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# Harrods Property Holdings Limited

Reports and Consolidated Financial Statements

for the Period ended 31 January 2015

Registration number: 05985333

**Harrods Property Holdings Limited**  
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**Harrods Property Holdings Limited**  
**Directors' Report for the Period ended 31 January 2015**

The directors present their report together with the audited financial statements for the period ended 31 January 2015.

**Directors of the company**

The directors who held office during the period were as follows:

A M Al-Sayed (resigned 2 February 2015)

H Al-Abdulla (resigned 2 February 2015)

K Maamria (resigned 29 May 2014)

K J Al Kuwari (resigned 2 September 2014)

M A Ward

J P Edgar

No director has had a material interest, directly or indirectly, at any time during the period in any contract significant to the company.

**Going concern**

The company has a surplus of shareholders funds at 31 January 2015. The directors consider it appropriate for these financial statements to be prepared on a going concern basis as the company has entered into appropriate hedging arrangements to ensure that its rental income is sufficient to meet the company's obligations due under its bank loan. The company has sufficient cash reserves to meet any administrative expenses.

## **Harrods Property Holdings 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.

In so far as each of the directors is 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.

#### **Disclosure of information to the auditors**

Each director has taken steps that they ought to have taken as a director 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.

**Harrods Property Holdings Limited**  
**Statement of Directors' Responsibilities**

..... continued

**Reappointment of auditors**

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

Approved by the Board on 22 April 2015 and signed on its behalf by:



.....  
D J Webster  
Company secretary

**Registered office**      87-135 Brompton Road  
                                    Knightsbridge  
                                    London  
                                    SW1X 7XL

**Harrods Property Holdings Limited**  
**Strategic Report for the Period ended 31 January 2015**

The directors present their strategic report for the period ended 31 January 2015.

**Business review**

There was a profit for the period after taxation amounting to £8.1m (2014: £6.3m). The directors did not pay a dividend in the period (2014: £nil).

The market value of the properties held is estimated to be £400m (2014: £330m) higher than the carrying value in the accounts.

**Principal activity**

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.

**Principal Risks and Uncertainties**

**Credit risk**

The company has a significant loan to a related party. The loan to QH Partners Limited is ultimately considered recoverable against other assets and investments directly or indirectly supporting the nominal value of this loan.

**Liquidity risk**

Rents receivable from Harrods Limited are used to fund interest and loan repayments due under the company's bank loan. Cash flow risk on these rents is mitigated by the use of the swap arrangements disclosed in note 12 to the financial statements.

**Interest rate risk**

The company'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.

Approved by the Board on 22 April 2015 and signed on its behalf by:



.....  
DJ Webster  
Company secretary

## **Independent Auditor's Report to the Members of Harrods Property Holdings Limited**

We have audited the financial statements of Harrods Property Holdings Limited for the period from 2 February 2014 to 31 January 2015, which comprises the consolidated profit and loss account, the consolidated and parent balance sheet, the consolidated cash flow statement and the related notes 1 to 20. 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 auditor**

As explained more fully in the Statement of Directors' Responsibilities (set out on page 2), 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 31 January 2015 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 Strategic Report and 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 Property Holdings Limited**

..... continued

**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 .

*Ernst & Young LLP*  
.....  
Julie Carlyle (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP, Statutory Auditor

1 More London Place  
London  
SE1 2AF

Date: *28 April 2015*

**Harrods Property Holdings Limited**  
**Consolidated Profit and Loss Account for the Period ended 31 January 2015**

	Note	52 weeks ended 31 January 2015 £ 000	52 weeks ended 1 February 2014 £ 000
Turnover	2	47,530	45,790
Administrative expenses		<u>(3,093)</u>	<u>(3,056)</u>
Group operating profit	3	44,437	42,734
Other interest receivable and similar income		1	19
Interest payable and similar charges	4	<u>(33,717)</u>	<u>(34,003)</u>
Profit on ordinary activities before taxation		10,721	8,750
Tax on profit on ordinary activities	6	<u>(2,642)</u>	<u>(2,420)</u>
Profit for the financial period attributable to members of the parent company	14	<u><u>8,079</u></u>	<u><u>6,330</u></u>

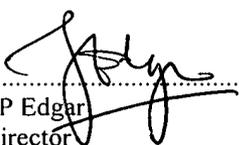
Turnover and operating profit derive wholly from continuing operations.

