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**HARRODS INTERNATIONAL
LIMITED**

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

3 FEBRUARY 2007

HARRODS INTERNATIONAL LIMITED

FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

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HARRODS INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

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

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

The Company's financial results for 2007 were affected by the closure of one of the major stores in Japan for earthquake proofing of its premises. Sales to Japan, as a result, fell from £5.0m in 2006 to £3.0m in 2007. Total Sales in 2007 (excluding Japan) rose by 6.5%.

The profit for the period after taxation amounted to £4.8m (2006: £4.6m). The Directors paid a dividend of £2.0m (2006: £5.0) in respect of the period.

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

Future developments and post balance sheet events

The Company has secured a prime site in the new Terminal 5 at Heathrow Airport and will be investing a significant amount in developing a retail store at the terminal offering Harrods and other luxury branded goods. Terminal 5 is expected to open towards the end of March 2008.

Since the balance sheet date, and up to the date of signing these financial statements, dividends amounting to £nil (2006: £2m) have been proposed and paid.

Directors

The present membership of the Board is set out below:

O Al Fayed (appointed 01/11/06)
R L Assanand
J Byrne
Raine, Countess Spencer

O Al Fayed is beneficially interested in the shares of the company as described in note 19. No other director in office at 3 February 2007, held any beneficial interest in the shares of Harrods Holdings Limited or any of its subsidiaries at 29 January 2006 or 3 February 2007.

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

HARRODS INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

Statement of directors' responsibilities

The directors are responsible for preparing and 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

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 group and 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 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 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

HARRODS INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

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 14.9 days to pay its creditors (2006: 14.4).

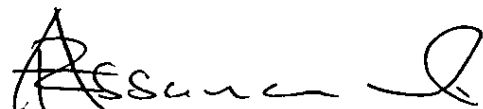
Elective resolutions

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.

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



R Assanand
Director

30th July 2007

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 3 February 2007 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the statement of total recognised gains and losses and notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of the directors and auditors

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

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

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

We read the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

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

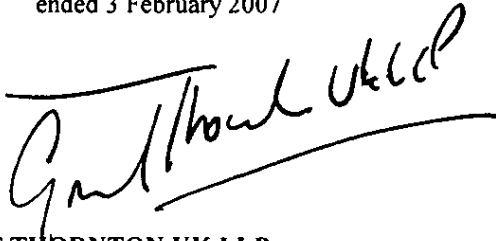
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
HARRODS 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 3 February 2007 and of its profit for the period then ended,
- have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements for the period ended 3 February 2007

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

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

LONDON

30/7/ 2007

HARRODS INTERNATIONAL LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards and have remained unchanged from the prior period

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.

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.

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

HARRODS INTERNATIONAL LIMITED

PRINCIPAL ACCOUNTING POLICIES

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

The company has adopted the provisions of FRS 17 'Retirement Benefits'. Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet. A net surplus is recognized only to the extent that it is recoverable by the company. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the current service cost of providing the benefits, curtailment and settlement gains and losses and financial returns on the pension fund, all reflected in the period to which they relate. The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included in other finance costs. Actuarial gains and losses are recorded through the statement of recognized gains and losses. Disclosure has been made of the assets and liabilities of the scheme under FRS 17 in Note 17 to the accounts.

HARRODS INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT

For the period ended 3 FEBRUARY 2007

	Note	53 weeks ended 3 February 2007 £	52 weeks ended 28 January 2006 £
Turnover	1	36,131,559	36,120,591
Cost of sales		<u>(15,543,346)</u>	<u>(15,895,427)</u>
Gross profit		20,588,213	20,225,164
Distribution and store costs		<u>(13,896,955)</u>	<u>(13,838,986)</u>
Administrative expenses		<u>(1,338,659)</u>	<u>(1,228,218)</u>
Other operating income		<u>1,319,279</u>	<u>1,366,366</u>
Operating profit		6,671,878	6,524,326
Exceptional – write-down of investment		<u>-</u>	<u>(5,753)</u>
Profit on ordinary activities before interest		6,671,878	6,518,573
Net interest receivable	2	<u>156,774</u>	<u>56,784</u>
Profit on ordinary activities before taxation		6,828,652	6,575,357
Tax on profit on ordinary activities	4	<u>(2,059,525)</u>	<u>(1,980,204)</u>
Profit on ordinary activities after taxation	13,14	<u>4,769,127</u>	<u>4,595,153</u>
All transactions arise from continuing operations			

