

**HARRODS INTERNATIONAL  
LIMITED**

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

28 JANUARY 2006



Company no 676533

# **HARRODS INTERNATIONAL LIMITED**

## **FINANCIAL STATEMENTS**

For the period ended 28 JANUARY 2006

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# HARRODS INTERNATIONAL LIMITED

## REPORT OF THE DIRECTORS

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The directors present their report together with the audited financial statements for the period ended 28 January 2006.

### Principal activities

The principal activities of the company are the operation of tax free concessions at UK Airports and the export of branded food, garments, and gift merchandise, under licence to overseas department stores and airport terminals.

### Business review

There was a profit for the period after taxation amounting to £4,595,153 (2005: £3,681,184 as restated). The Directors paid a dividend of £5,000,000 (2005: £3,000,000) in respect of the period.

The directors consider the trading performance of the company to be satisfactory.

### Post balance sheet events

Since the balance sheet date, and up to the date of signing these financial statements, dividends amounting to £2m have been proposed and paid.

### Directors

The present membership of the Board is set out below.

J Byrne  
Raine, Countess Spencer  
R L Assanand

No director in office at 28 January 2006, held any beneficial interest in the shares of Harrods Holdings Limited or any of its subsidiaries at 30 January 2005 or 28 January 2006.

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

### Statement of directors' responsibilities

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

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

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

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.

# **HARRODS INTERNATIONAL LIMITED**

## **REPORT OF THE DIRECTORS**

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### **Credit risk**

The Company's principal credit risk relates to the recovery of trade debtors. In order to manage credit risk the credit controller and Directors review the aged debtors and collection history on a regular basis.

### **Currency risk**

The company is exposed to transaction foreign exchange risk on overseas purchasing.

About a quarter percent of the Company's purchases, are from suppliers outside the United Kingdom. These purchases tend to be invoiced in the local currency of the supplier and are settled at the spot rate prevailing on the date of settlement.

### **Disabled persons**

It is the policy of the company 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.

### **Employee involvement**

Information is provided regularly to employees by means of normal management communication channels using written materials, face to face meetings and video presentations. The Store magazine "The Harroddian Gazette" has been issued during the year and has been available to all employees.

Consultation with employees takes place through elected staff committees, health and safety committees and through normal recognised trade union channels. The Harrods Group Pension Plan has two member trustees amongst its trustee board. It also has a committee of staff and management representatives who are kept informed of the administration, performance and development of the Plan. Written information about the Plan is regularly circulated to both current and potential members.

A general awareness of the company's performance is maintained through regular half-hour training sessions for all staff and, through individual performance appraisals, employees are made aware of their individual contribution to the company.

### **Policy on payment of creditors**

It is the company'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 of receipt of the goods or services. The company is sympathetic to, and pays particular attention to, the cash flow needs of its smaller suppliers. The company takes on average 14.4 days to pay its creditors (2005: 31).

### **Elective resolutions**

On 23 January 2002, the company passed Elective Resolutions dispensing with the holding of Annual General Meetings, the laying of accounts in general meetings and the annual appointment of auditors, in accordance with sections 366A, 252 and 386 (all as amended) of the Companies Act 1985, respectively.

# HARRODS INTERNATIONAL LIMITED

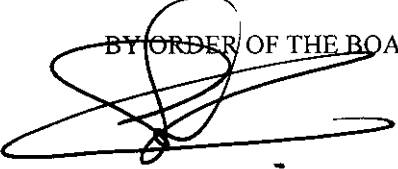
## REPORT OF THE DIRECTORS

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### Auditors

Grant Thornton UK LLP, 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



S Dean  
Secretary  
21 July 2006

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

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF HARRODS INTERNATIONAL LIMITED**

We have audited the financial statements of Harrods International Limited for the period ended 28 January 2006 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the statement of total recognised gains and losses and notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

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

### **Respective responsibilities of the directors and auditors**

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

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

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

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

### **Basis of opinion**

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

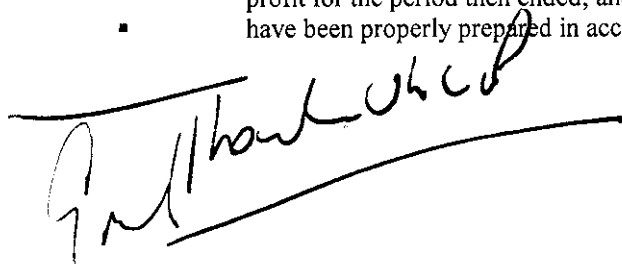
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
HARRODS INTERNATIONAL LIMITED**

