	<u>6.1</u>

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 29 JANUARY 2005

PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

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

	Consolidated		Company	
	At 29	At 31	At 29	At 31
	January	January	January	January
	2005	2004	2005	2004
	£m	£m	£m	£m
Revaluation of properties	7.6	9.0	-	-

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.

17 CALLED UP SHARE CAPITAL

	Consolidated		Company	
	At 29	At 31	At 29	At 31
	January	January	January	January
	2005	2004	2005	2004
	£	£	£	£
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
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.

Included within the shareholders' funds of £420.7 million (2004: £443.6 million) is an amount in respect of non-equity interests of £2 (2004: £2). All other amounts are attributable to the equity shareholders.

HARRODS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 29 JANUARY 2005

18 SHARE PREMIUM ACCOUNT AND RESERVES

	Consolidated	Profit and	Company	Profit and
	Revaluation	loss	Revaluation	loss
	reserve	account	reserve	account
	£m	£m	£m	£m
Balance at 1 February 2004	368.6	55.8	0.5	419.4
Loss retained for the period	-	(24.9)	-	(19.6)
Balance at 29 January 2005	<u>368.6</u>	<u>30.9</u>	<u>0.5</u>	<u>399.8</u>

Included in the profit and loss account reserve is £368.1m (2004: £368.1m) that is non distributable out of the Harrods Holdings Limited group.

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005	2004
	£m	£m
Profit for the financial period	14.1	15.3
Dividends	(39.0)	(27.0)
Net reduction to shareholders' funds	<u>(24.9)</u>	<u>(11.7)</u>
Shareholders' funds at 1 February 2004	443.6	455.3
Shareholders' funds at 29 January 2005	<u>418.7</u>	<u>443.6</u>

20 NET CASH INFLOW FROM OPERATING ACTIVITIES

	52 weeks	52 weeks
	ended 29	ended 31
	January	January
	2005	2004
	£m	£m
Operating profit	41.4	33.4
Depreciation	21.6	22.7
Impairment losses on fixed assets	-	0.7
(Increase)/decrease in stock	(1.5)	2.3
(Increase)/decrease in debtors	(3.4)	0.9
Increase in creditors	7.2	6.3
Net cash inflow from operating activities	<u>65.3</u>	<u>66.3</u>

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 29 JANUARY 2005

21 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	52 weeks ended 29 January 2005 £m	52 weeks ended 31 January 2004 £m
Increase in cash in the period	24.7	17.4
(Proceeds from)/repayment of bank borrowings	(33.4)	4.0
(Increase)/decrease in net debt in the period	(8.7)	21.4
Other non cash charges	(0.3)	(0.3)
Net debt at 1 February 2004	(295.7)	(316.8)
Net debt at 29 January 2005	(304.7)	(295.7)

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

22 ANALYSIS OF CHANGES IN NET DEBT

	At 1 February 2004 £m	Cash flow £m	Other non- cash charges £m	At 29 January 2005 £m
Cash at bank and in hand	37.7	24.7	-	62.4
Bank loan	(333.4)	(33.4)	(0.3)	(367.1)
	(295.7)	(8.7)	(0.3)	(304.7)

23 CAPITAL COMMITMENTS

	Consolidated		Company	
	52 weeks ended 29 January 2005 £m	52 weeks ended 31 January 2004 £m	52 weeks ended 29 January 2005 £m	52 weeks ended 31 January 2004 £m
Contracted for but not provided	3.3	8.3	3.3	5.4
Authorised but not contracted for	7.5	-	-	-

There were no other capital commitments at 29 January 2005 or 31 January 2004.

24 CONTINGENT LIABILITIES

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

There were no contingent liabilities at 29 January 2005 or 31 January 2004. 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.

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 29 JANUARY 2005

25 RETIREMENT BENEFIT OBLIGATIONS

Pensions schemes operated

Within the United Kingdom the group principally operates 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.

Membership of the Plan is no longer available to new employees on the staff scale, who join the group on or after 1 May 2002, during the first five years of employment. The employees are eligible to join the Scheme and can then elect to transfer to the Plan after five years' continuous service. Those employees commencing on the management scale are eligible to apply for either the Scheme or the Plan.

The group pays such contributions to the Scheme and the Plan as required in order to fund benefits for the members and pensioners. The assets of the Scheme and Plan are held in trust separately from the Harrods Holdings Group.

Regular pension costs under SSAP 24

Defined Contribution Scheme

The pension cost under the defined contribution scheme amounted to £35,007 (2004: £15,184). A pension accrual of £nil (2004: £nil) is included in the balance sheet in relation to this scheme.

