

**KURT GEIGER LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED**  
**29 JANUARY 2005**

# **KURT GEIGER LIMITED**

## **FINANCIAL STATEMENTS**

For the period ended 29 JANUARY 2005

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# KURT GEIGER LIMITED

## REPORT OF THE DIRECTORS

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The directors present their report together with the audited financial statements for the period ended 29 January 2005.

### Principal activity

The principal activity of the company is the retailing of high quality branded shoes and accessories through free-standing shops and from concessions within upmarket department stores.

### Business review

Turnover, including VAT, for the period increased by 3.1% from £101,623,000 to £104,783,000. Further sales increases are expected to improve the profitability of the company over the next 12 months.

There was a profit for the year after taxation amounting to £3,297,000 (2004: £3,599,000). The directors do not recommend the payment of a dividend. An amount of £3,297,000 (2004: £3,599,000) has been transferred to reserves.

### Directors

The present membership of the Board is set out below.

R J Fallowfield  
N C Clifford  
R E Farrar-Hockley  
B P Foley  
D Christilaw  
J G Hawkins  
D J Wilkinson

Appointed: 01.02.04  
Appointed: 02.02.04  
Appointed: 01.08.04

The following Directors also held office during the year.

C P De Boer  
C P Mardon  
R Simonin

Resigned: 01.03.04  
Resigned: 27.02.04  
Resigned: 09.02.05

No director in office during the period held any beneficial interest in the shares of Harrods Holdings Limited or any of its subsidiaries at 29 January 2005, at date of appointment or 31 January 2004.

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

### Charitable and political donations

The charitable donations made and charged in the accounts amounted to £2,020 (2004: £113). No political contributions were made (2004: £nil).

# **KURT GEIGER LIMITED**

## **REPORT OF THE DIRECTORS**

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### **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 material and face-to-face meetings.

The Harrods Group Pension Plan has two member trustees amongst its trustee board. There is also 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 weekly company bulletins and through individual performance appraisals, employees are made aware of their individual contribution to the company.

### **The environment**

The company has continued to adopt policies and procedures, which takes accounts of the need to preserve and protect the environment. The directors are committed to compliance with environmental best practice in all aspects of the business.

### **Policy on payment of creditors**

It is the company's policy to agree payment terms as part of any formal contract with a supplier and to make every endeavour to abide by the agreed terms. Where a purchase is not covered by a formal contract, and no agreement is reached in advance of raising an order, the policy is that any valid invoice will be paid in full. The company is sympathetic to, and pays particular attention to, the cash flow needs of its smaller suppliers.

### **Directors' responsibilities for the financial statements**

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

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

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# KURT GEIGER LIMITED

## REPORT OF THE DIRECTORS

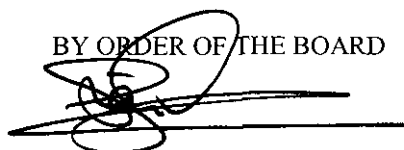
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### Auditors

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

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  
28 April 2005

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

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF KURT GEIGER LIMITED**

We have audited the financial statements of KURT GEIGER LIMITED for the period ended 29 January 2005 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 21. 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 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 United Kingdom auditing standards.

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

We read other information contained in 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 United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF**

**KURT GEIGER LIMITED**

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 29 January 2005 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

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

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

**LONDON  
28 April 2005**

# **KURT GEIGER LIMITED**

## **PRINCIPAL ACCOUNTING POLICIES**

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### **BASIS OF PREPARATION**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. Consolidated accounts have not been prepared, as permitted by section 228 of the Companies Act 1985.

Kurt Geiger Limited is a wholly owned subsidiary of Harrods Holdings Limited, a company incorporated in the United Kingdom, which produces a consolidated cash flow statement in accordance with Financial Reporting Standard 1 (FRS 1) revised 1996. Consequently the company has taken advantage of the exemption in FRS 1 revised 1996, from producing a cash flow statement.

The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with other group companies.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

### **TURNOVER**

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts and includes the sale through concession departments.

