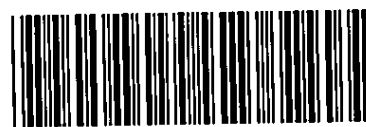


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# **HARRODS INTERNATIONAL LIMITED**

## **FINANCIAL STATEMENTS**

**For the period ended  
31 JANUARY 2009**

**Company no 676533**

**HARRODS INTERNATIONAL LIMITED**  
**FINANCIAL STATEMENTS**

For the period ended 31 JANUARY 2009

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<b>INDEX</b>	<b>PAGE</b>
Report of the directors	1 – 3
Report of the independent auditor	4 – 5
Principal accounting policies	6 – 7
Profit and loss account	8
Balance sheets	9
Other primary statements	10
Notes to the financial statements	11 – 25

The directors present their report together with the audited financial statements for the period ended 31 January 2009.

**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.

**Business review and key performance indicators**

There was a profit for the period after taxation amounting to £4.7m (2008: £4.9m). The directors paid no dividend (2008: £4.0m) in respect of the period.

The year saw the commencement of trading of the Harrods shops in Heathrow's Terminal 5, including the ground-breaking Grand View Central store.

**Future developments**

The company has undertaken to refurbish its branded and own label operations at Heathrow's Terminal 4 from during 2009. During this time its operations there will be partially closed for the refurbishment.

**Directors**

The present membership of the Board is set out below. With the exception of J McArthur, all served on the Board throughout the period.

O Fayed (resigned 3 March 2009)

R L Assanand

J Byrne

Raine Countess Spencer

J McArthur (appointed 1 May 2008, resigned 12 January 2009)

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

**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 translation and transaction foreign exchange risk on overseas purchasing.

Approximately 14% of the group's purchases are contracted in a foreign currency. The company's parent company provides currency hedging services to cover this.

**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 by means of normal management communication channels using written material, face-to-face meetings and team presentations.

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

### **Statement of directors' responsibilities**

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

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

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

In so far as the directors are aware:

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

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

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

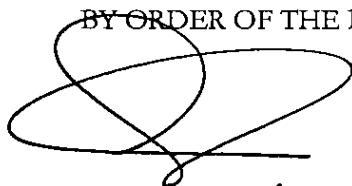
**Policy on payment of creditors**

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 16.2 days to pay its creditors (2008: 17.8).

**Auditors**

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with Section 487(2) of the Companies Act 2006 unless the company receives notice under Section 488(1) of the Act.

BY ORDER OF THE BOARD

A large, stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the bottom.

S Dean  
Secretary  
31 July 2009

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

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

We have audited the financial statements of Harrods International Limited for the period ended 31 January 2009 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 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 auditor**

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 audit opinion**

We conducted our audit in accordance with United Kingdom auditing standards 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.

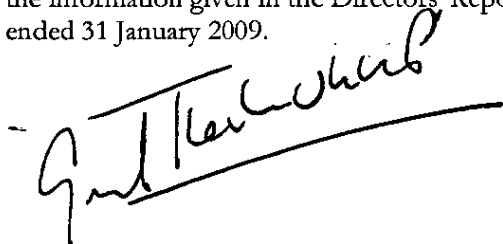
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

**REPORT OF THE AUDITOR 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 31 January 2009 and of its profit for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements for the period ended 31 January 2009.

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

GRANT THORNTON UK LLP  
REGISTERED AUDITOR  
CHARTERED ACCOUNTANTS

LONDON  
31 July 2009

### **Basis of Preparation**

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom applicable accounting standards and have remained unchanged from the previous 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 recognised 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 3 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 using weighted average cost.

### **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.



**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**

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

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

A net surplus is recognized only to the extent that it is recoverable by the company. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the current service cost of providing the benefits, curtailment and settlement gains and losses and financial returns on the pension fund, all reflected in the period to which they relate. The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included in other finance costs. Actuarial gains and losses are recorded through the statement of recognised gains and losses. Disclosure has been made of the assets and liabilities of the scheme under FRS 17 in note 18 to the accounts.

