

HARRODS HOLDINGS LIMITED

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

31 JANUARY 2004



HARRODS HOLDINGS LIMITED

FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2004

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HARRODS HOLDINGS LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the period ended 31 January 2004.

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.

Business review

The directors consider the trading performance of the group to be satisfactory.

Turnover for the period to 31 January 2004 totalled £433.7 million (2003: £425.2 million).

There was a profit for the period after taxation amounting to £13.4 million (2003: £3.2 million loss). The company paid a dividend of £27.0 million (2003: £11.5 million).

Directors

The present membership of the Board is set out below.

M Al Fayed
A Fayed (Chairman)
J Byrne
A Tanna
R Simonin (appointed 14 July 2003)

Other directors who served during the period were:

M S Wikstrom (resigned 26 February 2003)
S H Davie (resigned 12 November 2003)

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 30. 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 31 January 2004.

Except as disclosed in note 29, 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.

HARRODS HOLDINGS LIMITED

REPORT OF THE DIRECTORS

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.

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.

Pensions 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 27 to the financial statements.

Donations

The charitable donations made and charged in the financial statements amounted to £0.5 million (2003: £0.9 million). No political contributions were made.

HARRODS HOLDINGS LIMITED

REPORT OF THE DIRECTORS

Payment of creditors

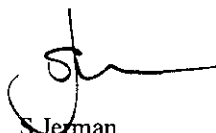
It is the group's policy to agree payment terms as part of any formal contract with a supplier and to make every endeavour to abide by the agreed terms. Where a purchase is not covered by a formal contract, and no agreement is reached in advance of raising an order, the group's policy is to pay suppliers 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 31 days to pay its creditors (2003: 30).

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

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



S Jerman
Secretary
29 April 2004

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

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 31 January 2004 which comprise the principal accounting policies, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the note of historical cost profits and losses and notes 1 to 30. 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

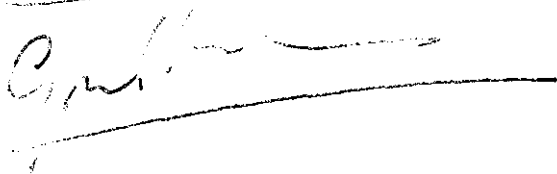
We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 January 2004 and of the profit for the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, likely belonging to a member of the Grant Thornton audit team, is written over a horizontal line.

**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

**LONDON
29 April 2004**

HARRODS HOLDINGS LIMITED

PRINCIPAL 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 United Kingdom accounting standards.

The principal accounting policies of the company have remained unchanged from the previous year except for the accounting policy on revenue recognition following the issuance of FRS 5 Application Note G, 'Revenue Recognition'.

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

The Group has adopted FRS 5 Application Note G 'Revenue Recognition' ("FRS 5 ANG") issued in November 2003.

Turnover is the total amount receivable by the Group for goods and services provided, excluding VAT, trade discounts and concession sales.

When a transaction involves a number of goods and services, these are separately identified and income is recognised when earned.

Concession sales

FRS 5 ANG requires that in calculating turnover a distinction is made between transactions where the seller is deemed to act as principal and those where it is agent. Where concessionaires sell their goods through the Group's retail operations, the Group is considered to act as an agent. Accordingly, turnover for sales made under concessionary arrangements represents commission and other income receivable from the concessionaires.

Discounts

FRS 5 ANG states that revenue should be recorded net of discounts. Accordingly turnover is disclosed net of discounts provided to customers and staff. These discounts were previously recognised as store costs.

Estimated sales returns

FRS 5 states that turnover should exclude the sales value of estimated returns. The Group has recognised a provision for estimated refunds, representing the estimate of the profit on goods sold during the year which will be returned and refunded after the year end date.

Effect of FRS 5 ANG

In previous years, turnover represented the gross value of sales to customers including sales made by concessions but excluding discounts and estimated returns. To reflect the requirements of FRS 5 ANG, turnover for the period ended 31 January 2004 has been reduced from £556.6 million to £433.7 million. Turnover for the period ended 1 February 2003 has been restated from £541.0 million to £425.2 million. The effect on current year profit is a reduction of £0.2 million (2003: £nil).

