

**HARRODS ESTATES LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED**

**3 FEBRUARY 2007**

Company no 0835993

# **HARRODS ESTATES LIMITED**

## **FINANCIAL STATEMENTS**

**For the period ended 3 FEBRUARY 2007**

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# **HARRODS ESTATES LIMITED**

## **REPORT OF THE DIRECTORS**

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

### **Principal activity**

The principal activities of the company are that of estate agents and property managers

### **Business review**

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

There was a profit for the period after taxation amounting to £77,274 (2006 £23,362 loss) The directors do not recommend the payment of a dividend (2006 £nil)

### **Directors**

The present membership of the Board is set out below

J Byrne

M A E Collins

J M P Cook

M Kiehm (appointed 23 11 2006)

O Al Fayed (appointed 01 11 2006)

Raine, Countess Spencer (appointed 02 03 2006)

A Tanna

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, at time of appointment or at 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

### **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 period 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

# **HARRODS ESTATES LIMITED**

## **REPORT OF THE DIRECTORS**

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### **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 these financial statements, the directors are required to

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

In so far as the directors are aware

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

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

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

### **Credit risk**

The Company's principal credit risk relates to the recovery of trade debtors. Credit risk is mitigated by the ability to offset amounts due against income received from tenants (lettings), service charges received from leaseholders (property management) or recovered from solicitors on completion of sale (sales). Credit risk is further managed by reviewing aged debtors on a regular basis

### **Interest rate risk**

Exposure to interest rate risk is limited through the use of fixed interest rates on inter company loans

# HARRODS ESTATES LIMITED

## REPORT OF THE DIRECTORS

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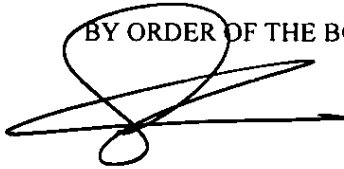
### Elective resolutions

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



S Dean  
Secretary

27<sup>th</sup> July 2007

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

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

We have audited the financial statements of Harrods Estates 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.

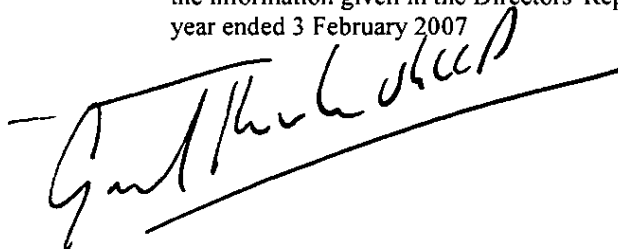
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 ESTATES 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 year ended 3 February 2007

A large, stylized handwritten signature in black ink, likely belonging to a representative of Grant Thornton UK LLP, is written over a horizontal line.

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

**LONDON** 27/2/ 2007

# **HARRODS ESTATES LIMITED**

## **PRINCIPAL ACCOUNTING POLICIES**

For the period ended 3 FEBRUARY 2007

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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 and have remained unchanged from the prior period

Harrods Estates 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 accounts have been prepared on a going concern basis as the company's immediate parent and principal creditor, Harrods Limited, has confirmed its willingness to support the company for a period of at least 12 months from the date of signature of the accounts.

The principal accounting policies of the company are set out below.

### **TURNOVER**

Agency fees on property sales are recognised on exchange of contract, letting fees are recognised as turnover on receipt of funds from tenants to the extent that these fees are guaranteed (as determined by the specific terms of each contract), and property management fees are recognised in the period in which the service is provided.

### **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, fittings and equipment	3 to 7 years
Shop-fits	10 years

### **INVESTMENTS**

Investments are included at cost less amounts written off.

### **LEASED ASSETS**

Payments made under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

### **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 ESTATES LIMITED**

## **PRINCIPAL ACCOUNTING POLICIES**

For the period ended 3 FEBRUARY 2007

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### **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 ESTATES LIMITED****PROFIT AND LOSS ACCOUNT**For the period ended 3 FEBRUARY 2007

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	Note	53 weeks ended 3 February 2007 £	52 weeks ended 28 January 2006 £
<b>Turnover</b>	1	3,306,536	2,792,374
Cost of sales		<u>(2,002,874)</u>	<u>(1,796,105)</u>
<b>Gross profit</b>		1,303,662	996,269
Administrative expenses		<u>(1,139,999)</u>	<u>(966,315)</u>
<b>Operating profit</b>		163,663	29,954
Net interest	2	(43,298)	(53,338)
Other finance expenses (FRS 17)		<u>(3,515)</u>	<u>(6,111)</u>
<b>Profit/(loss) on ordinary activities before taxation</b>		116,850	(29,495)
Tax on profit on ordinary activities	4	(39,576)	6,133
<b>Profit/(loss) retained and transferred to/(from) reserves</b>	12	<u>77,274</u>	<u>(23,362)</u>