**HARRODS INTERNATIONAL LIMITED**  
**PROFIT AND LOSS ACCOUNT**

For the period ended 31 JANUARY 2009

	Note	52 weeks ended 31 January 2009 £	52 weeks ended 2 February 2008 £
<b>Turnover</b>	1	<b>44,313,494</b>	40,095,905
Cost of sales		<u>(19,810,898)</u>	<u>(17,959,760)</u>
<b>Gross profit</b>		<b>24,502,596</b>	22,136,145
Distribution and store costs		<u>(15,910,565)</u>	<u>(14,048,284)</u>
Administrative expenses		<u>(2,020,265)</u>	<u>(1,271,947)</u>
<b>Operating profit before interest</b>		<u><b>6,571,766</b></u>	<u>6,815,914</u>
Interest receivable	2	<b>233,904</b>	149,408
<b>Profit on ordinary activities before taxation</b>	1	<u><b>6,805,670</b></u>	<u>6,965,322</u>
Tax on profit on ordinary activities	5	<u><b>(2,091,773)</b></u>	<u>(2,043,511)</u>
<b>Profit on ordinary activities after taxation</b>	14,15	<u><u><b>4,713,897</b></u></u>	<u><u>4,921,811</u></u>

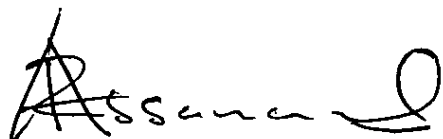
All transactions arise from continuing operations.

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

**HARRODS INTERNATIONAL LIMITED**  
BALANCE SHEET AT 31 JANUARY 2009

	Note	At 31 January 2009 £	At 2 February 2008 £
<b>Fixed assets</b>			
Tangible assets	7	5,309,205	4,730,971
Investments	8	-	-
		<u>5,309,205</u>	<u>4,730,971</u>
<b>Current assets</b>			
Stocks	9	6,906,389	3,384,729
Debtors	10	1,434,439	1,698,828
Cash at bank and in hand		4,391,121	1,649,463
		<u>12,731,949</u>	<u>6,733,020</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(8,325,265)</u>	<u>(6,577,614)</u>
<b>Net current assets</b>		<u>4,406,684</u>	<u>155,406</u>
<b>Total assets less current liabilities</b>		<u>9,715,889</u>	<u>4,886,377</u>
<b>Retirement benefit deficit</b>	18	<u>(87,394)</u>	<u>560,500</u>
<b>Net assets</b>		<u><u>9,628,495</u></u>	<u><u>5,446,877</u></u>
<b>Capital and reserves</b>			
Called up share capital	13	52	52
Profit and loss account	14	9,628,443	5,446,825
<b>Shareholders' funds</b>	15	<u><u>9,628,495</u></u>	<u><u>5,446,877</u></u>

The financial statements were approved by the Board of Directors on 31 July 2009.



**R Assanand - Director**

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

**HARRODS INTERNATIONAL LIMITED**

Other Primary Statements

For the period ended 31 JANUARY 2009

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**Statement of Total Recognised Gains and Losses**

	52 weeks ended 31 January 2009 £	52 weeks ended 2 February 2008 £
Profit for the financial period	4,713,897	4,921,811
Actuarial (loss) / gain on pension scheme (net of tax)	<u>(532,279)</u>	<u>74,521</u>
Total recognised gains and losses for the period	<u><u>4,181,618</u></u>	<u><u>4,996,332</u></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 31 JANUARY 2009

**1 Turnover and segmental analysis**

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 31 January 2009 £	52 weeks ended 2 February 2008 £
United Kingdom	39,083,194	34,346,680
Japan	3,597,298	4,399,907
Rest of Europe	219,134	215,540
Other	1,413,868	1,133,778
	<u>44,313,494</u>	<u>40,095,905</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.