HARRODS HOLDINGS LIMITED

PRINCIPAL ACCOUNTING POLICIES

TURNOVER (CONTINUED)

Gross transaction value

In order to present a measure that provides a guide to the value of overall activity of the Group, the gross transaction value (excluding VAT) is presented on the face of the profit and loss account and is equivalent to turnover disclosed in previous years.

TANGIBLE FIXED ASSETS AND DEPRECIATION

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 financial statements, 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 impairment 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, and are stated at the lower of cost and net realisable value.

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.

STOCKS

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

HARRODS HOLDINGS LIMITED

PRINCIPAL ACCOUNTING POLICIES

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 period 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.

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.

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.

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 account on maturity to match the underlying transactions.

HARRODS HOLDINGS LIMITED

PRINCIPAL ACCOUNTING POLICIES

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 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 period, 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.

HARRODS HOLDINGS LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

For the period ended 31 JANUARY 2004

	Note	52 weeks ended 31 January 2004 £m	Restated 52 weeks ended 1 February 2003 £m
Gross transaction value		556.6	541.0
Turnover	1	433.7	425.2
Cost of sales		(209.4)	(206.5)
Gross profit		224.3	218.7
Distribution and store costs		(154.5)	(162.9)
Administrative expenses		(35.4)	(41.9)
Operating profit	2	34.4	13.9
Exceptional items	3	5.7	9.2
Income from other fixed asset investments		0.6	0.9
Profit on ordinary activities before interest		40.7	24.0
Net interest	4	(24.9)	(32.9)
Profit / (Loss) on ordinary activities before taxation		15.8	(8.9)
Tax on profit / (loss) on ordinary activities	6	(2.4)	5.7
Profit / (Loss) on ordinary activities after taxation		13.4	(3.2)
Dividends	8	(27.0)	(11.5)
Loss retained and transferred from reserves	20	(13.6)	(14.7)

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.

HARRODS HOLDINGS LIMITED

BALANCE SHEETS AT 31 JANUARY 2004

		Consolidated		Company	
		At 31	At 1	At 31	At 1
	Note	January	February	January	February
		2004	2003	2004	2003
		£m	£m	£m	£m
Fixed assets					
Intangible assets	9	0.1	2.6	-	-
Tangible assets	10	659.0	686.4	-	0.1
Investments	11	7.7	7.7	522.0	535.7
		<u>666.8</u>	<u>696.7</u>	<u>522.0</u>	<u>535.8</u>
Current assets					
Properties held for resale	12	5.9	5.8	-	-
Stocks	13	45.9	47.3	-	-
Debtors	14	23.3	52.7	5.5	5.8
Cash at bank and in hand		58.0	9.0	11.0	4.7
		<u>133.1</u>	<u>114.8</u>	<u>16.5</u>	<u>10.5</u>
Creditors: amounts falling due within one year	15	<u>(95.9)</u>	<u>(88.7)</u>	<u>(0.6)</u>	<u>(2.7)</u>
Net current assets		<u>37.2</u>	<u>26.1</u>	<u>15.9</u>	<u>7.8</u>
Total assets less current liabilities		<u>704.0</u>	<u>722.8</u>	<u>537.9</u>	<u>543.6</u>
Creditors: amounts falling due after more than one year	16	<u>(342.5)</u>	<u>(345.3)</u>	<u>(181.1)</u>	<u>(173.2)</u>
Provisions for liabilities and charges	18	<u>(4.7)</u>	<u>(7.1)</u>	<u>-</u>	<u>-</u>
		<u>356.8</u>	<u>370.4</u>	<u>356.8</u>	<u>370.4</u>
Capital and reserves					
Called up share capital	19	50.0	50.0	50.0	50.0
Revaluation reserve	20	293.0	293.0	297.9	311.6
Profit and loss account	20	13.8	27.4	8.9	8.8
Shareholders' funds	21	<u>356.8</u>	<u>370.4</u>	<u>356.8</u>	<u>370.4</u>

The financial statements were approved by the Board of Directors on 29 April 2004.



