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HARRODS (UK) LIMITED

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

3 FEBRUARY 2007

Company no 1889348

HARRODS (UK) LIMITED

FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

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HARRODS (UK) LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the period ended 3 February 2007

Principal activity

The principal activity of the company is the provision of management services to subsidiaries. It also holds fixed asset properties and investments. The principal subsidiaries of the company are retail businesses.

Business review

There was a profit for the period after taxation amounting to £62.4 million (2006: £37.6 million). The directors paid dividends of £60.0 million (2006: £17.0 million).

Post balance sheet events

On 1 March 2007, the company sold its investments in Harrods Aviation Holdings Limited, Harrods Leisure Holdings Limited and a number of non-trading entities to AIT Enterprises Limited, which is under the common control of the group's ultimate parent undertaking. The sale proceeds amounted to £10.6m, the group realised a profit on the disposal.

Directors

The present membership of the Board is set out below:

M Al Fayed
A Fayed (Chairman)
A Tanna
J Byrne
D R Parker
J Healy
M Ward (appointed 01/08/06)
O Al Fayed (appointed 01/11/06)
B Smith (appointed 10/11/06)

Other directors who served during the period were:

N Blow (resigned 31/01/07)
Sir G Mulcahy (resigned 27/11/06)

M Al Fayed, A Fayed and O Al Fayed are beneficially interested in the shares of Harrods Holdings Limited, the ultimate parent company in the United Kingdom, as described in note 23. No other director in office at 3 February 2007 held any beneficial interest in the shares of Harrods Holdings Limited or of any of its subsidiaries at 28 January 2006 or at 3 February 2007 or at time of appointment.

Except as stated in note 22 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 company.

Financial risk management objectives and policies

The company uses various financial instruments which include cash, trade debtors, trade creditors and amounts due to group undertakings that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

The main risks arising from the company's financial instruments are currency risk, interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

HARRODS (UK) LIMITED

REPORT OF THE DIRECTORS

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably

The company's policy throughout the year has been to achieve this objective through management's day to day involvement in business decisions rather than through setting maximum or minimum liquidity ratios

Interest rate risk

The company finances its operations through retained profits

The interest rate exposure of the financial assets and liabilities of the company as at 3 February 2007 is shown in the balance sheet. The balance sheet includes trade debtors and creditors as these do not attract interest and are therefore subject to fair value interest rate risk

Statement of directors' responsibilities

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

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

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

HARRODS (UK) LIMITED

REPORT OF THE DIRECTORS

Statement of directors' responsibilities (continued)

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

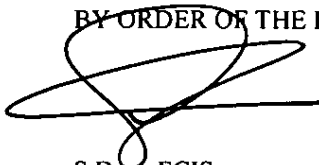
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

Auditors

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

BY ORDER OF THE BOARD



S Dean FCIS
Secretary

27th July 2007

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF HARRODS (UK) LIMITED

We have audited the financial statements of Harrods (UK) Limited for the period ended 3 February 2007 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the note of historical cost profit and losses and notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of the directors and auditors

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

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

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

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

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

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
HARRODS (UK) LIMITED**

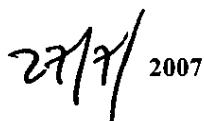
Opinion

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 3 February 2007 and of its profit for the period then ended,
- 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 3 February 2007


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

LONDON

 27/2/ 2007

HARRODS (UK) LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

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

Harrods (UK) Limited is a wholly owned subsidiary of Harrods 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.

Harrods 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.

INVESTMENT PROPERTIES

Investment properties are revalued annually and are included in the balance sheet at their open market values. The surpluses or deficits on revaluation of such properties are transferred to the revaluation reserve. Depreciation is not provided in respect of freehold investment properties. Leasehold investment properties are not amortised where the unexpired term is over twenty years.

