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**HARRODS HOLDINGS  
LIMITED**

**FINANCIAL STATEMENTS**

**For the Period ended  
31 JANUARY 2009**

**Company no 1848143**

**HARRODS HOLDINGS LIMITED**  
**FINANCIAL STATEMENTS**

For the period ended 31 JANUARY 2009

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The directors present their report together with the audited financial statements for the period ended 31 January 2009.

**Principal activities**

The principal activity of the company is that of an investment holding company.

**Business review and key performance indicators**

There was a loss for the period after taxation amounting to £14.0 million (2008: Profit £48.5 million). The company paid a dividend of £nil (2008: £30.0million). The loss for the period stems mainly from the reduction in dividend income from investments.

**Post balance sheet events**

Since the balance sheet date, and up to the date of signing these financial statements, dividends amounting to £7.6m have been proposed and paid.

**Directors**

The present membership of the Board is set out below. All served on the Board throughout the period unless otherwise noted.

M Al Fayed  
A Fayed  
O Fayed (resigned 3 March 2009)  
J Byrne  
J McArthur (resigned 12 January 2009)  
A Tanna  
M Ward  
B Smith

Except as disclosed in note 20, no director has had a material interest, directly or indirectly, at any time during the period, in any contract significant to the business of the group or the company.

**Interest rate risk**

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

**Pensions provision**

The company operates two pension schemes:

- (i) the Harrods Group Pension Plan, an approved defined benefit scheme that was closed to further accrual in April 2006
- (ii) the Harrods Retirement Savings Plan, which is an approved defined contribution scheme provided and managed by Fidelity International.

The Harrods Group Pension Plan ("the 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. Further details of the Plan are set out in note 18 to the financial statements.

**Pensions provision (continued)**

In December 2006 it was agreed with the trustee of the Plan a new funding agreement which included a commitment by the company to fund the Plan's deficit on a scheme specific funding basis over 7 years. Accordingly, the Trustee of the Plan commissioned an actuarial valuation of the Plan as at 6 April 2007 on a scheme specific funding basis. The deficit on this basis was £67.5m as at 6 April 2007. In line with the agreement, contributions to the Plan by participating employers were set at £11.6m per annum.

As at 31 January 2009 the retirement benefit calculated in accordance with FRS 17 was a surplus of £0.1m net of deferred tax (2008: surplus of £0.4m).

The adverse impact of stock market declines and lower yields on gilts has had the effect of increasing the deficit on the group pension scheme, as measured on a Scheme Specific Funding basis, over the course of the year. Consequently the group has agreed with the scheme Trustees to make additional lump sum payments into the fund prior to the next formal scheme valuation in 2010.

**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 and political donations**

The charitable donations made by the company and charged in the financial statements were £0.8m (2008: £0.8m). There were no political donations.

**Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial period 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.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

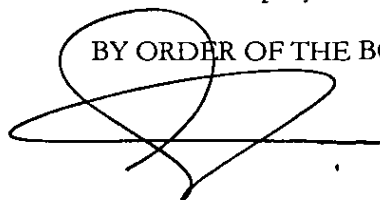
**HARRODS HOLDINGS LIMITED**  
REPORT OF THE DIRECTORS

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**Auditors**

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial period in accordance with Section 487(2) of the Companies Act 2006 unless the company receives notice under Section 488(1) of the Act.

BY ORDER OF THE BOARD

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke, positioned over the text 'BY ORDER OF THE BOARD'.

S Dean FCIS  
Secretary  
31 July 2009

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

## **REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF HARRODS HOLDINGS LIMITED**

We have audited the company financial statements of Harrods Holdings Limited for the period ended 31 January 2009 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the statement of total recognised gains and losses and notes 1 to 21. 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 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 auditor**

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

### **Basis of audit 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 company's circumstances, consistently applied and adequately disclosed.

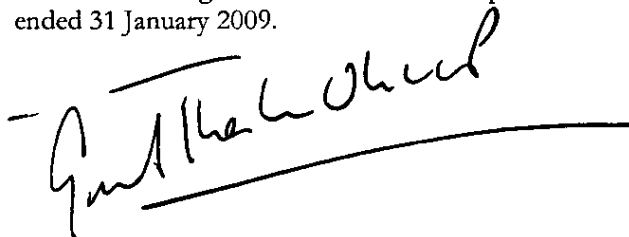
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

**REPORT OF THE AUDITOR TO THE MEMBERS OF  
HARRODS HOLDINGS LIMITED**

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 January 2009 and of its loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements for the period ended 31 January 2009.