A Tanna - Director

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

HARRODS HOLDINGS LIMITED**CONSOLIDATED CASH FLOW STATEMENT**

For the period ended 31 JANUARY 2004

	Note	2004 £m	2003 £m
Net cash inflow from operating activities	22	66.9	47.5
Returns on investments and servicing of finance			
Interest received		1.6	1.4
Interest paid		(25.8)	(25.6)
Dividends received from fixed asset investments		0.4	0.4
Rent received from properties		-	0.4
Net cash outflow from returns on investments and servicing of finance		(23.8)	(23.4)
Taxation refund/(paid)		2.0	(2.9)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(9.7)	(26.4)
Disposal of tangible fixed assets		18.2	22.5
Loans to related parties		(35.0)	(37.3)
Repayment of loans by related parties		63.2	9.5
Net cash inflow/(outflow) from capital expenditure and financial investment		36.7	(31.7)
Equity dividends paid		(27.0)	(11.5)
Financing			
Proceeds from bank borrowings		-	6.5
Repayment of bank borrowings		(5.8)	(5.1)
Net cash (outflow)/inflow from financing	23	(5.8)	1.4
Increase / (Decrease) in cash	23,24	49.0	(20.6)

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

HARRODS HOLDINGS LIMITED

NOTE OF HISTORICAL COST PROFITS AND LOSSES

For the period ended 31 JANUARY 2004

	52 weeks ended 31 January 2004 £m	52 weeks ended 1 February 2003 £m
Reported profit / (loss) on ordinary activities before taxation	15.8	(8.9)
Realisation of revaluation gains of previous years	-	0.5
Historical cost profit on ordinary activities before taxation	<u>15.8</u>	<u>(8.4)</u>
Historical cost loss transferred from reserves	<u>(13.6)</u>	<u>(14.2)</u>

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

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2004

TURNOVER AND SEGMENTAL ANALYSIS

Turnover is the total amount receivable by the Group for goods supplied and services provided, excluding VAT, trade discounts and concession sales.

The group conducts business in the following areas:

	Turnover		Operating profit		Net operating assets	
	52 weeks ended 31 January 2004	Restated 52 weeks ended 1 February 2003	52 weeks ended 31 January 2004	52 weeks ended 1 February 2003	As at 31 January 2004	As at 1 February 2003
Business analysis	£m	£m	£m	£m	£m	£m
Retailing	417.8	410.5	35.5	18.2	690.4	689.3
Aviation services	15.9	14.7	(1.1)	(4.3)	10.6	23.0
	<u>433.7</u>	<u>425.2</u>	<u>34.4</u>	<u>13.9</u>	<u>701.0</u>	<u>712.3</u>

Geographical analysis

	Turnover by destination	
	52 weeks ended 31 January 2004	52 weeks ended 1 February 2003
	£m	£m
United Kingdom	420.9	412.5
Rest of Europe	2.4	2.9
Japan	5.8	5.5
Overseas	4.6	4.3
	<u>433.7</u>	<u>425.2</u>

Turnover by destination and origin are not materially different.

All costs are incurred in the United Kingdom 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 £344.2 million (2003: £341.9 million). All of these items are included in net assets.

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2004

OPERATING PROFIT

The profit on ordinary activities before taxation is stated after:

	52 weeks ended 31 January 2004 £m	52 weeks ended 1 February 2003 £m
Auditors' remuneration:		
Audit services	0.3	0.3
Depreciation:		
Tangible fixed assets owned	25.2	25.8
Impairment of tangible fixed assets	0.7	-
Rentals paid under operating leases:		
Property	2.4	2.3
Plant and machinery	0.4	0.5
Gains on foreign exchange	(0.8)	(0.8)
Royalty income	(1.3)	(1.4)

EXCEPTIONAL ITEMS

	52 weeks ended 31 January 2004 £m	52 weeks ended 1 February 2003 £m
Profit on sale of properties	5.7	9.2

Cash proceeds from the sale of these properties during the period was £18.2m (2003: £22.5m).

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2004

INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks ended 31 January 2004 £m	52 weeks ended 1 February 2003 £m
Interest payable:		
Bank loans and overdrafts	(26.7)	(30.4)
Exceptional interest charges	-	(3.9)
Interest receivable:		
Cash and bank balances	1.8	1.4
	<u>(24.9)</u>	<u>(32.9)</u>

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

DIRECTORS AND EMPLOYEES

Staff costs during the period were as follows:

	52 weeks ended 31 January 2004 £m	52 weeks ended 1 February 2003 £m
Wages and salaries	91.1	94.2
Social security costs	7.8	7.4
Other pension costs	7.0	7.9
	<u>105.9</u>	<u>109.5</u>