### **FIXED ASSET INVESTMENTS**

The company accounts for its investments in subsidiaries at cost less any provision required for a permanent impairment in value.

### **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:

Short leasehold	period of lease
Fixtures, fittings, vehicles and equipment	3 to 5 years
HO Communications/Infrastructure	10 years

### **LEASED ASSETS**

Rentals paid under operating leases are charged to the profit and loss account on a straight-line basis over the lease terms. Rent free periods as inducements to enter into operating lease agreements are released to the profit and loss account over the period to the next rent review.

### **DEFERRED TAXATION**

Deferred tax is recognised on all timing differences where the transactions or events that give the group 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.



# KURT GEIGER LIMITED

## PRINCIPAL ACCOUNTING POLICIES

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### FOREIGN CURRENCY

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

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

The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll. Variations from regular cost are charged to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members.

The company has taken advantage of the transitional provisions of FRS 'Retirement Benefits'. Accordingly the pensions charge has been calculated under the existing policy which is in accordance with SSAP 24 'Pension Costs' and disclosure has been made of the assets and liabilities of the scheme under FRS 17.

### STOCK

Stock is stated at the lower of cost and estimated net realisable value.

### FINANCIAL INSTRUMENTS

The company uses derivative financial instruments, primarily to manage exposures to fluctuations in foreign currency exchange rates and interest rates.

Forward exchange contracts and swap agreements, used to manage currency fluctuations on group borrowings denominated in foreign currency, are valued at closing rates of exchange. The resulting gains or losses are offset against the foreign exchange gains or losses on the related borrowings.

Income and expenditure arising on financial instruments is recognised on the accruals basis, and credited or charged to the profit and loss account in the financial period to which it relates.

**KURT GEIGER LIMITED****PROFIT AND LOSS ACCOUNT**

For the Period Ended 29 JANUARY 2005

	Note	52 weeks ended 29 January 2005 £'000	52 weeks ended 31 January 2004 £'000
<b>Gross turnover</b>		<b>104,783</b>	101,623
Value Added Tax		<u>(14,985)</u>	<u>(14,558)</u>
Turnover	1	<b>89,798</b>	87,065
Cost of sales		<u>(42,196)</u>	<u>(40,850)</u>
Gross profit		<b>47,602</b>	46,215
Distribution and store costs		<b>(35,454)</b>	(34,048)
Administrative expenses		<u>(7,325)</u>	<u>(6,540)</u>
<b>Operating profit before interest and taxation</b>		<b>4,823</b>	5,627
Interest payable	2	<u>(64)</u>	<u>(334)</u>
<b>Profit on ordinary activities before taxation</b>	1	<b>4,759</b>	5,293
Tax on profit on ordinary activities	4	<u>(1,462)</u>	<u>(1,694)</u>
<b>Profit on ordinary activities after taxation</b>		<b>3,297</b>	3,599
<b>Profit retained and transferred to reserves</b>	14	<u><b>3,297</b></u>	<u>3,599</u>

All transactions arise from continuing operations.

There were no recognised gains or losses other than the profit for the financial period.

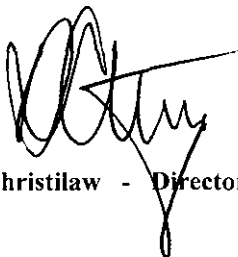
The accompanying accounting policies and notes form an integral part of these financial statements.