A handwritten signature in black ink, appearing to read 'Grant Thornton', is written over a horizontal line.

GRANT THORNTON UK LLP  
REGISTERED AUDITOR  
CHARTERED ACCOUNTANTS

LONDON  
31 July 2009



### **Basis of Preparation**

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of the company's fixed asset investments, and comply with applicable United Kingdom accounting standards and have remained unchanged from the prior period.

Harrods Holdings Limited is a wholly owned subsidiary of AIT UK Holdings Limited which produces Group accounts in accordance with the Companies Act 1985. Consequently the company has taken advantage of the exemption permitted by section 228 of the Act from producing Group accounts. These accounts therefore present information about the company and not about its group.

AIT UK Holdings Limited produces a consolidated cash flow statement in accordance with Financial Reporting Standard No 1 (FRS1). Consequently the company has taken advantage of the exemption in FRS1 from producing a cash flow statement.

### **Tangible Fixed Assets and Depreciation**

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:

Short leasehold assets	Remaining period of lease
Fixtures, fittings, vehicles and equipment	5 - 10 years

### **Fixed asset investments**

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

Fixed asset investments in subsidiary undertakings are stated in the balance sheet of the company at the consolidated net asset value of those subsidiary undertakings, as the directors of the company believe that the subsidiaries' value is not materially less than their combined net asset value. Net surpluses are transferred to a non-distributable revaluation reserve, and net deficits are transferred from this reserve where investments have previously been revalued upwards.

### **Deferred taxation**

Deferred tax is recognised on all timing differences where the transactions or events that give the company 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.

**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 company employees are members of the Harrods Group Pension Plan under which retirement benefits are funded by contributions from the company. Payment is made to the pension trust, which is separate from the company, 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. 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 FRS 17 in note 18 to the accounts.

**HARRODS HOLDINGS LIMITED**  
**PROFIT AND LOSS ACCOUNT**

For the period ended 31 JANUARY 2009

		52 weeks ended 31 January 2009 £'m	52 weeks ended 2 February 2008 £'m
Administration expenses		<u>(7.9)</u>	<u>(5.0)</u>
<b>Operating loss</b>	1	<b>(7.9)</b>	<b>(5.0)</b>
Other income	2	<u>-</u>	<u>61.0</u>
<b>(Loss)/profit on ordinary activities before interest and taxation</b>		<b>(7.9)</b>	<b>56.0</b>
Interest payable	3	<u>(12.5)</u>	<u>(12.3)</u>
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(20.4)</b>	<b>43.7</b>
Tax on profit on ordinary activities	5	<u>6.4</u>	<u>4.8</u>
<b>(Loss)/profit on ordinary activities after taxation</b>		<b><u>(14.0)</u></b>	<b><u>48.5</u></b>

All transactions arise from continuing operations.

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

**HARRODS HOLDINGS LIMITED**  
BALANCE SHEETS AT 31 JANUARY 2009

	Note	At 31 January 2009 £m	At 2 February 2008 £m
<b>Fixed assets</b>			
Tangible assets	7	-	-
Investments	8	578.9	563.9
		<u>578.9</u>	<u>563.9</u>
<b>Current assets</b>			
Debtors due within one year	9	7.4	5.2
Debtors due after more than one year	9	10.0	10.2
Cash at bank and in hand		3.9	5.7
		<u>21.3</u>	<u>21.1</u>
<b>Creditors: amounts falling due within one year</b>	10	<u>(3.5)</u>	<u>(1.3)</u>
<b>Net current assets</b>		<u>17.8</u>	<u>19.8</u>
<b>Total assets less current liabilities</b>		<u>596.7</u>	<u>583.7</u>
<b>Creditors: amounts falling due after more than one year</b>	11	(183.6)	(171.1)
<b>Provisions for liabilities</b>	12	0.6	-
<b>Retirement benefit surplus</b>	17	0.1	0.4
		<u>413.8</u>	<u>413.0</u>
<b>Capital and reserves</b>			
Called up share capital	13	50.0	50.0
Revaluation reserve	14	354.8	339.8
Profit and loss account	14	9.0	23.2
<b>Shareholders' funds</b>	15	<u>413.8</u>	<u>413.0</u>

The financial statements were approved by the Board of Directors on 31 July 2009.

