

Harrods Group (Holding) Limited

(formerly Qatar Holding UK Limited)

Directors' Report and Consolidated Financial Statements

for the Period ended 28 January 2012

Registration number 5990648



Harrods Group (Holding) Limited
(formerly Qatar Holding UK Limited)
Contents

Directors' Report	1 to 3
Statement of Directors' Responsibilities	4
Independent Auditor's Report	5 to 6
Consolidated Profit and Loss Account	7
Consolidated Statement of Total Recognised Gains and Losses	8
Consolidated Balance Sheet	9
Balance Sheet	10
Consolidated Cash Flow Statement	11 to 12
Notes to the Financial Statements	13 to 37

Harrods Group (Holding) Limited
(formerly Qatar Holding UK Limited)

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

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

Principal activity

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

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

Other group activities include aviation services business from London's Luton and Stansted airports, concessions at London's Heathrow and Gatwick airports, export of Harrods branded merchandise to overseas department stores and airport terminals, and direct sales via the internet at Harrods.com. The group also operates in the real estate business through Harrods Estates and operates an insurance broker, Genavco Insurance.

Results of ordinary activities before exceptional items

The year ended 28 January 2012, was another record year for Harrods with group turnover (the sale of goods and services, excluding VAT, trade discounts and concession sales) growing to £696.0m (2011: £623.4m), and operating profit up to £112.7m (2011: £81.4m) and profit before tax to £90.9m (2011: £78.1m).

The year saw a very significant programme of capital expenditure, with total additions of £108.6m (2011: £32.6m).

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

Harrods Group (Holding) Limited
(formerly Qatar Holding UK Limited)

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

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Business review

Principal risks and uncertainties

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

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

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

Profit for the financial period and the dividend

Turnover for the period to 28 January 2012 totalled £696.0m (2011 £623.4m)

There was a profit for the period after taxation amounting to £64.4m (2011 £56.5m). The company declared a dividend in the period £77.5m (2011 £nil).

Directors of the company

The directors who held office during the period were as follows

M A Ward

B J Smith (resigned 31 July 2012)

A M Al-Sayed

K J Al-Kuwari

H Al-Abdulla

K Maamria

His Excellency Sheikh Hamad Bin Jassim Bin Jaber Al Thani

The following director was appointed after the period end

S J Brown (appointed 1 September 2012)

Harrods Group (Holding) Limited
(formerly Qatar Holding UK Limited)

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

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Credit risk

Due to the nature of the Group's operations, exposure to credit risk from trading is not considered to be material

The group has a significant loan to a related party, Harrods Property Limited, amounting to £286.5m (2011 £286.5m). This loan has been assessed by the Directors as recoverable (note 27)

Currency risk

The group is exposed to foreign exchange risk on overseas purchasing, but only approximately 11.0% (2011 10.4%) of the group's purchases are contracted in a foreign currency. Transaction exposures are hedged partially using forward currency contracts or currency options, up to one year in advance. Additionally, the group accepts foreign currency in the Knightsbridge store and airport outlets and retains this currency to settle foreign currency obligations.

Employee involvement

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

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

Employment of disabled persons

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

Charitable donations

The charitable donations made by the group and charged in the financial statements were £0.1m (2011 £0.3m). In addition, during the period the group supported various charities by hosting fundraising events within the Harrods store in Knightsbridge. There were no political donations.

Payment of creditors

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

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

Harrods Group (Holding) Limited

Statement of Directors' Responsibilities

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

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

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

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

Disclosure of information to the auditors

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

Reappointment of auditors

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

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

Approved by the Board on 11 October 2012 and signed on its behalf by



J M Goldberg
Company secretary

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

Independent Auditor's Report to the Members of Harrods Group (Holding) Limited

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

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities (set out on page 4), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

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

Opinion on other matter prescribed by the Companies Act 2006

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

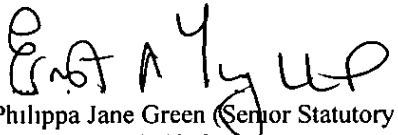
**Independent Auditor's Report to the Members of
Harrods Group (Holding) Limited**

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Matters on which we are required to report by exception

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

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


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

Date 16-10-2012

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

		52 weeks ended 28 January 2012 Total £m	52 weeks ended 29 January 2011 Total £m
Turnover	2	696 0	623 4
Cost of sales		<u>(314 0)</u>	<u>(280 2)</u>
Gross profit		382 0	343 2
Distribution costs		(250 7)	(226 4)
Administrative expenses		(39 8)	(48 4)
Other income	3	<u>21 2</u>	<u>13 0</u>
Operating profit	3	112 7	81 4
Non-operating exceptional items	4	2 5	(2 6)
Interest receivable	5	1 4	1 2
Interest payable	6	<u>(25 7)</u>	<u>(1 9)</u>
Profit on ordinary activities before taxation		90 9	78 1
Tax on profit on ordinary activities	9	<u>(26 5)</u>	<u>(21 6)</u>
Profit on ordinary activities after taxation	21	<u>64 4</u>	<u>56 5</u>

