

Harrods Bank Limited
Directors' Report and Financial Statements
for the period ended 31 January 2009

Registered Number 0955491

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Harrods Bank Limited

Directors' Report and Financial Statements

for the period ended 31 January 2009

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HARRODS BANK LIMITED

Chairman's statement

I have to report a pre-tax profit, for the past year, of £309,186 (2008: £558,685), from which a dividend of £500 (2008: £500) has been paid to the holders of the ordinary 'A' shares. No dividend has been proposed to the holders of the Bank's 'B' shares (2008: £300,000).

The current financial crisis, which is extensively reported in the media, has not left Harrods Bank untouched. The impact of an unprecedented low level of interest rates has affected our margins to a significant extent. It was only thanks to a non-recurring capital receipt that our outturn was close to our originally targeted figure.

Looking ahead, however, it is essential to preserve our capital base, maintain customer confidence and look towards increasing our lending capacity, hence our decision to conserve resources rather than pay a dividend this year.

We are conscious of the impact of derisory interest rates on our loyal depositors and every effort is being made to mitigate the effects as far as possible. In fact, we have purposely held our Base Rate above the official Bank of England level for the time being. All of our customers can rest assured that the Bank is soundly capitalised and very liquid, with no borrowings from other financial institutions. We look forward to the day when interest rates are restored to a more sensible level, without, one hopes, being haunted by the spectre of looming inflation.

I must pay tribute to the efforts of all the staff, under their new General Manager, Malcolm McLean, to maintaining the high quality of customer service of which Harrods Bank is justly proud. A recent independent customer survey has demonstrated that these standards are being fully maintained.

The Bank remains independently controlled by a Board of experienced non-executive Directors, and complies with all the requirements of its regulatory authorities. As a consequence of being regulated by the Financial Services Authority, we are covered by the Financial Services Compensation Scheme and Financial Ombudsman Service.

Harrods Bank Ltd also subscribes to the Banking Code and the Business Banking Code, is a member of the British Bankers Association and is licensed by the Office of Fair Trading (No. 0006286).

M A LYDON
Chairman

HARRODS BANK LIMITED

Directors' report for the period ended 31 January 2009

The Directors have pleasure in submitting their report and the financial statements of Harrods Bank Limited ("the Bank") for the period ended 31 January 2009.

Statement of Directors' Responsibilities

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 Bank and of the profit or loss of the Bank 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 Bank will continue in business

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

Directors

The Directors who served during the year and up to the date of this report were:

M A Lydon ACIB (Chairman)
D G A Maxwell ACIB
P J Westby FCA (resigned 31 July 2008)
M McLean ACIB FSDip (appointed 1 September 2008)
D J S Dixon ACIB
J G Hawkins

In accordance with the Articles of Association, no Director is required to seek re-election at the forthcoming Annual General Meeting.

Business Review and Principal Activity

Harrods Bank Limited operates the business of retail banking. No changes to this principal activity are expected in the immediate future.

The results of the Bank show a pre-tax profit of £309,186 (2008: £558,685) for the period ended 31 January 2009.

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The holders of the 'A' voting shares received a dividend of £5.00 per share (gross) on 31 December 2008 in accordance with the Articles of Association. No dividend has been proposed in respect of the 'B' shares (2008: £300,000).

Business Environment

The Bank provides banking services to customers who value high levels of personal service which the large clearing banks are unable to provide, despite their claims to the contrary. The recent crisis in the banking sector has served to emphasise our traditional values and conservative policies.

The Bank's customers, both personal and business, are generally wealthy and primarily, though not exclusively, located in and around London and the South East. The Bank, its Directors and ultimate owners are risk averse and financing is provided on conservative lending terms, with very limited unsecured exposure. Current accounts (and associated overdraft arrangements) with a service fee structure are provided with the support of a VISA debit card. Deposit accounts vary from Call accounts on standard terms to Fixed Term Deposit accounts placed at negotiable interest rates.

Strategy

The strategy of the Bank is to provide an acceptable level of return to the beneficial shareholders whilst achieving a sustainable level of growth, over time, of the capital base to allow for the provision of finance to customers with borrowing needs. The Bank does not seek to compete on price, but on service standards, speed of decision making and brand quality. Credit availability in the market is now very restricted and the Bank is rebasing its pricing to reflect this new reality. The major banks' difficulties have generated considerable dissatisfaction amongst their customers and the Bank is seeking to capitalise on this by creating opportunities for capturing new accounts through selective marketing. It is also promoting the retention and growth of deposits by aligning the Bank's interest rates to favour credit balances, which will benefit the majority of our customers and will provide further support to our business objectives.

Principal Risks and Uncertainties

The Bank in the execution of its strategy is exposed to a number of risks, some of which have been described in note 24 of these financial statements. The greatest concern is the very low interest rate environment, as this will have a substantial effect on earnings until rates move back to more historic levels. The Directors consider that the other key business risks affecting the Bank are:

Reputational Risk

The Directors are aware of potential damage to confidence that could arise from bad publicity relating to failings by the Bank or the Harrods Group or its ultimate owners and are satisfied that there are strategies in place to deal with this. In particular, compared with other financial institutions, the Bank maintains strong capital and liquidity ratios. The Tier 1 Capital Ratio is nearly 40%, far higher than the norm of less than 10%, and our advances to customers are about 50% of our deposit base, compared with other banks that carry in excess of 100%. The Bank is, therefore, free of any borrowings in the wholesale market and has avoided the well publicised problems that have afflicted banks that were heavily reliant on this source of funding. The Directors continue to focus on maintaining the safety of our customers' deposits and on following policies that

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avoid undue risks.

Risk of Losses Arising From The Loan Portfolio

Lending ratios and key controls on exposures are robust with overview by the Bank's Board of Directors ("the Board") of any proposed loan exposure in excess of discretionary limits set for the General Manager. Control and monitoring have been stepped up in response to the worsening economic climate, but the Bank's lending book is still of good quality and stress testing of the larger exposures shows that the majority of debts remain adequately secured.