This policy represents a departure from the Companies Act 1985, which requires depreciation to be provided on all fixed assets. The directors consider that this policy is necessary in order that the financial statements may give a true and fair view, because current values and changes in current values are of prime importance rather than the calculation of systematic annual depreciation. The financial effect of the departure from the Companies Act is not material.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided by the company in order to write down to estimated residual value, if any, the cost or valuation of tangible fixed assets over their estimated useful economic lives by equal annual instalments, on the following basis:

Land	Not depreciated
Freehold properties	20-35 years
Fixtures and fittings and Equipment	5 - 10 years

LEASED ASSETS

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

INVESTMENTS

Investments are included at cost less amounts written off.

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

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

The company has adopted the provisions of FRS 17 'Retirement Benefits'. 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 recognized gains and losses. Disclosure has been made of the assets and liabilities of the scheme under FRS 17 in Note 20 to the accounts.

HARRODS (UK) LIMITED**PROFIT AND LOSS ACCOUNT**

For the period ended 3 FEBRUARY 2007

	Note	53 weeks ended 3 February 2007 £m	52 weeks ended 28 January 2006 £m
Turnover	1	0.5	0.6
Cost of sales		<u>(0.5)</u>	<u>(0.6)</u>
Gross profit		-	-
Administrative expenses		<u>1.7</u>	<u>(3.3)</u>
Operating profit/(loss)		1.7	(3.3)
Profit on sale of fixed assets	2	0.1	0.5
Profit on disposal of subsidiary	3	0.3	16.4
Other income	4	<u>55.0</u>	<u>18.7</u>
Profit before interest and taxation	1	57.1	32.3
Net interest	5	<u>8.2</u>	<u>6.4</u>
Profit on ordinary activities before taxation		65.3	38.7
Tax on profit on ordinary activities	7	<u>(2.9)</u>	<u>(1.1)</u>
Profit on ordinary activities after taxation	16	<u>62.4</u>	<u>37.6</u>

All transactions arise from continuing operations

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

HARRODS (UK) LIMITED**BALANCE SHEET AT 3 FEBRUARY 2007**

	Note	At 3 February 2007 £m	At 28 January 2006 £m
Fixed assets			
Tangible assets	9	3.7	0.9
Investments	10	<u>742.3</u>	<u>742.3</u>
		746.0	743.2
Current assets			
Debtors due within one year	11	1.1	6.3
Debtors due after more than one year	11	192.8	218.0
Properties held for resale	12	-	2.2
Cash at bank and in hand		<u>14.4</u>	<u>9.7</u>
		208.3	236.2
Creditors amounts falling due within one year	13	<u>(3.2)</u>	<u>(2.8)</u>
Net current assets		205.1	233.4
Total assets less current liabilities		951.1	976.6
Creditors amounts falling due after more than one year	14	(116.5)	(136.3)
Retirement benefit obligations	20	<u>(1.0)</u>	<u>(12.8)</u>
		833.6	827.5
Capital and reserves			
Called up share capital	15	6.1	6.1
Share premium account	16	218.0	218.0
Merger reserve	16	576.0	576.0
Capital redemption reserve	16	-	-
Revaluation reserve	16	0.9	0.3
Profit and loss account	16	<u>32.6</u>	<u>27.1</u>
Total shareholders' funds	17	833.6	827.5

The financial statements were approved by the Board of Directors on *July 27*, 2007

Benedict Smith

B Smith - Director

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

HARRODS (UK) LIMITED

OTHER PRIMARY STATEMENT

For the period ended 3 FEBRUARY 2007

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	53 weeks ended 3 February 2007 £m	52 weeks ended 28 January 2006 £m
Profit for the financial period	62.4	37.6
Unrealised surplus on revaluation of land and buildings	0.6	-
Actuarial gains/(losses) on pension scheme (net of tax)	<u>3.1</u>	<u>(3.2)</u>
Total recognised gains and losses for the period	<u>66.1</u>	<u>34.4</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	53 weeks ended 3 February 2007 £m	52 weeks ended 28 January 2006 £m
Reported profit on ordinary activities before taxation	65.3	38.7
Difference between depreciation on historical cost and revalued basis	-	(0.2)
Historical cost profit for the period before taxation	<u>65.3</u>	<u>38.5</u>
Historical cost profit for the period after taxation	<u>62.4</u>	<u>37.4</u>