*Benedict Smith*

**B Smith - Director**

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

**HARRODS HOLDINGS LIMITED**  
**OTHER PRIMARY STATEMENT**

For the period ended 31 JANUARY 2009

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**Statement of Total Recognised Gains and Losses**

	52 weeks ended 31 January 2009 £m	52 weeks ended 2 February 2008 £m
<b>Profit for the financial period</b>	<b>(13.9)</b>	<b>48.5</b>
Actuarial (losses)/gains on pension scheme (net of tax)	<u>(0.3)</u>	<u>-</u>
<b>Total recognised gains and losses for the period</b>	<b><u>(14.2)</u></b>	<b><u>48.5</u></b>

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

**HARRODS HOLDINGS LIMITED**  
NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2009

**1 Profit on ordinary activities before taxation**

The profit on ordinary activities before taxation is stated after:

	52 weeks ended 31 January 2009 £'000s	53 weeks ended 2 February 2008 £'000s
Depreciation on tangible fixed assets	<u>4</u>	<u>5</u>

During the period, the company obtained the following services from the company's auditors:

	52 weeks ended 31 January 2009 £'000s	53 weeks ended 2 February 2008 £'000s
Fees payable for the audit of the company's financial statements	<u>87</u>	<u>73</u>

**2 Other income**

	52 weeks ended 31 January 2009 £m	53 weeks ended 2 February 2008 £m
Investment income:		
Dividends receivable from group undertakings	<u>-</u>	<u>61.0</u>

**3 Net interest**

	52 weeks ended 31 January 2009 £m	53 weeks ended 2 February 2008 £m
Interest payable:		
Group undertakings	<u>12.5</u>	<u>12.3</u>

**HARRODS HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 JANUARY 2009

**4 Directors and employees**

Staff costs during the period were as follows:

	52 weeks ended 31 January 2009 £m	53 weeks ended 2 February 2008 £m
Wages and salaries	6.1	3.2
Social security costs	0.8	0.5
Other pension costs	0.2	0.1
	<u>7.1</u>	<u>3.8</u>

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

	2009 Number	2008 Number
Administration	<u>53</u>	<u>54</u>

Remuneration in respect of directors was as follows:

	52 weeks ended 31 January 2009 £'000	52 weeks ended 2 February 2008 £'000
Emoluments	<u>5,135</u>	<u>4,544</u>

Included in emoluments for the period ended 31 January 2009 are pension contributions of £33,897.

The value of emoluments incurred directly by the company was £3.4 m (2008: £2.4 m). Emoluments incurred by the group's subsidiary undertakings was £1.7 m (2008: £2.1 m).

There are 2 directors to whom retirement benefits are accruing under a defined benefit pension scheme (2008: 2) and 3 directors to whom retirement benefits are accruing under a defined contribution scheme (2008: 3).

**HARRODS HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 JANUARY 2009

**Directors and employees (continued)**

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

	52 weeks ended 31 January 2009 £m	53 weeks ended 2 February 2008 £m
Emoluments	<u>2.6</u>	<u>2.4</u>

The highest paid director's accrued pension at the period end was £nil (2008: £nil).

**5 Tax on profit on ordinary activities**

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

	52 weeks ended 31 January 2009 £m	52 weeks ended 2 February 2008 £m
Group relief	5.2	5.2
Prior period adjustment	0.9	(0.2)
Current tax	<u>6.1</u>	<u>5.0</u>
Deferred taxation	0.5	-
FRS17 Deferred taxation	<u>(0.2)</u>	<u>(0.2)</u>
	<u>6.4</u>	<u>4.8</u>
(Loss)/profit on ordinary activities before tax	(20.4)	43.7
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 28.3% (2008: 30%)	5.8	(13.1)
Effect of:		
Income not assessable for tax purposes	(0.6)	18.3
Income and expenses assessed on a cash basis	0.2	0.2
Prior year adjustment	0.9	(0.2)
Transfer pricing adjustment	<u>(0.2)</u>	<u>(0.2)</u>
	<u>6.1</u>	<u>5.0</u>



**HARRODS HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 JANUARY 2009

**6 Dividends**

	52 weeks ended 31 January 2009 £m	53 weeks ended 2 February 2008 £m
Equity - ordinary		
Interim paid: nil p (2008: 97p) per £1 share	-	30.0