Other risks to which the Bank may be exposed are reviewed by the Board and appropriate processes put in place to monitor and mitigate them. If more than one event were to occur simultaneously the overall effect of such events might compound the consequences, but the Board considers that there is significant protection afforded by the Bank's strong capital ratio and liquidity.

Financial Services Compensation Scheme

The Financial Services Compensation Scheme ("FSCS") is the UK's statutory fund of last resort for customers of authorised financial services firms and it can pay compensation within defined limits if a firm is unable or likely to be unable to pay its depositors. The Bank recognises the importance of depositor protection and the reassurance that our membership of the scheme provides to customers. However, as a conservatively managed business, this means that we have to help shoulder the burden of claims for bank failures resulting from excessive levels of risk.

In the last year, claims under the FSCS were triggered on a number of occasions and the Bank has to contribute its share of the cost of the levies that will be raised, including the administration expenses that are involved. A provision of £40,028 has been made in these financial statements to cover the FSCS years 2008/2009 and 2009/2010 based on protected deposits held on 31 December 2007 and 31 December 2008. Further charges will be accounted for in future years.

Key Performance Indicators ("KPI's")

The overall progress of the Bank is monitored at bi-monthly Board meetings. The risks, individual strategic elements and tactics, are monitored and examined during monthly on site meetings between two non-executive Directors and the General Manager (the Banking Committee) both by reference to KPI's and a close knowledge of the Bank's risk exposures. Performance during the year, together with historical trend data, is displayed in the table overleaf:

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£000 unless otherwise indicated:

		2009	2008	2007	Definition, method of calculation and analysis
A	Shareholders Funds	7,959	8,131	8,210	Share Capital and Reserves make up the total Shareholders Funds. To conserve the level of reserves, the Bank will not be paying a dividend to the holders of the ordinary 'B' shares.
B	Net Income (excluding exceptional items)	2,338	2,553	2,558	Interest received from customers, liquid assets and fees received less interest payable to account holders. The reduced income in 2009 is due primarily to the extremely low interest rates that are a consequence of the downturn in the economy.
C	Operating Costs (excluding exceptional items)	2,015	1,972	1,841	Operating costs are the costs of running the business and include a substantial proportion of fixed overheads. All controllable costs are subject to rigorous review.
D	Operating Cost / Income ratio	86%	77%	72%	Total operating costs measured as a percentage of net income. The ratio reflects the high level of personal service offered to the Bank's customers and the reduction in income from lower interest rates.
E	Profit on ordinary activities before tax	310	559	776	Year ended 2009 includes exceptional items with a net value of £73,197. The underlying performance was, therefore, £236,000 against £559,000 for the previous year, reflecting the significant impact of lower interest rates.

Directors' Interests

None of the Directors in office at 31 January 2009 held any interest in the shares of the Bank at that date or at 04 February 2008.

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

Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as Auditors and a resolution to re-appoint them will be proposed at the Annual General Meeting.

Each person who is a Director at the date of this report confirms that, so far as the Director is aware, there is no relevant audit information of which the Bank's auditors are unaware and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Bank's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

By order of the Board



M A Lydon
Chairman

21 April 2009

HARRODS BANK LIMITED

Independent auditors' report to the members of Harrods Bank Limited

We have audited the financial statements of Harrods Bank Limited for the period ended 31 January 2009 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom 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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 Chairman's Statement and the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within them.

Basis of audit 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 judgments 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.

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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 and cash flow 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.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

21 April 2009

Notes

1. The maintenance and integrity of the Harrods Bank Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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Profit and loss account for the period ended 31 January 2009

	Note	52 weeks ended 31 January 2009	52 weeks ended 02 February 2008
		£	£
Interest receivable on loans and advances and similar income		1,219,101	1,434,359
Interest receivable on debt securities		1,279,870	1,411,322
Interest payable		(738,402)	(948,279)
Net interest income		1,760,569	1,897,402
Fees and commissions receivable		396,440	409,516
Fees and commissions payable		(323,932)	(251,847)
Other operating income	3	505,284	498,387
Exceptional income	25	113,225	-
Total income		2,451,586	2,553,458
Administrative expenses			
Staff costs and other expenses	2	(2,015,087)	(1,971,772)
Provision for bad and doubtful debts	8	(87,285)	(23,001)
Exceptional charge	25	(40,028)	-
Profit on ordinary activities before taxation		309,186	558,685
Taxation on profit on ordinary activities	5	(86,953)	(257,903)
Profit on ordinary activities after taxation	19	222,233	300,782

All of the amounts stated in the profit and loss account for the period relate to continuing operations.

There are no differences between profit on ordinary activities before taxation and the retained profit for the period stated and their historical cost equivalents.

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Statement of total recognised gains and losses


	Note	52 weeks ended 31 January 2009	52 weeks ended 02 February 2008
		£	£
Profit for the financial period		222,233	300,782
Actuarial (losses)/gains on pension scheme	16	(130,726)	36,568
Movement on deferred tax relating to pension liability		36,309	(15,820)
Total recognised gains and losses relating to the period		127,816	321,530
Total recognised gains and losses since last financial statements		127,816	321,530


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Balance sheet as at 31 January 2009

	Note	As at 31 January 2009	As at 02 February 2008
Assets employed		£	£
Cash		238,159	280,944
Loans and advances to banks	7	3,667,939	4,711,886
Loans and advances to customers	8	15,589,678	14,830,992
Debt securities	9	20,630,340	25,638,221
Tangible fixed assets	11	112,397	127,121
Other assets	12	181,003	179,960
Prepayments and accrued income		555,153	634,676
		40,974,669	46,403,800
Liabilities			
Customers' current and deposit accounts	14	32,829,420	37,723,337
Due to clearing bank		-	285,026
Other liabilities	15	57,739	93,406
Accruals and deferred income		67,118	170,765
Retirement benefit obligations	16	61,810	-
		33,016,087	38,272,534
Share capital and reserves			
Called up share capital	17	5,000,100	5,000,100
Profit and loss account	19	2,958,482	3,131,166
Shareholders' funds including non-equity interests	18	7,958,582	8,131,266
		40,974,669	46,403,800
Memorandum items			
Contingent liabilities	22	10,000	10,000
Commitments	22	417,000	664,000