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

HARRODS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	53 weeks ended 3 February 2007 £m	52 weeks ended 28 January 2006 £m
Represents the charge for management services provided to subsidiaries	<u>0.5</u>	<u>0.6</u>

The profit on ordinary activities before taxation is stated after charging/(crediting)

	53 weeks ended 3 February 2007 £'000	52 weeks ended 28 January 2006 £'000
Depreciation on tangible fixed assets	24	25
Exceptional pension curtailment gains (note 20)	(2,400)	-
Provision against amounts owed by group undertakings	<u>423</u>	<u>2,939</u>

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

	53 weeks ended 3 February 2007 £'000's	52 weeks ended 28 January 2006 £'000's
Fees payable for the audit of the company's financial statements	5	8
Fees payable for other services		
- audit of subsidiary undertakings	3	4
- taxation services	5	5
- other services	<u>-</u>	<u>56</u>

2 PROFIT ON SALE OF FIXED ASSETS

	53 weeks ended 3 February 2007 £m	52 weeks ended 28 January 2006 £m
Profit on sale of property	<u>0.1</u>	<u>0.5</u>

3 PROFIT ON DISPOSAL OF SUBSIDIARY

	53 weeks ended 3 February 2007 £m	52 weeks ended 28 January 2006 £m
Profit on sale of Kurt Geiger Limited	<u>0.3</u>	<u>16.4</u>

HARRODS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

4 OTHER INCOME

	53 weeks ended 3 February 2007 £m	52 weeks ended 28 January 2006 £m
Investment income		
Dividends receivable from group undertakings	<u>55.0</u>	<u>18.7</u>

5 NET INTEREST

	53 weeks ended 3 February 2007 £m	52 weeks ended 28 January 2006 £m
Payable		
Group undertakings	(10.4)	(11.0)
External	(0.1)	(0.1)
Other finance expense (FRS17)	<u>(0.1)</u>	<u>(0.2)</u>
	<u>(10.6)</u>	<u>(11.3)</u>
Receivable		
Group undertakings	14.9	14.4
Other	3.9	3.3
	<u>18.8</u>	<u>17.7</u>
Net interest receivable	<u>8.2</u>	<u>6.4</u>

6 DIRECTORS AND EMPLOYEES

Staff costs during the period were as follows

	53 weeks ended 3 February 2007 £'000	52 weeks ended 28 January 2006 £'000
Wages and salaries	706	675
Social security costs	61	61
Other pension costs	<u>212</u>	<u>72</u>
	<u>979</u>	<u>808</u>

HARRODS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

DIRECTORS AND EMPLOYEES (CONTINUED)

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

	53 weeks ended 3 February 2007 Number	52 weeks ended 28 January 2006 Number
Administration	<u>10</u>	<u>12</u>

Remuneration in respect of directors was as follows

	53 weeks ended 3 February 2007 £'000	52 weeks ended 28 January 2006 £'000
Emoluments excluding pension contributions	5,097	6,519
Compensation for loss of office	-	390
	<u>5,097</u>	<u>6,909</u>

There are 4 directors to whom retirement benefits are accruing under a defined benefit pension scheme (2006 5) and 5 directors to whom retirement benefits are accruing under a defined contribution scheme (2006 nil)

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

	53 weeks ended 3 February 2007 £'000	52 weeks ended 28 January 2006 £'000
Emoluments	<u>2,563</u>	<u>5,000</u>

The highest paid director's accrued pension at the period end was £nil (2006 £nil)

HARRODS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	53 weeks ended 3 February 2007 £m	52 weeks ended 28 January 2006 £m
Group relief	(2.3)	(1 9)
Prior year adjustment	-	0 8
Current tax	(2.3)	(1 1)
FRS17 Deferred taxation	(0.6)	-
Tax charge for the period	(2.9)	(1 1)
Profit on ordinary activities before tax	65.3	38 7
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30% (2006 30%)	(19 6)	(11 6)
Effect of		
Prior year adjustment	-	0 8
Income not assessable for tax purposes	16.7	9 7
Income and expenses assessed on a cash basis	0.6	-
Current tax charge for period	(2 3)	(1 1)