**Opinion**

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 28 January 2006 and of its profit for the period then ended; and
- have been properly prepared in accordance with the Companies Act 1985

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

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

**LONDON  
21 July 2006**

# **HARRODS INTERNATIONAL LIMITED**

## **PRINCIPAL ACCOUNTING POLICIES**

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### **BASIS OF PREPARATION**

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

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

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

The principal accounting policies of the company are set out below. The company has fully adopted FRS17 in the accounts, with the result that certain figures relating to the prior year have been restated. The company has also adopted FRS 21, 25 and 28. The accounting policies have otherwise remained unchanged.

### **TURNOVER**

Turnover is the amount receivable, excluding VAT, for goods and services supplied to customers.

### **OTHER OPERATING INCOME**

Other operating income relates to royalties receivable, and is accounted for when received. Guaranteed royalty payments are recognized in the profit and loss account in the period to which they relate.

### **TANGIBLE FIXED ASSETS AND DEPRECIATION**

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

Fixtures and fittings	between 2 and 10 years
Vehicles and equipment	between 4 and 20 years

In accordance with Financial Reporting Standard No 11 ('FRS 11'), impairment reviews are carried out and fixed assets written down to appropriate recoverable values if necessary.

### **STOCKS**

Stocks are stated at the lower of cost and net realisable value.

### **DEFERRED TAXATION**

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



# HARRODS INTERNATIONAL LIMITED

## PRINCIPAL ACCOUNTING POLICIES

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### 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. Transactions in foreign currency are translated at exchange rates ruling at the transaction date. Realised gains and losses are dealt with in the profit and loss account.

Gains and losses on forward foreign exchange contracts used to manage foreign exchange exposure are carried forward and taken to the profit and loss account on maturity to match the underlying transactions.

### RETIREMENT BENEFITS SCHEMES

#### *Defined Contribution Scheme*

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

#### *Defined Benefit Scheme*

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

The company has adopted the provisions of FRS 17 'Retirement Benefits', which replaces SSAP24 'Accounting for Pension Costs'. 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. Actuarial gains and losses are recorded through the statement of recognized gains and losses. Disclosure has been made of the assets and liabilities of the scheme under FRS 17 in Note 17 to the accounts.

# HARRODS INTERNATIONAL LIMITED

## PROFIT AND LOSS ACCOUNT

For the period ended 28 JANUARY 2006

	Note	52 weeks ended 28 January 2006 £	52 weeks ended 29 January 2005 restated £
<b>Turnover</b>	1	<b>36,120,591</b>	33,992,800
Cost of sales		<u>(15,895,427)</u>	<u>(15,013,199)</u>
<b>Gross profit</b>		<b>20,225,164</b>	18,979,601
Distribution and store costs		<u>(13,838,986)</u>	<u>(13,700,125)</u>
Administrative expenses		<u>(1,228,218)</u>	<u>(1,313,308)</u>
Other operating income		<u>1,366,366</u>	<u>1,204,092</u>
<b>Operating profit</b>		<b>6,524,326</b>	5,170,260
Exceptional – writedown of investment		<u>(5,753)</u>	-
<b>Profit on ordinary activities before interest</b>		<b>6,518,573</b>	5,170,260
Net interest receivable	2	<u>56,784</u>	<u>94,572</u>
<b>Profit on ordinary activities before taxation</b>		<b>6,575,357</b>	5,264,832
Tax on profit on ordinary activities	4	<u>(1,980,204)</u>	<u>(1,583,648)</u>
<b>Profit on ordinary activities after taxation</b>	13,14	<u><b>4,595,153</b></u>	<u>3,681,184</u>

All transactions arise from continuing operations.