**KURT GEIGER LIMITED****BALANCE SHEET AT 29 JANUARY 2005**

	Note	At 29 January 2005 £'000	At 31 January 2004 £'000
<b>Fixed assets</b>			
Tangible assets	6	4,121	4,246
Investments	7	307	307
		<u>4,428</u>	<u>4,553</u>
<b>Current assets</b>			
Stocks	8	12,997	13,334
Debtors	9	7,243	6,809
Cash at bank and in hand		5,039	5,727
		<u>25,279</u>	<u>25,870</u>
<b>Creditors: amounts falling due within one year</b>	10	<u>(11,525)</u>	<u>(15,538)</u>
<b>Net current assets</b>		<u>13,754</u>	<u>10,332</u>
<b>Total assets less current liabilities</b>		<u>18,182</u>	<u>14,885</u>
<b>Creditors: amounts falling due after more than one year</b>	11	<u>(307)</u>	<u>(307)</u>
<b>Net assets</b>		<u>17,875</u>	<u>14,578</u>
<b>Capital and reserves</b>			
Called up share capital	13	770	770
Profit and loss account	14	17,105	13,808
<b>Shareholders' funds</b>		<u>17,875</u>	<u>14,578</u>

The financial statements were approved by the Board of Directors on

28 April 2005

  
**D Christilaw - Director**

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

# KURT GEIGER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 29 JANUARY 2005

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

In the opinion of the directors, the company conducts only one class of business in one significant geographical area being the United Kingdom.

The profit on ordinary activities before taxation is stated after:

	<b>52 weeks ended 29 January 2005 £'000</b>	<b>52 weeks ended 31 January 2004 £'000</b>
Auditors' remuneration:		
Audit services and expenses	40	43
Depreciation:		
Tangible fixed assets owned	1,683	1,618
Profit on disposal of fixed assets	-	40
Foreign exchange gain	(437)	(786)
Hire of plant and machinery under operating leases	78	52
Rent of land and buildings under operating leases	<u>1,298</u>	<u>947</u>

### 2 INTEREST PAYABLE AND SIMILAR CHARGES

	<b>52 weeks ended 29 January 2005 £'000</b>	<b>52 weeks ended 31 January 2004 £'000</b>
Interest payable on loan from parent undertaking	93	365
Other interest receivable and similar income	<u>(29)</u>	<u>(31)</u>
	<u>64</u>	<u>334</u>

### 3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	<b>52 weeks ended 29 January 2005 £'000</b>	<b>52 weeks ended 31 January 2004 £'000</b>
Wages and salaries	12,687	12,003
Social security costs	1,014	939
Other pension costs	<u>389</u>	<u>597</u>
	<u>14,090</u>	<u>13,539</u>

# KURT GEIGER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 29 JANUARY 2005

### DIRECTORS AND EMPLOYEES (CONTINUED)

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

	<b>52 weeks ended 29 January 2005 Number</b>	<b>52 weeks ended 31 January 2004 Number</b>
Branch staff	769	824
Head office staff	89	89
	<b>858</b>	<b>913</b>

Remuneration in respect of directors was as follows:

	<b>52 weeks ended 29 January 2005 £</b>	<b>52 weeks ended 31 January 2004 £</b>
Compensation for Loss of Office	78	68
Emoluments	946	634
Contributions made under Pensions Schemes	40	23
	<b>1,064</b>	<b>725</b>

During the period, 6 directors (2004: 6) participated in defined benefit pension schemes.

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

	<b>52 weeks ended 29 January 2005 £</b>	<b>52 weeks ended 31 January 2004 £</b>
Emoluments	378	191
Pension contributions to defined benefit pension schemes	7	3
	<b>385</b>	<b>194</b>

At the end of the period ended 29 January 2005 the highest paid directors accrued pension was £3,394 (£688 2004) and accrued lump sum was £nil (£nil 2004).