The group has no recognised gains or losses for the period other than the results above.

**Harrods Property Holdings Limited**  
**Consolidated Balance Sheet at 31 January 2015**

	Note	31 January 2015 £ 000	1 February 2014 £ 000
<b>Fixed assets</b>			
Tangible fixed assets	8	638,055	641,016
<b>Current assets</b>			
Debtors due within one year	10	356	348
Debtors due after more than one year	10	265,535	265,519
Cash at bank and in hand		320	364
		266,211	266,231
Creditors: Amounts falling due within one year	11	(25,527)	(23,706)
Total assets less current liabilities		878,739	883,541
Creditors: Amounts falling due after more than one year	12	(855,613)	(868,494)
Net assets		23,126	15,047
<b>Capital and reserves</b>			
Called up share capital	13	100	100
Profit and loss account	14	23,026	14,947
Shareholders' funds	15	23,126	15,047

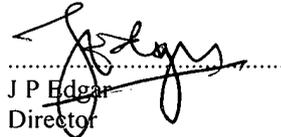
Approved by the Board on 22 April 2015 and signed on its behalf by:

  
 .....  
 J P Edgar  
 Director

**Harrods Property Holdings Limited**  
**(Registration number: 05985333)**  
**Balance Sheet at 31 January 2015**

	Note	31 January 2015 £ 000	1 February 2014 £ 000
<b>Fixed assets</b>			
Investments	9	<u>100</u>	<u>100</u>
<b>Capital and reserves</b>			
Called up share capital	13	<u><u>100</u></u>	<u><u>100</u></u>

Approved by the Board on 22 April 2015 and signed on its behalf by:

  
.....  
J P Edgar  
Director

**Harrods Property Holdings Limited**  
**Consolidated Cash Flow Statement for the Period ended 31 January 2015**

**Reconciliation of operating profit to net cash flow from operating activities**

	52 weeks ended 31 January 2015 £ 000	52 weeks ended 1 February 2014 £ 000
Operating profit	44,437	42,734
Depreciation, amortisation and impairment charges	2,961	3,051
Loss on disposal of fixed assets	-	1
Increase in debtors	(8)	(51)
Increase in creditors	2,552	3,385
Increase in deferred income	11	398
Net cash inflow from operating activities	<u>49,953</u>	<u>49,518</u>

**Cash flow statement**

	52 weeks ended 31 January 2015 £ 000	52 weeks ended 1 February 2014 £ 000
Net cash inflow from operating activities	<u>49,953</u>	<u>49,518</u>
<b>Returns on investments and servicing of finance</b>		
Interest received	1	19
Interest paid	(35,299)	(35,524)
	<u>(35,298)</u>	<u>(35,505)</u>
Taxation paid	<u>(2,403)</u>	<u>(2,047)</u>
<b>Capital expenditure and financial investment</b>		
Sale of intangible fixed assets	-	1
Purchase of tangible fixed assets	-	(2,507)
	<u>-</u>	<u>(2,506)</u>
<b>Financing</b>		
Repayment of loans and borrowings	<u>(12,296)</u>	<u>(19,562)</u>
Decrease in cash	<u>(44)</u>	<u>(10,102)</u>

The notes on pages 12 to 23 form an integral part of these financial statements.

## Harrods Property Holdings Limited

### Consolidated Cash Flow Statement for the Period ended 31 January 2015

..... continued

#### Reconciliation of net cash flow to movement in net debt

	Note	52 weeks ended 31 January 2015 £ 000	52 weeks ended 1 February 2014 £ 000
Decrease in cash		(44)	(10,102)
Cash outflow from repayment of loans		12,296	19,562
Change in net debt resulting from cash flows	16	12,252	9,460
Other non-cash movements		(1,060)	(489)
Movement in net debt	16	11,192	8,971
Net debt at start of period	16	(880,409)	(889,380)
Net debt at end of period	16	(869,217)	(880,409)

The notes on pages 12 to 23 form an integral part of these financial statements.