8 DIVIDENDS

	53 weeks ended 3 February 2007 £m	52 weeks ended 28 January 2006 £m
Equity - ordinary		
Interim paid £9 84p (2006 £2 78p) per £1 share	60.0	17 0

Post balance sheet dividends are disclosed in note 24

HARRODS (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 3 FEBRUARY 2007

9

INVESTMENT PROPERTIES AND TANGIBLE FIXED ASSETS

	Investment Properties		Fixtures, fittings and equipment	Total £m
	Freehold £m	Long leasehold £m	£m	
Cost or valuation				
At 29 January 2006	0.6	0.4	0.2	1.2
Additions	-	1.1	-	1.1
Disposals	-	(1.1)	-	(1.1)
Transfer from current assets	-	2.2	-	2.2
Revaluation	-	0.6	-	0.6
At 3 February 2007	<u>0.6</u>	<u>3.2</u>	<u>0.2</u>	<u>4.0</u>
Depreciation				
At 29 January 2006 and at 3 February 2007	-	0.1	0.2	0.3
Net book amount at 3 February 2007	<u>0.6</u>	<u>3.1</u>	<u>-</u>	<u>3.7</u>
Net book amount at 28 January 2006	<u>0.6</u>	<u>0.3</u>	<u>-</u>	<u>0.9</u>
Cost or valuation				
Valuation	0.5	3.2	-	3.7
Cost	0.1	-	0.2	0.3
	<u>0.6</u>	<u>3.2</u>	<u>0.2</u>	<u>4.0</u>

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

Historical cost

	Investment Properties		Fixtures, fittings and equipment	Total £m
	Freehold £m	Long leasehold £m	£m	
At 3 February 2007	0.5	2.4	0.2	3.1
Depreciation on historical cost	-	-	(0.2)	(0.2)
Net book value at 3 February 2007	<u>0.5</u>	<u>2.4</u>	<u>-</u>	<u>2.9</u>
At 28 January 2006	0.5	0.2	0.2	0.9
Depreciation on historical cost	-	-	(0.2)	(0.2)
Net book value at 28 January 2006	<u>0.5</u>	<u>0.2</u>	<u>-</u>	<u>0.7</u>

HARRODS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

TANGIBLE FIXED ASSETS (CONTINUED)

Freehold properties are stated at cost or professional or director's valuation

Most of the company's investment properties were revalued as at 3 February 2007 by a qualified independent valuer and member of RICS. The valuations were in accordance with the requirements of the RICS Appraisal and Valuation Standards and the valuation of each property was on the basis of Market Value

All other fixed assets are stated at cost

10 FIXED ASSET INVESTMENTS

	Shares in group undertakings £m
Cost	
At 29 January 2006 and at 3 February 2007	<u>742.3</u>
Net book amount at 3 February 2007	<u>742.3</u>
Net book amount at 28 January 2006	<u>742.3</u>

The principal subsidiary undertakings registered in England and Wales and operating in the United Kingdom at 3 February 2007 are

	Principal activity
Harrods Limited*	Department store
Harrods International Limited	Tax free retailer and wholesaler
Harrods Card Handling Company Ltd	Merchant card handling
Harrods (Continental) Limited	Exporter
Harrods Estates Limited	Estate agency
PL Management Limited	Property management
Harrods Services Limited	Security staff agency
Genavco Insurance Limited	Insurance brokers
Harrods Aviation Limited	Executive jet handling company
Air Harrods Limited	Helicopter operator

*The whole of the issued share capital in these companies is owned directly by Harrods (UK) Limited. The whole of the share capital in the other companies is held by intermediate holding companies

HARRODS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

FIXED ASSET INVESTMENTS (CONTINUED)

Harrods Bank Limited, a company registered in England, is accounted for as an unlisted investment in the accounts of Harrods Limited, although Harrods Limited continues to retain full economic interest through 100% of the non-voting shares

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

11 DEBTORS

	At 3 February 2007 £m	At 28 January 2006 £m
Amounts due within one year:		
Amounts owed by other group undertakings	-	-
Other debtors	0.2	6.2
Corporation Tax	0.9	-
Prepayments and accrued income	-	0.1
	<u>1.1</u>	<u>6.3</u>
Amounts due after more than one year:		
Amounts owed by group undertakings	192.8	183.3
Other debtors	-	34.7
	<u>192.8</u>	<u>218.0</u>
	<u>193.9</u>	<u>224.3</u>

