

HARRODS HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

52 WEEKS ENDED 1 FEBRUARY 2003



Registered Number: 1848143

HARRODS HOLDINGS LIMITED

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HARRODS HOLDINGS LIMITED

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements of Harrods Holdings Limited and its subsidiary companies ("the Group") for the 52 weeks ended 1 February 2003.

Principal Activity

The principal activity of the Company is that of an investment holding company, the principal subsidiaries of which continue to operate retail businesses.

Directors and their Interests

The present Directors of the Company are:

M Al Fayed
A Fayed (Chairman)
J Byrne
A Tanna
R Simonin (appointed 14.07.03)

The other Directors who served during the period were:

W C Najdecki (resigned 30.06.02)
M Wikstrom (resigned 26.02.03)
S H Davie (appointed 30.09.02; resigned 12.11.03)

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

M Al Fayed and A Fayed are beneficially interested in the shares of the Company as described in Note 23. No other Director in office during the year held any beneficial interest in the shares of the Company or of any of its subsidiary undertakings at 3 February 2002, at date of appointment or at 1 February 2003.

Except as disclosed in Note 24, no Director has had a material interest, directly or indirectly, at any time during the year, in any contract significant to the business of the Group or the Company.

Results and Dividends

Turnover for the 52 weeks ended 1 February 2003 totalled £541.0 million (2002-53 weeks: £531.2 million).

The Group's loss after taxation for the 52 weeks ended 1 February 2003 amounted to £3.2 million (2002: profit of £15.6 million).

The Directors paid a dividend of £11.5 million (2002: £74.0 million) in respect of the period.

Review of the Business and Future Developments

The Directors consider the trading performance of the Group to be satisfactory. The Group faced difficult trading conditions during the year due to the downturn in the world economy which affected tourism and travel to London.

The Directors expect market conditions to remain difficult during the coming year, due to the impact of world events, but they consider the business to be well placed to overcome these.

HARRODS HOLDINGS LIMITED
DIRECTORS' REPORT (Continued)

Employee Involvement

Information is provided regularly by means of normal management communication channels using written material, face-to-face meetings and video presentations.

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

Disabled Persons

It is the policy of the Group 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.

Pension Plan

The Harrods Group Pension Plan has two member trustees amongst its trustee board. It also has a committee of staff and management representatives who are kept informed of the administration, performance and development of the Plan. Further details of the Plan are set out in Note 10 to the financial statements.

Donations

The charitable donations made and charged in the accounts amounted to £0.9 million (2002: £0.9 million). No political contributions were made.

Payment of Creditors

It is the Group's policy to agree payment terms as part of any formal contract with a supplier and to make every endeavour to abide by the agreed terms. Where a purchase is not covered by a formal contract, and no agreement is reached in advance of raising an order, the Group's policy is to pay suppliers within 30 days of receipt of the goods or services. The Group is sympathetic to, and pays particular attention to, the cash flow needs of its smaller suppliers. The Group takes on average 30 days to pay its creditors (2002: 24).

Creditor days for the Company have not been shown as there are no trade creditors.

Auditors

Grant Thornton have expressed their willingness to continue in office as Auditors to the Company and a resolution proposing their re-appointment and authorising the Directors to fix their remuneration will be put to the Annual General Meeting.

HARRODS HOLDINGS LIMITED
DIRECTORS' REPORT (Continued)

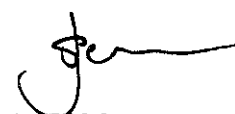
Statement of Directors' Responsibilities

Company law in the United Kingdom requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. The Directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group or the Company will continue in business.

The Directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the period ended 1 February 2003 and that applicable accounting standards have been followed.

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

By Order of the Board



S JERMAN
Secretary
25 November 2003

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

HARRODS HOLDINGS LIMITED

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF HARRODS HOLDINGS LIMITED

We have audited the financial statements of Harrods Holdings Limited for the period ended 1 February 2003 which comprise the consolidated profit and loss account, the note of historical cost profit and losses, the reconciliation of movement in shareholders' funds, the balance sheets, the consolidated cash flow statement and notes 1 to 26. 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 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, 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 Group or the Company are 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 Group'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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Group's and Company's affairs as at 1 February 2003 and of the Group's result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Grant Thornton
Registered Auditors
Chartered Accountants
London
25 November 2003

HARRODS HOLDINGS LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE 52 WEEKS ENDED 1 FEBRUARY 2003

Note	52 weeks 1 February 2003 £m	Restated 53 weeks 2 February 2002 £m
Gross Turnover	621.4	609.7
Value added tax	(80.4)	(78.5)
2 Turnover	541.0	531.2
Cost of sales	(316.5)	(307.0)
Gross Profit	224.5	224.2
Distribution and store costs	(168.7)	(166.7)
Administrative expenses	(41.9)	(34.6)
2/3 Operating Profit	13.9	22.9
Share of loss of associate and goodwill written off	-	(5.6)
4 Exceptional Items	9.2	22.2
Income from other fixed asset investments	0.9	0.8
Profit before Interest and Taxation	24.0	40.3
5 Net Interest	(32.9)	(22.7)
(Loss)/Profit on Ordinary Activities before Taxation	(8.9)	17.6
6 Taxation	5.7	(2.0)
(Loss)/Profit on Ordinary Activities after Taxation	(3.2)	15.6
8 Dividends	(11.5)	(74.0)
20 Retained Loss Transferred from Reserves	(14.7)	(58.4)

All turnover and operating profits arise from continuing activities.

There are no recognised gains or losses in the period other than those reported above.

The movements on reserves are shown in Note 20.