## Harrods Property Holdings Limited

### Notes to the Financial Statements for the Period ended 31 January 2015

#### 1 Accounting policies

##### **Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom applicable accounting standards.

The principal accounting policies of the group have remained unchanged from the previous period and are set out below.

##### **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	3-20 years
Freehold property	10-50 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 subsequently 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 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.

##### **Issue costs**

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

## Harrods Property Holdings Limited

### Notes to the Financial Statements for the Period ended 31 January 2015

..... continued

#### 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 and loss account in the period to which the financing income or costs relate. As the company has not adopted the measurement criteria of FRS 26 the fair value of the financial instrument is not recognised, but is disclosed in the notes to the accounts.

#### 2 Turnover

The profit on ordinary activities before taxation is stated after:

	52 weeks ended 31 January 2015 £ 000	52 weeks ended 1 February 2014 £ 000
Rents receivable from related parties	47,530	45,790

#### 3 Operating profit

Operating profit is stated after charging:

	52 weeks ended 31 January 2015 £ 000	52 weeks ended 1 February 2014 £ 000
Loss on sale of tangible fixed assets	-	1
Auditor's remuneration ( Audit services)	23	18
Depreciation: Tangible fixed assets owned	2,961	3,051

## Harrods Property Holdings Limited

### Notes to the Financial Statements for the Period ended 31 January 2015

..... continued

#### 4 Interest payable and similar charges

	52 weeks ended 31 January 2015 £ 000	52 weeks ended 1 February 2014 £ 000
Interest payable on bank loan	(31,022)	(31,577)
Amortisation of the issue cost	(258)	(261)
Finance charge on swaps	(2,437)	(2,165)
	(33,717)	(34,003)
Interest receivable	1	19
Net interest payable	(33,716)	(33,984)

Finance charge on swaps in the current year includes the cost of reducing the notional principal amount under the company's interest rate swaps.

#### 5 Directors and employees

No emoluments were paid to the directors of the company during the period (2014: £nil) for qualifying services.

The company did not employ any persons or incur any staff costs during the period (2014: £nil).

#### 6 Taxation

##### Tax on profit on ordinary activities

	52 weeks ended 31 January 2015 £ 000	52 weeks ended 1 February 2014 £ 000
<b>Current tax</b>		
Current tax charge	2,658	2,404
<b>Deferred tax</b>		
Accelerated capital allowances/(charges)	(16)	16
Total tax on profit on ordinary activities	2,642	2,420

## Harrods Property Holdings Limited

### Notes to the Financial Statements for the Period ended 31 January 2015

..... continued

#### Factors affecting current tax charge for the period

Tax on profit on ordinary activities for the year is higher than (2014 - higher than) the standard rate of corporation tax in the UK of 21.32% (2014 - 23.16%).

The differences are reconciled below:

	52 weeks ended 31 January 2015 £ 000	52 weeks ended 1 February 2014 £ 000
Profit on ordinary activities before taxation	10,721	8,750
Corporation tax at standard rate	2,286	2,026
Capital allowances less depreciation	18	(9)
Expenses not deductible for tax purposes	354	387
Total current tax	<u>2,658</u>	<u>2,404</u>

#### 7 Company profit and loss account

As permitted by section 408 of the Companies Act 2006 the profit and loss account of Harrods Property 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

### Notes to the Financial Statements for the Period ended 31 January 2015

..... continued

#### 8 Tangible fixed assets

##### Group

	<b>Freehold Properties £ 000</b>
<b>Cost or valuation</b>	
At 2 February 2014	662,405
Disposals	(9)
At 31 January 2015	662,396
<b>Depreciation</b>	
At 2 February 2014	21,389
Charge for the period	2,961
Eliminated on disposals	(9)
At 31 January 2015	24,341
<b>Net book value</b>	
At 31 January 2015	638,055
At 1 February 2014	641,016

Group freehold properties are stated at historic cost.

All of the group's fixed assets are held for use in operating leases. During the period rental income of £47.5m (2014: £45.8m) has been recognised in respect of these operating leases.

The market value of the properties held is estimated to be £400m (2014: £330m) higher than the carrying value in the accounts.