12 PROPERTIES HELD FOR RESALE

	At 3 February 2007 £m	At 28 January 2006 £m
Properties held for resale	<u>-</u>	<u>2.2</u>

Properties previously held for resale have been transferred back to tangible fixed assets at their carrying value

HARRODS (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 3 FEBRUARY 2007

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	At 3 February 2007 £m	At 28 January 2006 £m
Amounts owed to group undertakings	0.5	0.4
Other creditors	0.1	0.1
Corporation tax	2.3	1.3
Accruals and deferred income	0.3	1.0
	<u>3.2</u>	<u>2.8</u>

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	At 3 February 2007 £m	At 28 January 2006 £m
Amounts owed to group undertakings	<u>116.5</u>	<u>136.3</u>

15 CALLED UP SHARE CAPITAL

	2007 £	2006 £
Authorised		
10,000,000 ordinary shares of £1 each	10,000,000	10,000,000
1 'A' special rights redeemable preference share of £1	1	1
1 'B' special rights redeemable preference share of £1	1	1
	<u>10,000,002</u>	<u>10,000,002</u>
Allotted and fully paid		
6,098,118 ordinary shares of £1 each	6,098,118	6,098,118
Shares classed as financial liabilities		
1 'A' special rights redeemable preference share of £1	-	1
1 'B' special rights redeemable preference share of £1	-	1
	<u>6,098,118</u>	<u>6,098,120</u>

On 24 January 2007 the redeemable preference shares of £1 each were redeemed at par. This amount has been transferred to a capital redemption reserve.

HARRODS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

16 SHARE PREMIUM ACCOUNT AND RESERVES

The company has elected to adopt section 132 of the Companies Act 1985, which limits the premium arising on the issue of shares in group reorganisations to a 'minimum premium value'. Under this section, the excess over the minimum premium value may be credited to a merger reserve.

	Share premium account £m	Merger reserve £m	Revaluation reserve £m	Profit and loss account £m
At 29 January 2006	218.0	576.0	0.3	27.1
Actuarial gain on pension scheme	-	-	-	3.1
Profit for the period	-	-	-	62.4
Dividends	-	-	-	(60.0)
Revaluation	-	-	0.6	-
At 3 February 2007	<u>218.0</u>	<u>576.0</u>	<u>0.9</u>	<u>32.6</u>

At 3 February 2007, there is a balance of £2 (2006: £nil) on the capital redemption reserve.

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £m	2006 £m
Profit on ordinary activities after taxation	62.4	37.6
Dividends	(60.0)	(17.0)
Retained profit for the period	<u>2.4</u>	<u>20.6</u>
Actuarial gain/(loss) on pension scheme	3.1	(3.2)
Revaluation	0.6	-
Net increase to shareholders' funds	<u>6.1</u>	<u>17.4</u>
Shareholders' funds at 29 January 2006	827.5	810.1
Shareholders' funds at 3 February 2007	<u>833.6</u>	<u>827.5</u>

18 CAPITAL COMMITMENTS

The company had no capital commitments at 3 February 2007 or 28 January 2006.

19 CONTINGENT LIABILITIES

The Harrods Holdings Group's cash netting facility is guaranteed by Harrods (UK) Limited and other group companies. There are no other contingent liabilities at 3 February 2007 or 28 January 2006.