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

HARRODS HOLDINGS LIMITED
52 WEEKS ENDED 1 FEBRUARY 2003

	52 weeks 1 February 2003 £m	53 weeks 2 February 2002 £m
NOTE OF HISTORICAL COST PROFITS AND LOSSES		
Reported (loss)/profit on ordinary activities before taxation	(8.9)	17.6
Realisation of property revaluation gains of previous years	0.5	11.9
Difference between depreciation on historical cost and revalued basis	-	0.5
	<hr/>	<hr/>
Historical cost (loss)/profit for the period before taxation	<u>(8.4)</u>	<u>30.0</u>
Historical cost loss for the period retained after taxation and dividends	<u>(14.2)</u>	<u>(46.0)</u>

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

(Loss)/profit on ordinary activities after taxation	(3.2)	15.6
Dividends	(11.5)	(74.0)
	<hr/>	<hr/>
Net reduction to shareholders' funds	(14.7)	(58.4)
	<hr/>	<hr/>
Opening shareholders' funds	385.1	443.5
	<hr/>	<hr/>
Closing shareholders' funds	<u>370.4</u>	<u>385.1</u>

HARRODS HOLDINGS LIMITED

BALANCE SHEETS AT 1 FEBRUARY 2003

Note	Consolidated		Company	
	1 February 2003 £m	2 February 2002 £m	1 February 2003 £m	2 February 2002 £m
Fixed Assets				
11 Intangible Assets	2.6	2.6	-	-
12 Tangible assets	686.4	696.1	0.1	0.1
13 Investments	7.7	7.7	535.7	549.4
	<u>696.7</u>	<u>706.4</u>	<u>535.8</u>	<u>549.5</u>
Current Assets				
14 Properties held for resale	5.8	-	-	-
15 Stocks	47.3	51.5	-	-
16 Debtors due within one year	52.7	34.0	5.8	6.1
Cash and bank balances	8.7	29.6	4.7	10.5
	<u>114.5</u>	<u>115.1</u>	<u>10.5</u>	<u>16.6</u>
Creditors				
17 Amounts falling due within one year	(88.4)	(86.7)	(2.7)	(181.0)
Net Current Assets/(Liabilities)	<u>26.1</u>	<u>28.4</u>	<u>7.8</u>	<u>(164.4)</u>
Total Assets Less Current Liabilities	722.8	734.8	543.6	385.1
Creditors				
17 Amounts falling due after more than one year	(345.3)	(336.8)	(173.2)	-
18 Provisions for Liabilities and Charges	(7.1)	(12.9)	-	-
	<u>370.4</u>	<u>385.1</u>	<u>370.4</u>	<u>385.1</u>
Capital and Reserves				
19 Called up share capital	50.0	50.0	50.0	50.0
20 Revaluation reserve	293.0	293.5	311.6	325.2
20 Profit and loss account	27.4	41.6	8.8	9.9
Total Shareholders' Funds (inc. non-equity interests of £2)	<u>370.4</u>	<u>385.1</u>	<u>370.4</u>	<u>385.1</u>

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

Approved by the Board on 25 November 2003.



A TANNA
Director

HARRODS HOLDINGS LIMITED
CONSOLIDATED CASH FLOW STATEMENT

	52 weeks 1 February 2003 £m	53 weeks 2 February 2002 £m
■/c) Net Cash Inflow from Operating Activities	47.2	45.2
Returns on Investments and Servicing of Finance		
Interest received	1.4	1.1
Interest paid	(25.6)	(22.6)
Dividends received from fixed asset investments	0.4	0.5
Rent received from properties	0.4	0.3
	<u>(23.4)</u>	<u>(20.7)</u>
Taxation paid	<u>(2.9)</u>	<u>(1.7)</u>
Capital Expenditure and Financial Investment		
Purchase of tangible fixed assets	(26.4)	(31.3)
Disposal of tangible fixed assets	22.5	49.5
Loans to related parties	(37.3)	(27.5)
Repayment of loans from related parties	9.5	27.5
	<u>(31.7)</u>	<u>18.2</u>
Acquisitions and Disposals		
Disposal of associated undertaking	<u>-</u>	<u>37.3</u>
Equity Dividends Paid	<u>(11.5)</u>	<u>(74.0)</u>
Net cash inflow before use of liquid resources and financing	(22.3)	4.3
■/c) Financing		
Proceeds from bank borrowings	6.5	12.1
Repayment of bank borrowings	(5.1)	(4.8)
	<u>1.4</u>	<u>7.3</u>
■/c) (Decrease)/Increase in Cash	<u>(20.9)</u>	<u>11.6</u>

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

HARRODS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

		52 weeks 1 February 2003 £m	53 weeks 2 February 2002 £m		
a)	Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities				
	Operating profit	13.9	22.9		
	Depreciation charged	25.8	23.0		
	Amortisation of goodwill	0.1	0.2		
	Relocation costs	-	(1.3)		
	Decrease/(Increase) in stocks	4.0	(3.7)		
	Decrease in debtors	0.8	0.4		
	Increase in creditors	2.6	3.7		
	Net cash inflow from operating activities	47.2	45.2		
		52 weeks 1 February 2003 £m	53 weeks 2 February 2002 £m		
b)	Reconciliation of Net Cash Flow to Movement in Net Debt				
	(Decrease)/Increase in cash in the period	(20.9)	11.6		
	Cash inflow from increase in debt	(1.4)	(6.8)		
	Movement in net debt in the period	(22.3)	4.8		
	Other non cash charges	(0.3)	(0.5)		
	Net debt at beginning of the period	(311.2)	(315.5)		
	Net debt at end of the period	(333.8)	(311.2)		
		2 February 2002 £m	Cash Flow £m	Other Non-cash charges £m	1 February 2003 £m
c)	Analysis of Net Debt				
	Cash in hand and at bank	29.6	(20.9)	-	8.7
	Bank loan	(340.8)	(1.4)	(0.3)	(342.5)
		(311.2)	(22.3)	(0.3)	(333.8)

Non-cash charges represent the amortisation of issue costs relating to the bank loan.

HARRODS HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

1 Accounting Policies

Basis of Preparation

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of the Group's properties and the Company's fixed asset investments, and comply with applicable accounting standards.

The principal accounting policies of the group are set out below. The policies have remained unchanged from the previous period apart from changes to the presentation of turnover as described below.

Basis of Consolidation

The consolidated financial statements include the results of the Company and its subsidiary undertakings.

Goodwill arising on consolidation representing the excess of fair value of consideration given over the fair values of the identifiable net assets acquired, is capitalised and is amortised on a straight line basis over its estimated economic life. Previously goodwill arising on the acquisition of subsidiary undertakings was charged against reserves, as permitted at the time under SSAP 22 (see note 20).