All transactions derive wholly from continuing operations

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

	Note	52 weeks ended 28 January 2012 £m	52 weeks ended 29 January 2011 £m
Profit for the financial period		64.4	56.5
Actuarial loss recognised on defined benefit pension scheme net of deferred tax		(12.7)	(7.4)
Total recognised gains and losses relating to the period		<u>51.7</u>	<u>49.1</u>

Harrods Group (Holding) Limited
Consolidated Balance Sheet at 28 January 2012

	Note	28 January 2012 £m	29 January 2011 £m
Fixed assets			
Intangible fixed assets	12	476 6	486 9
Tangible fixed assets	13	207 1	120 4
Investments	14	9 2	8 2
		<u>692 9</u>	<u>615 5</u>
Current assets			
Stocks	15	80 4	67 1
Debtors	16	335 0	325 5
Cash at bank and in hand		118 5	133 0
		<u>533 9</u>	<u>525 6</u>
Creditors Amounts falling due within one year	17	(1,128 3)	(1,015 6)
Net current liabilities		<u>(594 4)</u>	<u>(490 0)</u>
Total assets less current liabilities		98 5	125 5
Creditors Amounts falling due after more than one year	18	(298 9)	(303 0)
Provisions for liabilities	19	(9 2)	(7 1)
Net liabilities excluding pension asset/liability		(209 6)	(184 6)
Net pension asset		-	0 8
Net liabilities		<u>(209 6)</u>	<u>(183 8)</u>
Capital and reserves			
Called up share capital	20	39 2	39 2
Profit and loss account	21	(248 8)	(223 0)
Shareholders' deficit	22	<u>(209 6)</u>	<u>(183 8)</u>

Approved by the Board on 11 October 2012 and signed on its behalf by

M A Ward
Director

Harrods Group (Holding) Limited
(Registration number: 5990648)
Balance Sheet at 28 January 2012

	Note	28 January 2012 £m	29 January 2011 £m
Fixed assets			
Investments	14	<u>39 2</u>	<u>39 2</u>
Current assets			
Debtors	16	48 9	-
Cash at bank and in hand		<u>29 0</u>	<u>-</u>
		77 9	-
Creditors Amounts falling due within one year	17	<u>(77 6)</u>	<u>(0 2)</u>
Net current assets/(liabilities)		<u>0 3</u>	<u>(0 2)</u>
Net assets		<u>39 5</u>	<u>39 0</u>
Capital and reserves			
Called up share capital	20	39 2	39 2
Profit and loss account	21	<u>0 3</u>	<u>(0 2)</u>
Shareholders' funds	22	<u>39 5</u>	<u>39 0</u>

Approved by the Board on 11 October 2012 and signed on its behalf by

M A Ward
Director

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

Reconciliation of operating profit to net cash flow from operating activities

	52 weeks ended 28 January 2012 £m	52 weeks ended 29 January 2011 £m
Operating profit	112.7	81.4
Depreciation, amortisation and impairment charges	31.4	29.1
Increase in stocks	(13.3)	(4.4)
(Increase)/decrease in debtors	(11.3)	3.6
Increase in creditors	13.9	12.0
Increase in provisions	0.3	4.3
Release of deferred income	(0.9)	(11.7)
Defined benefit pension contributions	(17.1)	(27.1)
Net cash inflow from operating activities	<u>115.7</u>	<u>87.2</u>

Cash flow statement

	52 weeks ended 28 January 2012 £m	52 weeks ended 29 January 2011 £m
Net cash inflow from operating activities	<u>115.7</u>	<u>87.2</u>
Returns on investments and servicing of finance		
Interest received	1.4	1.2
Interest paid	(0.7)	(1.9)
	<u>0.7</u>	<u>(0.7)</u>
Tax paid	(17.8)	(12.7)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(112.4)	(32.6)
Sale of tangible fixed assets	3.1	-
	<u>(109.3)</u>	<u>(32.6)</u>
Acquisitions and disposals		
Acquisition of investments in subsidiary undertakings (note 14)	(1.0)	(0.5)
Net cash (outflow)/inflow before management of liquid resources and financing	<u>(11.7)</u>	<u>40.7</u>

