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HARRODS ESTATES LIMITED

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

2 FEBRUARY 2008

HARRODS ESTATES LIMITED

FINANCIAL STATEMENTS

For the period ended 2 FEBRUARY 2008

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HARRODS ESTATES LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the period ended 2 February 2008

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 £37,505 (2007 £77,274) The directors do not recommend the payment of a dividend (2007 £nil)

Directors

The present membership of the Board is set out below

J Byrne
M A E Collins
J M P Cook
M Kiehm
O Al Fayed
Raine, Countess Spencer
A Tanna
S R Humphrey (appointed 05 12 2007)
J McArthur (appointed 01 05 2008)

All directors served throughout the period except J McArthur and S R Humphrey

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 Harrodian 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

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

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

17th June 2008

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 2 February 2008 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the statement of total recognised gains and losses and notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of the directors and auditors

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

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

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

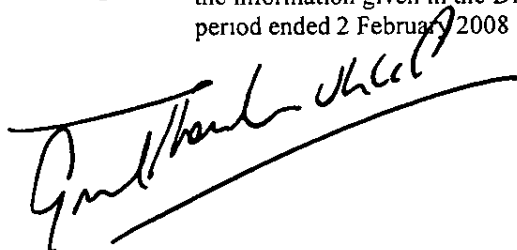
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 2 February 2008 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 2 February 2008



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

LONDON

17/6/

2008

HARRODS ESTATES LIMITED

PRINCIPAL ACCOUNTING POLICIES

For the period ended 2 FEBRUARY 2008

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 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	5 or 7 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 2 FEBRUARY 2008

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 group. 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 18 to the accounts.

HARRODS ESTATES LIMITED

PROFIT AND LOSS ACCOUNT

For the period ended 2 FEBRUARY 2008

	Note	52 weeks ended 2 February 2008 £	53 weeks ended 3 February 2007 £
Turnover	1	3,345,591	3,306,536
Cost of sales	3	<u>(2,188,073)</u>	<u>(2,002,874)</u>
Gross profit		1,157,518	1,303,662
Administrative expenses		<u>(1,236,130)</u>	<u>(1,139,999)</u>
Operating (loss)/profit		(78,612)	163,663
Other income	4	<u>100,000</u>	<u>-</u>
Profit before interest and taxation		21,388	163,663
Net interest	2	(39,347)	(43,298)
Other finance expenses (FRS 17)		<u>-</u>	<u>(3,515)</u>
(Loss)/Profit on ordinary activities before taxation	1	(17,959)	116,850
Tax on (loss)/profit on ordinary activities	5	55,464	(39,576)
Profit on ordinary activities after taxation	13, 14	<u>37,505</u>	<u>77,274</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 2 FEBRUARY 2008

	Note	At 2 February 2008 £	At 3 February 2007 £
Fixed assets			
Tangible assets	6	185,985	227,581
Investment	7	<u>2</u>	<u>2</u>
		185,987	227,583
Current assets			
Debtors	8	906,454	852,365
Cash at bank and in hand		<u>4,441</u>	<u>42,772</u>
		910,895	895,137
Creditors. amounts falling due within one year	9	<u>(448,946)</u>	<u>(397,567)</u>
Net current assets		<u>461,949</u>	<u>497,570</u>
Total assets less current liabilities		<u>647,936</u>	<u>725,153</u>
Creditors amounts falling due after more than one year	10	(695,749)	(924,904)
Provisions for liabilities and charges	11	(1,488)	(8,235)
Retirement benefit surplus	18	<u>188,466</u>	<u>1,301</u>
		<u>139,165</u>	<u>(206,685)</u>
Capital and reserves			
Called up share capital	12	640,000	338,913
Profit and loss account	13	<u>(500,835)</u>	<u>(545,598)</u>
Shareholders' fund/(deficit)	14	<u>139,165</u>	<u>(206,685)</u>

The financial statements were approved by the Board of Directors on 17th June 2008



M Collins - 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 2 FEBRUARY 2008