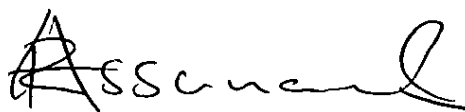
The accompanying accounting policies and notes form an integral part of these financial statements

HARRODS INTERNATIONAL LIMITED

BALANCE SHEET AT 3 FEBRUARY 2007

	Note	At 3 February 2007 £	At 28 January 2006 £
Fixed assets			
Tangible assets	6	1,024,604	964,248
Investments	7	-	-
		<u>1,024,604</u>	<u>964,248</u>
Current assets			
Stocks	8	3,536,655	3,180,795
Debtors	9	1,765,515	2,005,287
Cash at bank and in hand		1,529,157	892,928
		<u>6,831,327</u>	<u>6,079,010</u>
Creditors: amounts falling due within one year	10	<u>(3,417,772)</u>	<u>(3,348,322)</u>
Net current assets		<u>3,413,555</u>	<u>2,730,688</u>
Total assets less current liabilities		<u>4,438,159</u>	<u>3,694,936</u>
Retirement benefit surplus/ (obligations)	17	<u>12,386</u>	<u>(2,652,647)</u>
		<u>4,450,545</u>	<u>1,042,289</u>
Capital and reserves			
Called up share capital	12	52	52
Profit and loss account	13	4,450,493	1,042,237
Shareholders' funds	14	<u>4,450,545</u>	<u>1,042,289</u>

The financial statements were approved by the Board of Directors on 30th July 2007



R Assanand - 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 3 FEBRUARY 2007

	53 weeks ended 3 February 2007 £	52 weeks ended 28 January 2006 £
Profit for the financial period	4,769,127	4,595,153
Actuarial loss on pension scheme (net of tax)	<u>639,129</u>	<u>(667,922)</u>
Total recognised gains and losses for the period	<u>5,408,256</u>	<u>3,927,231</u>

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 3 FEBRUARY 2007

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

	53 weeks ended 3 February 2007 £	52 weeks ended 28 January 2006 £
United Kingdom	31,926,128	29,977,759
Japan	3,013,698	5,035,452
Europe	199,447	259,200
Other	992,286	848,180
	<u>36,131,559</u>	<u>36,120,591</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

	53 weeks ended 3 February 2007 £	52 weeks ended 28 January 2006 £
Auditors' remuneration		
Audit services	41,709	31,730
Non audit services	-	-
Depreciation		
Tangible fixed assets owned	252,290	219,289
Pension curtailment gains (note 17)	(570,575)	(30,739)
Royalty income	<u>(1,319,279)</u>	<u>(1,366,366)</u>

2 NET INTEREST RECEIVABLE

	53 weeks ended 3 February 2007 £	52 weeks ended 28 January 2006 £
Interest receivable from group undertakings	190,668	127,133
Other finance expense (FRS 17)	(33,479)	(58,196)
Interest payable to group undertakings	-	(12,153)
Other – VAT Disclosure	(415)	-
Net interest receivable	<u>156,774</u>	<u>56,784</u>

HARRODS INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

3 DIRECTORS AND EMPLOYEES

Staff costs during the period were as follows

	53 weeks ended 3 February 2007 £	52 weeks ended 28 January 2006 £
Wages and salaries	4,183,041	4,076,285
Social security costs	428,479	394,390
Other pension costs	157,134	326,397
	<u>4,768,654</u>	<u>4,797,072</u>

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

	2007 Number	2006 Number
Selling and distribution	162	163
Administration	27	28
	<u>189</u>	<u>191</u>

Remuneration in respect of directors was as follows

	53 weeks ended 3 February 2007 £	52 weeks ended 28 January 2006 £
Emoluments	<u>320,095</u>	<u>296,866</u>

There are 2 directors to whom retirement benefits are accruing under a defined benefit pension scheme (2006 2) and 2 directors to whom retirement benefits are accruing under a defined contribution scheme (2006 nil)

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

	53 weeks ended 3 February 2007 £	52 weeks ended 28 January 2006 £
Emoluments	<u>235,665</u>	<u>224,983</u>

The highest paid directors' accrued pension at the period end was £108,151 (2006 £83,275)

HARRODS INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	53 weeks ended 3 February 2007 £	52 weeks ended 28 January 2006 £
Group relief	1,688,930	1,874,501
Foreign tax	77,073	70,054
	<u>1,766,003</u>	<u>1,944,555</u>
Deferred tax	293,522	35,649
	<u>2,059,525</u>	<u>1,980,204</u>
Profit on ordinary activities before tax	6,828,652	6,575,357
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30% (2006 30%)	2,048,596	1,972,607
Effect of		
Expenses not deductible for tax purposes	9,478	1,877
Capital allowances for the period in excess of depreciation	(41,216)	(38,761)
Income and expenses assessed/relieved on a cash basis	(250,855)	8,832
Current tax charge for period	<u>1,766,003</u>	<u>1,944,555</u>