Turnover

Turnover is the amount receivable, excluding VAT, for goods and services supplied to customers and includes the sales of concession departments.

In previous years, VAT refunded on exports was reported as discounts to customers. The accounting treatment in this respect is now to set off the VAT on export refunds against VAT on export sales. The effect of this change in treatment is to reduce current year turnover and cost of sales by £10.4 million; impact on gross profit being £nil. The comparatives for the previous year have been restated to reflect the new accounting treatment, with turnover and cost of sales reduced by £9.6 million; impact on gross profit being £nil.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Intangible fixed assets

Goodwill arising on acquisitions, representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is stated at cost less amortisation.

Goodwill is capitalised and treated as an asset on the balance sheet in the year in which it arises. It is amortised through the profit and loss account by equal instalments over its useful economic life, which does not exceed 20 years.

HARRODS HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)

1 Accounting Policies (Continued)

Tangible Fixed Assets

Freehold and long leasehold properties are stated at cost or professional or Directors' valuations less accumulated depreciation. All other fixed assets are stated at cost less accumulated depreciation. On adoption of FRS 15 in the 2001 accounts, the Group followed the transitional rules and ceased its previous policy of revaluing properties on a regular basis, instead retaining them at their current book values. The values brought forward are retained subject to the requirement to test assets for impairment in accordance with FRS 11. All additions thereafter are accounted for at cost.

Depreciation is provided by the Group and the Company in order to write down to estimated residual value (if any) the cost or valuation of tangible fixed assets over their estimated useful economic lives by equal annual instalments, as follows:

Land	Not depreciated
Certain freehold and long leasehold properties	35-50 years
Short leasehold property	Remaining period of lease
Fixtures and fittings	3-20 years
Vehicles and equipment	4-7 years

It is the practice of the Group to maintain its properties to a high standard. Accordingly, for the Harrods department store in Knightsbridge, the Directors consider that the life of this asset is so long, and the residual value is so high, that the depreciation is immaterial. Any permanent diminution in the value of this property is charged to the profit and loss account as appropriate.

Assets held for resale are classified within current assets.

Fixed Asset Investments

The Group accounts for its fixed asset investments at the lower of cost or Directors' valuation less any provision required for permanent diminution in value.

Fixed asset investments in subsidiary undertakings are stated in the balance sheet of the Company at the consolidated net asset value of those subsidiary undertakings as the Directors of the Company believe that the subsidiaries' value is not materially less than their combined net asset value. Net surpluses are transferred to a non-distributable revaluation reserve, and net deficits are transferred from this reserve where investments have previously been revalued upwards.

Leased Assets

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

HARRODS HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)

1 Accounting Policies (Continued)

Financial Instruments

The Group uses derivative financial instruments, primarily to manage exposures to fluctuations in interest rates.

Discounts or premiums on financial instruments designated as interest rate hedges are reflected as adjustments to interest payable. 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. Interest differentials, under which the amounts and periods for which interest rates on borrowings are varied, are reflected as adjustments to interest payable.

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 date.

Defined Contribution Pension Scheme

The pension costs charged against operating profits are the contributions payable to the scheme in respect of the accounting period.

Defined Benefit Pension Scheme

The Group and Company employees are members of the Harrods Holdings Group Pension Plan under which retirement benefits are funded by contributions from the Group and employees. Payment is made to the pension trust, which is separate from the 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 or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members.

The Group has taken advantage of the transitional provisions of FRS 17 '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.

Foreign Currency

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currency are translated at exchange rates ruling at the transaction date. Realised gains and losses are dealt with in the profit and loss account.

Gains and losses on forward foreign exchange contracts used to manage foreign exchange exposure are carried forward and taken to the profit and loss on maturity to match the underlying transactions.

HARRODS HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)

2 Turnover and Segmental Analysis

Turnover is the amount receivable, excluding VAT, for goods and services supplied to customers and includes the sales of concession departments.

The Group conducts business in the following areas:

	Restated					
	52 weeks	53 weeks	52 weeks	53 weeks	52 weeks	53 weeks
	1 February	2 February	1 February	2 February	1 February	2 February
	2003	2002	2003	2002	2003	2002
	£m	£m	£m	£m	£m	£m
Business Analysis	Turnover		Operating Profit/(Loss)		Net Operating Assets	
Retailing	526.3	513.9	18.2	23.9	689.3	698.4
Aviation						
Services	14.7	17.3	(4.3)	(1.0)	23.0	31.4
	<u>541.0</u>	<u>531.2</u>	<u>13.9</u>	<u>22.9</u>	<u>712.3</u>	<u>729.8</u>

Geographical Analysis

	Restated	
	52 weeks 1 February 2003 £m	53 weeks 2 February 2002 £m
	Turnover by Destination	
United Kingdom	528.3	517.5
Rest of Europe	2.9	3.8
Japan	5.5	6.3
Rest of World	4.3	3.6
	<u>541.0</u>	<u>531.2</u>

Turnover by destination and origin are not materially different.

All costs are incurred in the UK and all operating assets are held in the UK.

Net operating assets are stated excluding fixed asset investments, net debt and tax which amount to net liabilities of £341.9 million (2002: £344.7 million). All of these items are included in net assets.

HARRODS HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)

	52 weeks 1 February 2003 £m	53 weeks 2 February 2002 £m
3 Operating Profit		
Operating profit is stated after charging/(crediting):		
Depreciation on tangible fixed assets	25.8	23.0
Auditors' remuneration:		
Audit fees and expenses	0.3	0.3
Non-audit services (to previous auditors)	-	0.4
Rentals paid under operating leases:		
Property	2.3	2.5
Plant and machinery	0.5	0.1
Gains on foreign exchange	(0.8)	(1.3)
Royalty income	(1.4)	(1.7)

The audit fee of the Company was £7,500 (2002: £7,500).

The non-audit services fees relate to accounting and taxation advice.