**2 Operating profit**

The profit on ordinary activities before taxation is stated after:

	52 weeks ended 31 January 2009 £	52 weeks ended 2 February 2008 £
Auditors' remuneration:		
Audit services	52,235	46,719
Depreciation:		
Tangible fixed assets owned	864,611	159,986
Loss on disposal of fixed assets	-	87,708
Royalty income	<u>(1,371,803)</u>	<u>(1,374,675)</u>

**HARRODS INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 JANUARY 2009

**3 Net interest receivable**

	52 weeks ended 31 January 2009 £	52 weeks ended 2 February 2008 £
Interest receivable from group undertakings	172,917	154,556
Other finance expense (FRS 17)	64,479	-
Interest payable to group undertakings	(3,492)	(92)
Other	-	(5,056)
	<u>233,904</u>	<u>149,408</u>

**4 Directors and employees**

Staff costs during the period were as follows:

	52 weeks ended 31 January 2009 £	52 weeks ended 2 February 2008 £
Wages and salaries	5,229,496	4,451,038
Social security costs	537,834	465,709
Other pension costs	171,751	167,958
	<u>5,939,081</u>	<u>5,084,705</u>

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

	52 weeks ended 31 January 2009 Number	52 weeks ended 2 February 2008 Number
Selling and distribution	203	164
Administration	26	28
	<u>229</u>	<u>192</u>

**HARRODS INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 JANUARY 2009

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**Directors and employees (continued)**

Remuneration in respect of directors was as follows:

	52 weeks ended 31 January 2009 £	52 weeks ended 2 February 2008 £
Emoluments	<u>365,761</u>	<u>351,712</u>

Included in emoluments for the period ended 31 January 2009 are pension contributions of £19,506 (2008: £18,961).

The value of emoluments incurred directly by the company was £281,640 (2008: £245,645). Emoluments include £84,121 (2008: £87,106) incurred by parent undertakings.

There are 2 directors to whom retirement benefits are accruing under a defined benefit pension scheme (2008: 2) and 2 directors to whom retirement benefits are accruing under a defined contribution scheme (2008: 2).

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

	52 weeks ended 31 January 2009 £	52 weeks ended 2 February 2008 £
Emoluments	<u>281,640</u>	<u>245,645</u>

The highest paid director's accrued pension at the period end was £141,704 (2008: £135,474).

**HARRODS INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 JANUARY 2009

**5 Tax on profit on ordinary activities**

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

	52 weeks ended 31 January 2009 £	52 weeks ended 2 February 2008 £
Group relief	(1,458,917)	(1,677,290)
Foreign tax	(5,663)	(2,244)
	<u>(1,464,580)</u>	<u>(1,679,534)</u>
Deferred tax	(122,728)	(173,245)
FRS 17 - Deferred taxation	(504,465)	(190,732)
	<u>(2,091,773)</u>	<u>(2,043,511)</u>

**Factors affecting current period corporation tax:**

Profit on ordinary activities before tax	6,805,670	6,965,322
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 28% (2008: 30%)	(1,927,901)	(2,089,597)

Effect of:

(Expenses) / income not deductible for tax purposes	457	(1,116)
Capital allowances for the period in excess of depreciation	58,226	192,119
Adjustments in respect of prior period corporation tax	(18,633)	13,643
Income and expenses assessed/relieved on a cash basis	423,271	205,417
	<u>(1,464,580)</u>	<u>(1,679,534)</u>

**6 Dividends**

	52 weeks ended 31 January 2009 £	52 weeks ended 2 February 2008 £
Equity - ordinary		
Interim paid: £nil (2008: £76,923.08p) per £1 share	-	(4,000,000)



**HARRODS INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 JANUARY 2009

**7 Tangible fixed assets**

	Fixtures, fittings, vehicles and equipment £
Cost	
At 3 February 2008	6,499,168
Additions	1,442,845
Disposals	-
At 31 January 2009	<u>7,942,013</u>
Depreciation	
At 3 February 2008	1,768,197
Provided in the year	864,611
Disposals	-
At 31 January 2009	<u>2,632,808</u>
Net book amount at 31 January 2009	<u><u>5,309,205</u></u>
Net book amount at 2 February 2008	<u><u>4,730,971</u></u>

**8 Fixed asset investments**

	2009 £	2008 £
Cost	<u>5,753</u>	<u>5,753</u>
Provision		
At 3 February 2008 and 31 January 2009	<u>5,753</u>	<u>5,753</u>
Net book amount at 31 January 2009	<u><u>-</u></u>	<u><u>-</u></u>
Net book amount at 2 February 2008	<u><u>-</u></u>	<u><u>-</u></u>

The fixed asset investment of £ nil (2008: £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.