Harrods Group (Holding) Limited

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

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Financing

Repayment of loans and borrowings	(2 3)	(7 5)
Repayment of capital element of finance leases and HP contracts	(0 5)	2 0
	(2 8)	(5 5)
(Decrease)/increase in cash	(14 5)	35 2

Reconciliation of net cash flow to movement in net debt

	Note	52 weeks ended 28 January 2012 £m	52 weeks ended 29 January 2011 £m
(Decrease)/increase in cash		(14 5)	35 2
Cash outflow from repayment of loans		2 3	17 8
Cash outflow from repayment of capital element of finance leases and hire purchase contracts		0 5	(2 0)
Change in net debt resulting from cash flows	26	(11 7)	51 0
Movement in net debt	26	(11 7)	51 0
Net debt at start of period	26	(1,019 4)	(1,070 4)
Net debt at end of period	26	(1,031 1)	(1,019 4)

Harrods Group (Holding) Limited
Notes to the Financial Statements for the Period from 30 January 2011 to 28 January
2012

1 Accounting policies

Basis of preparation

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

The group has a deficit of shareholders funds at 28 January 2012. The directors consider it appropriate for these financial statements to be prepared on a going concern basis as the company's parent undertaking has indicated that it will not call for repayment of £848.2m without first ensuring that the group has adequate funds to meet its obligations as they fall due.

The principal accounting policies of the group are set out below.

Basis of consolidation

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

Goodwill arising on consolidation, representing the cost of an acquired entity over the fair values of the identifiable net assets acquired, is capitalised and is amortised on a straight line basis over its estimated economic life.

Given the uniqueness and longevity of the Harrods store and brand, backed up by the high level of on going investment, marketing spend and the long lease of the iconic Harrods building in Knightsbridge, the directors believe that a longer rather than a shorter period of time over which to amortise the goodwill on consolidation is more appropriate for the purpose of giving a true and fair view of the results and performance of the group. While no end to the useful economic life of the group's investment in Harrods companies can be predicted, the directors have opted to amortise the goodwill on consolidation over 50 years rather than adopt the UK GAAP presumption of a maximum useful economic life of 20 years.

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

Turnover

Turnover is the total amount receivable by the group for goods and services provided, excluding VAT, trade discounts and concession sales. When a transaction involves a number of goods and services, these are separately identified and income is recognised when earned.

Concession sales

In calculating turnover a distinction is made between transactions where the seller is deemed to act as principal and those where it is agent. Where concessionaires sell their goods through the group's retail operations, the group is considered to act as an agent. Accordingly, only commission and other income receivable from the concessionaires is presented within turnover.

Estimated sales returns

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

Harrods Group (Holding) Limited

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

Fixed asset investments

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

Tangible Fixed Assets and Depreciation

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

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

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

Leased assets

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

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, are capitalised in the balance sheet as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future obligations under the leases are included as liabilities in the balance sheet. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Assets held under hire purchase agreements are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital element of future finance payments is included within creditors. Finance charges are allocated to accounting periods over the length of the contract and represent a constant proportion of the balance of capital repayments outstanding.

Finance leases

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

Stock and work in progress

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

Harrods Group (Holding) Limited

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

Deferred tax

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

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

Foreign currency

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

Loyalty points

Loyalty points are treated as a deduction in sales as part of the fair value of consideration received is deferred and subsequently recognised when the award is redeemed. The fair value of the points awarded is determined with reference to the fair value of the customer redemption rate. In the prior year, loyalty points were accounted for using a cost based model.

Retirement benefit obligations

Defined Contribution Scheme

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

Defined Benefit Scheme

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

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

A net surplus is recognized only to the extent that it is recoverable by the company/group. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the current service cost of providing the benefits, curtailment and settlement gains and losses and financial returns on the pension fund, all reflected in the period to which they relate. The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included in other finance costs. Actuarial gains and losses are recorded through the statement of recognised gains and losses. Disclosure has been made of the assets and liabilities of the scheme under FRS17 in note 24 to the accounts.