4 Exceptional Items		
Profit on sale of properties	9.2	8.4
Profit on sale of associated undertaking	-	13.8
	<u>9.2</u>	<u>22.2</u>

Cash proceeds during the year from the sale of these properties was £22.5m.

5 Net Interest and Finance Charges		
Interest payable:		
Bank loans and overdrafts	(30.4)	(23.8)
Exceptional interest charges	(3.9)	-
Interest receivable:		
Cash and bank balances	1.4	1.1
	<u>(32.9)</u>	<u>(22.7)</u>

Exceptional interest charges comprise the provision for an onerous swap contract and the allocation of prior year interest in accordance with FRS 4.

5 Taxation

Taxation on result for the period comprises:

UK Corporation tax at 30% (2002: 30%)	(0.1)	(0.7)
Total current tax	(0.1)	(0.7)
Deferred tax	5.8	(1.3)
Tax benefit/(charge) on result for the period	<u>5.7</u>	<u>(2.0)</u>

HARRODS HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)

6 Taxation (continued)

Factors affecting current period corporation tax

The current period corporation tax assessed for the period is lower (2002: lower) than the standard rate of corporation tax of 30% (2002: 30%) for the following reasons:

	52 weeks 1 February 2003 £m	53 weeks 2 February 2002 £m
(Loss)/Profit before tax for the period	<u>(8.9)</u>	<u>17.6</u>
Corporation tax benefit/(charge) at the standard rate	2.7	(5.3)
Tax effect arising on the following:		
Expenses not deductible for tax purposes	(1.3)	4.0
Capital allowances less than depreciation	(3.3)	0.6
Utilisation of tax losses	-	0.2
Income and expenses assessed/relieved on a cash basis	1.8	(0.1)
Adjustments to tax charge in respect of prior periods	<u>-</u>	<u>(0.1)</u>
Current tax charge for the period	<u>(0.1)</u>	<u>(0.7)</u>

7 Company Profit and Loss Account

As permitted by Section 230 of the Companies Act 1985 the profit and loss account of Harrods Holdings Limited is not presented as part of these financial statements. Harrods Holdings Limited profit for the year after taxation amounted to £10.4 million (2002: £68.6 million).

8 Dividends

Equity – Ordinary

Interim paid: 23p (2002: 148p) per £1 share	<u>11.5</u>	<u>74.0</u>
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HARRODS HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)

9 Information Regarding Directors and Employees	52 weeks 1 February 2003 £000	53 weeks 2 February 2002 £000
Directors		
Emoluments excluding pension contributions	1,037	1,589
Compensation for loss of office	266	387
Payment to former Director	25	25
	<u>1,328</u>	<u>2,001</u>
Emoluments of highest paid Director		
Emoluments	91	520
Compensation for loss of office	266	387
	<u>357</u>	<u>907</u>
Accrued pension of highest paid Director	-	-

There are 3 Directors to whom retirement benefits are accruing under a defined benefit pension scheme (2002: 4).

Staff Costs	£m	£m
Wages and salaries	94.2	97.1
Social security costs	7.4	7.9
Pension costs	7.9	6.8
	<u>109.5</u>	<u>111.8</u>
	Number	Number
Average weekly number of employees during the year:		
Production	435	450
Selling and Distribution	3,808	3,967
Administration	414	378
	<u>4,657</u>	<u>4,795</u>

Pensions

Pension schemes operated

Within the UK the Group 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.

HARRODS HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)

Pensions (continued)

Pension schemes operated (continued)

The Harrods Holdings 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 £2,126 (2002: £nil). A pension accrual of £nil (2002: £nil) is included in the balance sheet in relation to this scheme.

Defined Benefit Pension Scheme

The Group's net pension charge for the Harrods Holdings Group Pension Plan for the 52 weeks to 1 February 2003 was £7.9 million (2002: £6.8 million) comprising a regular cost of £5.4 million plus a variation of £2.5 million. 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 year is greater than the actual contributions paid resulting in the following accrual in the balance sheet:

	1 February 2003 £m	2 February 2002 £m
The pension (accrual)/prepayment is as follows:		
Balance at beginning of period	(1.5)	0.1
Contributions paid	5.4	5.2
Charge to profit and loss account	<u>(7.9)</u>	<u>(6.8)</u>
Balance at end of period	<u><u>(4.0)</u></u>	<u><u>(1.5)</u></u>

An actuarial valuation of the Plan was carried out as at 6 April 2002 by qualified independent actuaries, Hewitt Bacon & Woodrow Limited. They 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.

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 the Harrods Holdings Group Pension Plan will be as at 6 April 2005.

HARRODS HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)

Pensions (continued)

Financial Reporting Standard 17 Disclosures

The financial statements have, as last year, been prepared in accordance with SSAP 24. However, this note now 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 1 February 2003 by the same qualified independent actuary as previously mentioned. The major assumptions used by the actuary were:

	% per annum	
	1 February 2003	2 February 2002
Discount Rate	5.4%	5.6%
Inflation Assumption	2.3%	2.3%
Rate of Increase in Salaries	3.8%	3.8%
Rate of Pension Increases	2.4%	2.4%

At 1 February 2003 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 1 February 2003		As at 2 February 2002	
	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	101.0	7.4%	128.1	7.8%
Corporate Bonds	24.6	5.4%	22.8	5.6%
Government Bonds	11.4	4.4%	22.3	4.8%
Other	2.4	4.4%	0.8	4.8%
Total Market Value of Assets	139.4		174.0	
Present Value of Plan Liabilities	(225.9)		(192.5)	
Deficit in the Plan	(86.5)		(18.5)	
Related deferred tax asset	26.0		5.5	
Net pension liability under FRS 17	(60.5)		(13.0)	

Had the Group adopted FRS 17 early, profit and loss reserves would have been as follows:

	1 February 2003 £m	2 February 2002 £m
Profit and loss reserve excluding pension liability	27.4	41.6
SSAP 24 accrual in relation to the Plan	4.0	1.5
FRS 17 pension deficit, net of related deferred tax	(60.5)	(13.0)
Profit and loss reserve as adjusted	(29.1)	30.1

HARRODS HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)

Pensions (continued)