	52 weeks ended 2 February 2008 £	53 weeks ended 3 February 2007 £
Profit for the financial period	37,505	77,274
Actuarial gain on pension scheme (net of tax)	<u>7,258</u>	<u>67,026</u>
Total recognised gains and loss for the period	<u>44,763</u>	<u>144,300</u>

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 2 FEBRUARY 2008

1 TURNOVER AND (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	52 weeks ended 2 February 2008 £	53 weeks ended 3 February 2007 £
Turnover excluding VAT arises from operations in the United Kingdom	<u>3,345,591</u>	<u>3,306,536</u>
The profit on ordinary activities before taxation is stated after charging/(crediting)		
	52 weeks ended 2 February 2008 £	53 weeks ended 3 February 2007 £
Auditors' remuneration		
Audit services	16,200	15,572
Depreciation		
Tangible fixed assets owned	58,332	52,457
Operating lease rentals	240,00	241,344
Exceptional pension curtailment gains (note 18)	<u>-</u>	<u>(59,909)</u>

2 NET INTEREST

	52 weeks ended 2 February 2008 £	53 weeks ended 3 February 2007 £
Interest receivable from group undertakings	8,187	8,034
Interest receivable from third parties	-	1,537
Interest payable to group undertakings	(47,534)	(52,787)
Interest payable to third parties	-	(82)
	<u>(39,347)</u>	<u>(43,298)</u>

HARRODS ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 2 FEBRUARY 2008

3 DIRECTORS AND EMPLOYEES

Staff costs during the period were as follows

	52 weeks ended 2 February 2008 £	53 weeks ended 3 February 2007 £
Wages and salaries	1,871,219	1,767,824
Social security costs	231,718	220,625
Other pension costs	85,136	14,425
	<u>2,188,073</u>	<u>2,002,874</u>

The average number of employees of the company during the period was 32 (2007 35)

There are 6 directors to whom retirement benefits are accruing under a defined benefit pension scheme (2007 4), and 6 directors to whom retirement benefits are accruing under a defined contribution scheme (2007 5)

Remuneration in respect of directors was as follows

	52 weeks ended 2 February 2008 £	53 weeks ended 3 February 2007 £
Emoluments	<u>546,335</u>	<u>474,888</u>

Included in emoluments for the period ended 2 February 2008 are pension contributions of £37,157

The value of emoluments incurred directly by the company was £546,335 (2007 £474,888)

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

	52 weeks ended 2 February 2008 £	53 weeks ended 3 February 2007 £
Emoluments	<u>275,544</u>	<u>260,475</u>

The highest paid director's accrued pension at the period end was £31,756 (2007 £27,691)

4 OTHER INCOME

	52 weeks ended 2 February 2008 £	53 weeks ended 3 February 2007 £
Investment income		
Dividends receivable from group undertakings	<u>100,000</u>	<u>-</u>

HARRODS ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 2 FEBRUARY 2008

5 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

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

	52 weeks ended 2 February 2008 £	53 weeks ended 3 February 2007 £
Group relief	(100,000)	14,480
Deferred tax	(6,773)	(1,243)
FRS 17 - Deferred taxation	51,309	26,339
Tax (credit)/charge for the period	<u>(55,464)</u>	<u>39,576</u>
Factors effecting current period corporation tax		
(Loss)/profit on ordinary activities before tax	(17,959)	116,850
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30% (2007 30%)	(5,388)	35,070
Effect of		
Dividend income not assessable	(30,000)	-
Expenses not deductible for tax purposes	7,999	4,175
Capital allowances for the period in excess of depreciation	6,446	1,575
Income and expenses assessed/relieved on a cash basis	<u>(79,057)</u>	<u>(26,340)</u>
Current tax (credit)/charge for period	<u>(100,000)</u>	<u>14,480</u>

6 TANGIBLE FIXED ASSETS

	Fixtures, fittings, equipment & shop fits £
Cost	
At 4 February 2007	415,847
Additions	16,736
At 2 February 2008	<u>432,583</u>
Depreciation	
At 4 February 2007	188,266
Provided in the period	58,332
At 2 February 2008	<u>246,598</u>
Net book amount at 2 February 2008	<u>185,985</u>
Net book amount at 3 February 2007	<u>227,581</u>

HARRODS ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 2 FEBRUARY 2008

7 FIXED ASSET INVESTMENT

	£
At 4 February 2007	2
Additions	-
At 2 February 2008	<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.