20 RETIREMENT BENEFIT OBLIGATIONS

Pension schemes operated

During the period the Harrods Holdings group principally operated two schemes

- (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 £28,882 (2006 £nil) A pension accrual of £nil (2006 £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 will not accrue future pension benefits under the Plan
- (ii) the existing accrued pension benefit of members will be protected and preserved at its existing level as at 5 April 2006 and will be revalued until retirement as if the members had left the Group
- (iii) a new defined contribution pension scheme, the Harrods Retirement Savings Plan, has been introduced with effect from 5 April 2006

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 and included the following provisions

- (i) a contribution of £3.0 million to the Plan on 15 January 2007
- (ii) a payment of £50.5 million (£1.6 million of this amount relates to non group companies covered by the Plan) on 15 January 2007 into an Escrow account held solely for the benefit of the Plan
- (iii) the balance of the Escrow account will be released to the Trustee by 4 February 2008
- (iv) a second ranking charge in favour of the Trustee over the properties owned by Harrods Property Limited
- (v) a lien over the inventory owned by Harrods Limited comprising goods held for re-sale
- (vi) the Trustee will commission an actuarial valuation of the Plan as at 5 April 2007 on a scheme specific funding basis
- (vii) monthly contributions totalling £16.3 million per annum from February 2007 for a period of 7 years, or those agreed following the Scheme Specific Funding valuation as at 5 April 2007

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

Accordingly, during the year ended 3 February 2007, the participating employers made total contributions to the Plan of £62.5 million, including a payment of £50.5 million into the abovementioned Escrow account All participating employers have contributed to these payments, pro-rated on the basis of their share of the Plan's pension liabilities (as calculated by the Plan actuary), including the two related party participating employers

Amounts contributed by the Harrods (UK) Limited are therefore summarized in the tables below

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

HARRODS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Financial Reporting Standard 17 Disclosures

For the period ended 3 February 2007, the company has accounted for its defined benefit pension liability in accordance with FRS 17

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

Using the results of the actuarial valuation, an approximate actuarial assessment of the Plan for FRS 17 purposes has been carried out as at 3 February 2007 using the projected unit method of valuation. The major assumptions used by the actuary were

	3 February 2007	% per annum 28 January 2006	29 January 2005
Discount rate	5.3%	4.7%	5.3%
Inflation assumption	3.0%	3.0%	2.9%
Rate of increase in salaries	n/a	4.5%	4.4%
Rate of pension increases (LPI 5%)	2.9%	2.9%	2.8%
Rate of pension increases (LPI 2.5%)	2.5%	2.5%	n/a
Longevity at age 60 for current pensioners			
- Men	24.6	24.5	21.2
- Women	27.6	27.5	24.2
Longevity at age 60 for future pensioners			
- Men	25.9	25.8	22.6
- Women	28.9	28.8	25.6

The sensitivities regarding these assumptions are as follows

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

HARRODS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

At 3 February 2007 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

	As at 3 February 2007		As at 28 January 2006		As at 29 January 2005	
	£m	Expected long-term rate of return % per annum	£m	Expected long-term rate of return % per annum	£m	Expected long-term rate of return % per annum
Equities	16.4	7.5%	21.0	7.0%	9.3	7.6%
Corporate bonds	2.7	5.5%	3.6	4.7%	2.0	5.3%
Government bonds	3.3	4.6%	2.0	4.0%	0.9	4.6%
Total return investments	5.6	7.5%	-	n/a	-	n/a
Active currency	1.4	9.8%	-	n/a	-	n/a
Other	-	n/a	0.7	4.0%	0.2	4.6%
Total asset held by the Plan	29.4		27.3		12.4	
Monies held in Escrow	5.9	4.8%	-	n/a	-	n/a
Total market value of assets	35.3		27.3		12.4	
Present value of plan liabilities	(37.7)		(42.8)		(18.9)	
Deficit in the Plan	(2.4)		(15.5)		(6.5)	
Related deferred tax asset	1.4		2.7		2.0	
Net pension liability under FRS 17	(1.0)		(12.8)		(4.5)	

At 3 February 2007, £1.8m of the deferred tax asset relates to monies held in escrow, and will be realized as monies are released from escrow to the Plan, in accordance with the Funding Agreement

As at 31 January 2004, the total market value of assets in the plan was £11.3 million, the present value of plan liabilities was £16.8 million, resulting in a deficit in the plan of £5.5 million (before related deferred tax asset)

Profit and Loss Disclosures

	3 February 2007	28 January 2006
	£m	£m
Analysis of amounts charged to operating profit		
Current service cost	0.2	0.9
Curtailment and settlements	(2.4)	(0.1)
Total operating charge	(2.2)	0.8

