



**HARRODS PROPERTY
HOLDINGS LIMITED
(FORMERLY FEATURECODE 2
HOLDINGS LIMITED)**

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

2 FEBRUARY 2008

Company no 05985333

HARRODS PROPERTY HOLDINGS LIMITED (FORMERLY FEATURECODE 2 HOLDINGS LIMITED)

FINANCIAL STATEMENTS

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HARRODS PROPERTY HOLDINGS LIMITED (FORMERLY FEATURECODE 2 HOLDINGS LIMITED)

REPORT OF THE DIRECTORS

The directors present their report together with the audited consolidated financial statements of Harrods Property Holdings Limited and its subsidiary company ("the group") for the period ended 2 February 2008

Principal activity

The company was incorporated on 1 November 2006

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

The principal activity of the group is the ownership and management of property and buildings

Business review

There was a loss for the period after taxation amounting to £1,554,666. The directors did not pay a dividend in the year.

On 14 December 2006, the group purchased freehold properties from a related party. The consideration for this transaction of £705.3 million was settled by the granting of a loan facility by the seller. The loan was subsequently reduced to £303.0 million when the group repaid £348.0 million in cash and assumed certain liabilities of the seller totalling £54.3 million.

The group also took out a bank loan of £650.0 million with Royal Bank of Scotland plc, secured against the properties.

As described in note 20, upon transfer of the properties, the relevant property leases were assigned by the seller to the group.

The group has entered into swap arrangements (as described in note 10) in order to ensure that its rental income is sufficient to meet obligations due under its bank loan.

Directors

The present membership of the Board is set out below:

M Al Fayed (appointed 3 November 2006)
A Fayed (appointed 3 November 2006)
O Al Fayed (appointed 3 November 2006)
J Byrne (appointed 3 November 2006)
A Tanna (appointed 3 November 2006)
M Ward (appointed 3 November 2006)
B Smith (appointed 31 August 2007)
J McArthur (appointed 1 May 2008)

Other directors who served during the period were:

7Side Nominees Limited (appointed 1 November 2006, resigned 3 November 2006)

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

The group has a deficit of shareholders' funds at 2 February 2008. The directors consider it appropriate for these financial statements to be prepared on a going concern basis as the group has entered into appropriate hedging arrangements to ensure that its rental income is sufficient to meet the group's obligations due under its bank loan. The group has sufficient cash reserves to meet any administrative expenses.

HARRODS PROPERTY HOLDINGS LIMITED (FORMERLY FEATURECODE 2 HOLDINGS LIMITED)

REPORT OF THE DIRECTORS

Statement of directors' responsibilities

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

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

In so far as the directors are aware

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

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

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

Credit risk

The group has a significant loan to a related party. As described in note 20, the loan to AIT Partners Limited amounting to £289.1m is ultimately considered recoverable against other assets and investments directly or indirectly supporting the nominal value of this loan. An independent valuation of these assets was carried out at the directors' request as at 3 February 2007. The directors have reviewed this valuation in line with conditions as at 2 February 2008 and are of the view that the resultant valuation continues to support the recoverability of the debtor.

Interest rate risk

The group's exposure to interest rate fluctuations on its borrowings has been eliminated by entering into swap agreements that fix the rate of interest over the term of the borrowings.

Liquidity Risk

Rents receivable from Harrods Limited are used to fund interest and loan repayments due under the group's bank loan.

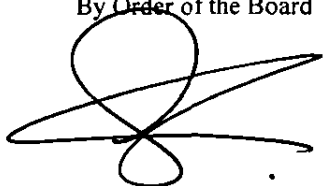
HARRODS PROPERTY HOLDINGS LIMITED (FORMERLY FEATURECODE 2 HOLDINGS LIMITED)

REPORT OF THE DIRECTORS

Auditors

Grant Thornton UK LLP, were appointed auditors to the company and having offered themselves for reappointment as auditors shall be deemed to be reappointed for the next financial year in accordance with section 386 of the Companies Act 1985

By Order of the Board

A handwritten signature in black ink, consisting of a large loop at the top and several sweeping strokes below it.