The financial statements were approved by the Board of Directors and signed on its behalf on 21 April 2009

by: 
M A Lydon (Chairman)


M McLean (Director and General Manager)

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Cash flow statement for the period ended 31 January 2009

	Note	52 weeks ended 31 January 2009	52 weeks ended 02 February 2008
		£	£
Net cash (outflow) / inflow from operating activities	21	(4,956,199)	5,507,521
Tax paid		(146,730)	(67,402)
Capital expenditure and financial investment:			
Purchase of tangible fixed assets		(56,783)	(100,849)
Purchase of investment securities		(33,099,085)	(45,500,000)
Maturity of investment securities		38,100,000	41,000,000
		<u>4,944,132</u>	<u>(4,600,849)</u>
Equity and non equity dividends paid		(300,500)	(400,500)
(Decrease) / increase in cash and cash equivalents	21	<u>(459,297)</u>	<u>438,770</u>

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Notes to the financial statements for the period ended 31 January 2009

1. Accounting Policies

Basis of preparation of financial statements

The financial statements have been prepared on the going concern basis, under the historical cost convention, in compliance with Part VII, Schedule 9 and other requirements of the Companies Act 1985 applicable to banking companies and in accordance with applicable accounting standards and BBA SORPs relating to advances, securities and contingent liabilities.

Pension costs

During the year the Bank participated in two pension 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 assets of this scheme are measured at their market value at the balance sheet date. The liabilities are measured using the projected unit method with a discount rate equal to the rate of return on an AA corporate bond of equivalent term and currency. The extent to which the scheme's assets exceed its liabilities is shown as a surplus in the balance sheet to the extent that a surplus is recoverable by the Bank. The extent to which the scheme's assets fall short of its liabilities is shown as a deficit in the balance sheet, net of the related deferred tax asset, to the extent that a deficit represents an obligation of the Bank.

Any increase in the present value of scheme liabilities resulting from benefit improvements is recognised over the period during which such improvements vest.

A credit representing the expected return on the scheme's assets and a charge relating to the increase in the present value of the scheme's liabilities are included in other finance income.

Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Foreign currencies

All transactions denominated in foreign currencies are translated at the rates of exchange ruling on the date of the transaction. All monetary assets and liabilities at the year-end expressed in foreign currency are translated into sterling at the rates of exchange ruling at the balance sheet date. All profits and losses arising are taken through the profit and loss account.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

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Notes to the financial statements for the period ended 31 January 2009

Deferred taxation (continued)

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Provision for bad and doubtful debts

Provisions are made against advances when, in the opinion of the Directors, recovery is doubtful. This is done on a case by case basis.

The aggregate provisions which are made during the period (less amounts released and recoveries of bad debts previously written off) are charged against operating profit and are deducted from loans and advances. Loans and advances are written off when, in the opinion of the Directors, there is no realistic prospect of recovery.

If the collection of interest is doubtful, it is credited to a suspense account and excluded from interest income in the profit and loss account. Although it continues to be charged to the customer's account, the suspense account in the balance sheet is netted against the relevant loan. If the collection of interest is considered to be unlikely, interest is no longer applied and suspended interest is written off. Loans on which interest is suspended are not reclassified as accruing interest until interest and principal payments are up-to-date and future payments are reasonably assured.

Depreciation

Fixed assets are depreciated on a straight line basis at rates calculated to write them off over their expected useful lives, which are between two and five years. Consultancy costs incurred in acquiring and developing software for internal use which is directly attributable to the functioning of computer hardware are capitalised as tangible fixed assets where software supports a significant business system and the expenditure leads to the creation of an identifiable durable asset.

Income recognition

Interest income is recognised in the profit and loss account as it accrues, with the exception of interest on non-performing lending which is taken to income when received (see accounting policy for provision for bad and doubtful debts).

Fees, commissions and other charges relating to loan transactions, foreign exchange transactions and customer transactions on accounts are recognised in the profit and loss account as they accrue.

Service charges are accrued as services are provided but are not charged to the customer's account until a 14 day notice period expires in compliance with the Banking Code.

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Notes to the financial statements for the period ended 31 January 2009

Dividends on ordinary shares

Dividends are recognised when declared by the Directors, which in the case of interim dividends is generally the date of payment.

Investment securities

Debt securities are held at cost plus/less the amortisation of the premium/discount to nominal value, which is amortised on a straight-line basis to the maturity date. The amortisation of premiums and discounts is included in the profit and loss account as part of interest receivable on debt securities.

Fixed asset investments

Fixed asset investments are recognised at cost, less provision for permanent impairment in value.

The Financial Services Compensation Scheme

As a result of notifications it has received from the Financial Services Authority, the Bank has recognised in this year's results a provision for levies of £40,028 for the scheme years 2008/09 and 2009/10, which are calculated with reference to the Protected Deposits it held at 31 December 2007 and 31 December 2008. At the date of signing these financial statements there remains uncertainty over the amount provided given that the scheme years 2008/2009 and 2009/2010 run to 31 March 2009 and 31 March 2010 respectively and additional levies for these scheme years may be raised up to those dates. The amounts stated above do not take account of any compensation levies which would arise if the assets of the failed institutions are insufficient to repay all the claims from depositors.

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Notes to the financial statements for the period ended 31 January 2009

2. Administrative Expenses

	Period ended 31 January 2009	Period ended 02 February 2008
	£	£
Staff Costs		
• Salaries and accrued incentive payments	658,962	700,054
• Social security costs	89,407	87,516
• Pension costs - defined contribution plan (note 16)	54,290	51,253
	<u>802,659</u>	<u>838,823</u>
Other Costs		
• Other finance costs (note 16)	(11,373)	-
• Depreciation	71,507	63,367
• Other administrative expenses	1,152,294	1,069,582
Staff Costs and Other Expenses	<u>2,015,087</u>	<u>1,971,772</u>
 Average number of employees (including Executive Director)	 20	 20

Staff costs are paid by Harrods Limited centrally and recharged to the Bank.

The statutory audit fees paid to the Bank's auditors were £62,000 (2008: £57,750). There were no fees paid to the Bank's auditors in respect of non-audit services.