#### 9 Investments held as fixed assets

##### Company

	<b>Company unlisted investments £'000</b>
<b>Cost</b>	
At 2 February 2014 and 31 January 2015	100

## Harrods Property Holdings Limited

### Notes to the Financial Statements for the Period ended 31 January 2015

..... continued

#### Investments held as fixed assets (continued)

##### Principal subsidiary

100% of the issued share capital of Harrods Property Limited is owned by Harrods Property 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.

#### 10 Debtors

	Group		Company	
	31 January 2015 £ 000	1 February 2014 £ 000	31 January 2015 £ 000	1 February 2014 £ 000
<b>Amounts due within one year:</b>				
Amounts due from related party	2	2	-	-
Other debtors	-	1	-	-
Prepayments and accrued income	354	345	-	-
	<u>356</u>	<u>348</u>	<u>-</u>	<u>-</u>

	Group		Company	
	31 January 2015 £ 000	1 February 2014 £ 000	31 January 2015 £ 000	1 February 2014 £ 000
<b>Amounts due after more than one year:</b>				
Loan to related party (note 19)	265,463	265,463	-	-
Deferred tax	72	56	-	-
	<u>265,535</u>	<u>265,519</u>	<u>-</u>	<u>-</u>

## Harrods Property Holdings Limited

### Notes to the Financial Statements for the Period ended 31 January 2015

..... continued

#### Debtors (continued)

##### Deferred tax

The movement in the deferred tax asset in the period is as follows:

	<b>Group £ 000</b>	<b>Company £ 000</b>
At 2 February 2014	56	-
Deferred tax credited to the profit and loss account	16	-
At 31 January 2015	72	-

##### Analysis of deferred tax

#### Group

	<b>31 January 2015 £ 000</b>	<b>1 February 2014 £ 000</b>
Difference between accumulated depreciation and amortisation and capital allowances	72	56

#### Company

	<b>31 January 2015 £ 000</b>	<b>1 February 2014 £ 000</b>
Accelerated capital allowances	-	-

Legislation was introduced in the Finance Act 2013 to reduce the main rate of corporation tax from 23% to 21% on 1 April 2014, then to 20% on 1 April 2015.

Deferred tax liabilities have been measured at the rate that is expected to apply in the period in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted at the balance sheet date.

**Harrods Property Holdings Limited**

**Notes to the Financial Statements for the Period ended 31 January 2015**

..... continued

**11 Creditors: Amounts falling due within one year**

	Group		Company	
	31 January 2015 £ 000	1 February 2014 £ 000	31 January 2015 £ 000	1 February 2014 £ 000
Syndicated bank loan (note 12)	13,924	12,296	-	-
Accruals and deferred income	3,811	3,755	-	-
Bank interest payable	5,133	5,251	-	-
Corporation tax payable	2,659	2,404	-	-
	<u>25,527</u>	<u>23,706</u>	<u>-</u>	<u>-</u>

**12 Creditors: Amounts falling due after more than one year**

	Group		Company	
	31 January 2015 £ 000	1 February 2014 £ 000	31 January 2015 £ 000	1 February 2014 £ 000
Syndicated bank loan repayable by instalments (refer (i) below)	516,881	530,547	-	-
Loan from related party (refer (iii) below)	285,607	283,102	-	-
Unamortised swap liability owing to swap counterparty (refer (ii) below)	53,125	54,845	-	-
Deferred Tax liability (note 10)	-	-	-	-
	<u>855,613</u>	<u>868,494</u>	<u>-</u>	<u>-</u>

## Harrods Property Holdings Limited

### Notes to the Financial Statements for the Period ended 31 January 2015

..... continued

	31 January 2015	1 February 2014
	£'000	£'000
The maturity profiles of the company's syndicated bank borrowings at the period end were as follows:		
Due:		
In one year or less	13,924	12,296
Between one and two years	517,339	13,924
Between two and three years	-	517,339
	531,263	543,559
Issue cost	(2,854)	(2,854)
Amortisation charged to date	2,396	2,138
	530,805	542,843
Comprises:		
Within one year	13,924	12,296
More than one year	516,881	530,547
	530,805	542,843

(i) During the period, repayments of £12.3m were made on the syndicated bank loan (2014: £19.6m). The balance at 31 January 2015 stands at £531.3m (2014: £543.6m), before issue costs and amortisation.