**KURT GEIGER LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the Period Ended 29 JANUARY 2005

**4 TAX ON PROFIT ON ORDINARY ACTIVITIES**

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

	<b>52 weeks ended 29 January 2005 £'000</b>	<b>52 weeks ended 31 January 2004 £'000</b>
<b>Current Tax:</b>		
Group relief	1,449	1,705
Foreign Tax	14	11
Total Current Tax	<u>1,463</u>	<u>1,716</u>
<b>Deferred Tax:</b>		
Accelerated Capital Allowances	(31)	(31)
Origination and reversal of timing differences	30	9
Total Deferred Tax	<u>(1)</u>	<u>(22)</u>
<b>Total Tax Charge for the Year</b>	<u>1,462</u>	<u>1,694</u>
The tax assessed for the period is higher than the standard rate corporation tax in the UK 30% (2004: 30%). The differences are explained as follows:		
Profit on ordinary activities before tax	<u>4,759</u>	<u>5,293</u>
Effective rate of tax	30.74%	32.00%
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30% (2004: 30%)	1,428	1,588
Effect of:		
<b>Expenses not deductible for tax purposes:</b>		
Entertainment		36
Legal Fees	22	2
	<u>22</u>	<u>38</u>
<b>Capital allowances less than depreciation:</b>		
Depreciation	505	486
Capital Allowances	(462)	(429)
	<u>43</u>	<u>57</u>
<b>Income and expenses assessed/relieved on a cash basis:</b>		
Foreign tax	-	-
Deferred tax on pension accrual	(30)	33
Disposal of Assets	-	-
	<u>(30)</u>	<u>33</u>
<b>Current tax charge for period</b>	<u>1,463</u>	<u>1,716</u>

**KURT GEIGER LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the Period Ended 29 JANUARY 2005

**5 DIVIDENDS**

No dividends were paid or proposed during the period (2004: £nil).

**6 TANGIBLE FIXED ASSETS**

	<b>Fixtures, fittings, vehicles and equipment £'000</b>	<b>Short leaseholds £'000</b>	<b>Total £'000</b>
Cost			
At 1 February 2004	13,240	101	13,341
Additions	1,558	-	1,558
Disposals	(78)	-	(78)
At 29 January 2005	<u>14,720</u>	<u>101</u>	<u>14,821</u>
Depreciation			
At 1 February 2004	(9,035)	(60)	(9,095)
Provided in the year	(1,673)	(10)	(1,683)
Disposals	78	-	78
At 29 January 2005	<u>(10,626)</u>	<u>(70)</u>	<u>(10,700)</u>
Net book amount at 29 January 2005	<u><b>4,093</b></u>	<u><b>31</b></u>	<u><b>4,121</b></u>
Net book amount at 31 January 2004	<u>4,206</u>	<u>40</u>	<u>4,246</u>

**7 FIXED ASSET INVESTMENTS**

	<b>£'000</b>
<b>Shares in subsidiary undertakings:</b>	
Shares at cost at 29 January 2005 and 1 February 2004	883
Provision for impairment at 29 January 2005 and 31 January 2004	<u>(576)</u>
At 29 January 2005	<u><b>307</b></u>

# KURT GEIGER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 29 JANUARY 2005

### FIXED ASSET INVESTMENTS (CONTINUED)

The company has the following wholly owned non-trading subsidiary undertakings, all of which are registered in the United Kingdom.

Name of company	Class of share capital held	Proportion held	Nature of business
Kurt Geiger Shoes Limited	Ordinary	100%	Non-trading
Carvela Limited	Ordinary	100%	Non-trading
Shoeholics Limited	Ordinary	100%	Non-trading

### 8 STOCKS

Stocks at both balance sheet dates represent finished goods for resale.

	At 29 January 2005 £'000	At 31 January 2004 £'000
Stock	12,997	13,334

### 9 DEBTORS

	At 29 January 2005 £'000	At 31 January 2004 £'000
Trade debtors	3,563	3,181
Amounts owed by other group undertakings	2,708	2,454
Other debtors	195	295
Prepayments and accrued income	409	512
Deferred tax asset (Note 12)	368	367
	7,243	6,809

Amounts owed by group undertakings are interest free, unsecured and have no fixed date of repayment.



# KURT GEIGER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 29 JANUARY 2005

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

	At 29 January 2005 £'000	At 31 January 2004 £'000
Trade creditors	5,525	4,165
Amounts owed to group undertakings	-	6,000
Group relief payable	1,463	1,705
Other taxation and social security	1,609	1,659
Accruals and deferred income	2,928	2,009
	<u>11,525</u>	<u>15,538</u>

The interest rate charge on the outstanding balance due to Harrods (UK) Limited during the period was 7.41% (2004: 7.41%).