S Dean
Secretary

17 June 2008

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

HARRODS PROPERTY HOLDINGS LIMITED (FORMERLY FEATURECODE 2 HOLDINGS LIMITED)

We have audited the financial statements of Harrods Property Holdings Limited for the period ended 2 February 2008 which comprise the principal accounting policies, the consolidated profit and loss account, the group and company balance sheets, the consolidated cash flow statement and notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our 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 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 whether, in our opinion, the Directors' Report is 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.

Basis of audit 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.

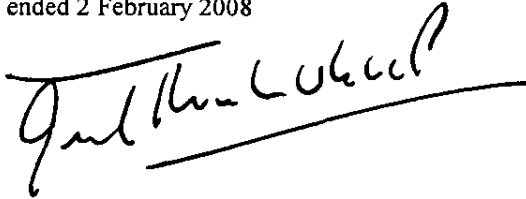
REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF

HARRODS PROPERTY HOLDINGS LIMITED (FORMERLY FEATURECODE 2 HOLDINGS LIMITED)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 2 February 2008 and of the group's loss for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements for the period ended 2 February 2008

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

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

LONDON

17/6/2008

HARRODS PROPERTY HOLDINGS LIMITED (FORMERLY FEATURECODE 2 HOLDINGS LIMITED)

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

These financial statements are the group's statutory financial statements for the period from 1 November 2006 to 2 February 2008

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

The principal accounting policies of the group are set out below

The group has a deficit of shareholders funds at 2 February 2008. The directors consider it appropriate for these financial statements to be prepared on a going concern basis as the group has entered into appropriate hedging arrangements to ensure that its rental income is sufficient to meet the group's obligations due under its bank loan. The group has sufficient cash reserves to meet any administrative expenses.

BASIS OF CONSOLIDATION

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

TURNOVER

Turnover is rental income from Harrods Limited and is accounted for on an accruals basis

TANGIBLE FIXED ASSETS AND DEPRECIATION

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

Land	Not depreciated
Plant and fittings	3 - 10 years
Freehold property	35 - 50 years

It is the practice of the group to maintain its properties to a high standard. Accordingly, for the Harrods Department store in Knightsbridge, the directors consider that the life of this asset is so long, and the residual value (based upon prices prevailing at the time of the acquisition or subsequent valuation) is so high, that the depreciation is immaterial. Any permanent diminution in the value of this property is charged to the profit and loss account as appropriate.

OPERATING LEASES

Where the group retains substantially all the risk and rewards of ownership of the asset subject to the lease, the asset is shown within tangible fixed assets. Rental income from these operating leases is recognised on a systematic basis over the period of the lease.

DEFERRED TAXATION

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

HARRODS PROPERTY HOLDINGS LIMITED (FORMERLY FEATURECODE 2 HOLDINGS LIMITED)

PRINCIPAL ACCOUNTING POLICIES

ISSUE COSTS

Costs associated with the issue of the bank loan are amortised over the period of the loan

FINANCIAL INSTRUMENTS

Interest differentials, under which the amounts and periods for which interest rates on borrowings are varied, are reflected as adjustments to interest payable

The group has entered into financial instruments which fix rental income receivable and bank interest payable. The differential in rental income receivable and bank interest payable resulting from utilising these instruments is taken to the profit & loss account in the period to which the financing income or costs relate. As the company has not adopted the measurement criteria of FRS26 the fair value of the financial instrument is not recognised, but is disclosed in the notes to the accounts.

HARRODS PROPERTY HOLDINGS LIMITED (FORMERLY FEATURECODE 2 HOLDINGS LIMITED)

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the period ended 2 FEBRUARY 2008

	Note	66 weeks ended 2 February 2008 £'000
Turnover	1	45,500
Administrative expenses		<u>(6,787)</u>
Operating profit		38,713
Net interest	2	<u>(40,993)</u>
Loss on ordinary activities before taxation	1	(2,280)
Tax on loss on ordinary activities	4	725
Loss retained and transferred from reserves	13	<u>(1,555)</u>

All transactions arise from continuing operations

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

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

HARRODS PROPERTY HOLDINGS LIMITED (FORMERLY FEATURECODE 2 HOLDINGS LIMITED)