Harrods Group (Holding) Limited
Notes to the Financial Statements for the Period from 30 January 2011 to 28 January
2012

2 Turnover

An analysis of turnover by geographical location is given below

	52 weeks ended 28 January 2012 £m	52 weeks ended 29 January 2011 £m
Sales - UK	690 2	618 0
Sales - Europe	0 2	0 2
Sales - Rest of world	5 6	5 2
	<u>696 0</u>	<u>623 4</u>

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

3 Operating profit

Operating profit is stated after charging

	52 weeks ended 28 January 2012 £m	52 weeks ended 29 January 2011 £m
Operating lease - rent payable to related party (note 27)	42 6	41 3
Depreciation of owned assets	21 1	18 8
Amortisation of goodwill	10 3	10 3
Repairs to historic terracotta facade	1 5	1 2
Advertising, royalties and rebate income	(21 2)	(13 0)
Auditor's remuneration	0 5	0 4
	<u>0 5</u>	<u>0 4</u>

4 Exceptional items

	52 weeks ended 28 January 2012 £m	52 weeks ended 29 January 2011 £m
Profit on sale of fixed assets investments	2 9	-
Profit/(loss) on disposal of fixed assets	(0 4)	(2 6)
Total	<u>2 5</u>	<u>(2 6)</u>

Harrods Group (Holding) Limited
Notes to the Financial Statements for the Period from 30 January 2011 to 28 January
2012

5 Other interest receivable and similar income

	52 weeks ended 28 January 2012 £m	52 weeks ended 29 January 2011 £m
Bank interest receivable	1 4	1 1
Other interest receivable	-	0 1
Group interest receivable	<u>1 4</u>	<u>1 2</u>

6 Interest payable and similar charges

	52 weeks ended 28 January 2012 £m	52 weeks ended 29 January 2011 £m
Interest on bank and other borrowings	0 7	0 3
Interest on loan from related party	25 0	-
Other interest payable	-	1 5
Finance charges	-	0 1
Group interest payable and similar charges	<u>25 7</u>	<u>1 9</u>

7 Particulars of employees

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

	52 weeks ended 28 January 2012 No.	52 weeks ended 29 January 2011 No
Administration and support	148	209
Production	549	557
Sales, marketing and distribution	2,910	2,909
	<u>3,607</u>	<u>3,675</u>

Harrods Group (Holding) Limited
Notes to the Financial Statements for the Period from 30 January 2011 to 28 January
2012

The aggregate payroll costs were as follows

	52 weeks ended 28 January 2012 £m	52 weeks ended 29 January 2011 £m
Wages and salaries	119.2	123.8
Social security costs	13.1	12.3
Staff pensions	3.6	3.8
	<u>135.9</u>	<u>139.9</u>

The company had no employees except for directors during the period ended 28 January 2012 or 29 January 2011

8 Directors' remuneration

The directors' remuneration for the period was as follows

	52 weeks ended 28 January 2012 £m	52 weeks ended 29 January 2011 £m
Remuneration	1.8	4.1
	<u>1.8</u>	<u>4.1</u>

There are no pension contributions included in emoluments for the period ended 28 January 2012 or 29 January 2011. The value of emoluments incurred directly by the company was £nil (2011: £nil). Emoluments incurred by the group's subsidiary undertakings were £1.8 million (2011: £4.1 million).

There are nil directors to whom retirement benefits are accruing under a defined benefit pension scheme (2011: nil) and 1 director to whom retirement benefits are accruing under a defined contribution scheme (2011: 1).

In addition to the amounts above, no amount was paid during the period to a former director as compensation for loss of office (2011: £0.7m).

The remuneration of the highest paid director was £1.2m (2011: £2.2m).

Harrods Group (Holding) Limited
Notes to the Financial Statements for the Period from 30 January 2011 to 28 January
2012

9 Taxation

Tax on profit on ordinary activities

	52 weeks ended 28 January 2012 £m	52 weeks ended 29 January 2011 £m
Current tax		
Corporation tax charge	(12 7)	(10 9)
Adjustments in respect of previous years	0 9	0 1
Double taxation relief	(0 1)	-
Group relief receivable	<u>(7 6)</u>	<u>(3 6)</u>
Total current tax	<u>(19 5)</u>	<u>(14 4)</u>
Deferred tax		
Origination and reversal of timing differences	(2 1)	1 2
Deferred tax adjustment relating to previous years	0 3	(0 2)
Deferred tax relating to FRS 17	<u>(5 2)</u>	<u>(8 2)</u>
Group deferred tax	<u>(7 0)</u>	<u>(7 2)</u>
Total tax on profit on ordinary activities	<u><u>(26 5)</u></u>	<u><u>(21 6)</u></u>

Harrods Group (Holding) Limited
Notes to the Financial Statements for the Period from 30 January 2011 to 28 January
2012

Factors affecting current tax charge for the period

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

The differences are reconciled below

	52 weeks ended 28 January 2012 £m	52 weeks ended 29 January 2011 £m
Profit on ordinary activities before taxation	90.9	78.1
Corporation tax at standard rate	(23.9)	(21.9)
Capital allowances in excess of depreciation	1.0	(0.2)
Transfer pricing adjustments	(0.1)	(0.6)
Other provision in respect of prior years	1.0	0.8
Income and expenses assessed on a cash basis	2.7	8.0
Expenses not deductible for tax purposes	(0.1)	(0.6)
Total current tax	(19.5)	(14.4)

10 Company profit and loss account

As permitted by section 408 of the Companies Act 2006 the profit and loss account of Harrods Group (Holding) Limited (formerly Qatar Holding UK Limited) is not presented as part of these financial statements. The result for the period after taxation amounted to £78.0m profit (2011: £nil).