**HARRODS INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 JANUARY 2009

**9 Stocks**

	At 31 January 2009 £	At 2 February 2008 £
Finished goods and goods for resale	<u>6,906,389</u>	<u>3,384,729</u>

There was no significant difference between the replacement cost of stocks at 31 January 2009 and the amount at which they are stated in the financial statements.

**10 Debtors**

	At 31 January 2009 £	At 2 February 2008 £
<b>Amounts due within one year:</b>		
Trade debtors	1,057,683	1,254,227
Other debtors	438	276
Amounts owed by other group undertakings	366,894	351,893
VAT receivable	9,424	92,432
	<u>1,434,439</u>	<u>1,698,828</u>

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

	At 31 January 2009 £	At 2 February 2008 £
Trade creditors	1,484,829	1,494,800
Amounts owed to group undertakings	4,068,761	2,731,983
Other taxation and social security	1,458,917	1,677,290
Accruals and deferred income	1,189,623	610,759
Deferred tax (see note 12)	123,135	407
Other creditors	-	62,375
	<u>8,325,265</u>	<u>6,577,614</u>

**HARRODS INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 JANUARY 2009

**12 Deferred taxation**

Deferred taxation provided for in the financial statements is set out below. There were no unprovided amounts of deferred taxation at 31 January 2009 or 2 February 2008.

	<b>Amount provided</b>	
	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
At 3 February 2008	(407)	172,838
Movement in the period	<u>(122,728)</u>	<u>(173,245)</u>
At 31 January 2009	<u><u>(123,135)</u></u>	<u><u>(407)</u></u>

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

	<b>At 31 January 2009</b>	<b>At 2 February 2008</b>
	<b>£</b>	<b>£</b>
Capital allowances in advance of depreciation	(126,304)	(3,576)
Other timing differences	<u>3,169</u>	<u>3,169</u>
	<u><u>(123,135)</u></u>	<u><u>(407)</u></u>

**13 Called up share capital**

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
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>

**HARRODS INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 JANUARY 2009

**14 Reserves**

	Profit and loss account £
At 3 February 2008	5,446,825
Actuarial loss on pension scheme	(532,279)
Profit for the financial period	4,713,897
Dividends	-
At 31 January 2009	<u>9,628,443</u>

**15 Reconciliation of movements in shareholders' funds**

	2009 £	2008 £
Profit for the financial period	4,713,897	4,921,811
Dividends	-	(4,000,000)
<b>Retained profit for the period</b>	<u>4,713,897</u>	<u>921,811</u>
Shareholders' funds at 3 February 2008	5,446,877	4,450,545
Actuarial (loss) / gain on pension scheme	(532,279)	74,521
Shareholders' funds at 31 January 2009	<u>9,628,495</u>	<u>5,446,877</u>

**16 Commitments**

At 31 January 2009 the company had commitments under concession agreements with the British Airport Authority which were contracted for but not provided for in these financial statements of £1,141,360 as at the period end (2008: £1,089,630). Commitments authorised but not contracted for totalled £8,907,780 (2008: £6,978,109).

The company had capital commitments of £429,668 at 31 January 2009 (at 2 February 2008 £1,798,166).

## **17 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 31 January 2009 or 2 February 2008.

## **18 Retirement benefit obligations**

### **Pension schemes operated**

During the period the Harrods Holdings Group principally operated two schemes in which the company participated:

- (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 Group Pension Plan ("the Plan"), which is an approved defined benefit scheme.

### **Stakeholder scheme**

The pension cost under the defined contribution scheme amounted to £167,926 (2008: £152,156). A pension accrual of £nil (2008: £nil) is included in the balance sheet in relation to this scheme.

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

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

- (i) the Plan was closed to all existing members and all new employees with the effect that members would not accrue future pension benefits under the Plan
- (ii) the existing accrued pension benefit of members is 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, was introduced with effect from 5 April 2006.