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

# HARRODS INTERNATIONAL LIMITED

## BALANCE SHEET AT 28 JANUARY 2006

	Note	At 28 January 2006 £	At 29 January 2005 restated £
<b>Fixed assets</b>			
Tangible assets	6	964,248	640,142
Investments	7	-	5,753
		<u>964,248</u>	<u>645,895</u>
<b>Current assets</b>			
Stocks	8	3,180,795	3,182,447
Debtors	9	2,005,287	2,701,443
Cash at bank and in hand		892,928	858,943
		<u>6,079,010</u>	<u>6,742,833</u>
<b>Creditors: amounts falling due within one year</b>	10	<u>(3,348,322)</u>	<u>(3,310,122)</u>
<b>Net current assets</b>		<u>2,730,688</u>	<u>3,432,711</u>
<b>Total assets less current liabilities</b>		<u>3,694,936</u>	<u>4,078,606</u>
<b>Provisions for liabilities and charges</b>			
Retirement benefit obligations	17	<u>(2,652,647)</u>	<u>(1,963,548)</u>
		<u>1,042,289</u>	<u>2,115,058</u>
<b>Capital and reserves</b>			
Called up share capital	12	52	52
Profit and loss account	13	1,042,237	2,115,006
<b>Shareholders' funds</b>	14	<u>1,042,289</u>	<u>2,115,058</u>

The financial statements were approved by the Board of Directors on 21 July 2006.



J Byrne - Director

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

# HARRODS INTERNATIONAL LIMITED

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the period ended 28 JANUARY 2006

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	2006 £	2005 £
<b>Profit for the financial period</b>	<b>4,595,153</b>	3,681,184
Actuarial loss on pension scheme (net of tax)	<u>(667,922)</u>	<u>(19,721)</u>
<b>Total recognised gains and losses for the period</b>	<b>3,927,231</b>	<b>3,661,463</b>
Prior year adjustment (adoption of FRS 17)	<u>(1,837,849)</u>	
<b>Total recognised gains and losses since last report</b>	<b><u>2,089,382</u></b>	

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

# HARRODS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

### 1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover arising entirely within the United Kingdom is the amount receivable, excluding VAT, for goods and services supplied to customers.

Turnover by geographical market supplied:

	52 weeks ended 28 January 2006 £	52 weeks ended 29 January 2005 £
United Kingdom	29,977,759	28,793,338
Japan	5,035,452	4,263,180
Europe	259,200	220,255
Other	848,180	716,027
	<u>36,120,591</u>	<u>33,992,800</u>

Segmental information by class of business is not provided as the directors are of the opinion that the disclosure of this information would be seriously prejudicial to the interests of the company.

The profit on ordinary activities before taxation is stated after:

	52 weeks ended 28 January 2006 £	52 weeks ended 29 January 2005 £
Auditors' remuneration:		
Audit services	31,730	43,437
Non audit services	-	15,000
Depreciation:		
Tangible fixed assets owned	219,289	295,140
Royalty income	<u>(1,366,366)</u>	<u>(1,204,092)</u>

### 2 NET INTEREST RECEIVABLE

	52 weeks ended 28 January 2006 £	52 weeks ended 29 January 2005 as restated £
Interest receivable from group undertakings	127,133	144,862
Other finance expense (FRS 17)	(58,196)	(50,290)
Interest payable to group undertakings	<u>(12,153)</u>	-
Net interest receivable	<u>56,784</u>	<u>94,572</u>

# HARRODS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

### 3 DIRECTORS AND EMPLOYEES

Staff costs during the period were as follows:

	<b>52 weeks ended 28 January 2006 £</b>	<b>52 weeks ended 29 January 2005 £</b>
Wages and salaries	<b>4,076,285</b>	3,958,212
Social security costs	<b>394,390</b>	340,791
Other pension costs	<b>295,658</b>	368,828
	<b><u>4,766,333</u></b>	<b><u>4,667,831</u></b>

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

	<b>2006 Number</b>	<b>2005 Number</b>
Selling and distribution	<b>163</b>	161
Administration	<b>28</b>	31
	<b><u>191</u></b>	<b><u>192</u></b>

Remuneration in respect of directors was as follows:

	<b>52 weeks ended 28 January 2006 £</b>	<b>52 weeks ended 29 January 2005 £</b>
Emoluments	<b><u>296,866</u></b>	<b><u>227,363</u></b>

There are 2 directors to whom retirement benefits are accruing under a defined benefit pension scheme (2005: 3).