5 DIVIDENDS

	53 weeks ended 3 February 2007 £	52 weeks ended 28 January 2006 £
Equity - ordinary		
Interim paid £38,461 54p (2006 £96,153 85p) per £1 share	<u>2,000,000</u>	<u>5,000,000</u>

HARRODS INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

6 TANGIBLE FIXED ASSETS

	Fixtures, fittings, vehicles and equipment £
Cost	
At 29 January 2006	5,654,905
Disposals	(2,947,178)
At 3 February 2007	<u>2,707,727</u>
Depreciation	
At 29 January 2006	4,690,657
Disposal	(3,259,824)
Provided in the period	252,290
At 3 February 2007	<u>1,683,123</u>
Net book amount at 3 February 2007	<u>1,024,604</u>
Net book amount at 28 January 2006	<u>964,248</u>

7 FIXED ASSET INVESTMENTS

	£
Cost	
At 29 January 2006 and 3 February 2007	<u>5,753</u>
Provision	
At 29 January 2006 and 3 February 2007	<u>5,753</u>
Net book amount at 3 February 2007	<u>-</u>
Net book amount at 28 January 2006	<u>-</u>

The fixed asset investment of £nil (2006 £nil) 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 3 February 2007 £	At 28 January 2006 £
Finished goods and goods for resale	<u>3,536,655</u>	<u>3,180,795</u>

There was no significant difference between the replacement cost of stocks at 3 February 2007 and the amount at which they are stated in the financial statements

HARRODS INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

9 DEBTORS

	At 3 February 2007 £	At 28 January 2006 £
Amounts due within one year:		
Trade debtors	1,212,035	1,336,695
Other debtors	-	322
Prepayments and accrued income	356,046	377,760
VAT receivable	24,596	75,005
	<u>1,592,677</u>	<u>1,789,782</u>
Amounts due after one year:		
Deferred tax (see note 11)	172,838	215,505
	<u>1,765,515</u>	<u>2,005,287</u>

10 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	At 3 February 2007 £	At 28 January 2006 £
Trade creditors	1,025,067	946,814
Amounts owed to group undertakings	146,529	68,928
Other taxation and social security	1,688,930	1,874,501
Accruals and deferred income	544,538	457,607
Other creditors	12,708	472
	<u>3,417,772</u>	<u>3,348,322</u>

11 DEFERRED TAXATION

Deferred taxation assets in the financial statements are set out below. There were no unprovided amounts of deferred taxation at 3 February 2007 or 28 January 2006.

	Amount provided 2007 £	2006 £
At 29 January 2006	215,505	260,232
Decrease in the period	(42,667)	(44,727)
At 3 February 2007	<u>172,838</u>	<u>215,505</u>

HARRODS INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

DEFERRED TAXATION (CONTINUED)

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

	At 3 February 2007 £	At 28 January 2006 £
Depreciation in advance of capital allowances	169,669	211,243
Other timing differences	3,169	4,262
	<u>172,838</u>	<u>215,505</u>

12 CALLED UP SHARE CAPITAL

	2007 £	2006 £
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 29 January 2006	1,042,237
Actuarial gain on pension scheme	639,129
Profit for the financial period	4,769,127
Dividends	(2,000,000)
At 3 February 2007	<u>4,450,493</u>

HARRODS INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £	2006 £
Shareholders' funds at 29 January 2006	1,042,289	2,115,058
Profit for the financial period	4,769,127	4,595,153
Dividends	(2,000,000)	(5,000,000)
Retained profit/(loss) for the period	2,769,127	(404,847)
Actuarial loss on pension scheme	639,129	(667,922)
Net reduction/addition to shareholders' funds'	3,408,256	(1,072,769)
Shareholders' funds at 3 February 2007	4,450,545	1,042,289

15 COMMITMENTS

At 3 February 2007 the company had commitments under concession agreements with the British UK Airport Authority which were authorised but not contracted for of £7,211,748 (2006 £7,561,988)

Capital commitments contracted for but not provided for in these financial statements totalled £1,000,998 as at the period end (2006 £27,814)

16 CONTINGENT LIABILITIES

The Harrods Holdings Group's cash netting facility is guaranteed by Harrods International Limited and other Group companies