All transactions arise from continuing operations

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

# HARRODS ESTATES LIMITED

## BALANCE SHEET AT 3 FEBRUARY 2007

	Note	At 3 February 2007 £	At 28 January 2006 £
<b>Fixed assets</b>			
Tangible assets	5	227,581	224,491
Investment	6	<u>2</u>	<u>-</u>
		227,583	224,491
<b>Current assets</b>			
Debtors	7	852,365	1,081,838
Cash at bank and in hand		<u>42,772</u>	<u>106,620</u>
		895,137	1,188,458
<b>Creditors: amounts falling due within one year</b>	8	<u>(397,567)</u>	<u>(404,006)</u>
<b>Net current assets</b>		497,570	784,452
<b>Total assets less current liabilities</b>		725,153	1,008,943
<b>Creditors: amounts falling due after more than one year</b>	9	(924,904)	(1,071,927)
<b>Provisions for liabilities and charges</b>	10	(8,235)	(9,478)
<b>Retirement benefit surplus / (obligations)</b>	17	<u>1,301</u>	<u>(278,523)</u>
		<u>(206,685)</u>	<u>(350,985)</u>
<b>Capital and reserves</b>			
Called up share capital	11	338,913	338,913
Profit and loss account	12	<u>(545,598)</u>	<u>(689,898)</u>
<b>Shareholders' deficit</b>	13	<u>(206,685)</u>	<u>(350,985)</u>

The financial statements were approved by the Board of Directors on 27<sup>th</sup> July 2007



A Tanna - Director

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

# **HARRODS ESTATES LIMITED**

## **STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

**For the period ended 3 FEBRUARY 2007**

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	<b>53 weeks ended 3 February 2007 £</b>	<b>52 weeks ended 28 January 2006 £</b>
<b>Profit/(loss) for the financial period</b>	<b>77,274</b>	<b>(23,362)</b>
<b>Actuarial gain/(loss) on pension scheme (net of tax)</b>	<b>67,026</b>	<b>(70,130)</b>
<b>Total recognised gains and loss for the period</b>	<b>144,300</b>	<b>(93,492)</b>

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

# HARRODS ESTATES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

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

The turnover and profit on ordinary activities before taxation is attributable to continuing operations as follows

	53 weeks ended 3 February 2007 £	52 weeks ended 28 January 2006 £
Turnover excluding VAT arises from operations in the United Kingdom	<u>3,306,536</u>	<u>2,792,374</u>
The profit on ordinary activities before taxation is stated after charging/(crediting)		
	53 weeks ended 3 February 2007 £	52 weeks ended 28 January 2006 £
Auditors' remuneration		
Audit services	15,572	12,550
Depreciation		
Tangible fixed assets owned	52,457	44,755
Operating lease rentals	241,344	213,763
Exceptional pension curtailment gains (note 17)	<u>(59,909)</u>	<u>(3,228)</u>

### 2 NET INTEREST

	53 weeks ended 3 February 2007 £	52 weeks ended 28 January 2006 £
Interest receivable from group undertakings	8,034	8,541
Interest receivable from third parties	1,537	-
Interest payable to group undertakings	(52,787)	(61,879)
Interest payable to third parties	(82)	-
	<u>(43,298)</u>	<u>(53,338)</u>

# **HARRODS ESTATES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 3 FEBRUARY 2007

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### **3 DIRECTORS AND EMPLOYEES**

Staff costs during the period were as follows

	<b>53 weeks ended 3 February 2007 £</b>	<b>52 weeks ended 28 January 2006 £</b>
Wages and salaries	<b>1,767,824</b>	1,501,837
Social security costs	<b>220,625</b>	177,410
Other pension costs	<b>74,334</b>	120,086
	<b><u>2,062,783</u></b>	<b><u>1,799,333</u></b>

The average number of employees of the company during the period was 21 (2006 21)

There are 4 directors to whom retirement benefits are accruing under a defined benefit pension scheme (2006 4), and 5 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

	<b>53 weeks ended 3 February 2007 £</b>	<b>52 weeks ended 28 January 2006 £</b>
Emoluments	<b><u>438,647</u></b>	<b><u>250,274</u></b>

The highest paid director's accrued pension at the period end was £27,691 (2006 £16,650)

# HARRODS ESTATES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

### 4 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge/(credit) is based on the profit for the period and represents