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

	<b>52 weeks ended 28 January 2006 £</b>	<b>52 weeks ended 29 January 2005 £</b>
Emoluments	<b><u>224,983</u></b>	<b><u>158,640</u></b>

The highest paid directors' accrued pension at the period end was £ 83,275 (2005: £70,901).

# HARRODS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

### 4 TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	52 weeks ended 28 January 2006 £	52 weeks ended 29 January 2005 restated £
Group relief	1,874,501	1,537,977
Foreign tax	70,054	63,523
	<u>1,944,555</u>	<u>1,601,500</u>
Deferred tax	35,649	(17,852)
	<u>1,980,204</u>	<u>1,583,648</u>
Profit on ordinary activities before tax	6,575,357	5,264,832
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30 % (2005: 30%)	1,972,607	1,579,450
Effect of:		
Expenses not deductible for tax purposes	1,877	2,443
Capital allowances for the period in excess of depreciation	(38,761)	(16,334)
Income and expenses assessed/relieved on a cash basis	8,832	35,941
Current tax charge for period	<u>1,944,555</u>	<u>1,601,500</u>

### 5 DIVIDENDS

	52 weeks ended 28 January 2006 £	52 weeks ended 29 January 2005 £
Equity - ordinary		
Interim paid: £96,153.85p (2005: £57,692.31p) per £1 share	<u>5,000,000</u>	<u>3,000,000</u>

Post balance sheet dividends are disclosed in note 20.

# HARRODS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

### 6 TANGIBLE FIXED ASSETS

	Fixtures, fittings, vehicles and equipment £
<b>Cost</b>	
At 30 January 2005	5,111,510
Additions	543,395
At 28 January 2006	<u>5,654,905</u>
<b>Depreciation</b>	
At 30 January 2005	4,471,368
Provided in the period	219,289
At 28 January 2006	<u>4,690,657</u>
<b>Net book amount at 28 January 2006</b>	<u>964,248</u>
Net book amount at 29 January 2005	<u>640,142</u>

### 7 FIXED ASSET INVESTMENTS

	£
<b>Cost</b>	
At 30 January 2005 and 28 January 2006	<u>5,753</u>
<b>Provision</b>	
Provided in the period	5,753
At 28 January 2006	<u>5,753</u>
<b>Net book amount at 28 January 2006</b>	<u>-</u>
Net book amount at 29 January 2005	<u>5,753</u>

The fixed asset investment of £nil (2005: £5,753) represents the net book value of 5,753 ordinary shares held in the wholly owned non-trading subsidiary undertaking Wylie and Company Limited, a company registered in England and Wales.

### 8 STOCKS

	At 28 January 2006 £	At 29 January 2005 £
Finished goods and goods for resale	<u>3,180,795</u>	<u>3,182,447</u>

There was no significant difference between the replacement cost of stocks at 28 January 2006 and the amount at which they are stated in the financial statements.



# HARRODS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

### 9 DEBTORS

	At 28 January 2006 £	At 29 January 2005 restated £
<b>Amounts due within one year:</b>		
Trade debtors	1,336,695	1,686,803
Other debtors	322	257,668
Prepayments and accrued income	377,760	374,871
VAT receivable	75,005	121,869
	<u>1,789,782</u>	<u>2,441,211</u>
<b>Amounts due after one year:</b>		
Deferred tax (see note 11)	215,505	260,232
	<u>2,005,287</u>	<u>2,701,443</u>

### 10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	At 28 January 2006 £	At 29 January 2005 restated £
Trade creditors	946,814	590,121
Amounts owed to group undertakings	68,928	188,135
Other taxation and social security	1,874,501	1,537,977
Accruals and deferred income	457,607	991,046
Other creditors	472	2,843
	<u>3,348,322</u>	<u>3,310,122</u>

### 11 DEFERRED TAXATION

Deferred taxation assets in the financial statements are set out below. There were no unprovided amounts of deferred taxation at 28 January 2006 or 29 January 2005.

	Amount provided 2006 £	2005 restated £
At 30 January 2005	260,232	277,229
(Decrease) in the period	(44,727)	(16,997)
At 28 January 2006	<u>215,505</u>	<u>260,232</u>

# HARRODS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

### DEFERRED TAXATION (CONTINUED)

The deferred tax asset provided in the financial statements is set out below.