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

	At 29 January 2005 £'000	At 31 January 2004 £'000
Amounts due to subsidiary undertakings	<u>307</u>	<u>307</u>

Amounts due to subsidiary undertakings are unsecured and repayable on demand.

### 12 DEFERRED TAXATION

The deferred asset recognised in the financial statements is set out below. There were no unprovided amounts of deferred taxation at 29 January 2005 or 31 January 2004.

	At 29 January 2005 £'000	At 31 January 2004 £'000
At 1 February 2004	367	345
Released in the period	<u>1</u>	<u>22</u>
At 29 January 2005	<u>368</u>	<u>367</u>
Accelerated capital allowances	243	243
Other timing differences	<u>125</u>	<u>124</u>
	<u>368</u>	<u>367</u>

**KURT GEIGER LIMITED****NOTES TO THE FINANCIAL STATEMENTS**For the Period Ended 29 JANUARY 2005

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**13 CALLED UP SHARE CAPITAL**

	At 29 January 2005 £	At 31 January 2004 £
Authorised 9,000,000 ordinary shares of 10p each	<u>900</u>	<u>900</u>
Allotted, called up and fully paid 7,700,000 ordinary shares of 10p each	<u>770</u>	<u>770</u>

**14 PROFIT AND LOSS ACCOUNT**

	At 29 January 2005 £'000	At 31 January 2004 £'000
At 1 February 2004	13,808	10,209
Profit for the year	<u>3,297</u>	<u>3,599</u>
At 29 January 2005	<u>17,105</u>	<u>13,808</u>

**15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	At 29 January 2005 £'000	At 31 January 2004 £'000
Profit for the financial year	3,297	3,599
Shareholders' funds at 1 February 2004	<u>14,578</u>	<u>10,979</u>
Shareholders' funds at 29 January 2005	<u>17,875</u>	<u>14,578</u>

**16 CAPITAL COMMITMENTS**

	At 29 January 2005 £'000	At 31 January 2004 £'000
Capital expenditure contracted but not provided	<u>1,242</u>	<u>687</u>

# KURT GEIGER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 29 JANUARY 2005

### 17 CONTINGENT LIABILITIES

The Harrods Holdings Group's working capital facility from Royal Bank of Scotland Plc, is guaranteed by Kurt Geiger Limited and other Group companies.

The company is involved in litigation within its normal cause of business. It is in a position to defend such claims.

The company did not participate in derivative financial instruments during the year except in respect of the following: The company entered into forward exchange "currency swaps" and forward exchange "cylinders" all maturing within twelve months, solely to manage its foreign exchange exposure to the Euro and the USD. These contracts relate to the trading activities of the company.

Through its hedging activities the company seeks to minimise the risk that eventual cash flows required to settle related liabilities will be affected by changes in exchange rate.

The unprovided exposure on outstanding contracts of each period end was as follows:

	At 29 January 2005 £'000	At 31 January 2004 £'000
Forward exchange cylinder options	535	1,418
Forward exchange currency swap	3,202	-
Average rate option	1,149	7,407
Ratio Accrual Forward Option	-	1,000
Forward Plus Option	-	7,000
	<u>4,886</u>	<u>16,825</u>

### 18 RETIREMENT BENEFIT SCHEMES

#### Pension schemes operated

Within the United Kingdom the company principally operates two schemes:

i) The Harrods Holdings Stakeholder Scheme (the Scheme), which is an approved defined contribution scheme; it was established with Scottish Equitable plc on 1 May 2002.

ii) The Harrods Holdings Group Pension Plan (the Plan), which is an approved defined benefit scheme.

Membership of the Plan is no longer available to new employees on the staff scale, who join the group on or after 1 May 2002, during the first five years of employment. Those employees are eligible to join the scheme and can then elect to transfer to the Plan after five years' continuous service. Those employees commencing on the management scale are eligible to apply for either the Scheme or the Plan.

The Group pays such contributions to the Scheme and the Plan as required in order to fund benefits for the members and pensioners. The assets of the Scheme and Plan are held in trust separately from the Harrods Holdings Group.