**7 Tangible fixed assets**

	Short leasehold £m	Fixtures, fittings, vehicles and equipment £m	Total £m
Cost			
At 31 January 2009 and 2 February 2008	0.3	0.3	0.6
Accumulated depreciation			
At 31 January 2009 and 2 February 2008	(0.3)	(0.3)	(0.6)
Net book amount at 31 January 2009 and 2 February 2008	-	-	-

**8 Fixed asset investments**

	Total £m
Investment in subsidiaries at 3 February 2008	563.9
Share of net increase for the period	15.0
Investment in subsidiaries at 31 January 2009	578.9
Representing:	
Cost of investment	224.1
Share of post acquisition reserve	354.8
	578.9

**HARRODS HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 JANUARY 2009

**Fixed asset investments (continued)**

**Principal subsidiaries**

Operating at 31 January 2009	Country of registration	Principal activity
Harrods (UK) Limited*	England and Wales	Holding company
Harrods Limited	England and Wales	Department store
Harrods Card Handling Company Ltd	England and Wales	Merchant card handling
Harrods International Limited	England and Wales	Tax free retailer and wholesaler
Harrods Watches	England and Wales	Wholesaler
Harrods (Continental) Limited	England and Wales	Exporter
Harrods Estates Limited	England and Wales	Estate agents
PL Management Limited	England and Wales	Property management
Harrods Services Limited	England and Wales	Security staff agency
Genavco Insurance Limited	England and Wales	Insurance broker

\*The whole of the issued ordinary share capital in this company is owned directly by Harrods Holdings Limited. The whole of the ordinary share capital in the other companies is held by intermediate holding companies.

All subsidiary undertakings are wholly owned (100% ordinary shares with voting rights) and are included within the consolidated financial statements.

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 231 of the Companies Act 1985.

**9 Debtors**

	31 January 2009 £m	3 February 2008 £m
<b>Amounts due within one year:</b>		
Amounts owed by company undertakings	7.2	5.0
Other debtors	-	0.2
Prepayments and accrued income	0.2	-
	<u>7.4</u>	<u>5.2</u>
<b>Amounts due after more than one year:</b>		
Loans to related parties	<u>10.0</u>	<u>10.2</u>

As detailed in note 20, in March 2007, the company granted a loan of £10.2 million to AIT Enterprises Limited. The debt is non-interest bearing and is repayable on not less than 12 months notice by the lender. As at 31 January 2009, the balance outstanding was £10.0 million (2008: £10.2 million).

**HARRODS HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 JANUARY 2009

**10 Creditors: amounts falling due within one year**

	31 January 2009 £m	2 February 2008 £m
Social security and other taxes	0.2	0.5
Amounts owed to company undertakings	0.6	0.4
Accruals and deferred income	2.7	0.4
	<u>3.5</u>	<u>1.3</u>

**11 Creditors: amounts falling due after more than one year**

	31 January 2009 £m	2 February 2008 £m
Amounts owed to company undertakings	<u>183.6</u>	<u>171.1</u>

**12 Provisions for liabilities and charges**

	31 January 2009 £m	2 February 2008 £m
<b>Deferred Taxation</b>		
Balance at 3 February 2008	-	-
Transfer from profit and loss account	0.6	-
Balance at 31 January 2009	<u>0.6</u>	<u>-</u>

**13 Called up share capital**

	31 January 2009 £m	2 February 2008 £m
<u>Authorised:</u>		
50,000,000 ordinary shares of £1 each	50.0	50.0
A 'A' special rights redeemable preference share of £1	-	-
1 'B' special rights redeemable preference share of £1	-	-
	<u>50.0</u>	<u>50.0</u>
 <u>Allotted and fully paid:</u>		
50,000,000 ordinary shares of £1 each	<u>50.0</u>	<u>50.0</u>

**HARRODS HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 JANUARY 2009

**14 Reserves**

	31 January 2009 £m	2 February 2008 £m
<b>Profit and loss account</b>		
Balance at 3 February 2008	23.2	4.7
(Loss)/Profit for the period	(14.0)	48.5
Dividends	-	(30.0)
Actuarial loss on Pension Scheme	(0.2)	-
Balance at 31 January 2009	<u>9.0</u>	<u>23.2</u>