For the period ended 31 JANUARY 2009

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**Retirement benefit obligations (continued)**

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.

An actuarial valuation of the Plan as at 6 April 2007 on a Scheme Specific Funding basis was carried out by qualified actuaries Hymans Robertson. The deficit on this basis was £67.5m as at 6 April 2007. At that time the amended contributions, in order for the Plan to be fully funded by 31 January 2014, were agreed as follows:

- (i) monthly contributions totaling £10.6m per annum with effect from 1 October 2007
- (ii) monthly contributions totaling an estimated £0.7m per annum to fund administrative expenses of the Plan, with effect from 6 April 2007
- (iii) annual contribution estimated at £0.3m to fund the Pension Protection Fund levy and other such pension scheme levies as are payable by the employers and Trustee under the terms of the Pension Schemes Act 1993 and the Pensions Act 2004

Accordingly, during the period ended 31 January 2009, the participating employers made total contributions to the plan of £11.4m (total contributions in the previous year were £15.3m). In addition, £38.9m (2008: £26.9m) was released from the Escrow account and transferred to the Plan. All participating employers have contributed to these payments.

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.

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

Amounts contributed by the company are therefore summarized in the tables below.

**HARRODS INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 JANUARY 2009

**Retirement benefit obligations (continued)**

**Financial Reporting Standard 17 Disclosures**

For the period ended 31 January 2009, the company has applied the Amendment to FRS17 Retirement Benefits which is effective for accounting periods commencing on or after 6 April 2007. This amendment replaces the existing disclosure requirements with those of IAS 19.

Mercer, the new actuaries and administrators to the plan, as appointed by the Pension Trustees in 2008, carried out a valuation of the plan's assets and liabilities. The FRS17 liabilities of the plan as at 31 January 2009 were obtained by projecting forward the FRS17 liabilities as at 2 February 2008 calculated by Hymans Robertson, the previous actuaries.

The major assumptions used by the actuary were:

	% per annum		
	31 January 2009	2 February 2008	3 February 2007
Discount rate	6.7%	6.2%	5.3%
Inflation assumption	3.5%	3.5%	3.0%
Rate of increase in salaries	n/a	n/a	n/a
Rate of pension increases (LPI 5%)	3.4%	3.4%	2.9%
Rate of pension increases (LPI 2.5%)	2.3%	2.5%	2.5%
Longevity at age 60 for current pensioners			
- Men	26.8	26.7	24.6
- Women	29.8	29.6	27.6
Longevity at age 60 for future pensioners			
- Men	28.0	27.9	25.9
- Women	30.8	30.7	28.9

The sensitivities regarding these assumptions are as follows:

	Change in assumption	Effect on value of liabilities
Discount rate	Increase/decrease by 0.1% p.a.	Decrease/increase by 2.0%
Inflation assumption	Increase/decrease by 0.1% p.a.	Increase/decrease by 2.0%
Longevity	Increase by 1 year	Increase by 2%

**HARRODS INTERNATIONAL LIMITED**  
NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2009

**Retirement benefit obligations (continued)**

The company's share of 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 31 January 2009		As at 2 February 2008		As at 3 February 2007	
	£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	2,510	7.7%	2,956	7.1%	4,036	7.5%
Equity option	-	7.7%	359	7.1%	-	n/a
Corporate bonds	907	6.9%	843	6.2%	670	5.5%
Government bonds	1,496	4.2%	689	4.2%	819	4.6%
Total return investments	1,309	7.7%	1,429	7.0%	1,387	7.5%
Other	74		234	9.7%	334	9.8%
Cash earmarked for investment	229		1,899	7.1%	-	n/a
Cash	1,584	3.7%	35	4.95%	1,441	n/a
<b>Total asset held by the Plan</b>	<b>8,109</b>		<b>8,444</b>		<b>8,687</b>	
Monies held in Escrow	-		920	4.95%	-	4.8%
<b>Total fair value of assets</b>	<b>8,109</b>		<b>9,364</b>		<b>8,687</b>	
Present value of plan liabilities	(8,230)		(8,814)		(9,287)	
<b>(Deficit)/surplus in the Plan</b>	<b>(121)</b>		<b>550</b>		<b>(600)</b>	
Irrecoverable surplus	-		(321)		-	
<b>(Deficit)/surplus recognised in balance sheet</b>	<b>(121)</b>		<b>229</b>		<b>(600)</b>	
Related deferred tax asset	34		331		612	
<b>Net pension (liability)/asset</b>	<b>(87)</b>		<b>560</b>		<b>12</b>	

As required following changes to FRS17, the Plan assets at 31 January 2009 are shown at estimated bid value as either supplied by the relevant investment manager, where available, or using an adjustment factor applied by the Plan's investment consultant.