#### Regular pension costs under SSAP 24

#### Defined contribution pension scheme

The pension cost under the defined contribution scheme amounted to £10,215 (2004: £7,557). A pension accrual of £nil (2004: £nil) is included in the balance sheet in relation to this scheme.

# KURT GEIGER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 29 JANUARY 2005

### RETIREMENT BENEFIT SCHEMES (CONTINUED)

#### Defined benefit pension scheme

The company's net pension charge for the Harrods Holdings Group Pension Plan for the period to 29 January 2005 was £533,705 (2004: £616,000) comprising a regular cost of £525,190 plus a variation of £8,515. The variation arises in respect of the actuarial deficit, which is being spread over the average remaining working lives of employees who are members of the Plan. The pension charge for the period is lower than the actual contributions paid resulting in the following accrual in the balance sheet:

	At 29 January 2005 £'000	At 31 January 2004 £'000
The pension accrual is as follows:		
Balance at 31 January 2004	(414)	(303)
Contributions paid	489	505
Charge to profit and loss account	(388)	(616)
Balance at 29 January 2005	<u>(313)</u>	<u>(414)</u>

Pension costs are assessed in accordance with the advice of qualified independent actuaries, Hymans Robertson, based on the results of the actuarial valuation undertaken by Hewitt Bacon & Woodrow Limited as at 6 April 2002. The actuarial valuation assessed the Plan using the projected unit method and a market based valuation approach to ascertain its cost to the Group, having adopted the following financial assumptions:

Inflation assumption	2.8%
Rate of increase in salaries	4.3%
Rate of pension increases	2.7%

Following the valuation, the group agreed to increase contributions to the Plan from 10.0% of salaries to 13.9% of salaries with effect from 6 April 2003. From 6 April 2003, member contributions will increase from 3.5% to 5.0% of salaries for Staff Scale members and from 5.0% to 7.0% of salaries for Management Scale members.

# KURT GEIGER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 29 JANUARY 2005

### RETIREMENT BENEFIT SCHEMES (CONTINUED)

The Group will make an additional contribution to the Plan of £1.2 million (2004: £nil) during the twelve months from April 2005. The Group will also increase its contributions to the Plan from 13.9% of salaries to 15% of salaries with effect from April 2005

At the date of the last actuarial valuation, the market value of the assets of the Plan was £177.7 million and the actuarial value of assets covered 98% of the benefits that had accrued to members, after allowing for expected increases in future earnings. The next scheduled actuarial valuation of Harrods Holdings Group Pension Plan will be as at 6 April 2005.

### Financial Reporting Standard 17 Disclosures

The financial statements have, as last period, been prepared in accordance with SSAP 24. This note includes the additional disclosures required in respect of defined benefit schemes under the transitional arrangements established by FRS 17. The information required in connection with FRS 17 and the defined benefit scheme is detailed below.

An approximate actuarial assessment of the Plan was also carried out as at 29 January 2005 by qualified independent actuaries, Hymans Robertson. The major assumptions used by the actuary were:

	% per annum		
	2005	2004	2003
Discount rate	5.3%	5.5%	5.4%
Inflation assumption	2.9%	2.8%	2.3%
Rate of increase in salaries	4.4%	4.3%	3.8%
Rate of pension increases	2.8%	2.7%	2.4%

At 29 January 2005 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 actuary were as follows:

	As at 29 January 2005		As at 31 January 2004		As at 2 February 2003	
	Harrods Group Pension Plan £m	Expected long-term rate of return % per annum	Harrods group Pension Plan £m	Expected long-term rate of return % per annum	Harrods group Pension Plan £m	Expected long-term rate of return % per annum
Equities	142.0	7.6%	127.5	7.9%	101.0	7.4%
Corporate bonds	30.1	5.3%	28.0	5.5%	24.6	5.4%
Government bonds	14.3	4.6%	13.2	4.9%	11.4	4.4%
Other	2.9	4.6%	2.3	4.9%	2.4	4.4%
Total market value of assets	189.3		171.0		139.4	
Present value of plan liabilities	(287.6)		(255.8)		(225.9)	
Deficit in the Plan	(98.3)		(84.8)		(86.5)	
Related deferred tax asset	29.5		25.4		26.0	
Net pension liability under FRS17	(68.8)		(59.4)		(60.5)	

### Further FRS 17 Disclosure

All other disclosures as required under FRS 17 are shown in the accounts of Harrods Holdings Limited.