There were no contingent liabilities at 3 February 2007 or 28 January 2006

HARRODS INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

17 RETIREMENT BENEFIT OBLIGATIONS

Pension schemes operated

During the period the Harrods Holdings group principally operated two schemes

- (i) the Harrods Retirement Savings Plan ("the Stakeholder Scheme"), which is an approved defined contribution scheme, it was established in April 2006 and is provided and managed by Fidelity International
- (ii) the Harrods 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 £105,630 (2006 £nil) A pension accrual of £ nil (2006 £nil) is included in the balance sheet in relation to this scheme

Defined Benefit Pension Scheme ("the Plan")

The employer 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

In December 2006, the Harrods Group agreed with the Trustee of the Plan that it will be fully funded on a scheme specific basis by 31 January 2014 (within seven years) The resulting Funding Agreement was entered into on 15 December 2006 and included the following provisions

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

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

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

Amounts contributed by the Harrods International Limited are therefore summarized in the tables below

HARRODS INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

Financial Reporting Standard 17 Disclosures

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

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

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

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

The sensitivities regarding these assumptions are as follows

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

HARRODS INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

At 3 February 2007 the market value of the assets in the Plan, the expected long-term rate of return from them and the present value of Plan liabilities, all as defined in accordance with FRS 17 and valued by the qualified independent actuary were as follows

	As at 3 February 2007		As at 28 January 2006		As at 29 January 2005	
	£'000	Expected long-term rate of return % per annum	£'000	Expected long-term rate of return % per annum	£'000	Expected long-term rate of return % per annum
Equities	4,036	7.5%	5,177	7.0%	4,054	7.6%
Corporate bonds	670	5.5%	881	4.7%	860	5.3%
Government bonds	819	4.6%	496	4.0%	409	4.6%
Total return investments	1,387	7.5%	-	-	-	-
Active currency	334	9.8%	-	-	-	-
Other	-	n/a	181	4.0%	81	4.6%
Total assets held by the Plan	7,246		6,735		5,404	
Monies held in Escrow	1,441	4.8%				
Total market value of assets	8,687		6,735		5,404	
Present value of plan liabilities	(9,287)		(10,524)		(8,209)	
Deficit in the Plan	(600)		(3,789)		(2,805)	
Related deferred tax asset	612		1,137		842	
Net pension surplus/(liability)	12		(2,652)		(1,963)	

At 3 February 2007, £432,405 of the deferred tax asset relates to monies held in escrow and will be realized as monies are released from escrow to the Plan in accordance with the Funding Agreement

As at 31 January 2004, the total market value of assets in the plan was £4,879,000 the present value of plan liabilities was £7,300,000 resulting in a deficit in the plan of £2,421,000 (before related deferred tax asset)

HARRODS INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Profit and Loss Disclosures	3 February 2007 £000	28 January 2006 £000
Analysis of amounts charged to operating profit		
Current service cost	44	221
Curtailment and settlements	(571)	(31)
Total operating (credit) / charge	(527)	190
Analysis of amounts included as other finance costs		
Expected return on pension plan assets	(432)	(376)
Interest cost on pension plan liabilities	465	434
Net financial cost	33	58
Analysis of amounts recognised in statement of total recognised gains and losses		
Actual return less expected return on assets	80	965
Experience gain on liabilities	(324)	(83)
Impact of changes in assumptions relating to the present value of plan liabilities	1,156	(1,836)
Actuarial gain / (loss) recognised in STRGL	912	(954)
Movement in the deficit during the period		
Deficit in the plan at 29 January 2006	(3,789)	(2,805)
Current service cost	(44)	(221)
Employer contributions	342	218
Monies paid into escrow account by employers	1,441	-
Impact of curtailments and settlements	571	31
Net financial cost	(33)	(58)
Actuarial gain / (loss)	912	(954)
Deficit in the plan at 3 February 2007	(600)	(3,789)

History of experience gains and losses

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

	3 February 2007		28 January 2006		29 January 2005		31 January 2004	
	£000	%	£000	%	£000	%	£000	%
Difference between actual and expected return on assets	80	0.9%	965	14.3%	170	3.2%	663	13.6%
Experience (losses)/gains on liabilities	(324)	(3.5%)	(83)	(0.8%)	-	-	(160)	(2.2%)
Amount recognised in statement of total recognised gains and losses against liabilities	912	9.8%	(954)	(9.1%)	(269)	(3.3%)	215	2.9%

HARRODS INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

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 Limited, a company incorporated in Bermuda. All interests in the company continue to be controlled and held for the benefit of the Fayed family.