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

	2004 Number	2003 Number
Production	385	435
Selling and distribution	3,771	3,808
Administration	392	414
	<u>4,548</u>	<u>4,657</u>

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2004

DIRECTORS AND EMPLOYEES (CONTINUED)

Remuneration in respect of directors was as follows:

	52 weeks ended 31 January 2004 £'000	52 weeks ended 1 February 2003 £'000
Emoluments excluding pension contributions	1,303	1,037
Compensation for loss of office	119	266
Payment to former director	4	25
	<u>1,426</u>	<u>1,328</u>

There are 3 directors to whom retirement benefits are accruing under a defined benefit pension scheme (2003: 3).

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

Emoluments of highest paid director	463	91
Compensation for loss of office	-	266
	<u>463</u>	<u>357</u>

The highest paid director's accrued pension at the period end was £894 (2003: £nil).

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2004

TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	52 weeks ended 31 January 2004 £m	52 weeks ended 1 February 2003 £m
Current tax		
Corporation tax at 30% (2003: 30%)	(4.7)	-
Foreign tax	(0.1)	(0.1)
	<u>(4.8)</u>	<u>(0.1)</u>
Deferred tax		
Accelerated capital allowances	2.2	5.8
Origination and reversal of timing differences	0.2	-
	<u>2.4</u>	<u>5.8</u>
	<u>(2.4)</u>	<u>5.7</u>
Tax (charge) / benefit on result for the period		

Factors affecting current period corporation tax

The current period corporation tax assessed for the period is higher (2003: lower) than the standard rate of corporation tax of 30% (2003: 30%) for the following reasons:

Profit / (loss) on ordinary activities before tax	<u>15.8</u>	<u>(8.9)</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30% (2003: 30 %)	(4.7)	2.7
Effect of:		
Income not assessable for tax purposes	0.9	1.5
Capital allowances for the period in excess of depreciation	(0.8)	(3.3)
Utilisation of tax losses	0.1	-
Income and expenses assessed on a cash basis	(0.3)	(1.0)
Current tax charge for period	<u>(4.8)</u>	<u>(0.1)</u>

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. The profit for the period after taxation amounted to £27.1 million (2003: £10.4 million).

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2004

DIVIDENDS

Equity - ordinary

	52 weeks ended 31 January 2004 £m	52 weeks ended 1 February 2003 £m
Interim paid: 54p (2003: 23p) per £1 share	<u>27.0</u>	<u>11.5</u>

INTANGIBLE FIXED ASSETS

Consolidated	Goodwill £m	Other £m	Total £m
Cost			
At 2 February 2003	2.8	0.1	2.9
Disposals	(2.8)	-	(2.8)
At 31 January 2004	<u>-</u>	<u>0.1</u>	<u>0.1</u>
Amortisation			
At 2 February 2003	0.3	-	0.3
Provided in the period	0.1	-	0.1
Disposals	(0.4)	-	(0.4)
At 31 January 2004	<u>-</u>	<u>-</u>	<u>-</u>
Net book amount at 31 January 2004	<u>-</u>	<u>0.1</u>	<u>0.1</u>
Net book amount at 1 February 2003	<u>2.5</u>	<u>0.1</u>	<u>2.6</u>

The disposal of goodwill during the period relates to the sale of Battersea Heliport in November 2003.

The intangible asset of £0.1m at 31 January 2004 relates to a gaming license acquired in the Isle of Man.

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2004

TANGIBLE FIXED ASSETS

Consolidated	Freehold £m	Long leasehold £m	Short leasehold £m	Fixtures, fittings, vehicles and equipment £m	Total £m
Cost or valuation					
At 2 February 2003	587.2	0.4	4.3	222.3	814.2
Additions	-	0.1	0.5	8.0	8.6
Disposals	(8.5)	-	-	(3.1)	(11.6)
At 31 January 2004	578.7	0.5	4.8	227.2	811.2
Depreciation					
At 2 February 2003	10.7	-	1.7	115.4	127.8
Provided in the period	4.6	-	0.2	20.4	25.2
Disposals	-	-	-	(0.8)	(0.8)
At 31 January 2004	15.3	-	1.9	135.0	152.2
Net book amount at 31 January 2004	563.4	0.5	2.9	92.2	659.0
Net book amount at 1 February 2003	576.5	0.4	2.6	106.9	686.4
Cost or valuation:					
Valuation	553.5	0.4	-	-	553.9
Cost	25.2	0.1	4.8	227.2	257.3
	578.7	0.5	4.8	227.2	811.2