8 DEBTORS

	At 2 February 2008 £	At 3 February 2007 £
Trade debtors	680,938	679,884
Prepayments and accrued income	74,074	79,435
Other debtors	123,217	72,641
Amounts owed by group undertakings	<u>28,225</u>	<u>20,405</u>
	<u>906,454</u>	<u>852,365</u>

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	At 2 February 2008 £	At 3 February 2007 £
Trade creditors	15,343	73
Social security and other taxes	33,004	14,088
Other creditors	4,706	27,688
Accruals and deferred income	<u>395,893</u>	<u>355,718</u>
	<u>448,946</u>	<u>397,567</u>

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	At 2 February 2008 £	At 3 February 2007 £
Amounts owed to group undertakings	<u>695,749</u>	<u>924,904</u>

HARRODS ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 2 FEBRUARY 2008

11 DEFERRED TAXATION

Deferred taxation assets in the financial statements are set out below. There were no unprovided amounts of deferred taxation at 2 February 2008 or 3 February 2007.

	Amount provided	
	2008	2007
	£	£
At 4 February 2007	8,235	9,478
Transferred to profit and loss account	(6,747)	(1,243)
At 2 February 2008	<u>1,488</u>	<u>8,235</u>

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

Depreciation in advance of capital allowances	1,488	8,235
Other timing differences	-	-
	<u>1,488</u>	<u>8,235</u>

12 CALLED UP SHARE CAPITAL

	2008	2007
	£	£
Authorised		
640,000 ordinary shares of £1 each	<u>640,000</u>	<u>350,000</u>
Issued and fully paid		
640,000 ordinary shares of £1 each	<u>640,000</u>	<u>338,913</u>

On 4 July 2007, the authorised and issued share capital of Harrods Estates Ltd was increased to 640,000 ordinary shares of £1.

13 RESERVES

	Profit and loss account £
At 4 February 2007	(545,598)
Profit for the period	37,505
Actuarial gain on pension scheme	7,258
At 2 February 2008	<u>(500,835)</u>

HARRODS ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 2 FEBRUARY 2008

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 £	2007 £
Shareholders' deficit at 4 February 2007	(206,685)	(350,985)
Profit for the financial period	37,505	77,274
Actuarial gain on pension scheme	7,258	67,026
Issue of share capital	301,087	-
Shareholders' surplus/ (deficit) at 2 February 2008	<u>139,165</u>	<u>(206,685)</u>

15 LEASING COMMITMENTS

Operating lease payments amounting to £240,000 (2007 £241,344) are due within one year. The leases to which these amounts relate expire as follows:

	At 2 February 2008 £	At 3 February 2007 £
Land and buildings		
Leases expiring over five years	<u>240,000</u>	<u>241,344</u>

16 CAPITAL COMMITMENTS

The company had no capital commitments at 2 February 2008 or 3 February 2007.

17 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 2 February 2008 or 3 February 2007.

18 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 £82,895 (2007 £68,228). A pension accrual of £nil (2007 £nil) is included in the balance sheet in relation to this scheme.