	31 January 2009 £m	2 February 2008 £m
<b>Revaluation Reserve</b>		
Balance at 3 February 2008	339.8	350.3
Share of net surplus/(deficit) for the period	15.0	(10.5)
Balance at 31 January 2009	<u>354.8</u>	<u>339.8</u>

**15 Reconciliation of movements in shareholders' funds**

	52 weeks ended 31 January 2009 £m	52 weeks ended 2 February 2008 £m
(Loss)/profit after tax for the financial period	(14.0)	48.5
Dividends	-	(30.0)
Retained (loss)/profit for the period	<u>(14.0)</u>	<u>18.5</u>
Share of net surplus/(deficit) for the period	15.0	(10.4)
Actuarial loss on pension scheme	(0.2)	-
	<u>0.8</u>	<u>8.1</u>
Shareholders' funds at 3 February 2008	413.0	404.9
Shareholders' funds at 31 January 2009	<u>413.8</u>	<u>413.0</u>

**16 Commitments**

At 31 January 2009 the company had no capital commitments (2008: £nil).

## **17 Contingent liabilities**

The Harrods Holdings Group and Harrods Aviation Group's cash netting facility is guaranteed by Harrods Holdings Limited and other group companies. There are no other contingent liabilities at 31 January 2009 or 2 February 2008.

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. Further disclosure of ongoing matters is deemed seriously prejudicial.

There were no other contingent liabilities at 31 January 2009 or 2 February 2008.

## **18 Retirement benefit obligations**

### **Pensions schemes operated**

During the period the Harrods Holdings group principally operated two schemes in which the company participated:

- (i) the Harrods Retirement Savings Plan ("the Stakeholder Scheme"), which is an approved defined contribution scheme; it was established in April 2006 and is provided and managed by Fidelity International.
- (ii) the Harrods Group Pension Plan ("the Plan"), which is an approved defined benefit scheme.

### **Stakeholder scheme**

The pension cost under the defined contribution scheme amounted to £0.2m (2008: £0.1m). A pension accrual of £nil (2008: £nil) is included in the balance sheet in relation to this scheme.

### **Defined Benefit Pension Scheme ("the Plan")**

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

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

In December 2006, the Harrods Group agreed with the Trustee of the Plan that it will be fully funded on a scheme specific basis by 31 January 2014 (within seven years). The resulting Funding Agreement was entered into on 15 December 2006.

An actuarial valuation of the Plan as at 6 April 2007 on a Scheme Specific Funding basis was carried out by qualified actuaries Hymans Robertson. The deficit on this basis was £67.5m as at 6 April 2007. At that time the amended contributions, in order for the Plan to be fully funded by 31 January 2014, were agreed as follows:

For the period ended 31 JANUARY 2009

**Retirement benefit obligations (continued)**

- (i) monthly contributions totaling £10.6m per annum with effect from 1 October 2007
- (ii) monthly contributions totaling an estimated £0.7m per annum to fund administrative expenses of the Plan, with effect from 6 April 2007
- (iii) annual contribution estimated at £0.3m to fund the Pension Protection Fund levy and other such pension scheme levies as are payable by the employers and Trustee under the terms of the Pension Schemes Act 1993 and the Pensions Act 2004

Accordingly, during the period ended 31 January 2009, the participating employers made total contributions to the plan of £11.4m (total contributions in the previous year were £15.3m). In addition, £38.9m (2008: £26.9m) was released from the Escrow account and transferred to the Plan. All participating employers have contributed to these payments.

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

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.

Amounts contributed by the company are therefore summarized in the tables below.

**Financial Reporting Standard 17 Disclosures**

For the period ended 31 January 2009, the company has applied the Amendment to FRS17 Retirement Benefits which is effective for accounting periods commencing on or after 6 April 2007. This amendment replaces the existing disclosure requirements with those of IAS 19.

Mercer, the new actuaries and administrators to the plan, as appointed by the Pension Trustees in 2008, carried out a valuation of the plan's assets and liabilities. The FRS17 liabilities of the plan as at 31 January 2009 were obtained by projecting forward the FRS17 liabilities as at 2 February 2008 calculated by Hymans Robertson, the previous actuaries.