BALANCE SHEET AS AT 2 FEBRUARY 2008

	Note	Consolidated At 2 February 2008 £'000	Company At 2 February 2008 £'000
Fixed assets			
Tangible assets	6	698,696	-
Investments	7	-	100
		<u>698,696</u>	<u>100</u>
Current assets			
Debtors due within one year	8	801	-
Debtors due after one year	8	290,004	-
Cash at bank		7,448	-
		<u>298,253</u>	<u>-</u>
Creditors: amounts falling due within one year	9	<u>(13,508)</u>	<u>-</u>
Total assets less current liabilities		<u>983,441</u>	<u>-</u>
Creditors: amounts falling due after more than one year	10	<u>(984,896)</u>	<u>-</u>
Net (liabilities)/assets		<u>(1,455)</u>	<u>100</u>
Capital and reserves			
Called up share capital	12	100	100
Profit and loss account	13	(1,555)	-
Shareholders' (deficit)/funds	14	<u>(1,455)</u>	<u>100</u>

The financial statements were approved by the Board of Directors on 17 June 2008

Benedict Smith

B Smith - Director

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

HARRODS PROPERTY HOLDINGS LIMITED (FORMERLY FEATURECODE 2 HOLDINGS LIMITED)

CONSOLIDATED CASH FLOW STATEMENT

For the period ended 2 FEBRUARY 2008

	Note	66 weeks ended 2 February 2008 £'000
Net cash inflow from operating activities	15	48,214
Returns on investments and servicing of finance		
Interest received		341
Interest paid		(35,563)
Issue costs of new bank borrowings	10	(2,832)
Net cash outflow from returns on investments and servicing of finance		(38,054)
Taxation paid		(141)
Capital expenditure and financial investment		
Purchase of tangible fixed assets		(349,624)
Loans to related parties	8	(290,000)
Net cash outflow from capital expenditure and financial investment		(639,624)
Financing		
Proceeds from issuing of ordinary share capital	14	100
Proceeds from bank borrowings		650,000
Repayment of bank borrowings	16	(13,047)
Net cash inflow from financing		637,053
Increase in cash	16,17	7,448

HARRODS PROPERTY HOLDINGS LIMITED (FORMERLY FEATURECODE 2 HOLDINGS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 2 FEBRUARY 2008

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and loss on ordinary activities before taxation is attributable to

	66 weeks ended 2 February 2008 £'000
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Rents receivable related parties	<u>45,500</u>
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The loss on ordinary activities before taxation is stated after

	66 weeks ended 2 February 2008 £'000
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Auditors' remuneration Audit services	22
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Depreciation Tangible fixed assets owned	<u>6,567</u>
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2 NET INTEREST

	66 weeks ended 2 February 2008 £'000
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Interest payable on bank loan	(40,808)
Amortisation of issue costs	(348)
Finance charge on swaps	(51)
Interest payable to related party	<u>(230)</u>
	(41,437)

Interest receivable	<u>444</u>
Net interest payable	<u>(40,993)</u>

3 DIRECTORS AND EMPLOYEES

No emoluments were paid to the directors of the company during the period

The group and the company did not employ any persons or incur any staff costs during the period

HARRODS PROPERTY HOLDINGS LIMITED (FORMERLY FEATURECODE 2 HOLDINGS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 2 FEBRUARY 2008

4 TAX ON LOSS ON ORDINARY ACTIVITIES

The tax credit is based on the loss for the period and represents

	66 weeks ended 2 February 2008 £'000
Current Tax	
Group relief	459
Deferred Tax	
Accelerated capital allowances	266
	<u>725</u>
Factors affecting current period corporation tax	
The current period corporation tax assessed for the period is higher than the standard rate of corporation tax of 30%	
Loss on ordinary activities before tax	<u>(2,280)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30%	684
Effect of	
Transfer pricing adjustments	1,377
Depreciation in excess of capital allowances	<u>(1,602)</u>
Current tax credit for the period	<u>459</u>

5 COMPANY PROFIT AND LOSS ACCOUNT

As permitted by section 230 of the Companies Act 1985 the profit and loss account of Harrods Property Holdings Limited (formerly Featurecode 2 Holdings Limited) is not presented as part of these financial statements. The company did not trade during the financial period, making neither a profit nor a loss.