HARRODS ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 2 FEBRUARY 2008

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 payment of £50.5 million on 15 January 2007 into an Escrow account held solely for the benefit of the Plan (£1.6 million of this amount relates to non group companies covered by the Plan)
- (ii) monthly contributions totalling £16.3 million per annum from February 2007 for a period of 7 years, or those agreed following a Scheme Specific Funding valuation as at 6 April 2007 (further details below)
- (iii) a release of £26.9 million from the Escrow account to the Trustee on 5 February 2007
- (iv) the balance of the Escrow account to be released to the Trustee on 4 February 2008
- (v) a second ranking charge in favour of the Trustee over the properties owned by Harrods Property Limited
- (vi) a lien over the inventory owned by Harrods Limited comprising goods held for re-sale

In accordance with the Funding Agreement, the contribution rate of £16.3 million per annum was amended following the completion of an actuarial valuation of the Plan as at 6 April 2007 on a Scheme Specific Funding basis The deficit on this basis was £67.5 million as at 6 April 2007 after accounting for £26.5m of money held in Escrow at the valuation date (£94.0 million deficit excluding the Escrow money) Accordingly, in order for the Plan to be fully funded by 31 January 2014, the amended contributions are as follows

- (i) monthly contributions totalling £10.6 million per annum with effect from 1 October 2007 (the first four of which were payable into the abovementioned Escrow account, with payments from February 2008 onwards payable directly to the Plan)
- (ii) monthly contributions totalling an estimated £0.7 million per annum to fund administrative expenses of the Plan, with effect from 6 April 2007
- (iii) annual contribution estimated at £0.3 million 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

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 2 February 2008, the participating employers made total contributions to the Escrow account of £15.3 million (total contributions in the previous year were £62.5m, of which £50.5m was paid into Escrow) In addition, £26.9 million (2007: £nil) was released from the Escrow account and transferred to the Plan 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 four 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

HARRODS ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 2 FEBRUARY 2008

RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Financial Reporting Standard 17 Disclosures

For the period ended 2 February 2008, the company has accounted for its defined benefit pension liability in accordance with FRS 17

An actuarial valuation of the Harrods Group Pension Plan on a scheme specific funding basis was undertaken as at 6 April 2007 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 2 February 2008 using the projected unit method of valuation. The major assumptions used by the actuary were

	2 February 2008	% per annum 3 February 2007	28 January 2006
Discount rate	6.2%	5.3%	4.7%
Inflation assumption	3.5%	3.0%	3.0%
Rate of increase in salaries	n/a	n/a	4.5%
Rate of pension increases (LPI 5%)	3.4%	2.9%	2.9%
Rate of pension increases (LPI 2.5%)	2.5%	2.5%	2.5%
Longevity at age 60 for pensioner member currently aged 60			
- Men	26.7	24.6	24.5
- Women	29.6	27.6	27.5
Longevity at age 60 for pensioner member currently aged 40			
- Men	27.9	25.9	25.8
- Women	30.7	28.9	28.8

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 2 FEBRUARY 2008

RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

At 2 February 2008 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 2 February 2008		As at 3 February 2007		As at 28 January 2006	
		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	290,531	7.1%	423,743	7.5%	543,583	7.0%
Equity option	35,256	7.1%	-			
Corporate bonds	82,812	6.2%	70,377	5.5%	92,503	4.7%
Government bonds	67,756	4.2%	86,018	4.6%	52,031	4.0%
Total return investments	140,435	7.0%	145,636	7.5%	-	n/a
Cash	3,398	4.95%	-	n/a	-	n/a
Cash earmarked for investments	443,058	7.1%	-	n/a	-	n/a
Active currency	22,958	9.7%	35,024	9.8%	18,993	4.0%
Total assets held by the plan	1,086,204		760,798		707,110	
Monies held in escrow	-	4.95%	151,339	4.8%	-	n/a
Total market value of assets	1,086,204		912,137		707,110	
Present value of plan liabilities	(866,189)		(975,139)		(1,105,000)	
Surplus/(Deficit) in the Plan	220,015		(63,002)		(397,890)	
Irrecoverable surplus	(31,549)		-		-	
Surplus/(deficit) recognised in balance sheet	188,466		-		-	
Related deferred tax asset	-		64,303		119,367	
Net pension surplus/(liability)	188,466		1,301		(278,523)	

At 2 February 2008 £nil (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 29 January 2005, the total market value of assets in the plan was £567,357, the present value of plan liabilities was £861,884, resulting in a deficit in the plan of £294,527 (before related deferred tax asset)