11 Dividends

	28 January 2012 £m	29 January 2011 £m
Dividends proposed and recognised in the accounts		
Interim dividend	67.5	-
Final dividend	10.0	-
	77.5	-

Harrods Group (Holding) Limited
Notes to the Financial Statements for the Period from 30 January 2011 to 28 January
2012

12 Intangible fixed assets

Given the uniqueness and longevity of the Harrods store and brand the Group has adopted an economic life of goodwill of 50 years

As required by FRS 11, an impairment review of goodwill capitalised has been undertaken by the group which confirms the appropriateness of the carrying value

Group

	Goodwill £m
Cost	
At 30 January 2011	798 9
At 28 January 2012	798 9
Amortisation and impairment	
At 30 January 2011	312 0
Amortisation charge for the period	10 3
At 28 January 2012	322 3
Net book value	
At 28 January 2012	476 6
At 29 January 2011	486 9

Harrods Group (Holding) Limited
Notes to the Financial Statements for the Period from 30 January 2011 to 28 January
2012

13 Tangible fixed assets

Group

	Freehold land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Other tangibles £m	Total £m
Cost or valuation					
At 30 January 2011	2 4	113 7	122 6	75 4	314 1
Additions	51 7	15 7	23 4	17 8	108 6
Disposals	(0 4)	(34 2)	(44 1)	(0 1)	(78 8)
At 28 January 2012	53 7	95 2	101 9	93 1	343 9
Depreciation					
At 30 January 2011	0 4	83 6	104 0	5 7	193 7
Charge for the period	-	8 2	12 0	0 9	21 1
Eliminated on disposals	-	(34 0)	(43 7)	(0 3)	(78 0)
At 28 January 2012	0 4	57 8	72 3	6 3	136 8
Net book value					
At 28 January 2012	53 3	37 4	29 6	86 8	207 1
At 29 January 2011	2 0	30 1	18 6	69 7	120 4

Harrods Group (Holding) Limited
Notes to the Financial Statements for the Period from 30 January 2011 to 28 January 2012

14 Investments held as fixed assets

Consolidated

	Unlisted investments £m
Cost	
At 29 January 2011	8 2
Additions	1 0
At 28 January 2012	<u><u>9.2</u></u>

Company

	28 January 2012 £m	29 January 2011 £m
Shares in group undertakings and participating interests	<u>39 2</u>	<u>39 2</u>

Shares in group undertakings and participating interests

	Total £m
Cost	
At 30 January 2011	<u>39 2</u>
At 28 January 2012	<u>39 2</u>
Net book value	
At 28 January 2012	<u><u>39 2</u></u>

Harrods Group (Holding) Limited

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

Unlisted investments:

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

At 28 January 2012, the aggregate capital and reserves of Harrods Bank Limited was £8.9m (2011 £7.5m) and loss after tax for the period ended 28 January 2012 was £1.9m (2011 £0.6m).

Principal subsidiaries

Name	Country of registration	Nature of business
		Principal activity
Operating at 29 January 2011		
QH Participations Limited *	England and Wales	Holding company
QH Partners Limited	England and Wales	Holding company
Harrods Holdings Limited	England and Wales	Holding company
Harrods (UK) Limited	England and Wales	Holding company
Harrods Limited	England and Wales	Department store
Harrods International Limited	England and Wales	Tax free retailer and wholesaler
Harrods Estates Limited	England and Wales	Estate agents
Harrods Watches Limited	England and Wales	Purchasing company
PL Management Limited	England and Wales	Property management
Harrods Commercial Property Limited	England and Wales	Property management
Genavco Insurance Limited	England and Wales	Insurance broker
Air Harrods Limited	England and Wales	Non-scheduled air transport
Harrods Aviation Limited	England and Wales	Aircraft handling and maintenance service

*The whole of the issued ordinary share capital in these companies is owned directly by Harrods Group (Holding) Ltd. 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.