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Notes to the financial statements for the period ended 31 January 2009

3. Other Operating Income

	Period ended 31 January 2009	Period ended 02 February 2008
	£	£
Foreign exchange margin (excluding margin from Harrods Ltd)	292,740	344,663
Foreign exchange margin (derived from Harrods Ltd)	212,544	150,128
Other income	-	3,596
	<u>505,284</u>	<u>498,387</u>

4. Directors' Remuneration

	Period ended 31 January 2009	Period ended 02 February 2008
	£	£
Emoluments including pension contributions:		
Fees	91,979	87,900
Remuneration	80,674	108,002
	<u>172,653</u>	<u>195,902</u>

At 31 January 2009 there were no loans remaining to any Directors (2008: £nil). The maximum outstanding during the year was £nil (2008: £nil). During the year total pension contributions paid on behalf of two Directors amounted to £7,279 (2008: £10,051).

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Notes to the financial statements for the period ended 31 January 2009

5. Taxation

	Period ended 31 January 2009	Period ended 02 February 2008
	£	£
The taxation charge based on the profit for the period comprises:		
Current year corporation tax	-	120,684
Corporation tax in respect of prior years	-	81,682
Foreign tax	14,724	
	14,724	202,366
Deferred tax: origination and reversal of timing differences	(1,365)	10,263
Deferred tax: in relation to FRS 17 pension liabilities	73,594	45,274
	72,229	55,537
Tax on profit on ordinary activities	86,953	257,903
	£	£
The tax for the period is lower (2008: lower) than the standard rate of corporation tax in the UK 28% (2008:30%). The differences are explained below:		
Profit on ordinary activities before taxation	309,186	558,685
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax of 28% (2008: 30%)	87,586	167,605
Depreciation in excess of capital allowances / (Capital allowance in excess of depreciation) /	1,594	(7,317)
Expenses not deductible for tax purposes	-	811
Income and expenses assessed/relieved on a cash basis	(74,456)	(40,415)
Prior year under / (over) provision	-	81,682
Current tax charge for the period	14,724	202,366

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Notes to the financial statements for the period ended 31 January 2009

6. Dividends

	Period ended 31 January 2009	Period ended 02 February 2008	Period ended 31 January 2009	Period ended 02 February 2008
	£ per share	£ per share	£	£
Dividends paid on Ordinary 'A' shares	5.00	5.00	500	500
Dividends paid on Ordinary 'B' shares	0.06	0.08	300,000	400,000
			300,500	400,500

The Directors have proposed to pay no final dividend for the period ended 31 January 2009 (2008: 0.06) in respect of the 'B' shares. The total dividend will therefore be £nil (2008: £300,000). The dividend for prior year (2008: £300,000) was paid in April 2008.

7. Loans and Advances to Banks

	31 January 2009	02 February 2008
	£	£
Repayable on demand	2,827,273	3,528,811
Other loans and advances with remaining maturity - 3 months or less	840,666	1,183,075
	3,667,939	4,711,886

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Notes to the financial statements for the period ended 31 January 2009

8. Loans and Advances to Customers

	<u>31 January 2009</u>	<u>02 February 2008</u>
	£	£
Remaining maturity:		
- Over 5 years	5,712,914	6,564,267
- 5 years or less but over 1 year	3,785,538	3,187,996
- 1 year or less but over 3 months	1,249,817	1,085,334
- 3 months or less	1,854,566	1,379,759
- Amounts repayable on demand	3,119,768	2,679,136
	<u>15,722,603</u>	<u>14,896,492</u>
Less: provision for bad and doubtful accounts	(132,925)	(65,500)
	<u>15,589,678</u>	<u>14,830,992</u>

The gross total of non performing loans as at 31 January 2009 was £244,947 (2008: £124,363).

Movement on provision for bad and doubtful accounts

	£
Balance at 02 February 2008	65,500
Charge for the period	89,811
Interest suspended in period	8,029
Provisions relating to debts now written off (including £1,134 in respect of suspended interest)	(29,738)
Provisions released (including £90 in respect of suspended interest)	(677)
Balance at 31 January 2009	<u>132,925</u>

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Notes to the financial statements for the period ended 31 January 2009

8. Loans and Advances to Customers (continued)

Reconciliation to provision for bad and doubtful debts per profit and loss account:	£
Provisions raised	89,811
Provisions released	(587)
Total charge for the period	89,224
Bad debts recovered (relating to prior periods)	(1,939)
Provision for bad and doubtful debts per profit and loss account	87,285

9. Debt Securities

	31 January 2009		02 February 2008	
	Carrying value	Market value	Carrying value	Market value
	£	£	£	£
UK Government Listed Securities	5,630,340	6,294,527	5,638,221	6,028,199
Bank and Building Society Certificates of Deposit	15,000,000	15,000,000	20,000,000	20,000,000
	20,630,340	21,294,527	25,638,221	26,028,199

The movements during the year of debt securities are analysed as follows:	£
At 02 February 2008	25,638,221
Acquisitions	33,099,085
Maturities	(38,100,000)
Amortisation of premiums	(6,966)
At 31 January 2009	20,630,340

The total unamortised premium on UK Government Listed Securities as at 31 January 2009 was £8,340 (2008: £28,221). The amount of debt securities to become due within one year is £15,650,000 (2008: £21,103,000). Also, see note 27.

HARRODS BANK LIMITED

Notes to the financial statements for the period ended 31 January 2009

10. Fixed Asset Investments

During the financial period Visa Europe was subject to Corporatisation. The Corporatisation of Visa took the consortium structure from a not-for-profit payment system run for its members into a company run for profit with retained ownership by the former members. Under this reorganisation the Banks was allocated 1,985 class "C" shares of Visa Inc. (see note 25).

The historic cost of these shares in Visa Inc. is £nil. The Directors' valuation of this holding at 31 January 2009 was £66,639.