	53 weeks ended 3 February 2007 £	52 weeks ended 28 January 2006 £
Group relief	14,480	(4,306)
Deferred tax	(1,243)	(874)
FRS 17 - Deferred Tax – offset against FRS 17 liability	26,339	(953)
	<u>39,576</u>	<u>(6,133)</u>
Profit / (Loss) on ordinary activities before tax	116,850	(29,495)
Profit / (Loss) on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30 % (2006 30%)	35,070	(8,849)
Effect of		
Expenses not deductible for tax purposes	4,175	3,715
Capital allowances for the period in excess of depreciation	1,575	(125)
Income and expenses assessed/relieved on a cash basis	(26,340)	953
Current tax charge/(credit) for period	<u>14,480</u>	<u>(4,306)</u>

### 5 TANGIBLE FIXED ASSETS

	Total £
<b>Cost</b>	
At 29 January 2006	360,300
Additions	55,547
Cost at 3 February 2007	<u>415,847</u>
<b>Depreciation</b>	
At 29 January 2006	135,809
Provided in the period	52,457
At 3 February 2007	<u>188,266</u>
Net book amount at 3 February 2007	<u>227,581</u>
Net book amount at 28 January 2006	<u>224,491</u>

# HARRODS ESTATES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

### 6 FIXED ASSET INVESTMENT

	£
At 29 January 2006	-
Additions	2
At 3 February 2007	<u>2</u>

On 30 June 2006, 100% of the ordinary shares of PL Management Limited, a company registered in England and Wales was acquired for £2. The principal activity of this company is that of property management.

### 7 DEBTORS

	At 3 February 2007 £	At 28 January 2006 £
<b>Amounts due within one year</b>		
Trade debtors	679,884	761,580
Prepayments and accrued income	79,435	268,155
Other debtors	93,046	47,797
	<u>852,365</u>	<u>1,081,838</u>

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

	At 3 February 2007 £	At 28 January 2006 £
Trade creditors	73	474
Social security and other taxes	14,088	27,976
Other creditors	27,688	3,294
Accruals and deferred income	355,718	372,262
	<u>397,567</u>	<u>404,006</u>

### 9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	At 3 February 2007 £	At 28 January 2006 £
<b>Amounts due after more than one year.</b>		
Amounts owed to group undertakings	<u>924,904</u>	<u>1,071,927</u>

# HARRODS ESTATES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

### 10 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	9,478	10,352
(Credited)/charged in the period	(1,243)	(874)
At 3 February 2007	<u>8,235</u>	<u>9,478</u>

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

Depreciation in advance of capital allowances	8,235	10,378
Other timing differences	-	(900)
	<u>8,235</u>	<u>9,478</u>

### 11 CALLED UP SHARE CAPITAL

	2007	2006
	£	£
Authorised		
350,000 ordinary shares of £1 each	<u>350,000</u>	<u>350,000</u>
Issued and fully paid		
338,913 ordinary shares of £1 each	<u>338,913</u>	<u>338,913</u>

### 12 RESERVES

	Profit and loss account
	£
At 29 January 2006	(689,898)
Profit for the period	77,274
Actuarial gain on pension scheme	67,026
At 3 February 2007	<u>(545,598)</u>

# HARRODS ESTATES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

### 13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	2007 £	2006 £
Shareholders' deficit at 29 January 2006	(350,985)	(257,493)
Profit/(loss) for the financial period	77,274	(23,362)
Actuarial gain/(loss) on pension scheme	67,026	(70,130)
Shareholders' deficit at 3 February 2007	<u>(206,685)</u>	<u>(350,985)</u>

### 14 LEASING COMMITMENTS

Operating lease payments amounting to £241,344 (2006 £240,000) are due within one year. The leases to which these amounts relate expire as follows:

	2007 £	2006 £
Land and Buildings		
Leases expiring over five years	<u>241,344</u>	<u>240,000</u>

### 15 CAPITAL COMMITMENTS

The company had no capital commitments at 3 February 2007 or 28 January 2006.

### 16 CONTINGENT ASSETS/LIABILITIES

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

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

### 17 RETIREMENT BENEFIT SCHEMES

#### Pensions 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 Group Pension Plan ("the Plan"), which is an approved defined benefit scheme

#### Stakeholder Scheme

The pension cost under the defined contribution scheme amounted to £68,228 (2006: £ nil). A pension accrual of £nil (2006: £nil) is included in the balance sheet in relation to this scheme.