HARRODS PROPERTY HOLDINGS LIMITED (FORMERLY FEATURECODE 2 HOLDINGS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 2 FEBRUARY 2008

6 TANGIBLE FIXED ASSETS

	Consolidated Freehold properties £'000	Company Freehold properties £'000
Cost		
At 1 November 2006	-	-
Additions	705,263	-
At 2 February 2008	<u>705,263</u>	<u>-</u>
Depreciation		
At 1 November 2006	-	-
Provided in the period	6,567	-
At 2 February 2008	<u>6,567</u>	<u>-</u>
Net book amount at 2 February 2008	<u>698,696</u>	<u>-</u>
Net book amount at 1 November 2006	<u>-</u>	<u>-</u>

Freehold properties are stated at historic cost

All of the group's fixed assets are held for use in operating leases. Accordingly, during the period rental income of £45.5m has been recognised in respect of these operating leases.

7 FIXED ASSET INVESTMENTS

	At 2 February 2008 £'000
Investment in subsidiaries at 1 November 2006	-
Additions	<u>100</u>
Investment in subsidiaries at 2 February 2008	<u>100</u>

Principal subsidiary

Harrods Property Limited (formerly Featurecode 2 Limited) is 100% owned by Harrods Property Holdings Limited (formerly Featurecode 2 Holdings Limited). The company is registered in England and Wales and operates in the United Kingdom. The principal activity of the subsidiary is property management.

HARRODS PROPERTY HOLDINGS LIMITED (FORMERLY FEATURECODE 2 HOLDINGS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 2 FEBRUARY 2008

8 DEBTORS

	Consolidated 2 February 2008 £'000	Company 2 February 2008 £'000
Amounts due within one year:		
Other debtors	641	-
Prepayments and accrued income	160	-
	<u>801</u>	<u>-</u>
Amounts due after more than one year:		
Loan to a related party	289,138	-
Deferred tax asset (see note 11)	266	-
Other debtors	600	-
	<u>290,004</u>	<u>-</u>

As described in note 20, during the period, the group granted a loan to AIT Partners Limited, which is under the common control of the group's ultimate parent undertaking. The debt is non interest bearing and is repayable with not less than 12 months notice by the company. The loan is guaranteed by the group's ultimate parent undertaking.

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated 2 February 2008 £'000	Company 2 February 2008 £'000
Bank loans (note 10)	4,517	-
Accruals and deferred income	3,000	-
Bank interest payable	5,991	-
	<u>13,508</u>	<u>-</u>

HARRODS PROPERTY HOLDINGS LIMITED (FORMERLY FEATURECODE 2 HOLDINGS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 2 FEBRUARY 2008

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated 2 February 2008 £'000	Company 2 February 2008 £'000
Bank loans repayable by instalments (refer (i) below)	629,952	-
Loan from related party (refer (iii) below)	302,407	-
Unamortised swap liability owing to bank (refer (ii) below)	52,537	-
	<u>984,896</u>	<u>-</u>
The maturity profiles of the group's bank borrowings at the period end was as follows		
In one year or less	4,517	-
Between one and two years	5,610	-
Between two and three years	6,891	-
Between three and four years	8,266	-
Between four and five years	9,451	-
Between five and ten years	602,218	-
	<u>636,953</u>	<u>-</u>
Issue costs	(2,832)	-
Amortisation charged to date	348	-
	<u>634,469</u>	<u>-</u>
Comprises		
Within one year	4,517	-
More than one year	629,952	-
	<u>634,469</u>	<u>-</u>

(i) During the period, the group obtained a bank loan of £650 0m. Repayments of £13 1m were made during the period, reducing the loan balance to £636 9m at 2 February 2008.

The bank loan is repayable quarterly in advance over 10 years with a final payment of £550 6 million due in December 2016. The loan is secured by way of fixed and floating charges over the group's land and buildings. Interest is linked to LIBOR. However, the group entered into a swap arrangement to eliminate interest rate risk. At 2 February 2008 the fair value of the swap amounted to a loss of £2 8m. The loss will only be incurred if the swap arrangement is terminated before the termination date of 1 March 2031.