Defined Benefit Pension Scheme

The group's net pension charge for the Harrods Holdings Group Pension Plan for the period to 29 January 2005 was £4.1 million (2004: £5.9 million), comprising a regular cost of £5.0 million (2004: £5.4 million) less a variation of £0.9 million (2004: plus a variation of £0.5 million). The variation arises in respect of the actuarial deficit, which is being spread over the average remaining working lives of employees who are members of the Plan. The pension charge for the period is lower (2004: higher) than the actual contributions paid resulting in the following accrual in the balance sheet:

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 29 JANUARY 2005

RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

	29 January 2005 £m	31 January 2004 £m
Pension accrual		
Balance at 1 February 2004	(3.9)	(3.4)
Contributions paid	5.0	5.4
Charge to profit and loss account	(4.1)	(5.9)
Balance at 29 January 2005	(3.0)	(3.9)

Pension costs are assessed in accordance with the advice of qualified independent actuaries, Hymans Robertson, based on the results of the actuarial valuation undertaken by Hewitt Bacon & Woodrow Limited as at 6 April 2002. The actuarial valuation assessed the Plan using the projected unit method and a market based valuation approach to ascertain its cost to the group, having adopted the following financial assumptions:

Inflation assumption	2.8%
Rate of increase in salaries	4.3%
Rate of pension increases	2.7%

Following the valuation, the group agreed to increase contributions to the Plan from 10.0% of salaries to 13.9% of salaries with effect from 6 April 2003. From 6 April 2003, member contributions increased from 3.5% to 5.0% of salaries for Staff Scale members and from 5.0% to 7.0% of salaries for Management Scale members.

The group will make an additional contribution to the Plan of £1.2 million (2004: £nil) during the twelve months from April 2005. The group will also increase its contributions to the Plan from 13.9% of salaries to 15.0% of salaries with effect from 6 April 2005.

At the date of the last actuarial valuation, the market value of the assets of the Plan was £177.7 million and the actuarial value of assets covered 98% of the benefits that had accrued to members, after allowing for expected increases in future earnings.

The triennial actuarial valuation of the Harrods Holdings Group Pension Plan was undertaken as at 6 April 2005 as detailed in the post balance sheet event note on page 30.

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 29 JANUARY 2005

RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Financial Reporting Standard 17 Disclosures

The financial statements have, as last period, been prepared in accordance with SSAP 24. This note includes the additional disclosures required in respect of defined benefit schemes under the transitional arrangements established by FRS 17. The information required in connection with FRS 17 and the defined benefit scheme is detailed below.

An approximate actuarial assessment of the Plan was also carried out as at 29 January 2005 by qualified independent actuaries, Hymans Robertson. The major assumptions used by the actuary were:

	29 January 2005	% per annum 31 January 2004	1 February 2003
Discount rate	5.3%	5.5%	5.4%
Inflation assumption	2.9%	2.8%	2.3%
Rate of increase in salaries	4.4%	4.3%	3.8%
Rate of pension increases	2.8%	2.7%	2.4%

At 29 January 2005 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 29 January 2005		As at 31 January 2004		As at 1 February 2003	
	Harrods Group Pension Plan £m	Expected long-term rate of return % per annum	Harrods Group Pension Plan £m	Expected long-term rate of return % per annum	Harrods Group Pension Plan £m	Expected long-term rate of return % per annum
Equities	142.0	7.6%	127.5	7.9%	101.0	7.4%
Corporate bonds	30.1	5.3%	28.0	5.5%	24.6	5.4%
Government bonds	14.3	4.6%	13.2	4.9%	11.4	4.4%
Other	2.9	4.6%	2.3	4.9%	2.4	4.4%
Total market value of assets	189.3		171.0		139.4	
Present value of plan liabilities	(287.6)		(255.8)		(225.9)	
Deficit in the Plan	(98.3)		(84.8)		(86.5)	
Related deferred tax asset	29.5		25.4		26.0	
Net pension liability under FRS 17	(68.8)		(59.4)		(60.5)	

The effect on the Harrods Holdings Group's net assets at 29 January 2005, had the group adopted FRS 17 early, is shown in the financial statements of Harrods Holdings Limited.

Further FRS 17 disclosure

All other disclosures as required under FRS 17 are shown in the financial statements of Harrods Holdings Limited.