	At 28 January 2006 £	At 29 January 2005 restated £
Depreciation in advance of capital allowances	211,243	255,970
Other timing differences	4,262	4,262
	<u>215,505</u>	<u>260,232</u>

### 12 CALLED UP SHARE CAPITAL

	2006 £	2005 £
Authorised 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid 52 ordinary shares of £1 each	<u>52</u>	<u>52</u>

### 13 RESERVES

	Profit and loss account £
At 30 January 2005 as previously stated	3,952,855
Prior year adjustment	(1,837,849)
At 30 January 2005, as restated	<u>2,115,006</u>
Actuarial loss on pension scheme	(667,922)
Profit for the financial period	4,595,153
Dividends	<u>(5,000,000)</u>
At 28 January 2006	<u>1,042,237</u>

# HARRODS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

### 14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £	2005 as restated £
Shareholders' funds at 30 January 2005 as previously stated	3,952,907	1,621,698
Prior year adjustment (adoption of FRS17)	(1,837,849)	-
Shareholders' funds at 30 January 2005 as restated	2,115,058	1,621,698
Profit for the financial period	4,595,153	3,681,184
Dividends	(5,000,000)	(3,000,000)
Retained (loss)/profit for the period	(404,847)	681,184
Actuarial loss on pension scheme	(667,922)	(187,824)
Net reduction/addition to shareholders' funds'	(1,072,769)	493,360
Shareholders' funds at 28 January 2006	1,042,289	2,115,058

### 15 COMMITMENTS

At 28 January 2006 the company had commitments under concession agreements with the British UK Airport Authority which were authorised but not contracted for of £7,561,988 (2005: £7,503,724).

Capital commitments contracted for but not provided for in these financial statements totalled £27,814 as at the period end (2005: £63,561).

### 16 CONTINGENT LIABILITIES

The Harrods Holdings Group's loan facility is guaranteed by Harrods International Limited and other Group companies.

There were no contingent liabilities at 28 January 2006 or 29 January 2005.

### 17 RETIREMENT BENEFIT SCHEMES

#### Pension schemes operated

During the year the group has principally operated two schemes:

- (i) the Harrods Holdings Stakeholder Scheme (the Scheme), which is an approved defined contribution scheme; it was established with Scottish Equitable plc on 1 May 2002.
- (ii) the Harrods Holdings Group Pension Plan (the Plan), which is an approved defined benefit scheme.

#### Stakeholder Scheme ("the Scheme")

The pension cost under the defined contribution scheme amounted to £nil (2005: £nil). A pension accrual of £nil (2005: £nil) is included in the balance sheet in relation to this scheme.

# HARRODS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

### RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

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

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

The Harrods Group has agreed with the Trustee of the Plan that it will be fully funded on an ongoing basis in ten years time. The deficit at 5 April 2005 was estimated at £95.0 million.

Accordingly, the Group has agreed to pay into the Plan additional contributions of £9.0 million per annum for the next ten years, with effect from 6 April 2006, and any further contributions as necessary thereafter. All participating employers will contribute toward this payment and it is expected that Harrods International Limited will contribute approximately £257,000 per annum toward this payment.

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

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

#### Financial Reporting Standard 17 Disclosures

For the year ended 28 January 2006, the company has accounted for its defined benefit pension liability in accordance with FRS 17. The company has previously accounted for the liability under SSAP 24.

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

Using the results of the actuarial valuation, an approximate actuarial assessment of the Plan for FRS 17 purposes has been carried out as at 28 January 2006 using the projected unit method of valuation. The major assumptions used by the actuary were:

	28 January 2006	% per annum 29 January 2005	31 January 2004
Discount rate	4.7%	5.3%	5.5%
Inflation assumption	3.0%	2.9%	2.8%
Rate of increase in salaries	4.5%	4.4%	4.3%
Rate of pension increases (LPI 5%)	2.9%	2.8%	2.7%
Rate of pension increases (LPI 2.5%)	2.5%	n/a	n/a
Longevity at age 60 for pensioner member currently aged 60			
- Men	24.5	21.2	21.2
- Women	27.5	24.2	24.2
Longevity at age 60 for pensioner member currently aged 40			
- Men	25.8	22.6	22.6
- Women	28.8	25.6	25.6