15 Stocks

	Group		Company	
	28 January 2012	29 January 2011	28 January 2012	29 January 2011
	£m	£m	£m	£m
Finished goods for resale	79.2	66.2	-	-
Spare parts and consumables	0.9	0.8	-	-
Work in progress	0.3	0.1	-	-
	<u>80.4</u>	<u>67.1</u>	<u>-</u>	<u>-</u>

Harrods Group (Holding) Limited
Notes to the Financial Statements for the Period from 30 January 2011 to 28 January 2012

Of the £80.4m goods held for re-sale a lien over inventory of £69.4m (2011 £58.0m) has been granted to the trustee of the group's defined benefit pension scheme

16 Debtors

	Group		Company	
	28 January 2012	29 January 2011	28 January 2012	29 January 2011
	£m	£m	£m	£m
Trade debtors	25.0	21.8	-	-
Amounts owed by group undertakings	-	0.3	48.9	-
Amounts owed by related party	291.1	290.9	-	-
Prepayments and accrued income	18.9	12.5	-	-
	<u>335.0</u>	<u>325.5</u>	<u>48.9</u>	<u>-</u>

As detailed in note 27, Harrods Limited, a group company, has made a loan to Harrods Property Limited, which is under the common control of the group's ultimate parent undertaking. The debt is non-interest bearing and is repayable on demand by the lender. As at 28 January 2012, the balance outstanding was £286.5 million (2011 £286.5 million). For the purposes of the group's tax calculation, an imputed interest charge is recognised as a non-cash transfer.

Group debtors includes £289.3m (2011 £289.2m) receivable after more than one year and parent company debtors includes £nil (2011 £nil) receivable after more than one year, analysed as follows:

	Group		Company	
	28 January 2012	29 January 2011	28 January 2012	29 January 2011
	£m	£m	£m	£m
Amounts owed by related party	286.5	286.5	-	-
Other debtors	2.8	2.7	-	-
	<u>289.3</u>	<u>289.2</u>	<u>-</u>	<u>-</u>

Harrods Group (Holding) Limited
Notes to the Financial Statements for the Period from 30 January 2011 to 28 January 2012

17 Creditors: Amounts falling due within one year

	Group		Company	
	28 January 2012 £m	29 January 2011 £m	28 January 2012 £m	29 January 2011 £m
Trade creditors	89.5	80.7	-	-
Bank loans and overdrafts	1.4	0.3	-	-
Amounts owed to a related party	848.2	848.2	-	-
Amounts owed to group undertakings	77.5	0.3	77.5	0.1
Corporation tax	7.5	5.8	-	-
Other taxes and social security	6.0	8.0	-	-
Other creditors	42.7	12.9	-	-
Accruals and deferred income	55.5	59.4	0.1	0.1
	<u>1,128.3</u>	<u>1,015.6</u>	<u>77.6</u>	<u>0.2</u>

On 1 April 2011, the related party loan was refinanced through a new long term related party loan of £848.2 million, one tranche of which being interest bearing on normal market terms and the second tranche being interest free

18 Creditors: Amounts falling due after more than one year

	Group		Company	
	28 January 2012 £m	29 January 2011 £m	28 January 2012 £m	29 January 2011 £m
Bank loans and overdrafts	-	1.4	-	-
Other loans	293.6	295.6	-	-
Obligations under finance lease and hire purchase contracts	5.3	6.0	-	-
	<u>298.9</u>	<u>303.0</u>	<u>-</u>	<u>-</u>

As detailed in note 27, the group has been granted a loan from a related parties, under the common control of the group's ultimate parent undertaking

Harrods Group (Holding) Limited
Notes to the Financial Statements for the Period from 30 January 2011 to 28 January 2012

19 Provisions

Group

	Deferred tax £m	Other provisions £m	Total £m
At 30 January 2011	1 0	6 1	7 1
Charged to the profit and loss account	1 8	0 3	2 1
At 28 January 2012	<u>2 8</u>	<u>6 4</u>	<u>9 2</u>

Legislation was introduced in the Finance Act 2011 to reduce the main rate of corporation tax from 27% to 26% with effect from 1 April 2011 and to 25% with effect from 1 April 2012. The effect of these tax rate reductions is reflected in the recognised deferred tax asset of the group of £2.8m.

On 21 March 2012 as part of the 2012 Budget, the UK government announced its intention to legislate to further reduce the rate to 24% with effect from 1 April 2012 and further, by 1% per annum falling to 22% with effect from 1 April 2014. These changes were not substantively enacted by the balance sheet date and therefore are not reflected in the closing deferred tax asset. The directors estimate the effect of these rate changes would be to reduce the deferred tax asset of the group by £0.8m.