The syndicated bank loan is repayable quarterly in advance over 10 years with a final payment of £505.9m due in December 2016. The loan is secured by way of fixed and floating charges over the company's land and buildings. Interest is linked to LIBOR. The company entered into a swap arrangement to eliminate interest rate risk. At 31 January 2015 the fair value of the swap amounted to a liability of £191.1m (2014 £121.5m).

(ii) The company has a limited price inflation ("LPI") swap to eliminate the inflation risk on its rental income. Embedded in the LPI swap is a previous liability assumed of £60.5m. At 31 January 2015 the fair value of the swap amounted to a liability of £124.8m (2014 £148.1m).

(iii) The related party loan is from Harrods Limited, a company under the common control of the group's ultimate parent undertaking and is non-interest bearing and repayable on demand by the lender. 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

### Notes to the Financial Statements for the Period ended 31 January 2015

..... continued

#### 13 Share capital

	1 February 2014 £'000	2 February 2013 £'000
<b>Authorised:</b>		
100,002 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>Allotted and fully paid:</b>		
100,002 ordinary shares of £1 each	<u>100</u>	<u>100</u>

#### 14 Reserves

##### Group

	Group Profit and loss account £ 000	Company Profit and loss account £ 000
At 2 February 2014	14,947	-
Profit for the period	<u>8,079</u>	-
At 31 January 2015	<u>23,026</u>	<u>-</u>

#### 15 Reconciliation of movement in shareholders' funds

##### Group

	31 January 2015 £ 000	1 February 2014 £ 000
Profit attributable to the members of the group	<u>8,079</u>	<u>6,330</u>
Net addition to shareholders' funds	8,079	6,330
Shareholders' funds at start of period	<u>15,047</u>	<u>8,717</u>
Shareholders' funds at end of period	<u>23,126</u>	<u>15,047</u>

## Harrods Property Holdings Limited

### Notes to the Financial Statements for the Period ended 31 January 2015

..... continued

#### 16 Analysis of net debt

	At 2 February 2014 £ 000	Cash flow £ 000	Other non-cash changes £ 000	At 31 January 2015 £ 000
Cash at bank and in hand	364	(44)	-	320
Unamortised swap liability	(54,845)	-	1,720	(53,125)
Bank loan	(542,843)	12,296	(258)	(530,805)
Loan from related party	(283,085)	-	(2,522)	(285,607)
Net debt	<u>(880,409)</u>	<u>12,252</u>	<u>(1,060)</u>	<u>(869,217)</u>

#### 17 Commitments

The company had no capital commitments at 31 January 2015 or 1 February 2014.

#### 18 Contingent liabilities

In December 2006, the company granted a second charge over the company'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.

There were no other contingent liabilities at 31 January 2015 or 1 February 2014.

## Harrods Property Holdings Limited

### Notes to the Financial Statements for the Period ended 31 January 2015

..... continued

#### 19 Transactions with directors and other related parties

The related party loan from Harrods Limited, a company under the common control of the group's ultimate parent undertaking, 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 company's bank debt remains outstanding. At the period end, the loan outstanding was £285.6m (2014: £283.1m). During the period, movement in the intercompany balance owed to Harrods Limited was £2.5m (2014: £5.1m).

The property leases with Harrods Limited are for a term of 35 years commencing 5 December 2006. Rent is reviewed annually calculated by using the applicable Retail Price Index (RPI). At 5 December 2012, current rent was £48.3m per annum, receivable quarterly in advance.

During the period the group charged rent of £47.5m (2014: £45.8m) to Harrods Limited, the lessee. At the period end, the balance of rent received in advance was £3.7m (2014: £3.7m).

During the period the group was recharged for fixed assets additions amounting to £nil (2014: £2.5m) from Harrods Limited. At the period end, the creditor balance was £nil (2014: £nil).

The related party loan to QH Partners Limited, a company under the common control of the group's ultimate parent undertaking, is non interest bearing and is repayable with not less than 12 months notice by the group. The gross amount outstanding is £265.5m (2014: £265.5m). The loan is considered recoverable against other assets and investments directly or indirectly supporting the nominal value of this loan.

There are no other related party transactions.

#### 20 Ultimate parent undertaking

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

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.