The major assumptions used by the actuary were:

	% per annum		
	31 January 2009	2 February 2008	3 February 2007
Discount rate	6.7%	6.2%	5.3%
Inflation assumption	3.5%	3.5%	3.0%
Rate of increase in salaries	n/a	n/a	n/a
Rate of pension increases (LPI 5%)	3.4%	3.4%	2.9%
Rate of pension increases (LPI 2.5%)	2.3%	2.5%	2.5%
Longevity at age 60 for current pensioners			
- Men	26.8	26.7	24.6
- Women	29.8	29.6	27.6
Longevity at age 60 for future pensioners			
- Men	28.0	27.9	25.9
- Women	30.8	30.7	28.9

**HARRODS HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 JANUARY 2009

**Retirement benefit obligations (continued)**

The sensitivities regarding these assumptions are as follows:

	<b>Change in assumption</b>	<b>Effect on value of liabilities</b>
Discount rate	Increase/decrease by 0.1% p.a.	Decrease/increase by 2.0%
Inflation assumption	Increase/decrease by 0.1% p.a.	Increase/decrease by 2.0%
Longevity	Increase by 1 year	Increase by 2%

The company's share of 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 qualified independent actuary were as follows:

	<b>As at 31 January 2009</b>		<b>As at 2 February 2008</b>		<b>As at 3 February 2007</b>	
	<b>£m</b>	<b>Expected long-term rate of return % per annum</b>	<b>£m</b>	<b>Expected long-term rate of return % per annum</b>	<b>£m</b>	<b>Expected long-term rate of return % per annum</b>
Equities	1.3	7.7%	1.6	7.1%	2.0	7.5%
Equity option	-	7.7%	0.2	7.1%	-	n/a
Corporate bonds	0.5	6.9%	0.4	6.2%	0.3	5.5%
Government bonds	0.8	4.2%	0.4	4.2%	0.4	4.6%
Total return investments	0.7	7.7%	0.7	7.1%	0.7	7.5%
Other	-		0.1	9.7%	0.2	9.8%
Cash earmarked for investment	0.3		1.3	7.1%	-	n/a
Cash	0.8	3.7%	-	4.95%	0.7	n/a
<b>Total asset held by the Plan</b>	<b>4.4</b>		<b>4.7</b>		<b>4.3</b>	
Monies held in Escrow	-		0.3	4.95%	-	4.8%
<b>Total fair value of assets</b>	<b>4.4</b>		<b>5.0</b>		<b>4.3</b>	
Present value of plan liabilities	(4.3)		(4.6)		(4.6)	
<b>(Deficit)/surplus in the Plan</b>	<b>0.1</b>		<b>0.4</b>		<b>(0.3)</b>	
Irrecoverable surplus	-		(0.2)		-	
<b>(Deficit)/surplus recognised in balance sheet</b>	<b>0.1</b>		<b>0.2</b>		<b>(0.3)</b>	
Related deferred tax asset	-		0.2		0.3	
<b>Net pension (liability)/asset</b>	<b>0.1</b>		<b>0.4</b>		<b>-</b>	

As required following changes to FRS17, the Plan assets at 31 January 2009 are shown at estimated bid value as either supplied by the relevant investment manager, where available, or using an adjustment factor applied by the Plan's investment consultant.

**HARRODS HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 JANUARY 2009

**Retirement benefit obligations (continued)**

	31 January 2009 £m	2 February 2008 £m
<b>Analysis of amounts charged to operating profit</b>		
Current service cost	-	-
Effect of curtailments or settlements	-	-
Total operating credit	-	-
<b>Analysis of amounts included as other finance costs</b>		
Expected return on pension plan assets	(0.3)	(0.2)
Interest cost on pension plan liabilities	0.3	0.2
Net financial cost	-	-
<b>Analysis of amounts recognised in statement of total recognised gains and losses</b>		
Actuarial losses/(gains) immediately recognised	0.5	(0.3)
Effect of surplus cap	(0.2)	0.2
Actuarial loss/(gain) recognised in statement of total recognised gains and losses	0.3	(0.1)
<b>Changes in the benefit obligation during the period were as follows:</b>		
Benefit obligation at beginning of year	4.6	4.6
Interest Cost	0.3	0.2
Actuarial gains	(0.4)	(0.3)
Benefits paid	(0.2)	(0.2)
Effect of change in assumptions underlying present value of scheme liabilities	-	0.3
Benefit obligation at end of year	4.3	4.6