Analysis of deferred tax

	28 January 2012 £m	29 January 2011 £m
Accelerated capital allowances	3 8	2 1
Other timing differences	(1 0)	(1 1)
	<u>2 8</u>	<u>1</u>

20 Share capital

	Consolidated 28 January 2012 £m	Consolidated 29 January 2011 £m	Company 28 January 2012 £m	Company 29 January 2011 £m
Authorised:				
39,215,000 ordinary shares of £1 each	39.2	39 2	39.2	39 2
Allotted and fully paid				
39,215,000 ordinary shares of £1 each	39.2	39 2	39.2	39 2
	<u>39.2</u>	<u>39 2</u>	<u>39.2</u>	<u>39 2</u>

Harrods Group (Holding) Limited
Notes to the Financial Statements for the Period from 30 January 2011 to 28 January
2012

21 Reserves

Group

	Profit and loss account £m
At 30 January 2011	(223 0)
Profit for the period	64 4
Dividends	(77 5)
Actuarial loss on pension schemes	(17 2)
Deferred tax relating to actuarial gain/loss on pension schemes	4 5
At 28 January 2012	<u>(248 8)</u>

Company

	Profit and loss account £m
At 30 January 2011	(0 2)
Profit for the period	78 0
Dividends	(77 5)
At 28 January 2012	<u>0 3</u>

Harrods Group (Holding) Limited
Notes to the Financial Statements for the Period from 30 January 2011 to 28 January
2012

22 Reconciliation of movement in shareholders' funds

Group

	28 January 2012 £m	29 January 2011 £m
Profit attributable to the members of the group	64.4	56.5
Other recognised (losses)/gains relating to the period	(12.7)	(7.4)
Dividends	(77.5)	-
Net (reduction)/addition to shareholders' funds	(25.8)	49.1
Shareholders' deficit at start of period	(183.8)	(232.9)
Shareholders' deficit at end of period	(209.6)	(183.8)

Company

	28 January 2012 £m	29 January 2011 £m
Profit/(loss) attributable to the members of the company	78.0	(0.1)
Dividends	(77.5)	-
Net addition/(reduction) to shareholders' funds	0.5	(0.1)
Shareholders' funds at start of period	39.0	39.1
Shareholders' funds at end of period	39.5	39.0

Harrods Group (Holding) Limited
Notes to the Financial Statements for the Period from 30 January 2011 to 28 January 2012

23 Commitments

Capital commitments

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

Other Commitments

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

Operating lease commitments

Group

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

Operating leases which expire

	28 January 2012 £m	29 January 2011 £m
Land and buildings		
Within one year	0.0	-
Within two and five years	1.4	3.3
Over five years	46.6	42.5
	<u>48.0</u>	<u>45.8</u>
Other		
Within one year	0.5	0.1
Within two and five years	1.5	0.8
Over five years	0.6	0.2
	<u>2.6</u>	<u>1.1</u>

Harrods Group (Holding) Limited
Notes to the Financial Statements for the Period from 30 January 2011 to 28 January
2012

The land and building lease expiring over five years is with a related party (note 27)

24 Contingent liabilities

The group participated in derivative financial instruments during the period to manage its foreign exchange exposure to the Euro and the US dollar. Through its hedging activities the group seeks to minimise the risk that eventual cash flows required to settle related liabilities will be affected by changes in exchange rates. The exposure on outstanding forward foreign exchange contracts at the period end was £35.2m (2011 £27.5m) and their fair value was -£0.8m (2011 £0.3m) based on exchange rates prevailing at the period end.

The group is not aware of any material contingent liabilities existing at the balance sheet date. The group is involved in litigation in the ordinary course of business. However, in the opinion of the directors, no material losses in excess of provisions made are likely to arise.

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

25 Pension schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension charge for the period represents contributions payable by the group to the scheme and amounted to £3.6m (2011 £3.6m).

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

Harrods Group (Holding) Limited
Notes to the Financial Statements for the Period from 30 January 2011 to 28 January 2012

Defined benefit pension scheme

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

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

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

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

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

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

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the balance sheet are as follows:

	28 January 2012 £m	29 January 2011 £m
Fair value of scheme assets	422.3	394.1
Present value of scheme liabilities	<u>(419.7)</u>	<u>(372.7)</u>
	2.6	21.4
Irrecoverable surplus	<u>(2.6)</u>	<u>(21.4)</u>
Defined benefit pension scheme surplus/(deficit)	-	-
Related deferred tax asset	<u>-</u>	<u>0.8</u>
Net asset in the balance sheet	<u><u>-</u></u>	<u><u>0.8</u></u>

Harrods Group (Holding) Limited
Notes to the Financial Statements for the Period from 30 January 2011 to 28 January
2012