(ii) In addition to the bank loan, the group has assumed a liability of £52 6m from Featurecode 2A (formerly Harrods Property Limited) as part consideration for the purchase of freehold properties on 14 December 2006. The group subsequently embedded the liability in an LPI swap that the group has entered in order to eliminate the inflation risk on its rental income. The liability will be amortised over the period of the swap. At 2 February 2008 the fair value of the swap amounted to £104 4m, a loss of £51 8m. However, the loss will only be incurred if the swap arrangement is terminated before the termination date of 1 September 2031.

(iii) During the period, the group was granted a loan from Featurecode 2A (formerly Harrods Property Limited), which is under the common control of the group's ultimate parent undertaking. The receivable was subsequently assigned to Harrods Limited (note 20).

The debt is non interest bearing and is repayable on demand by the lender. However, the debt is subject to a deed of subordination between the lender and Royal Bank of Scotland plc for so long as the group's bank debt remains outstanding.

HARRODS PROPERTY HOLDINGS LIMITED (FORMERLY FEATURECODE 2 HOLDINGS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 2 FEBRUARY 2008

11 DEFERRED TAXATION

Deferred taxation provided for in the financial statements is set out below

	Consolidated 2 February 2008 £'000	Amount provided Company 2 February 2008 £'000
Deferred tax asset Accelerated capital allowances	266	-

In addition to the amount provided for deferred taxation, there are potential liabilities in respect of deferred taxation (after utilisation of capital losses) of £33.4m if the properties were disposed of at the current carrying value. In the opinion of the directors the potential liabilities in respect of capital gains are unlikely to arise since the majority of the properties will be retained for use by the business.

12 SHARE CAPITAL

	Consolidated 2 February 2008 £	Company 2 February 2008 £
<u>Authorised</u>		
100,002 ordinary shares of £1 each	100,002	100,002
1 'A' special rights redeemable preference share of £1	-	-
1 'B' special rights redeemable preference share of £1	-	-
	<u>100,002</u>	<u>100,002</u>
<u>Allotted and fully paid</u>		
100,002 ordinary shares of £1 each	100,002	100,002
<u>Shares classed as financial liabilities</u>		
1 'A' special rights redeemable preference share of £1	-	-
1 'B' special rights redeemable preference share of £1	-	-
	<u>100,002</u>	<u>100,002</u>

Allotments and redemption during the period

On 3 November 2006, the company made an allotment of 1,000 ordinary shares of £1 each at £1 per share. On 29 November 2006, the company made a further allotment of 99,000 ordinary shares of £1 each at £1 per share.

On 13 December 2006, the company made an allotment of 1 'A' special rights redeemable preference share of £1 each, and 1 'B' special rights redeemable preference share of £1 each, at £1 per share.

On 24 January 2007, the special rights redeemable preference shares were redeemed at par out of a fresh issue of 2 ordinary shares of £1 each at £1 per share.

HARRODS PROPERTY HOLDINGS LIMITED (FORMERLY FEATURECODE 2 HOLDINGS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 2 FEBRUARY 2008

13 RESERVES

	Consolidated Profit and loss account £'000	Company Profit and loss account £'000
At 1 November 2006	-	-
Loss for the period	(1,555)	-
At 2 February 2008	<u>(1,555)</u>	<u>-</u>

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2 February 2008 £'000
Shareholder's funds at 1 November 2006	-
Issue of share capital	100
Loss for the period	(1,555)
Shareholder's deficit at 2 February 2008	<u>(1,455)</u>

15 NET CASH INFLOW FROM OPERATING ACTIVITIES

	66 weeks ended 2 February 2008 £'000
Operating profit	38,713
Depreciation	6,567
Increase in debtors	(66)
Increase in deferred income	2,982
Increase in creditors	18
	<u>48,214</u>

HARRODS PROPERTY HOLDINGS LIMITED (FORMERLY FEATURECODE 2 HOLDINGS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 2 FEBRUARY 2008