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

Historical cost:

Consolidated	Freehold £m	Long leasehold £m	Short leasehold £m	Fixtures, fittings, vehicles and equipment £m	Total £m
At 31 January 2004	209.5	0.2	4.8	227.2	441.7
Depreciation on historical cost	(15.1)	-	(1.9)	(135.0)	(152.0)
Net book value at 31 January 2004	194.4	0.2	2.9	92.2	289.7
At 1 February 2003	217.9	0.2	4.3	222.3	444.7
Depreciation on historical cost	(10.5)	-	(1.7)	(115.4)	(127.6)
Net book value at 1 February 2003	207.4	0.2	2.6	106.9	317.1

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2004

TANGIBLE FIXED 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. 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.

All other fixed assets are stated at cost.

Included in the cost element of fixtures, fittings, vehicles and equipment above is £2.7 million representing the cost of unfinished projects at the year end (2003: £0.9 million).

Company	Short leasehold £m	Fixtures, fittings, vehicles and equipment £m	Total £m
Cost			
At 2 February 2003	0.3	0.3	0.6
At 31 January 2004	0.3	0.3	0.6
Accumulated depreciation			
At 2 February 2003	(0.3)	(0.2)	(0.5)
Depreciation for the period	-	(0.1)	(0.1)
At 31 January 2004	(0.3)	(0.3)	(0.6)
Net book amount at 31 January 2004	-	-	-
Net book amount at 1 February 2003	-	0.1	0.1

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2004

1 FIXED ASSET INVESTMENTS

Consolidated	Unlisted investments £m
Cost	
At 2 February 2003	7.7
Disposals	-
At 31 January 2004	<u>7.7</u>
Provision	
At 2 February 2003	-
Provided during the period	-
At 31 January 2004	<u>-</u>
Net book amount at 31 January 2004	<u>7.7</u>
Net book amount at 1 February 2003	<u>7.7</u>

Unlisted investments

Harrods Bank Limited

Harrods Bank Limited, a company registered in England and Wales, 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. Additionally, no significant influence is exerted over Harrods Bank Limited. 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 31 January 2004 the aggregate capital and reserves was £7.7 million (2003: £7.8 million) and the profit for the period ended 31 January 2004 was £0.2 million (2003: £0.5 million).

Company	Total £m
Investment in subsidiaries at 2 February 2003	535.7
Share of net deficit for the period	<u>(13.7)</u>
Investment in subsidiaries at 31 January 2004	<u>522.0</u>
Representing:	
Cost of investment	224.1
Share of post acquisition reserve	<u>297.9</u>
	<u>522.0</u>

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2004

FIXED ASSET INVESTMENTS (CONTINUED)

Principal subsidiaries

Operating at 31 January 2004	Country of registration	Principal activity
Harrods (UK) Limited*	England and Wales	Holding company
Harrods Limited	England and Wales	Department store
Harrods Card Handling Company Ltd	England and Wales	Merchant card handling
Harrods International Limited	England and Wales	Tax free retailer and wholesaler
Harrods (Continental) Limited	England and Wales	Exporter
Harrods Estates Limited	England and Wales	Estate agents
Kurt Geiger Limited	England and Wales	Footwear retailer
Genavco Insurance Limited	England and Wales	Insurance broker
Harrods Aviation Limited	England and Wales	Executive jet handling company
Air Harrods Limited	England and Wales	Helicopter operator
Harrods Property Limited	England and Wales	Property management

*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 and Wales, 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.

2 PROPERTIES HELD FOR RESALE

	Consolidated		Company	
	31 January 2004 £m	1 February 2003 £m	31 January 2004 £m	1 February 2003 £m
Properties held for resale	5.9	5.8	-	-

Properties held for resale are transferred from tangible fixed assets at their carrying value.