11. Tangible Fixed Assets

	Equipment, fixtures and fittings
Cost	£
At 02 February 2008	1,001,557
Additions	56,783
Disposals	(4,149)
At 31 January 2009	1,054,191
Depreciation	
At 02 February 2008	874,436
Charge for period	71,507
Disposals	(4,149)
At 31 January 2009	941,794
Net book value	112,397
At 31 January 2009	112,397
At 02 February 2008	127,121

HARRODS BANK LIMITED

Notes to the financial statements for the period ended 31 January 2009

12. Other Assets

	31 January 2009	02 February 2008
	£	£
Debtors	35,226	87,249
Corporation tax receivable	88,986	-
Deferred tax asset (note 13)	56,791	92,711
	181,003	179,960

13. Deferred tax

	31 January 2009	02 February 2008
	£	£
Depreciation in excess of capital allowances	39,484	38,119
Deferred tax excluding that relating to pension liability	39,484	38,119
Pension liability (note 16)	17,307	54,592
Total deferred tax asset	56,791	92,711

	31 January 2009	02 February 2008
The movement was as follows		
Asset at beginning of period	92,711	164,068
Deferred tax (charge) in the profit and loss account (note 5)	(72,229)	(55,537)
Deferred tax credit / (charge) in the statement of total recognised gains and losses	36,309	(15,820)
Asset at end of period	56,791	92,711

Deferred tax is measured on a non discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantially enacted at the balance sheet date.

HARRODS BANK LIMITED

Notes to the financial statements for the period ended 31 January 2009

14. Customers' Current and Deposit Accounts

	<u>31 January 2009</u>	<u>02 February 2008</u>
	£	£
With agreed maturity dates or periods of notice, by remaining maturity:		
- Greater than 3 months and less than 1 year	100,000	209,712
- 3 months or less but not repayable on demand	14,599,550	20,446,357
- Repayable on demand	18,129,870	17,067,268
	<u>32,829,420</u>	<u>37,723,337</u>

Included in customers' current and deposit accounts at 31 January 2009 is a balance of £24,354 (2008: £112,191) deposited by Harrods Group companies.

15. Other Liabilities

	<u>31 January 2009</u>	<u>02 February 2008</u>
	£	£
Corporation tax	-	57,744
Other liabilities	57,739	35,662
	<u>57,739</u>	<u>93,406</u>

HARRODS BANK LIMITED

Notes to the financial statements for the period ended 31 January 2009

16. Retirement benefit liabilities

Pension schemes operated

During the period the Bank participated in two pension schemes:

- (i) The Harrods Retirement Savings Plan ("the DC Scheme"), which is an approved defined contribution scheme; it was established in April 2006.
- (ii) The Harrods Holdings Group ("the Group") Pension Plan ("the Plan"), which is an approved defined benefit scheme.

Defined contribution scheme

The pension cost under the defined contribution scheme amounted to £54,290 (2008: £51,253). A pension accrual of £nil (2008: £nil) is included in the balance sheet in relation to this scheme.

Defined benefit scheme

For the period ended 31 January 2009, the Bank has accounted for its defined benefit pension liability in accordance with FRS 17. The Plan was closed to future accrual in April 2006.

The group numbers are apportioned to the various employers participating in the scheme based on allocation to employers of individual members employed by them.

In accordance with a funding agreement dated 15 December 2006 between the participating employers and the Trustee of the now closed defined benefit scheme, the Plan will be fully funded on a scheme specific funding basis by 31 January 2014. An actuarial valuation of the Plan on this basis was carried out as at 5 April 2007 to determine contribution levels over the deficit recovery period, with effect from 6 April 2007.

As a result of recent volatility in financial markets, and in line with the terms of the funding agreement, the participating employers and the Trustee are reviewing contribution levels. This review was continuing as at the date of signing of these financial statements. However, contributions for the remaining 5 years of the deficit recovery period are expected to be at least £58,000 per annum.

The triennial actuarial valuation of the Plan was undertaken as at 5 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 31 January 2009 by qualified independent actuaries, Mercer, using the projected unit method of valuation.

HARRODS BANK LIMITED

Notes to the financial statements for the period ended 31 January 2009

16. Retirement benefit liabilities (continued)

At 31 January 2009 the market value of the assets in the Plan, the expected long-term rate of return from them and the present value of Plan liabilities, all as defined in accordance with FRS 17 and valued by the Harrods Holdings Group's actuaries, were as follows:

Change in benefit obligation

	Period to 31 January 2009	Period to 02 February 2008
	£000	£000
Benefit Obligation at beginning of year	1,555	1,629
Current service cost	-	-
Interest cost	95	85
Plan participants' contributions	-	-
Past service costs	-	-
Actuarial (gains) / losses	(137)	(92)
Business combinations	-	-
Curtailments	-	-
Settlements	-	-
Benefits paid	(61)	(67)
Effect of exchange rate changes	-	-
Benefit Obligation at end of year	1,452	1,555

Analysis of defined benefit obligation

	Period to 31 January 2009	Period to 02 February 2008
	£000	£000
Plans that are wholly or partly funded	1,452	1,555
Plans that are wholly unfunded	-	-
Benefit Obligation at end of year	1,452	1,555

HARRODS BANK LIMITED

Notes to the financial statements for the period ended 31 January 2009

16. Retirement benefit liabilities (continued)

Change in plan assets

	Period to 31 January 2009	Period to 02 February 2008
	£000	£000
Fair value of plan assets at beginning of year	1,611	1,524
Expected return on plan assets	106	85
Actuarial (losses)	(323)	(7)
Business combinations	-	-
Settlements	-	-
Monies paid from escrow account to the Plan	(195)	(135)
Monies paid into escrow account by employer	-	76
Employer contribution	252	135
Member contributions	-	-
Benefits paid	(61)	(67)
Effect of exchange rate changes	-	-
Fair value of plan assets at end of year	1,390	1,611

(Deficit)/surplus recognised in balance sheet

	Period to 31 January 2009	Period to 02 February 2008
	£000	£000
Funded status	(62)	56
Unrecognised past service cost (benefit)	-	-
Effect of surplus cap	-	(56)
Net Amount recognised	(62)	-

HARRODS BANK LIMITED

Notes to the financial statements for the period ended 31 January 2009

16. Retirement benefit liabilities (continued)

Components of pension costs

	Period to 31 January 2009	Period to 02 February 2008
	£000	£000
Expected return on pension scheme assets	106	85
Interest on pension liabilities	(95)	(85)
Net financial income	11	-

Analysis of amount recognised in Statement of Total Recognised Gains and Losses (STRGL)

	Period to 31 January 2009	Period to 02 February 2008
	£000	£000
Actual return less expected return on pension scheme assets	(323)	(7)
Experience (losses) arising on the scheme liabilities	-	(27)
Changes in assumptions underlying the present value of the scheme liabilities	137	126
Actuarial (losses) / gains in pension plan	(186)	92
Decrease/ (increase) in irrecoverable surplus	56	(56)
Actuarial (losses) / gains recognised in STRGL	(130)	36

The cumulative actuarial gains and losses recognised in the statement of total recognised gains and losses 31 January 2009 was a loss of £109,307 (2008: £21,094 gain).