For the period ended 31 JANUARY 2009

**Retirement benefit obligations (continued)**

	31 January 2009 £m	2 February 2008 £m
Changes in the plan assets during the period were as follows:		
Fair value of plan assets at beginning of year	5.0	4.3
Expected return on plan assets	0.3	0.2
Actuarial losses	(0.9)	-
Monies paid from escrow account to plan	(0.6)	(0.4)
Monies paid to escrow account by employer	-	0.2
Employer contribution	0.7	0.7
Benefits Paid	(0.2)	(0.2)
Effect of change in assumptions underlying present value of scheme assets	-	0.2
Fair value of plan assets at end of year	<u>4.3</u>	<u>5.0</u>

The actual return on plan assets follows:

	Year to 31 January 2009 £m	Year to 2 February 2008 £m
Actual return on plan assets	<u>(0.6)</u>	<u>0.2</u>

**History of experience gains and losses**

The following disclosures provide five year history for the company:

	31 January 2009		1 February 2009		3 February 2007		28 January 2006		29 January 2005	
	£m	%	£m	%	£m	%	£m	%	£m	%
Benefit obligation at end of year	(4.3)		(4.6)		(4.6)		(5.2)		(4.1)	
Fair value of plan assets at end of year	<u>4.4</u>		<u>5.0</u>		<u>4.3</u>		<u>3.3</u>		<u>2.7</u>	
Surplus/(deficit) in the plan	0.1		0.4		(0.3)		(1.9)		(1.4)	
Difference between actual and expected return on assets	(1.0)	(21.7)%	-	(0.4)%	-	0.9%	0.5	14.3%	0.1	3.2%
Experience (losses)/gains on plan liabilities	-	-	(0.1)	(1.7)%	(0.2)	(3.5)%	-	(0.8)%	-	-
Amount recognised in statement of total recognised gains and losses	(0.3)	9%	0.1	1.6%	0.5	9.8%	(0.5)	(9.1)%	(0.1)	(3.3)%

Cumulative amount of gains/(losses) immediately recognized in statement of recognised gains and losses since introduction of FRS17 is a loss of (£0.3m) (2008: gain of £0.1m)

**HARRODS HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 JANUARY 2009

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**19 Commitments**

**Leasing commitments**

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

	31 January 2009 £m	2 February 2008 £m
Land and buildings		
In five years or more	0.5	0.2

**Other commitments**

The adverse impact of stock market declines and lower yields on gilts has had the effect of increasing the deficit on the group pension scheme, as measured on a Scheme Specific Funding basis, over the course of the year. Consequently it has been agreed with the scheme Trustees to make an additional lump sum payment into the fund of £10 million on or by 31 January 2010 and a further £10 million, if certain conditions are met, on or by 31 March 2010.

**20 Transactions with directors /and other related parties**

During the period the company entered into transactions with a number of entities, which are under the control of the Company's ultimate controlling party. These entities comprise Alfayed Charitable Foundation, Hyde Park Residence Limited, The Ritz Hotel, Limited and AIT Enterprises Limited. The transactions and balances with these entities are not considered to be material except as described below.

The Company has taken advantage of the exemption in Financial Reporting Standard No 8 "Related Party Disclosures" and has not disclosed transactions with company undertakings.

During the period, the company made charitable donations to the Alfayed Charitable Foundation amounting to £0.8m (2008: £0.8m).

During the period, the company was charged administration charges from Hyde Park Residence Limited amounting to £0.3m (2008: £0.3m). The creditor outstanding at period end was £nil (2008: £nil). The maximum creditor balance during the period was £nil (2008: £nil).

In March 2007, the company granted a loan of £10.2m to AIT Enterprises Limited. The debt is non-interest bearing and is repayable on not less than 12 months notice by the lender. As at 31 January 2009, the balance outstanding was £ 10.0m (2008: £10.2m)

There are no other related party transactions.

**21 Ultimate parent undertaking**

The company's immediate parent undertaking is AIT Participations Limited, a company incorporated in the United Kingdom. The ultimate UK parent undertaking of AIT Participations Limited is AIT UK Holdings Limited. The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by AIT UK Holdings Limited. The group accounts will be filed with the Registrar of Companies in due course.

The ultimate parent undertaking is Mafco Holdings Limited, a company incorporated in Bermuda. All interests in the company continue to be controlled and held for the benefit of the Fayed family.