# HARRODS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

### RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The sensitivities regarding these assumptions are as follows:

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

At 28 January 2006 the market value of the assets in the Plan, the expected long-term rate of return from them and the present value of Plan liabilities, all as defined in accordance with FRS 17 and valued by the Harrods Holdings Group's actuary were as follows:

	As at 28 January 2006		As at 29 January 2005		As at 31 January 2004	
	Harrods Group Pension Plan £000	Expected long-term rate of return % per annum	Harrods Group Pension Plan £000	Expected long-term rate of return % per annum	Harrods Group Pension Plan £000	Expected long-term rate of return % per annum
Equities	5,177	7.0%	4,054	7.6%	3,638	7.9%
Corporate bonds	881	4.7%	860	5.3%	799	5.5%
Government bonds	496	4.0%	409	4.6%	377	4.9%
Other	181	4.0%	81	4.6%	65	4.9%
Total market value of assets	6,735		5,404		4,879	
Present value of plan liabilities	(10,524)		(8,209)		(7,300)	
Deficit in the Plan	(3,789)		(2,805)		(2,421)	
Related deferred tax asset	1,137		842		726	
Net pension liability under FRS 17	(2,652)		(1,963)		(1,695)	

# HARRODS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

### RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

#### Profit and Loss Disclosures

	28 January 2006 £000	29 January 2005 £000
Analysis of amounts charged to operating profit		
Current service cost	221	246
Curtailment and settlements	(31)	-
Total operating charge	<u>190</u>	<u>246</u>

#### Analysis of amounts included as other finance costs

Expected return on pension plan assets	(376)	(353)
Interest cost on pension plan liabilities	<u>434</u>	<u>403</u>
Net financial cost	<u>58</u>	<u>50</u>

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

Actual return less expected return on assets	965	170
Experience loss on liabilities	(83)	-
Impact of changes in assumptions relating to the present value of plan liabilities	<u>(1,836)</u>	<u>(439)</u>
Actuarial (loss) recognised in STRGL	<u>(954)</u>	<u>(269)</u>

#### Movement in the deficit during the period

Deficit in the plan at 30 January 2005	(2,805)	(2,421)
Current service cost	(221)	(246)
Contributions	218	180
Impact of curtailments and settlements	31	-
Net financial cost	(58)	(50)
Actuarial loss	<u>(954)</u>	<u>(268)</u>
Deficit in the plan at 28 January 2006	<u>(3,789)</u>	<u>(2,805)</u>

#### History of experience gains and losses

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

	28 January 2006		29 January 2005		31 January 2004		1 February 2003	
	£000	%	£000	%	£000	%	£000	%
Difference between actual and expected return on assets	965	14.3%	170	3.2%	663	13.6%	(1,577)	(39.6%)
Experience (losses)/gains on liabilities	(83)	(0.8%)	-	-	(160)	(2.2%)	206	3.2%
Amount recognised in statement of total recognised gains and losses against liabilities	(954)	(9.1%)	(269)	(3.3%)	215	2.9%	(1,851)	(28.7%)

# **HARRODS INTERNATIONAL LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 28 JANUARY 2006

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### **18 TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES**

During the period the company has undertaken transactions, in the ordinary course of business, with related parties under the control of the Group's ultimate controlling party. The value of these transactions is not considered to be material.

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

### **19 ULTIMATE PARENT UNDERTAKING**

The company's immediate parent undertaking is Harrods Limited, a company registered in England and Wales. The ultimate UK parent undertaking of Harrods Limited is Harrods Holdings Limited. The largest group of undertakings for which group accounts have been drawn up is that headed by Harrods Holdings Limited. The smallest such group of undertakings for which Group accounts have been drawn up is headed by Harrods Limited. The group accounts will be filed with the Registrar of Companies in due course.

The ultimate parent undertaking is Alfayed Investment and Trust PVT LP, a partnership based in Bermuda. All interests in the partnership continue to be under the control and held for the benefit of the Fayed family, the ultimate controlling party.

### **20 POST BALANCE SHEET EVENTS**

Harrods International Limited has declared and paid dividends of £2m since the balance sheet date.