FRS 17 – Profit and Loss Disclosures

Had the Group adopted FRS 17 early, the profit and loss account and statement of total recognised gains and losses would have been adjusted as follows:

	1 February 2003 £m
Amounts charged to profit and loss account	
Current service cost	10.5
Past service costs	-
Total amount charged to profit and loss account	<u>10.5</u>

	1 February 2003 £m
Amounts included as other finance costs	
Expected return on pension plan assets	12.4
Interest cost on pension plan liabilities	(10.8)
Net financial return	<u>1.6</u>

	1 February 2003 £m
Amounts recognised in the statement of total recognised gains and losses	
Actual return less expected return on assets	(55.2)
Experience gain on liabilities	7.2
Impact of changes in assumptions relating to the present value of plan liabilities	(16.8)
Actuarial loss	<u>(64.8)</u>

	1 February 2003 £m
Movement in the deficit during the year	
Deficit in the plan at beginning of the period	(18.5)
Current service cost	(10.5)
Contributions	5.7
Other finance income	1.6
Actuarial loss	(64.8)
Deficit in the plan at end of the period	<u>(86.5)</u>

HARRODS HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (Continued)

10 Pensions (continued)

FRS 17 – 'Five Year History'

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

	As % of assets/ liabilities 1 February 2003
Difference between actual and expected return on assets	(39.6%)
Experience gain on liabilities	3.2%
Amount recognised in statement of total recognised gains and losses against liabilities	(28.7%)

Movement in FRS 17 Deficit

The increase in the net pension liability calculated under FRS 17 is principally attributable to a reduction in the market value of assets. The Plan's assets principally comprise equities and these have been subject to significant market fluctuations. During the period the FTSE-All-Share Index used as a benchmark for the Plan's assets fell by 31% from 2,495 to 1,722. This reduction accounts for the majority of the £55.2 million difference between actual and expected return on assets.

Future Profile of the Harrods Holdings Group Pension Plan

Membership of the Plan is no longer available to new employees on staff scale, who join the company on or after 1 May 2002, during the first five years of employment. This will result in a rise to the age profile of the active members and consequently, under the method required to calculate FRS 17 liabilities, the current service cost is expected to increase. However, the future cost in relation to the Plan will reduce in the long-term.

The Directors have considered the impact of the FRS 17 deficit in respect of the Group, its employees and pensioners. The deficit arises mainly as a result of recent turbulence in the financial markets with some positive correction expected. The Group has undertaken strategies to ensure it is in a strong position to manage this long-term liability to the satisfaction and benefit of all stakeholders.

HARRODS HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)

11 Fixed Assets – Intangible Assets

Consolidated	Total £m	Other £m	Goodwill £m
Cost or Valuation:			
At 2 February 2002	2.8	-	2.8
Additions	0.1	0.1	-
At 1 February 2003	<u>2.9</u>	<u>0.1</u>	<u>2.8</u>
Aggregate amortisation			
At 2 February 2002	0.2	-	0.2
Charge for year	0.1	-	0.1
At 1 February 2003	<u>0.3</u>	<u>-</u>	<u>0.3</u>
Net book value:			
At 1 February 2003	<u>2.6</u>	<u>0.1</u>	<u>2.5</u>
At 2 February 2002	<u>2.6</u>	<u>-</u>	<u>2.6</u>

The goodwill arising on the acquisition of the Battersea Heliport, is being amortised on a straight-line basis over 20 years.

The addition for the period relates to a gaming licence acquired in the Isle of Man.

HARRODS HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)

12 Fixed Assets – Tangible Assets

					Fixtures, Fittings Vehicles & Equipment £m
	Total £m	Freehold £m	Long Leasehold £m	Short Leasehold £m	
Consolidated					
Cost or valuation:					
At 2 February 2002	804.7	577.2	2.6	4.6	220.3
Additions	25.7	12.0	3.6	-	10.1
Disposals	(10.4)	(2.0)	-	(0.3)	(8.1)
Transfers out – properties held for resale	(5.8)	-	(5.8)	-	-
At 1 February 2003	<u>814.2</u>	<u>587.2</u>	<u>0.4</u>	<u>4.3</u>	<u>222.3</u>
Accumulated depreciation:					
At 2 February 2002	108.6	6.4	-	2.0	100.2
Charge for year	25.8	4.3	-	0.2	21.3
Disposals	(6.6)	-	-	(0.5)	(6.1)
At 1 February 2003	<u>127.8</u>	<u>10.7</u>	<u>-</u>	<u>1.7</u>	<u>115.4</u>
Net book value:					
At 1 February 2003	<u>686.4</u>	<u>576.5</u>	<u>0.4</u>	<u>2.6</u>	<u>106.9</u>
At 2 February 2002	<u>696.1</u>	<u>570.8</u>	<u>2.6</u>	<u>2.6</u>	<u>120.1</u>
Cost or valuation:					
Valuation	553.9	553.5	0.4	-	-
Cost	260.3	33.7	-	4.3	222.3
	<u>814.2</u>	<u>587.2</u>	<u>0.4</u>	<u>4.3</u>	<u>222.3</u>

The value of fixed assets if determined according to the historical cost accounting rules is as follows:

Historical cost:

At 1 February 2003	444.7	217.9	0.2	4.3	222.3
Depreciation on historical cost at 1 February 2003	(127.6)	(10.5)	-	(1.7)	(115.4)
Net book value at 1 February 2003	<u>317.1</u>	<u>207.4</u>	<u>0.2</u>	<u>2.6</u>	<u>106.9</u>
At 2 February 2002	516.4	289.0	2.5	4.6	220.3
Depreciation on historical cost at 2 February 2002	(107.9)	(6.1)	-	(1.7)	(100.1)
Net book value at 2 February 2002	<u>408.5</u>	<u>282.9</u>	<u>2.5</u>	<u>2.9</u>	<u>120.2</u>

HARRODS HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)

12 Fixed Assets – Tangible Assets (Continued)

Freehold and long leasehold properties are stated at cost or professional or Directors' valuation. On adoption of FRS 15, the Group followed the transitional provisions and ceased its previous policy of revaluing its properties, instead retaining them at their current book values.