# KURT GEIGER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 29 JANUARY 2005

### 19 LEASING COMMITMENTS

Operating lease payments amounting to £1,668,076 (2004: £1,423,989) are due within one year. The leases to which these amounts relate expire as follows:

	Land and buildings £'000	2005 Plant and equipment £'000	Land and buildings £'000	2004 Plant and equipment £'000
In one year or less	-	-	-	-
Between one and five years	-	62	-	78
In five years or more	1,606	-	1,346	-
	<u>1,606</u>	<u>62</u>	<u>1,346</u>	<u>78</u>

In addition to the above the company has certain commitments under concession agreements amounted to £11,842,847 (2004: £8,238,583).

### 20 TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES

The company is a wholly owned subsidiary of Harrods Holdings Limited and, as permitted by Financial Reporting Standard No 8 "Related party disclosures" transactions with other entities in the Harrods Holdings Group are not disclosed. The company conducts business with Fulham Football Club (1987) Limited, which is outside the Harrods Holdings Group but is a related party. This is because both are under the control of the group's ultimate controlling party. The company leases a car of which Fulham Football Club (1987) Limited pays a proportion of all costs in respect of this car amounting to £103 (2004: £116). There is a balance of £7.40 owing from Fulham Football Club (1987) Limited at 29 January 2005.

### 21 ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is Harrods (UK) Limited. The immediate parent undertaking of Harrods (UK) Limited is Harrods Holdings Limited, which is the parent undertaking of the Harrods Holdings Group and which is both the smallest and largest group which consolidates the results of the company. The group accounts will be filed with the Registrar of Companies in due course.

The ultimate parent undertaking is Alfayed Investment and Trust PVT LP, a partnership based in Bermuda. All interests in the Partnership continue to be under the control of, and held for the benefit of, the Fayed family, the ultimate controlling party.

**KURT GEIGER LIMITED****FIVE YEAR RECORD**

For the Period Ended 29 JANUARY 2005

	52 weeks 27 January 2001 £'000	53 weeks 2 February 2002 £'000	52 weeks 1 February 2003 £'000	52 weeks 31 January 2004 £'000	52 weeks 29 January 2005 £'000
<b>Gross turnover</b>	79,051	87,057	97,998	101,623	104,783
Value added tax	(11,271)	(12,515)	(14,185)	(14,588)	(14,985)
<b>Net turnover</b>	67,780	74,542	83,813	87,065	89,798
Cost of sales	(36,091)	(35,660)	(38,977)	(40,850)	(42,196)
<b>Gross profit</b>	31,689	38,882	44,836	46,215	47,602
Operating expenses	(32,803)	(37,245)	(39,126)	(40,588)	(42,779)
<b>Operating profit/(loss)</b>	(1,114)	1,637	5,710	5,627	4,823
Other income	207	158	-	-	-
Exceptional items	-	627	-	-	-
Net interest payable	(774)	(703)	(486)	(334)	(64)
<b>Profit/(loss) on ordinary activities before taxation</b>	(1,681)	1,719	5,224	5,293	4,759
Taxation	519	(367)	(1,575)	(1,694)	(1,462)
<b>Profit/(loss) on ordinary activities after taxation</b>	(1,162)	1,352	3,649	3,599	3,297
Dividends	-	-	-	-	-
<b>Transferred to/(from) reserves</b>	(1,162)	1,352	3,649	3,599	3,297

**THIS PAGE DOES NOT FORM PART OF THE AUDITED FINANCIAL STATEMENTS**