Scheme assets

Changes in the fair value of scheme assets are as follows

	30 January 2011 to 28 January 2012 £m	31 January 2010 to 29 January 2011 £m
Fair value at start of period	394 1	337 2
Expected return on assets	20 5	19 9
Actuarial gains and losses	3 4	12 9
Employer contributions	17 1	27 1
Benefits paid	(12 7)	(12 7)
Transfers	(0 1)	9 7
Fair value at end of period	<u>422 3</u>	<u>394 1</u>

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

Analysis of assets

The major categories of scheme assets are as follows

	28 January 2012 £m	29 January 2011 £m
Equity instruments	129 9	135 0
Debt instruments	166 4	127 3
Cash	62 5	70 4
Other assets	63 5	61 4
	<u>422 3</u>	<u>394 1</u>

Actual return on scheme's assets

	28 January 2012 £m	29 January 2011 £m
Actual return on scheme assets	<u>23 9</u>	<u>28 8</u>

Harrods Group (Holding) Limited

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

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

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

Scheme liabilities

Changes in the present value of scheme liabilities are as follows

	30 January 2011 to 28 January 2012 £m	31 January 2010 to 29 January 2011 £m
Present value at start of period	372.7	354.4
Actuarial gains and losses	39.2	1.4
Interest cost	20.5	19.9
Benefits paid	(12.7)	(12.7)
Liabilities assumed in business combinations	-	9.7
Present value at end of period	<u>419.7</u>	<u>372.7</u>
Analysed as:		
Present value arising from wholly or partly funded schemes	<u>419.7</u>	<u>372.7</u>

Harrods Group (Holding) Limited
Notes to the Financial Statements for the Period from 30 January 2011 to 28 January
2012

Principal actuarial assumptions

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

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

Post retirement (at age 60) mortality assumptions

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

Amounts recognised in the profit and loss account

	30 January 2011 to 28 January 2012 £m	31 January 2010 to 29 January 2011 £m
Amounts recognised in operating profit		
Recognised in arriving at operating profit	-	-
Amounts recognised in other finance cost		
Interest cost	20.5	19.9
Expected return on scheme assets	(20.5)	(19.9)
Recognised in other finance cost	-	-
Total recognised in the profit and loss account	-	-

Harrods Group (Holding) Limited

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

Amounts recognised in the statement of total recognised gains and losses

	30 January 2011 to 28 January 2012 £m	31 January 2010 to 29 January 2011 £m
Actual return less expected return on scheme assets	3 4	8 9
Impact of irrecoverable surplus	18 7	(21 4)
Changes in assumptions	(39 2)	(1 4)
Actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses	<u>(17 1)</u>	<u>(13 9)</u>

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains/(losses) since 1 January 2002 is (£86 9m) (2011 (£69 8m))

History of experience adjustments on scheme assets and liabilities

Amounts for the current and previous 3 periods are as follows

	28 January 2012 £m	29 January 2011 £m	30 January 2010 £m
Fair value of scheme assets	422 3	394 1	337 2
Present value of scheme liabilities	<u>(419 7)</u>	<u>(372 7)</u>	<u>(354 4)</u>
Surplus/(deficit) in scheme	<u>2 6</u>	<u>21 4</u>	<u>(17 2)</u>

Experience adjustments

	28 January 2012 £m	29 January 2011 £m	30 January 2010 £m
Experience adjustments arising on scheme assets	<u>3 4</u>	<u>8 9</u>	<u>31 0</u>

Harrods Group (Holding) Limited
Notes to the Financial Statements for the Period from 30 January 2011 to 28 January 2012

26 Analysis of net debt

	At 30 January 2011 £m	Cash flow £m	At 28 January 2012 £m
Cash at bank and in hand	133 0	(14 5)	118 5
Debt due within one year	(848 5)	(1 1)	(849 6)
Debt due after more than one year	(297 0)	3 4	(293 6)
Finance leases and hire purchase contracts	(6 9)	0 5	(6 4)
Net debt	<u>(1,019 4)</u>	<u>(11 7)</u>	<u>(1,031 1)</u>

27 Related party transactions

On May 7, 2010 the group's parent undertaking was acquired by a 100% subsidiary of Qatar Holding LLC. Prior to this date the group had entered into transactions with entities controlled by its former shareholder. The transactions and balances with these entities are not considered to be material.

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

Through its wholly owned subsidiary of Harrods Limited, the group has a subordinated loan to Harrods Property Limited, a company under common control, amounting to £286.5m (2011: £286.5m).

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

28 Ultimate parent undertaking

The company's immediate parent undertaking is QH Property Holdings Limited, a company incorporated in Bermuda.

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