16 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	66 weeks ended 2 February 2008 £'000
Increase in cash in the period	7,448
Proceeds from bank borrowings, net of issue costs	(647,168)
Repayment of bank borrowings	13,047
Proceeds from related party borrowings	(302,407)
Assumption of unamortised swap liability	(52,537)
Movement in net debt in the period	(981,617)
Other non cash charges	(348)
Net debt at 1 November 2006	-
Net debt at 2 February 2008	(981,965)

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

17 ANALYSIS OF CHANGES IN NET DEBT

	At 1 November 2006 £'000	Cash flow £'000	Other non- cash charges £'000	At 2 February 2008 £'000
Cash at bank	-	7,448	-	7,448
Bank loan	-	(634,121)	(348)	(634,469)
Loan from related party	-	-	(302,407)	(302,407)
Unamortised swap liability	-	-	(52,537)	(52,537)
	-	(626,673)	(355,292)	(981,965)

18 CAPITAL COMMITMENTS

There were no capital commitments at 2 February 2008

19 CONTINGENT LIABILITIES

During the period, the group granted a second charge over the group's properties in favour of the trustee of the Harrods Group Pension Plan as security for the payment and discharge of the liabilities of the pension plan of Harrods Holdings Limited, the principal employer, and other connected and associated persons

The group also has contingent liabilities in respect of its interest rate swap and LPI swap, as detailed in note 10. However, this would only be incurred if the swaps were terminated before the relevant termination dates

There were no other contingent liabilities at 2 February 2008

HARRODS PROPERTY HOLDINGS LIMITED (FORMERLY FEATURECODE 2 HOLDINGS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 2 FEBRUARY 2008

20 TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES

During the period the group entered into transactions with a number of entities, which are under the control of the company's ultimate controlling party. These entities comprise AIT Partners Limited, Featurecode 2A (formerly Harrods Property Limited) and Harrods Limited. The transactions and balances with these entities are not considered to be material except as described below.

On 14 December 2006, the group purchased freehold properties from Featurecode 2A (formerly Harrods Property Limited ("the seller")), which is under the common control of the group's ultimate parent undertaking.

Total consideration for the purchase was £705.3m. The properties were, in the main, transferred at their net book value, not market value, as the purchaser and the seller were both under the common control of the group's ultimate parent undertaking. Accordingly, properties totalling £645.9m were transferred at their net book value, while the remaining properties were transferred at their market value, amounting to £59.4m.

The consideration of £705.3m was settled with the granting of a loan facility by the seller. The loan was subsequently reduced to £303.0 million when the group repaid £348.0m in cash and assumed liabilities of £54.3m the seller owed to Royal Bank of Scotland plc. These liabilities include £52.5 million detailed in note 10.

The loan is non-interest bearing and is repayable on demand by the lender. However, the lender has entered into a deed of subordination with Royal Bank of Scotland plc which is effective for so long as the group's bank debt remains outstanding.

On 18 December 2006, the outstanding receivable was ultimately assigned by the seller to Harrods Limited by way of a dividend in specie. At the period end, the balance owing to Harrods Limited was £302.4m.

Upon transfer of the properties, the relevant property leases were assigned by the seller to the group. The leases are for a term of 35 years commencing 5 December 2006, with the initial rents commencing at £39.7m per annum, receivable quarterly in advance. Rent is reviewed annually calculated by using the applicable Retail Price Index (RPI). At 5 December 2007, current rent was £41.3m per annum.

Accordingly, during the period the group charged rent of £45.5m to Harrods Limited, the lessee. At the period end, the balance of rent received in advance was £3.0m.

During the period, the company granted a loan of £290.0m to AIT Partners Limited, which is under the common control of the company's ultimate parent undertaking. The loan is considered recoverable against other assets and investments directly or indirectly supporting the nominal value of this loan. An independent valuation of these assets was carried out at the directors' request as at 3 February 2007. The directors have reviewed this valuation in line with conditions as at 2 February 2008 and are of the view that the resultant valuation continues to support the recoverability of the debtor. The loan is also subject to a guarantee by the company's ultimate parent undertaking. The debt is non-interest bearing and is repayable with not less than 12 months notice by the company. At the period end, the loan outstanding was £289.1m. The maximum receivable during the period was £290.0m.

There are no other related party transactions.

21 ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is Harrods Property Investments Limited, a company incorporated in Luxembourg.

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