# HARRODS ESTATES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

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### RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

#### 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 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 Harrods Estates Limited are therefore summarized in the tables below

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 company 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

# HARRODS ESTATES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

### RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

	3 February 2007	% per annum 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 pensioner member currently aged 60			
- Men	24.6	24.5	21.2
- Women	27.6	27.5	24.2
Longevity at age 60 for pensioner member currently aged 40			
- 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 ESTATES 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 independent qualified actuary were as follows

	As at 3 February 2007		As at 28 January 2006		As at 29 January 2005	
	£	Expected long-term rate of return % per annum	£	Expected long-term rate of return % per annum	£	Expected long-term rate of return % per annum
Equities	423,743	7.5%	543,583	7.0%	425,649	7.6%
Corporate bonds	70,377	5.5%	92,503	4.7%	90,324	5.3%
Government bonds	86,018	4.6%	52,031	4.0%	42,902	4.6%
Total return investments	145,636	7.5%	-	-	-	-
Active currency	35,024	9.8%	18,993	4.0%	8,482	4.6%
<b>Total assets held by the plan</b>	<b>760,798</b>		<b>707,110</b>		<b>567,357</b>	
Monies held in escrow	151,339	4.8%	-	n/a	-	n/a
<b>Total market value of assets</b>	<b>912,137</b>		<b>707,110</b>		<b>567,357</b>	
Present value of plan liabilities	(975,139)		(1,105,000)		(861,884)	
<b>Deficit in the Plan</b>	<b>(63,002)</b>		<b>(397,890)</b>		<b>(294,527)</b>	
Related deferred tax asset	64,303		119,367		88,358	
<b>Net pension surplus/(liability)</b>	<b>1,301</b>		<b>(278,523)</b>		<b>(206,169)</b>	

At 3 February 2007, £45,401 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 £512,305, the present value of plan liabilities was £766,462, resulting in a deficit in the plan of £254,157 (before related deferred tax asset)

# HARRODS ESTATES 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
<b>Analysis of amounts charged to operating profit</b>		
Current service cost	5	23
Curtailment and settlements	(60)	(3)
Total operating charge	<u>(55)</u>	<u>20</u>
<b>Analysis of amounts included as other finance costs</b>		
Expected return on pension plan assets	(45)	(39)
Interest cost on pension plan liabilities	49	46
Net financial cost	<u>4</u>	<u>7</u>
<b>Analysis of amounts recognised in statement of total recognised gains and losses</b>		
Actual return less expected return on assets	8	102
Experience loss on liabilities	(34)	(9)
Impact of changes in assumptions relating to the present value of plan liabilities	122	(193)
Actuarial gain/(loss) recognised in STRGL	<u>96</u>	<u>(100)</u>
<b>Movement in the deficit during the period</b>		
Deficit in the plan at 29 January 2006	(398)	(295)
Current service cost	(5)	(23)
Contributions	37	25
Monies paid into escrow account by employers	151	-
Impact of curtailments and settlements	60	3
Net financial cost	(4)	(7)
Actuarial gain/ (loss)	96	(100)
Deficit in the plan at 3 February 2007	<u>(63)</u>	<u>(397)</u>

### 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	8	0.9%	102	14.3%	18	3.2%	70	13.6%
Experience (losses)/gains on liabilities	(34)	(3.5%)	(9)	(0.8%)	-	-	(17)	(2.2%)
Amount recognised in statement of total recognised gains and losses against liabilities	96	9.8%	(100)	(9.1%)	(28)	(3.3%)	23	2.9%

# HARRODS ESTATES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

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### 18 TRANSACTIONS WITH RELATED PARTIES

The company has entered into agreements, in the ordinary course of business, with the following companies which are under the control of the Group's ultimate controlling party Hyde Park Residence Limited, Turnbull & Asser Limited, Fulham Football Club (1987) Limited, Balnagown Castle Properties Limited, Samodal Properties Limited and Prestige Properties S A

Except as noted below, the value of these transactions is not considered to be material

Fees in respect of marketing and advisory services received from Prestige Properties S A during the period amounted to £33,494 (2006 £437,070) The trade debtor outstanding at 3 February 2007 from Prestige Properties S A was £nil (2006 debtor £44,430)

Fees in respect of marketing and advisory services received from Hyde Park Residence Limited during the period amounted to £168,065 (2006 fees paid £31,663) The trade debtor outstanding at 3 February 2007 due from Hyde Park Residence Limited at 3 February 2007 was £19,420 (2006 £4,692)

Fees in respect of marketing and advisory services received from Fulham Football Club (1987) Limited during the period amounted to £56,759 (2006 £106,230) There were no trade debtors due from Fulham Football Club (1987) Limited at 3 February 2007 (2006 £nil)

Fees in respect of marketing and advisory services received from Turnbull & Asser Limited during the period amounted to £14,100 (2006 £14,100) The trade debtor outstanding at 3 February 2007 from Turnbull & Asser Limited at 3 February 2007 was £3,525 (2006 £nil)

The company is a wholly owned subsidiary of Harrods Holdings Limited and has taken advantage of the exemption in Financial Reporting Standard No 8 "Related party disclosures" and has not disclosed transactions with group undertakings

There are no other related party transactions

### 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 and the smallest such group of undertakings, including the company, that is headed by Harrods Limited The group accounts will be filed with the Registrar of the 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