HARRODS BANK LIMITED

Notes to the financial statements for the period ended 31 January 2009

16. Retirement benefit liabilities (continued)

Plan assets

The weighted average asset allocation at the year-end was as follows:

Asset category	Plan assets at	Plan assets at
	31-Jan-09	02-Feb-08
Equities	31.9%	36.4%
Corporate Bonds	11.5%	9.2%
Government Bonds	19.0%	7.5%
Total Return Investments	16.6%	15.6%
Cash	20.1%	28.7%
Other	0.9%	2.6%
Total	100%	100%

Amounts included in the fair value of assets for:

	Plan assets at	Plan assets at
	31-Jan-09	02-Feb-08
	£000	£000
Equities	442	584
Corporate Bonds	160	149
Government Bonds	264	122
Total Return Investments	231	252
Cash	280	6
Other	13	293

To develop the expected long-term rate of return on assets assumption, the following factors were considered: the current level of expected returns on risk free investments (primarily government bonds); the historical level of the risk premium associated with the other asset classes in which the portfolio is invested, and; the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 6.05% assumption.

	Period to	Period to
	31 January 2009	02 February 2008
	£000	£000
Actual return on plan assets	(217)	78

HARRODS BANK LIMITED

Notes to the financial statements for the period ended 31 January 2009

16. Retirement benefit liabilities (continued)

Weighted average assumption used to determine benefit obligation

	31 January 2009	02 February 2008
	% p.a.	% p.a.
Price inflation	3.50	3.50
Pension increases – LPI (5%)	3.40	3.40
Pension increases – LPI (2.5%)	2.30	2.50
Discount rate	6.70	6.20

Weighted average assumption used to determine net pension costs for the year

	31 January 2009	02 February 2008
	% p.a.	% p.a.
Expected long-term return on plan assets	6.60	6.70
Pension increases – LPI (5%)	3.40	3.40
Pension increases – LPI (2.5%)	2.30	2.50
Discount rate	6.70	6.20
Inflation	3.50	3.50

Weighted average life expectancy for mortality tables used to determine benefit obligation

	Male	Female
Member age 60	86.8	89.8
Member age 40	88.0	90.8

HARRODS BANK LIMITED

Notes to the financial statements for the period ended 31 January 2009

16. Retirement benefit liabilities (continued)

History of experience gains and losses	Period to 31 January 2009	Period to 02 February 2008	Period to 03 February 2007	Period to 28 January 2006
	£000	£000	£000	£000
Benefit obligation at end of year	(1,452)	(1,555)	(1,754)	(1,988)
Fair value of plan assets at end of year	1,390	1,611	1,641	1,272
(Deficit) / surplus in Plan	(62)	56	(113)	(716)
(Deficit) recognised in Company accounts	(62)	-	(113)	(716)
Difference between the actual and expected return on scheme assets	(323)	(7)	15	182
Percentage of scheme assets	-23.2%	-0.43%	0.9%	14.3%
Experience (losses) on scheme liabilities	-	(27)	(61)	(16)
Percentage of the present value of scheme liabilities	0.0%	-1.7%	-3.5%	-0.8%

Within this disclosure, the value of Plan assets at 31 January 2009 has been stated at estimated bid value, whilst the value of Plan assets at previous dates has been stated at mid value.

HARRODS BANK LIMITED

Notes to the financial statements for the period ended 31 January 2009

17. Called Up Share Capital

	31 January 2009	02 February 2008
	£	£
Authorised, allotted, issued and fully paid ordinary shares of £1 each		
100 'A' voting shares	100	100
5,000,000 'B' non-voting shares	5,000,000	5,000,000
	<u>5,000,100</u>	<u>5,000,100</u>

'A' voting shares are non-equity shares as the holders are only entitled to a fixed dividend annually.

18. Shareholders' Funds

	31 January 2009	02 February 2008
	£	£
Shareholders' funds – equity	7,958,482	8,131,166
Shareholders' funds – non equity	100	100
	<u>7,958,582</u>	<u>8,131,266</u>

19. Reserves

	Profit & Loss Reserve
	£
As at 02 February 2008	3,131,166
Dividend paid relating to prior year	(300,000)
Dividend paid relating to current year	(500)
Profit on ordinary activities after taxation	222,233
Actuarial (losses) on pension scheme	(130,726)
Movement on deferred tax asset relating to pension scheme	36,309
As at 31 January 2009	<u>2,958,482</u>

HARRODS BANK LIMITED

Notes to the financial statements for the period ended 31 January 2009

20. Reconciliation of Movements in Shareholders' Funds

	31 January 2009	02 February 2008
	£	£
Opening shareholders' funds	8,131,266	8,210,236
Profit for the financial period	222,233	300,782
Dividends	(300,500)	(400,500)
	(78,267)	(99,718)
Actuarial (losses) / gains on pension scheme	(130,726)	36,568
Movement on deferred tax asset relating to pension scheme	36,309	(15,820)
Net (reduction) to shareholders' funds	(172,684)	(78,970)
Closing shareholders' funds	7,958,582	8,131,266

HARRODS BANK LIMITED

Notes to the financial statements for the period ended 31 January 2009

21. Notes to the Cash Flow Statement

Reconciliation of profit on ordinary activities before taxation to net cash inflow / (outflow) from operating activities:

	31 January 2009	02 February 2008
	£	£
Profit on ordinary activities before taxation	309,186	558,685
Depreciation	71,507	63,367
Amortisation of premium on investments	6,966	9,899
Provision for bad and doubtful debts	87,285	23,001
Loans and advances written off net of recoveries	(26,664)	2,581
Difference between pension charge and cash contributions	-	(76,779)
Net financial income	(11,373)	-
Decrease / (Increase) in prepayments and accrued income	21,980	(163,920)
(Decrease) in accruals and deferred income	(103,649)	(145)
Net cash inflow from trading activities	355,238	416,689
Net (decrease) / increase in current accounts and deposit accounts	(4,893,918)	4,622,312
Net (increase) / decrease in loans and advances	(476,895)	494,492
Net decrease / (increase) in Other assets	37,299	(34,009)
Net increase in Other liabilities	22,077	8,037
Net cash (outflow) / inflow from operating activities	(4,956,199)	5,507,521

Analysis of changes in cash and cash equivalents:

	Period ended 31 January 2009	Period ended 02 February 2008
	£	£
Opening balance	3,524,729	3,085,959
Net cash (outflow) / inflow	(459,297)	438,770
Closing balance	3,065,432	3,524,729

HARRODS BANK LIMITED

Notes to the financial statements for the period ended 31 January 2009

21. Notes to the Cash Flow Statement (continued)

Analysis of the balances of cash and cash equivalents:

	31 January 2009	02 February 2008	Change in period
	£	£	£
Cash	238,159	280,944	(42,785)
Loans and advances to banks			
- Repayable on demand (note 7)	2,827,273	3,528,811	(701,538)
Due to clearing bank	-	(285,026)	285,026
Cash and cash equivalents	3,065,432	3,524,729	(459,297)

22. Contingent liabilities

There are contingent liabilities for guarantees as at 31 January 2009 of £10,000 (2008: £10,000) none of which are covered by cash (2008: £nil). Total committed but undrawn facilities at the period end are £417,000 (2008: £664,000).

Financial Services Compensation Scheme ("FSCS")

As a result of notifications it has received from FSCS the Bank has made a provision for levies for the scheme years 2008/09 and 2009/10. Based on the Bank's current market share it is estimated that the Bank will be liable for further levies in the year 2010/11. In addition to this there is a contingent liability which would crystallize if the assets of the failed institutions are insufficient to repay all the claims from depositors (see note 25).

HARRODS BANK LIMITED

Notes to the financial statements for the period ended 31 January 2009

23. Related Party Transactions and Controlling Parties

The Directors consider that the ultimate parent undertaking of the Bank is Harrods Holdings Limited and the beneficial shareholder is Harrods Limited. Whilst Harrods Limited is a shareholder of the Bank, the 'A' voting shares are held by Law Debenture Trust Corporation. Law Debenture Trust Corporation is therefore a controller by virtue of having sole voting control of the Bank. Harrods Limited, whose principal place of business is 87-135 Brompton Road, Knightsbridge, London SW1X 7XL, is a wholly owned subsidiary of Harrods Holdings Limited. The Bank is a wholly owned subsidiary of Harrods Limited and also undertakes its business at the address stated. However, none of Harrods Limited's parent undertakings or ultimate owners is a controller of the Bank.

Occupancy fees of £416,975 (2008: £399,784) were charged to the profit and loss during the period. These relate to payments made to Harrods Limited in respect of rent and a trademark fee in accordance with the Bank's agreement with Harrods Limited.

At the period ended 31 January 2009, the following balances included within prepayments and accrued income were outstanding with other connected companies within the Harrods Group;

- £70,710 (2008: £67,795) was owed to the Bank in respect of rent prepaid

Further related party disclosures are made in notes 2, 3 and note 14.

At 31 January 2009 there were four loans remaining (2008: four) to Directors of related parties and their dependants totalling £877,198 (2008: £721,247). The maximum outstanding during the period to related parties, including the maximum outstanding on loan account balances to Directors of related parties, was £937,841 (2008: £940,687).

Interest receivable on these loans is based on the normal terms and conditions of the Bank.

HARRODS BANK LIMITED

Notes to the financial statements for the period ended 31 January 2009

24. Financial Instruments

Credit risk

Overall responsibility for credit risk is with the Board of Directors, on whose behalf the Banking Committee, comprising three Directors, one being executive, draw up and monitor the policy. The executive Director has the responsibility for implementing the policy and ensuring that annual reviews of all facilities take place. The policy covers all aspects of the business of the Bank dealing with credit exposure.

Liquid assets are managed by use of a combination of UK Government gilt edged securities ("GILTS") and funds placed for periods of up to 12 months. These may be held in Certificates of Deposit issued by approved counterparties or short term Money Market deposits held with those counterparties. Harrods Bank Ltd policy requires all institutions to be at least 'A' rated.

Holdings of GILTS will generally not exceed a nominal value equivalent to the Large Exposure Capital Base.

Market risk

The Bank has no exposure to market risk as it does not have a trading book.

Liquidity risk

The Bank manages its assets carefully to ensure an adequate margin of liquid resources is maintained to cover depositor withdrawals as these arise, including high levels of demand that might prevail in times of financial uncertainty. Guidelines for this margin of comfort are agreed with the Financial Services Authority and the Bank has always operated within these parameters with an added self imposed margin. In addition, the Bank periodically tests its ability to fund a significant increase in withdrawal levels.

Operational risk

Operational risk arises from the potential for inadequate systems (including systems breakdown), errors, poor management, breaches in internal controls, fraud and external events to result in financial loss or reputational damage. Management manages this risk through appropriate risk controls and loss mitigating actions. These actions include a combination of policies, procedures, internal controls and business continuity arrangements.

Currency risk

Given that most of the Bank's customers are based in the United Kingdom, the Bank does not maintain material non-trading open currency positions other than Sterling. An analysis of the Currency Assets and Liabilities is provided in note 26.

Interest rate sensitivity

An analysis of interest bearing assets and liabilities by the earlier of interest re-pricing date or the maturity date is provided in note 27.

Fair value disclosure

The Directors do not consider the fair value of financial assets or liabilities to be materially different from their carrying value except for UK Government Listed Securities (see note 9).