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 2 FEBRUARY 2008

RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Profit and loss disclosures	2 February 2008 £	3 February 2007 £
Analysis of amounts charged to operating profit		
Current service cost	-	4,663
Curtailment and settlements	-	(59,909)
Total operating charge	-	(55,246)
Analysis of amounts included as other finance costs		
Expected return on pension plan assets	(47,123)	(45,339)
Interest cost on pension plan liabilities	47,123	48,854
Net financial cost	-	3,515
Analysis of amounts recognised in statement of total recognised gains and losses		
Actual return less expected return on assets	(3,876)	8,397
Experience loss on liabilities	(14,813)	(34,065)
Impact of changes in assumptions relating to the present value of plan liabilities	38,915	121,419
Actuarial gain/(loss) recognised in STRGL	20,226	95,751
Movement in the surplus/(deficit) during the period		
Deficit in the plan at 4 February 2007	(63,002)	(397,890)
Current service cost	-	(4,663)
Employer contributions	263,521	36,067
Monies paid into escrow account by employers	42,776	151,339
Monies paid from escrow account by employers	(75,055)	-
Impact of curtailments and settlements	-	59,909
Net financial cost	-	(3,515)
Actuarial gain/ (loss)	20,226	95,751
Surplus/(Deficit) in the plan at 2 February 2008	188,466	(63,002)

History of experience gains and losses

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

	2 February 2008		3 February 2007		28 January 2006		29 January 2005	
	£000	%	£000	%	£000	%	£000	%
Difference between actual and expected return on assets	(3,876)	(0.4%)	8,397	0.9%	101,283	14.3%	17,888	3.2%
Experience (losses)/gains on liabilities	(14,813)	(1.7%)	(34,065)	(3.5%)	(8,700)	(0.8%)	-	-
Amount recognised in statement of total recognised gains and losses against liabilities	20,226	2.3%	95,751	9.8%	(100,186)	(9.1%)	(28)	(3.3%)

At 31 January 2004 the difference between actual and expected returns on assets was £70,000 (13.6%), the experience losses on liabilities was £17,000 (2.2%) and the amount recognised in the statement of total recognised gains and losses against liabilities was a gain of £23,000 (2.9%)

HARRODS ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 2 FEBRUARY 2008

19 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, Harrods Aviation Ltd 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 £205,375 (2007 £33,494) The trade debtor outstanding at 2 February 2008 from Prestige Properties S A was £55,813 (2007 debtor £nil)

Fees in respect of marketing and advisory services received from Hyde Park Residence Limited during the period amounted to £185,121 (2007 fees paid £168,065) The trade debtor outstanding at 2 February 2008 due from Hyde Park Residence Limited was £725 (2007 £19,420)

Fees in respect of marketing and advisory services received from Fulham Football Club (1987) Limited during the period amounted to £72,390 (2007 £56,759) The trade debtor outstanding at 2 February 2008 due from Fulham Football Club (1987) Limited was £15,331 (2007 £nil)

Fees in respect of marketing and advisory services received from Turnbull & Asser Limited during the period amounted to £14,100 (2007 £14,100) The trade debtor outstanding at 2 February 2008 from Turnbull & Asser Limited was £1,175 (2007 £3,525)

Fees in respect of marketing and advisory services received from Balnagown Castle Properties Limited during the period amounted to £2,286 (2007 £nil) The trade debtor outstanding at 2 February 2008 from Balnagown Castle Properties Limited at 2 February 2008 was £668 (2007 £nil)

Fees in respect of marketing and advisory services received from Samodal Properties Ltd during the period amounted to £38,689 (2007 £11,127) The trade debtor outstanding at 2 February 2008 from Samodal Properties Ltd was £nil (2007 £1,224)

Fees in respect of marketing and advisory services received from Harrods Aviation Ltd during the period amounted to £41,125 (2007 £41,125) The trade debtor outstanding at 2 February 2008 from Harrods Aviation Ltd was £nil (2007 £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

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 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 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