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 29 JANUARY 2005

26 LEASING COMMITMENTS

The group has annual commitments under operating leases which expire as follows:

Consolidated

	Plant and machinery 29 January 2005 £m	Plant and machinery 31 January 2004 £m
In one year or less	-	0.1
Between one and five years	0.7	0.4
In five years or more	-	0.1
	<u>0.7</u>	<u>0.6</u>

Company

	Land and buildings 2005 £m	Plant and machinery 2005 £m	Total 2005 £m	Land and buildings 2004 £m	Plant and machinery 2004 £m	Total 2004 £m
Within one year	-	-	-	-	0.1	0.1
Between one and five years	-	-	-	-	0.4	0.4
After five years	<u>30.2</u>	<u>0.7</u>	<u>30.9</u>	<u>27.5</u>	<u>0.1</u>	<u>27.6</u>
	<u>30.2</u>	<u>0.7</u>	<u>30.9</u>	<u>27.5</u>	<u>0.6</u>	<u>28.1</u>

In addition to the above, the company has commitments under concession agreements payable within one year amounting to £22.0 million (2004: £21.6 million). However, £2.7 million (2004: £2.5 million) of this balance is owed to subsidiaries of the Harrods Holdings Group.

27 POST BALANCE SHEET EVENTS

Fixed Assets

On 29 April 2005, the group sold one of its freehold properties at a profit. Sale proceeds amounted to £13.5 million.

The group's freehold properties were valued at £690 million on 30 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 terms.

The independent valuation will be reflected in the financial statements for the period ending 28 January 2006, which is expected to increase tangible assets and the revaluation reserve by over £130 million.

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 29 JANUARY 2005

POST BALANCE SHEET EVENTS (CONTINUED)

Borrowings

In May 2005, the group made an additional repayment of bank debt of £9.45 million.

Retirement Benefit Obligations

The triennial actuarial valuation of the Harrods Holdings Group Pension Plan ("the Plan") was undertaken by Hymans Robertson as at 6 April 2005. The preliminary results of this valuation show that, at the date of the valuation, the market value of the assets of the Plan was £191.2 million which covered 67% of the benefits that had accrued to members. The shortfall between assets and past service liabilities has increased from £14.0 million at 6 April 2002 to £95.2 million at 6 April 2005. The actuarial valuation reflects an increase in the assumed life expectancy and lower bond yields at 6 April 2005.

Pending final results of the valuation and agreement with the trustees over the future funding requirements, the group has agreed to increase its contributions to the plan from 15.0% of salaries currently to 16% of salaries with effect from 6 April 2006. The group will also make an additional contribution to the Plan of £1.2m (2004: £nil) during the twelve months from April 2005.

28 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 £0.2m (2004: £0.2m) was sold to Balnagown Castle Properties Limited. Trade debtors due from Balnagown Castle Properties Limited at 29 January 2005 amounted to £0.1m (2004: £0.1m). The maximum debtor balance during the period was £0.1m (2004: £0.1m).

During the period, the group recharged payroll charges to Barrow Green Court, amounting to £0.1m (2004: £nil). The debtor outstanding at the period end was £nil (2004: £nil). The maximum debtor balance during the period was £nil (2004: nil).

During the period, the group recharged payroll and made administration charges to Fulham Football Club (1987) Limited, amounting to £0.1m (2004: £nil). The debtor outstanding at the period end was £nil (2004: £nil). The maximum debtor balance during the period was £nil (2004: £0.3m).

Fees in respect of marketing and advisory services, received from Fulham Stadium Limited during the period amounted to £0.1m (2004: £nil). Trade debtors due from Fulham Stadium Limited at 29 January 2005 amounted to £0.1m (2004: £nil). The maximum debtor balance during the period was £0.1m (2004: £0.2m).

Engineering, storage and general consulting charges were received from Hyde Park Residence Limited amounted to £0.1m (2004: £0.1m). The maximum debtor balance during the period was £nil (2004: £nil).

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 29 JANUARY 2005

TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES (CONTINUED)

Jasmine Di Milo Limited operates a concession in the Knightsbridge Store, on commercial terms, for which it was charged £0.1m (2004: £0.1m). The debtor outstanding at period end was £nil (2004: £0.1m). The maximum debtor balance during the period was £nil (2004: £0.1m).

Occupancy charges including rent and telephone charges received from Liberty Publishing & Media Limited during the period amounted to £0.1m (2004: £0.1m). The maximum debtor balance during the period was £nil (2004: £0.1m).

Fees in respect of marketing and advisory services levied to Prestige Properties S A during the period amounted to £0.5m (2004: £1.1m). Trade debtors due from Prestige Properties S A at 29 January 2005 amounted to £0.2m (2004: £nil). The maximum debtor balance during the period was £0.2m (2004: £1.4m).

During the period, the group was charged payroll charges by The Ritz Hotel Limited amounting to £nil (2004: £0.1m). The creditor outstanding at period end was £nil (2004: £nil).

Turnbull & Asser Limited operates a concession in the Knightsbridge Store, on commercial terms, for which it was charged £0.4m (2004: £0.4m). The debtor outstanding at period end was £nil (2004: £nil). The maximum debtor balance during the period was £0.1m (2004: £0.1m).

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 £0.2m (2004: £nil).

There are no other related party transactions.

29 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.