HARRODS BANK LIMITED

Notes to the financial statements for the period ended 31 January 2009

25. Exceptional items

The Bank has reported two amounts under Exceptional Items.

The first item relates to income from a distribution of proceeds from the Initial Public Offering ("IPO") of Visa Inc. which allocated a total cash payment equivalent to £113,225 to the Bank (see note 10). In addition, an allocation of 1,985 Visa class "C" shares was made (see note 10). The class "C" shares are not able to be sold or transferred to another person or organisation until the third anniversary of the date that the IPO was settled except in certain limited circumstances, as outlined in Visa Inc.'s Certificate of Incorporation. One such exception is that shares may be traded with other holders with the same class of shares.

The second is for a charge relating to the Financial Services Compensation Scheme ("FSCS"). This scheme provides compensation to customers of financial institutions in the event that an institution is unable, or is likely to be unable, to pay claims against it. During the year, a number of institutions failed, including Bradford & Bingley plc, Heritable Bank plc, Kaupthing Singer & Friedlander Limited, Landsbanki 'Icesave', and London Scottish Bank plc. In order to meet its obligations to the depositors of these institutions, the FSCS has borrowed £19.7 billion from HM Treasury, which is on an interest only basis until September 2011. These borrowings are expected to be repaid wholly or substantially from the realisation of the assets of the above named institutions. The FSCS raises annual levies from the banking industry to meet its management expenses and compensation costs. Individual institutions make payments based on their level of market participation (in the case of deposits, the proportion that their protected deposits represent of total market protected deposits) at 31 December each year. If an institution is a market participant on this date it is obligated to pay a levy. Harrods Bank Ltd was a market participant at 31 December 2007 and 2008. The Bank has accrued £40,028 for its share of levies that will be raised by the FSCS including the interest on the loan from HM Treasury in respect of the levy years to 31 March 2010.

The accrual includes estimates for the interest FSCS will pay on the loan and estimates of Harrods Bank's market participation in the relevant periods. Interest will continue to accrue on the HM Treasury loan to the FSCS until September 2011 and will form part of future FSCS management expenses levies. If the assets of the failed institutions are insufficient to repay the HM Treasury loan in 2011, the FSCS will agree a schedule of repayments with HM Treasury, which will be recouped from the industry in the form of additional levies. At the date of these financial statements, it is not possible to estimate whether there will ultimately be additional levies on the industry, the level of the Bank's market participation or other factors that may affect the amounts or timing of amounts that may ultimately become payable, nor the effect that such levies may have upon operating results in any particular financial period.

HARRODS BANK LIMITED

Notes to the financial statements for the period ended 31 January 2009

26. Currency Assets and Liabilities analysed by Currency (reported in Sterling)

Foreign Currency Balances

The Bank holds assets denominated in foreign currency at 31 January 2009 of £1,977,011 (2008: £1,296,988) and liabilities of £1,894,717 (2008: £1,147,264).

(Translated to £ at year end rates)

			31 January 2009	02 February 2008
	US Dollar	Other currencies	Total	Total
	£	£	£	£
Assets				
Cash	19,253	33,000	52,253	52,157
Loans and advances to banks (Nostro accounts)	10,556	8,720	19,276	82,945
Loans and advances to banks (Money market deposits)	1,401,305	504,177	1,905,482	1,161,886
Total assets	1,431,114	545,897	1,977,011	1,296,988
Liabilities				
Customer accounts	1,395,670	499,047	1,894,717	1,147,264
Total liabilities	1,395,670	499,047	1,894,717	1,147,264
Net foreign currency balances	35,444	46,850	82,294	149,724

HARRODS BANK LIMITED

Notes to the financial statements for the period ended 31 January 2009

27. Interest Rate Sensitivity Analysis: Assets / Liabilities analysed by the earlier of interest re-pricing date or maturity date (all in £'000s)

As at 31 January 2009 ;

	< 3 mths	3-6 mths	6 mths-1 yr	1 yr-5 yrs	> 5 yrs	Non-interest bearing	Total
Assets							
Loans and advances to banks	3,668	-	-	-	-	-	3,668
Loans and advances to customers	15,684	2	17	17	2	(133)	15,589
Debt securities	-	-	651	2,025	2,954	-	5,630
Certificates of deposit	6,000	7,000	2,000	-	-	-	15,000
Other assets	-	-	-	-	-	1,087	1,087
Total assets	25,352	7,002	2,668	2,042	2,956	954	40,974
Liabilities							
Customer accounts	29,440	-	100	-	-	3,289	32,829
Other liabilities	-	-	-	-	-	187	187
Shareholders' funds	-	-	-	-	-	7,958	7,958
Total liabilities	29,440	-	100	-	-	11,434	40,974
Interest rate sensitivity gap	-4,088	7,002	2,568	2,042	2,956	10,480	
Cumulative gap	-4,088	2,914	5,482	7,524	10,480		

HARRODS BANK LIMITED

Notes to the financial statements for the period ended 31 January 2009

27. Interest Rate Sensitivity Analysis: Assets / Liabilities analysed by the earlier of interest re-pricing date or maturity date (all in £'000s) (continued)

As at 02 February 2008;

	< 3 mths	3-6 mths	6 mths-1 yr	1 yr-5 yrs	> 5 yrs	Non- interest bearing	Total
Assets							
Loans and advances to banks	4,712	-	-	-	-	-	4,712
Loans and advances to customers	14,848	3	10	32	3	(65)	14,831
Debt securities	-	-	1,103	2,129	2,406	-	5,638
Certificates of deposit	9,500	4,500	6,000	-	-	-	20,000
Other assets	-	-	-	-	-	1,223	1,223
Total assets	29,060	4,503	7,113	2,161	2,409	1,158	46,404
Liabilities							
Customer accounts	33,729	-	210	-	-	3,784	37,723
Other liabilities	-	-	-	-	-	550	550
Shareholders' funds	-	-	-	-	-	8,131	8,131
Total liabilities	33,729	-	210	-	-	12,465	46,404
Interest rate sensitivity gap	-4,669	4,503	6,903	2,161	2,409	-11,307	
Cumulative gap	-4,669	-166	6,737	8,898	11,307		