Some of the freehold and long leasehold properties of the Group were valued independently as at 31 December 1999. Those properties primarily occupied by the Group were valued on the basis of Existing Use Value and the remainder (principally residential and development properties) on the basis of Open Market Value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. The Group's principal valuers are: Healey & Baker, International Real Estate Consultants, and W.A. Ellis, Estate Agents and Surveyors. The remainder of the freehold and long leasehold properties were revalued by the Directors as at 31 December 1999. These valuations were adopted by the Directors and incorporated in the financial statements at 29 January 2000. These valuations have not been updated. The Directors are not aware of any material change in value.

All other fixed assets are stated at cost.

Included in the cost element of Fixtures, Fittings, Vehicles & Equipment above is £0.9 million representing the cost of unfinished projects at the year end (2002: £52.5 million).

	Total £m	Short Leasehold £m	Fixtures Fittings Vehicles & Equipment £m
Company			
Cost:			
At 2 February 2002	0.6	0.3	0.3
At 1 February 2003	0.6	0.3	0.3
Accumulated depreciation:			
At 2 February 2002	(0.5)	(0.3)	(0.2)
At 1 February 2003	(0.5)	(0.3)	(0.2)
Net book value:			
At 2 February 2002	0.1	-	0.1
At 1 February 2003	0.1	-	0.1

HARRODS HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)

13 Fixed Assets – Investments	Unlisted Investments £m
Consolidated	
Cost or valuation:	
At 2 February 2002	7.7
Disposals	-
At 1 February 2003	<u>7.7</u>
 Provisions at 2 February 2002 and 1 February 2003	 <u>-</u>
 Net book value:	
At 1 February 2003	<u>7.7</u>
At 2 February 2002	<u>7.7</u>

Unlisted Investments

Harrods Bank Limited

Harrods Bank Limited, a company registered in England, has been accounted for as an unlisted investment, due to it having independent management and control (in accordance with Bank of England direction in 1991), although the Group continues to retain 100% ownership through the non-voting shares. The consolidated investment of £7.7 million includes an amount of £5.4 million, which represents the share of post-acquisition reserves frozen at the point control transferred.

At 1 February 2003 the aggregate capital and reserves was £7.8 million (2002: £7.7 million) and the profit for the financial year ended 1 February 2003 was £0.5 million (2002: £0.5 million).

Company	Total £m
Investments in subsidiaries at beginning of the period	549.4
Share of net deficit for the period	<u>(13.7)</u>
Investments in subsidiaries at 1 February 2003	<u>535.7</u>
Representing:	
Cost of investment at 1 February 2003	224.2
Share of post acquisition reserves	<u>311.5</u>
	<u>535.7</u>

HARRODS HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)

	Consolidated		Company	
	1 February 2003 £m	2 February 2002 £m	1 February 2003 £m	2 February 2002 £m
14 Properties held for resale				
Properties held for resale	<u>5.8</u>	<u>-</u>	<u>-</u>	<u>-</u>
Properties held for resale have been transferred from tangible fixed assets at their carrying value during the period.				
15 Stocks				
Raw materials and consumables	0.6	0.6	-	-
Work in progress	0.2	0.4	-	-
Finished goods for resale	<u>46.5</u>	<u>50.5</u>	<u>-</u>	<u>-</u>
	<u>47.3</u>	<u>51.5</u>	<u>-</u>	<u>-</u>
16 Debtors				
Amounts due within one year:				
Trade debtors	12.8	12.4	-	-
Amounts owed by group undertakings	-	-	5.7	5.8
Corporation tax	3.1	0.4	-	-
Other debtors	32.1	16.4	0.1	0.2
Prepayments and accrued income	<u>4.7</u>	<u>4.8</u>	<u>-</u>	<u>0.1</u>
	<u>52.7</u>	<u>34.0</u>	<u>5.8</u>	<u>6.1</u>
17 Creditors				
Amounts falling due within one year:				
Bank loans	4.3	4.0	-	-
Trade creditors	37.4	37.4	-	-
Amounts owed to group undertakings	-	-	0.1	180.1
Social security and other taxes	11.7	10.5	-	-
Other creditors	6.5	9.2	-	0.1
Pension contribution accrual	4.0	1.5	0.1	-
Accruals and deferred income	<u>24.5</u>	<u>24.1</u>	<u>2.5</u>	<u>0.8</u>
	<u>88.4</u>	<u>86.7</u>	<u>2.7</u>	<u>181.0</u>

HARRODS HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)

	Consolidated		Company	
	1 February 2003 £m	2 February 2002 £m	1 February 2003 £m	2 February 2002 £m
17 Creditors (continued)				
Amounts falling due after more than one year:				
Amounts owed to group undertakings	-	-	173.2	-
Bank loans	338.2	336.8	-	-
Accruals	7.1	-	-	-
	<u>345.3</u>	<u>336.8</u>	<u>173.2</u>	<u>-</u>
 Bank loans with repayment dates:				
In one year or less	4.3	4.0	-	-
between one and two years	4.3	3.9	-	-
between two and five years	21.4	14.5	-	-
between five and ten years	42.6	38.7	-	-
between ten and fifteen years	68.8	63.0	-	-
between fifteen and twenty years	205.2	221.1	-	-
	<u>346.6</u>	<u>345.2</u>	<u>-</u>	<u>-</u>
Issue costs	(5.0)	(5.0)	-	-
Amortisation costs	0.9	0.6	-	-
	<u>342.5</u>	<u>340.8</u>	<u>-</u>	<u>-</u>
 Comprises:				
Within one year	4.3	4.0	-	-
More than one year	<u>338.2</u>	<u>336.8</u>	-	-
	<u>342.5</u>	<u>340.8</u>	-	-

The Group's bank debt consists of two separate loans. The first is repayable quarterly in arrears over 20 years with final payment of £150.0m due in November 2020. This loan is secured by way of fixed and floating charges over the Group's assets. Interest is linked to LIBOR. However, the Group entered into a swap arrangement to eliminate interest rate risk.

The second bank loan (£5.5m) is repayable monthly in arrears over 5 years and is secured by way of fixed charges over identified Group assets. Interest is charged on a floating rate.