Analysis of amounts included as other finance costs

Expected return on pension plan assets	(1.8)	(1.6)
Interest cost on pension plan liabilities	1.9	1.8
Net financial cost	0.1	0.2

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

Actual return less expected return on assets	0.3	3.9
Experience gain on liabilities	(1.3)	(0.3)
Impact of changes in assumptions relating to the present value of plan liabilities	4.7	(7.5)
Actuarial gain/(loss) recognised in STRGL	3.7	(3.9)

HARRODS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

	3 February 2007 £m	28 January 2006 £m
Movement in the deficit during the period		
Deficit in the plan at 29 January 2006	(15.5)	(6.5)
Retention of Kurt Geiger pension deficit	-	(5.0)
Current service cost	(0.2)	(0.9)
Employer Contributions	1.4	0.9
Monies paid into escrow account by employers	5.9	-
Impact of curtailments and settlements	2.4	0.1
Net financial cost	(0.1)	(0.2)
Actuarial gain/(loss)	3.7	(3.9)
Deficit in the plan at 3 February 2007	<u>(2.4)</u>	<u>(15.5)</u>

History of experience gains and losses

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

	3 February 2007		28 January 2006		29 January 2005		31 January 2004	
	£m	%	£m			%	£m	%
Difference between actual and expected return on assets	0.3	0.9%	3.9	14.3%	0.4	3.2%	1.5	13.6%
Experience (losses)/gains on liabilities	(1.3)	(3.5%)	(0.3)	(0.8%)	-	-	(0.4)	(2.2%)
Amount recognised in statement of total recognised gains and losses against liabilities	3.7	9.8%	(3.9)	(9.1%)	(0.6)	(3.3%)	0.5	2.9%

21 LEASING COMMITMENTS

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

	3 February 2007		28 January 2006	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
In five years or more	<u>-</u>	<u>-</u>	<u>0.3</u>	<u>-</u>

HARRODS (UK) LIMITED

• NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

22 TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES

During the period the company traded with a number of companies, which are under the control of one or more of the company's ultimate shareholders. These companies comprise Bocardo Societe Anonyme, Fulham Football Club (1987) Limited, Gallant Minerals Services Limited, Hyde Park Residence Limited, Liberty Holdings Limited (and subsidiaries), The Ritz Hotel Limited and Turnbull & Asser Limited. The transactions with these companies are not material except as described below.

During the period, the company recharged payroll and made administration charges to Bocardo Societe Anonyme, amounting to £0.1 million (2006: £4.1 million). The debtor outstanding at the period end was £nil (2006: £nil).

During the period, the company recharged payroll and made administration charges to Fulham Football Club (1987) Limited, amounting to £38.2 million (2006: £32.3 million). The debtor outstanding at the period end was £nil (2006: £40.2 million). The maximum debtor balance during the period was £54.8 million (2006: £40.2 million).

During the period, the company recharged payroll and made administration charges to Liberty Publishing & Media Limited, amounting to £0.3 million (2006: £0.3 million). The debtor outstanding at the period end was £nil (2006: £0.4 million). The maximum debtor balance during the period was £0.4 million (2006: £0.4 million).

The company is a wholly owned subsidiary of Harrods Holdings Limited and, as permitted by Financial Reporting Standard 8 "Related Party Disclosures", transactions with other entities in the Harrods Holdings Group are not disclosed.

There are no other related party transactions.

23 ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking of Harrods (UK) Limited is Harrods Holdings Limited, which is the parent undertaking of the Harrods Holdings Group and which is both the smallest and the largest group which consolidates the results of the company. The group accounts will be filed with the Registrar of Companies in due course.

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

24 POST BALANCE SHEET EVENTS

Harrods (UK) Limited has declared and paid dividends of £nil (2006: £55m) since the balance sheet date.

On 1 March 2007, the company sold its investments in Harrods Aviation Holdings Limited, Harrods Leisure Holdings Limited and a number of non-trading entities to AIT Enterprises Limited, which is under the common control of the group's ultimate parent undertaking. The sale proceeds amounted to £10.6m, the group realised a profit on the disposal.