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2004

13 STOCKS

	Consolidated		Company	
	31 January 2004 £m	1 February 2003 £m	31 January 2004 £m	1 February 2003 £m
Raw materials and consumables	0.5	0.6	-	-
Work in progress	0.1	0.2	-	-
Finished goods for resale	45.3	46.5	-	-
	<u>45.9</u>	<u>47.3</u>	<u>-</u>	<u>-</u>

14 DEBTORS

	Consolidated		Company	
	31 January 2004 £m	1 February 2003 £m	31 January 2004 £m	1 February 2003 £m
Trade debtors	15.5	12.8	-	-
Amounts owed by group undertakings	-	-	5.2	5.7
Corporation tax	-	3.1	-	-
Other debtors	1.8	32.1	0.3	0.1
Prepayments and accrued income	6.0	4.7	-	-
	<u>23.3</u>	<u>52.7</u>	<u>5.5</u>	<u>5.8</u>

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		Company	
	31 January 2004 £m	1 February 2003 £m	31 January 2004 £m	1 February 2003 £m
Bank loans	4.2	4.3	-	-
Trade creditors	40.2	37.4	-	-
Amounts owed to group undertakings	-	-	-	0.1
Corporation tax	3.7	-	-	-
Social security and other taxes	12.6	12.0	-	-
Other creditors	8.1	6.5	0.1	-
Pension contribution accrual	4.6	4.0	0.1	0.1
Accruals and deferred income	22.5	24.5	0.4	2.5
	<u>95.9</u>	<u>88.7</u>	<u>0.6</u>	<u>2.7</u>

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2004

16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated		Company	
	31 January 2004 £m	1 February 2003 £m	31 January 2004 £m	1 February 2003 £m
Amounts owed to group undertakings	-	-	181.1	173.2
Bank loans	332.8	338.2	-	-
Accruals	9.7	7.1	-	-
	<u>342.5</u>	<u>345.3</u>	<u>181.1</u>	<u>173.2</u>

17 BORROWINGS

Borrowings are repayable as follows:

	Consolidated		Company	
	31 January 2004 £m	1 February 2003 £m	31 January 2004 £m	1 February 2003 £m
Bank loans with repayment dates:				
In one year or less	4.2	4.3	-	-
Between one and two years	5.3	4.3	-	-
Between two and three years	8.5	9.6	-	-
Between three and four years	6.2	5.6	-	-
Between four and five years	7.1	6.2	-	-
Between five and ten years	47.2	42.6	-	-
Between ten and fifteen years	74.3	68.8	-	-
Between fifteen and twenty years	188.0	205.2	-	-
	<u>340.8</u>	<u>346.6</u>	<u>-</u>	<u>-</u>
Issue costs	(5.0)	(5.0)	-	-
Amortisation costs	1.2	0.9	-	-
	<u>337.0</u>	<u>342.5</u>	<u>-</u>	<u>-</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 with final payment due in July 2007. The loan is secured by way of fixed charges over identified group assets. Interest is charged at a floating rate.

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2004

PROVISIONS FOR LIABILITIES AND CHARGES

Deferred Taxation

	Consolidated		Company	
	31 January 2004 £m	1 February 2003 £m	31 January 2004 £m	1 February 2003 £m
Balance at 2 February 2003	7.1	12.9	-	-
Released during the period	(2.4)	(5.8)	-	-
Balance at 31 January 2004	<u>4.7</u>	<u>7.1</u>	<u>-</u>	<u>-</u>
Accelerated capital allowances	6.1	8.3	-	-
Other timing differences	(1.4)	(1.2)	-	-
	<u>4.7</u>	<u>7.1</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:

	Consolidated	
	31 January 2004 £m	1 February 2003 £m
Revaluation of properties	<u>54.9</u>	<u>51.6</u>

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.

CALLED UP SHARE CAPITAL

	Consolidated		Company	
	31 January 2004 £	1 February 2003 £	31 January 2004 £	1 February 2003 £
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 £356.8 million (2003: £370.4 million) is an amount in respect of non-equity interests of £2 (2003: £2). All other amounts are attributable to the equity shareholders.

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2004

RESERVES

	Consolidated		Company	
	31 January 2004 £m	1 February 2003 £m	31 January 2004 £m	1 February 2003 £m
Profit and loss account				
Balance at 2 February 2003	27.4	41.6	8.8	9.9
Loss retained for the period	(13.6)	(14.7)	0.1	(1.1)
Realised surplus on tangible fixed assets	-	0.5	-	-
Balance at 31 January 2004	<u>13.8</u>	<u>27.4</u>	<u>8.9</u>	<u>8.8</u>

At 31 January 2004, the cumulative amount of goodwill immediately written off to reserves amounted to £39.1 million (2003: £39.1 million).