**HARRODS INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 JANUARY 2009

**Retirement benefit obligations (continued)**

	31 January 2009 £000	2 February 2008 £000
<b>Analysis of amounts charged to operating profit</b>		
Current service cost	-	-
Effect of curtailments or settlements	-	-
Total operating credit	-	-
<b>Analysis of amounts included as other finance costs</b>		
Expected return on pension plan assets	(600)	(480)
Interest cost on pension plan liabilities	536	480
Net financial income	(64)	-
<b>Analysis of amounts recognised in statement of total recognised gains and losses</b>		
Actuarial losses / (gains) immediately recognised	1,060	(483)
Changes in assumptions underlying present value of liabilities		(3)
Effect of surplus cap	(321)	321
Actuarial loss / (gain) recognised in statement of total recognised gains and losses	739	(165)
<b>Changes in the benefit obligation during the period were as follows:</b>		
Benefit obligation at beginning of period	8,814	9,287
Interest cost	535	480
Actuarial gains	(775)	(522)
Benefits paid	(344)	(382)
Effect of change in assumptions underlying present value of scheme liabilities	-	(49)
Benefit obligation at end of period	8,230	8,814

**HARRODS INTERNATIONAL LIMITED**  
NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2009

**Retirement benefit obligations (continued)**

	31 January 2009 £000	2 February 2008 £000
Changes in the plan assets during the period were as follows:		
Fair value of plan assets at beginning of period	9,364	8,687
Expected return on plan assets	600	480
Actuarial losses	(1,836)	(39)
Monies paid from escrow account to plan	(1,105)	(765)
Monies paid to escrow account by employer	-	435
Employer contribution	1,430	993
Benefits paid	(344)	(382)
Effect of change in assumptions underlying present value of scheme assets	-	(45)
Fair value of plan assets at end of period	<u>8,109</u>	<u>9,364</u>

The actual return on plan assets follows:

	Period to 31 January 2009 £000	Year to 2 February 2008 £000
Actual return on plan assets	<u>(1,235)</u>	<u>440</u>

**History of experience gains and losses**

The following disclosures provide five year history for the company:

	31 January 2009 £000	%	2 February 2008 £000	%	3 February 2007 £000	%	28 January 2006 £000	%	29 January 2005 £000	%
Benefit obligation at end of year	(8,230)		(8,814)		(9,287)		(10,524)		(8,209)	
Fair value of plan assets at end of year	<u>8,109</u>		<u>9,364</u>		<u>8,687</u>		<u>6,735</u>		<u>5,403</u>	
(Deficit)/surplus in the plan	(121)		550		(600)		(3,789)		(2,806)	
Difference between actual and expected return on assets	(1,835)	(22.6%)	(39)	(0.4%)	80	0.9%	965	14.3%	170	3.2%
Experience (losses)/gains on plan liabilities	-	-	(151)	(1.7%)	(324)	(3.5%)	(83)	(0.8%)	-	-
Amount recognised in statement of total recognised gains and losses	(739)	9.0%	165	1.9%	912	9.8%	(954)	(9.1%)	(269)	(3.3%)

Cumulative amount of gains / (losses) immediately recognised in STRGL since introduction of FRS17 is a loss of (£620k) (2008: gain of £120k).

**19 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.

**20 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 AIT UK Holdings Limited. The largest group of undertakings for which group accounts have been drawn up is that headed by AIT UK 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 Mafco Holdings Limited, a company incorporated in Bermuda. All interests in the company continue to be controlled and held for the benefit of the Fayed family.