18 Provisions for Liabilities and Charges

Deferred Tax

Balance at beginning of the period	12.9	11.6	-	-
(Released)/Provided during the year	(5.8)	1.3	-	-
Balance at end of the period	<u>7.1</u>	<u>12.9</u>	<u>-</u>	<u>-</u>
 Accelerated Capital Allowances	10.9	13.4	-	-
Other Timing Differences	(3.8)	(0.5)	-	-
	<u>7.1</u>	<u>12.9</u>	<u>-</u>	<u>-</u>

In addition to the amount provided for deferred taxation, there are potential liabilities in respect of deferred taxation in relation to:

Revaluation of Properties	<u>51.6</u>	<u>67.2</u>
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HARRODS HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)

18 Provisions for Liabilities and Charges (Continued)

In the opinion of the Directors the potential taxation liability in respect of capital gains is unlikely to arise since the majority of the properties will be retained for use in the business. The availability of capital losses would reduce any liability which could otherwise result from disposals.

	Consolidated		Company	
	1 February 2003 £	2 February 2002 £	1 February 2003 £	2 February 2002 £
19 Called up Share Capital				
Authorised, allotted and fully paid:				
50,000,000 ordinary shares of £1 each	50,000,000	50,000,000	50,000,000	50,000,000
1 "A" special rights redeemable preference share of £1	1	1	1	1
1 "B" special rights redeemable preference share of £1	1	1	1	1
	<u>50,000,002</u>	<u>50,000,002</u>	<u>50,000,002</u>	<u>50,000,002</u>

The A and B Special Shares have certain special control rights over the Company, rank in priority, at par, over the ordinary shares on winding-up, have reduced voting rights, and are redeemable at the option of the shareholders.

Included within the shareholders' funds of £370.4 million (2002: £385.1 million) is an amount in respect of non-equity interests of £2 (2002: £2). All other amounts are attributable to the equity shareholders.

	Consolidated		Company	
	1 February 2003 £m	2 February 2002 £m	1 February 2003 £m	2 February 2002 £m
20 Reserves				
Profit & Loss Account				
Balance at beginning of the period	41.6	88.1	9.9	15.3
Loss retained for the period	(14.7)	(58.4)	(1.1)	(5.4)
Realised surplus on tangible fixed assets	<u>0.5</u>	<u>11.9</u>	<u>-</u>	<u>-</u>
Balance at end of the period	<u>27.4</u>	<u>41.6</u>	<u>8.8</u>	<u>9.9</u>

At 1 February 2003, the cumulative amount of goodwill immediately written off to reserves amounted to £39.1 million (2002: £39.1 million).

HARRODS HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)

	Consolidated		Company	
	1 February 2003 £m	2 February 2002 £m	1 February 2003 £m	2 February 2002 £m
20 Reserves (continued)				
Revaluation Reserve				
Balance at beginning of the period	293.5	305.4	325.2	378.1
Realised surplus on tangible fixed assets	(0.5)	(11.9)	-	-
Revaluation deficit on investment in subsidiaries	-	-	(13.6)	(52.9)
Balance at end of the period	<u>293.0</u>	<u>293.5</u>	<u>311.6</u>	<u>325.2</u>

21 Commitments

Capital Commitments

Contracted but not provided for	<u>3.4</u>	<u>19.6</u>	<u>-</u>	<u>-</u>
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Leasing Commitments

Leasing commitments during the year commencing 3 February 2002 in respect of operating leases are:

Land and buildings leases expiring:

Within one year	-	0.1	-	-
Between one and five years	0.2	-	-	-
Over five years	2.3	2.2	0.2	0.2
	<u>2.5</u>	<u>2.3</u>	<u>0.2</u>	<u>0.2</u>

Other assets leases expiring:

Within one year	0.2	0.2	-	-
Between one and five years	0.4	0.5	-	-
	<u>0.6</u>	<u>0.7</u>	<u>-</u>	<u>-</u>

In addition to the above, the Group has commitments under concession agreements payable within one year amounting to £8.4 million (2002: £8.5 million).

HARRODS HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)

22 Contingent Liabilities

The Group has a bank loan that is guaranteed by Harrods Holdings Limited and other Group companies.

The Group participated in derivative financial instruments during the period to manage its foreign exchange exposure to the Euro. 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 rates. The exposure on outstanding contracts at the period end was £12.4 million (2002: £14.1 million).

The Company is not aware of any contingent liabilities existing at balance date. The Group is involved in litigation in the ordinary course of business. However, in the opinion of the Directors, no material losses in excess of provisions made are likely to arise.

During the year, Harrods Holdings Limited ('the Company') gave a guarantee for £15.0 million to a third party on behalf of Fulham Stadium Limited. The Company has a charge over Fulham Stadium as security for the Company's right to reclaim from Fulham any sums paid by the Company pursuant to the Guarantee. The Company also has an indemnity from its parent undertaking, Al Fayed Investment and Trust PVT Limited, for any sums payable by the Company under the Guarantee.

23 Ultimate Parent Undertaking

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 and held for the benefit of the Fayed family, the ultimate controlling party.

24 Related Party Transactions

The Group has taken advantage of the exemption under Financial Reporting Standard 8 'Related Party Transactions' not to disclose transactions between wholly owned Group undertakings.

During the year the Group traded with a number of companies, which are under the control of the Group's ultimate shareholders. These companies comprise ACF Sevenoaks, AIT Services (UK) Limited, Alfayed Charitable Foundation, Balnagown Castle Properties Limited, Barrow Green Court, Bocardo Societe Anonyme, Fayair Jersey Co Limited, FL Property Management Limited, Fulham Football Club (1987) Limited, Fulham Football Leisure Limited, Gallant Minerals Limited (formerly Harrods Minerals Limited), Gallant Minerals Services Limited (formerly Harrods Minerals Services Limited), Fulham Stadium Limited, Metro Energy Limited (formerly Harrods Energy Limited), Harrods Energy (Thailand) Limited, Harrods Finance Trust Co SA, Gallant Minerals Mongolia Ltd (formerly Harrods Minerals (Mongolia) Limited), Harrods Natural Resources Inc, Metro Natural Resources Participations Ltd (formerly Harrods Natural Resources Limited), Scintilla Limited (formerly Harrods Online Limited), Metro Petroleum Corporation Ltd (formerly Harrods Petroleum Corporation Limited), Harrods Staff Benevolent Fund, Hyde Park Residence Limited, Liberty Holdings Limited (and subsidiaries), Metro Natural Resources Limited, Mohafa, Prestige Properties S.A., The Map Factory Inc, The Ritz Hotel Limited, Turnbull & Asser Limited (and subsidiaries) and West Heath 2000. The transactions and balances with these companies are not considered to be material except as described below.

During the year, the Group recharged payroll and made administration charges to Liberty Publishing & Media Limited, amounting to £0.6m (2002: £0.7m). The debtor outstanding at the year end was £0.5m (2002: £nil). The maximum debtor balance during the year was £0.5m.

During the year, the Group recharged payroll and made administration charges to Scintilla Limited (formerly Harrods Online Limited), amounting to £0.2m (2002: £0.9m). The debtor outstanding at the year end was £0.1m (2002: £nil). The maximum debtor balance during the year was £0.2m.

HARRODS HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)

24 Related Party Transactions (continued)

The Group charged trademark fees for the use of the Harrods name to Harrods Natural Resources Inc., Harrods Energy (Thailand) Limited, Harrods Finance Trust Co SA, Gallant Minerals Limited (formerly Harrods Minerals Limited), Gallant Minerals Services Limited (formerly Harrods Minerals Services Limited), Gallant Minerals Mongolia Ltd (formerly Harrods Minerals (Mongolia) Limited), Metro Natural Resources Participations Ltd (formerly Harrods Natural Resources Limited), Metro Energy Ltd (formerly Harrods Energy Limited), Metro Petroleum Corporation Ltd (formerly Harrods Petroleum Corporation Limited), Harrods Trading International Limited of £0.1m (2002: £0.2m), £nil was outstanding at the year end (2002: £nil).

The Group charged Turnbull & Asser £0.3m (2002: £0.3m) under commercial terms for the concession it operates in the Store. The maximum debtor balance during the year was £0.1m.

During the year, the Group was charged payroll and made administration charges to Hyde Park Residence Limited amounting to £1.3m (2002: £1.3m). Fees in respect of marketing and advisory services received from Hyde Park Residence Limited during the year amounted to £0.1m (2002: £0.1m). The debtor outstanding at the year end was £nil (2002: £nil).

During the year, the Group recharged payroll and made administration charges to The Map Factory Inc., amounting to £0.1m (2002: £0.1m). The debtor outstanding at the year end was £nil (2002: £nil). The maximum debtor balance during the year was £0.1m.

Fees in respect of marketing and advisory services levied to Prestige Properties S.A. during the year amounted to £1.3m (2002: £0.5m). Trade debtors due from Prestige Properties S.A. at the year end amounted to £1.4m (2002: £0.4m). The maximum debtor balance during the year was £1.4m.

During the year, the Group recharged payroll and made administration charges to Fulham Football Club (1987) Limited, amounting to £12.7m (2002: £20.4m). The debtor outstanding at the year end was £13.0m (2002: £nil). The maximum debtor balance during the year was £13.0m.

During the year, the Group recharged payroll and made administration charges to Fulham Football Leisure Limited, amounting to £20.2m (2002: £0.1m). The debtor outstanding at the year end was £12.9m (2002: £nil). The maximum debtor balance during the year was £12.9m.

During the year, the Group recharged payroll and made administration charges to Fulham Stadium Limited, amounting to £0.3m (2002: £0.1m). The debtor outstanding at the year end was £0.3m (2002: £nil). The maximum debtor balance during the year was £0.3m.

During the year, the Group recharged payroll and made administration charges to Gallant Minerals Services Limited, amounting to £0.1m (2002: £nil). The debtor outstanding at the year end was £0.1m (2002: £nil). The maximum debtor balance during the year was £0.1m.

During the year, the Group recharged payroll and made administration charges to Metro Natural Resources Participations Limited, amounting to £0.3m (2002: £nil). The debtor outstanding at the year end was £0.3m (2002: £nil). The maximum debtor balance during the year was £0.3m.

During the year, the Group charged fees relating to contract work and engineering services to Fayair Jersey Co Limited, amounting to £1.2m (2002: £1.4m). The debtor outstanding at the year end was £0.2m (2002: £0.1m). The maximum debtor balance during the year was £0.3m.

All balances due to the Group from related parties were repaid in full after the year end.

HARRODS HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)

25 Post Balance Sheet Disclosure

During November 2003, the Group sold the London Heliport for an amount in excess of its original purchase price.

26 Principal Subsidiaries

Operating at 1 February 2003

The following trading companies are registered in England and Wales and operate in the United Kingdom:

Principal Activity

Harrods (UK) Limited ⁽¹⁾	Holding company
Harrods Limited	Department store
Harrods International Limited	Tax free retailer and wholesaler
Harrods (Continental) Limited	Exporter
Harrods Estates Limited	Estate Agents
Kurt Geiger Limited	Footwear retailer
Genavco Insurance Limited	Insurance broker
Harrods Aviation Limited (formerly Metro Business Aviation Limited)	Executive jet handling company
Air Harrods Limited	Helicopter operator
Harrods Property Limited	Property management

⁽¹⁾ The whole of the issued ordinary share capital in this company is owned directly by Harrods Holdings Limited. The whole of the ordinary share capital in the other companies is held by intermediate holding companies.

All subsidiary undertakings are wholly owned (100% ordinary shares with voting rights) and are included within the consolidated financial statements.

Harrods Bank Limited, a company registered in England, is accounted for as an unlisted investment in the accounts of Harrods Limited, although Harrods Limited continues to retain full economic interest through 100% of the non-voting shares.

In addition to the companies shown in the above list, the Group also holds investments in other subsidiary undertakings. Details of all Group companies will be annexed to the Company's next annual return in compliance with Section 231 of the Companies Act 1985.