	Consolidated		Company	
	31 January 2004 £m	1 February 2003 £m	31 January 2004 £m	1 February 2003 £m
Revaluation reserve				
Balance at 2 February 2003	293.0	293.5	311.6	325.2
Realised surplus on tangible fixed assets	-	(0.5)	-	-
Share of net deficit for the period	-	-	(13.7)	(13.6)
Balance at 31 January 2004	<u>293.0</u>	<u>293.0</u>	<u>297.9</u>	<u>311.6</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	52 weeks ended 31 January 2004 £m	52 weeks ended 1 February 2003 £m
Profit/(Loss) after tax for the financial period	13.4	(3.2)
Dividends	(27.0)	(11.5)
Net reduction to shareholders' funds	<u>(13.6)</u>	<u>(14.7)</u>
Shareholders' funds at 2 February 2003	370.4	385.1
Shareholders' funds at 31 January 2004	<u>356.8</u>	<u>370.4</u>

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2004

22 NET CASH INFLOW FROM OPERATING ACTIVITIES

	52 weeks ended 31 January 2004 £m	52 weeks ended 1 February 2003 £m
Operating profit	34.4	13.9
Depreciation	25.2	25.8
Impairment losses on fixed assets	0.7	-
Amortisation of goodwill	0.1	0.1
Decrease in stock	1.4	4.0
(Increase) / decrease in debtors	(1.7)	0.8
Increase in creditors	6.8	2.9
Net cash inflow from operating activities	<u>66.9</u>	<u>47.5</u>

23 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	52 weeks ended 31 January 2004 £m	52 weeks ended 1 February 2003 £m
Increase / (decrease) in cash in the period	49.0	(20.6)
Repayment / (proceeds) from bank borrowings	5.8	(1.4)
Movement in net debt in the period	<u>54.8</u>	<u>(22.0)</u>
Other non cash charges	(0.3)	(0.3)
Net debt at 2 February 2003	<u>(333.5)</u>	<u>(311.2)</u>
Net debt at 31 January 2004	<u>(279.0)</u>	<u>(333.5)</u>

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

24 ANALYSIS OF CHANGES IN NET DEBT

	At 2 February 2003 £m	Cash flow £m	Other non- cash charges £m	At 31 January 2004 £m
Cash in hand	9.0	49.0	-	58.0
Bank loan	(342.5)	5.8	(0.3)	(337.0)
	<u>(333.5)</u>	<u>54.8</u>	<u>(0.3)</u>	<u>(279.0)</u>

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2004

25 CAPITAL COMMITMENTS

	Consolidated		Company	
	31 January 2004 £	1 February 2003 £	31 January 2004 £	1 February 2003 £
Contracted but not provided for	9.2	3.4	-	-

26 CONTINGENT ASSETS/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 £13.8 million (2003: £12.4 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 period ended 1 February 2003, Harrods Holdings Limited ('the company') gave a guarantee for £15 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.

There were no other contingent liabilities at 31 January 2004 or 1 February 2003.

27 RETIREMENT BENEFIT SCHEMES

Pensions schemes operated

Within the United Kingdom 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. The 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.

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2004

RETIREMENT BENEFIT SCHEMES (CONTINUED)

Regular pension costs under SSAP 24

Defined Contribution Scheme

The pension cost under the defined contribution scheme amounted to £15,184 (2003: £2,126). A pension accrual of £nil (2003: £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 period to 31 January 2004 was £7.0 million (2003: £7.9 million), comprising a regular cost of £6.4 million (2003: £5.4 million) plus a variation of £0.6 million (2003: £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 period is greater than the actual contributions paid resulting in the following accrual in the balance sheet:

	31 January 2004 £m	1 February 2003 £m
Pension accrual		
Balance at 2 February 2003	(4.0)	(1.5)
Contributions paid	6.4	5.4
Charge to profit and loss account	(7.0)	(7.9)
Balance at 31 January 2004	<u>(4.6)</u>	<u>(4.0)</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 increased 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 FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2004

RETIREMENT BENEFIT SCHEMES (CONTINUED)

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 31 January 2004 by the same qualified independent actuary as previously mentioned. The major assumptions used by the actuary were:

	% per annum		
	31 January 2004	1 February 2003	2 February 2002
Discount rate	5.5%	5.4%	5.6%
Inflation assumption	2.8%	2.3%	2.3%
Rate of increase in salaries	4.3%	3.8%	3.8%
Rate of pension increases	2.7%	2.4%	2.4%

At 31 January 2004 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 31 January 2004		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	Harrods Group Pension Plan £m	Expected long-term rate of return % per annum
Equities	127.5	7.9%	101.0	7.4%	128.1	7.8%
Corporate bonds	28.0	5.5%	24.6	5.4%	22.8	5.6%
Government bonds	13.2	4.9%	11.4	4.4%	22.3	4.8%
Other	2.3	4.9%	2.4	4.4%	0.8	4.8%
Total market value of assets	171.0		139.4		174.0	
Present value of plan liabilities	(255.8)		(225.9)		(192.5)	
Deficit in the Plan	(84.8)		(86.5)		(18.5)	
Related deferred tax asset	25.4		26.0		5.5	
Net pension liability under FRS 17	(59.4)		(60.5)		(13.0)	

HARRODS HOLDINGS LIMITED

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For the period ended 31 JANUARY 2004

RETIREMENT BENEFIT SCHEMES (CONTINUED)

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

	31 January 2004 £m	1 February 2003 £m
Profit and loss reserve	13.8	27.4
SSAP 24 accrual in relation to the Plan	4.6	4.0
FRS 17 pension deficit, net of related deferred tax	(59.4)	(60.5)
Profit and loss reserve as adjusted	<u>(41.0)</u>	<u>(29.1)</u>

FRS 17 - Profit and Loss Disclosures

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

	31 January 2004 £m	1 February 2003 £m
Amounts charged to profit and loss account		
Current service cost	9.8	10.5
Past service costs	-	-
Total amount charged to profit and loss account	<u>9.8</u>	<u>10.5</u>

Amounts included as other finance costs

Expected return on pension plan assets	(9.4)	12.4
Interest cost on pension plan liabilities	<u>12.0</u>	<u>(10.8)</u>
Net financial return	<u>2.6</u>	<u>1.6</u>

Amounts recognised in the statement of total recognised gains and losses

Actual return less expected return on assets	23.2	(55.2)
Experience gain on liabilities	(5.6)	7.2
Impact of changes in assumptions relating to the present value of plan liabilities	<u>(10.1)</u>	<u>(16.8)</u>
	<u>7.5</u>	<u>(64.8)</u>

Movement in the deficit during the period

Deficit in the plan at 2 February 2003	(86.5)	(18.5)
Current service cost	(9.8)	(10.5)
Contributions	6.6	5.7
Other finance income	(2.6)	1.6
Actuarial gain/(loss)	<u>7.5</u>	<u>(64.8)</u>
Deficit in the plan at 31 January 2004	<u>(84.8)</u>	<u>(86.5)</u>

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2004

RETIREMENT BENEFIT SCHEMES (CONTINUED)

FRS 17 - 'Five Year History'

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

	31 January 2004		1 February 2003	
	£m	%	£m	%
Difference between actual and expected return on assets	23.2	13.6%	(55.2)	(39.6%)
Experience gain on liabilities	(5.6)	(2.2%)	7.2	3.2%
Amount recognised in statement of total recognised gains and losses against liabilities	7.5	2.9%	(64.8)	(28.7%)

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 in 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 turbulence in the financial markets over recent years, with some positive correction recognized during the period ended 31 January 2004. 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 FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2004

28 LEASING COMMITMENTS

Operating lease payments amounting to £0.2 million (2003: £0.2 million) are due within one year. The leases to which these amounts relate expire as follows:

	Consolidated		Company	
	31 January 2004 £m	1 February 2003 £m	31 January 2004 £m	1 February 2003 £m
Land and buildings:				
Between one and five years	0.5	0.2	-	-
In five years or more	2.1	2.3	0.2	0.2
	<u>2.6</u>	<u>2.5</u>	<u>0.2</u>	<u>0.2</u>

	Consolidated		Company	
	31 January 2004 £m	1 February 2003 £m	31 January 2004 £m	1 February 2003 £m
Other assets leases:				
In one year or less	0.2	0.2	-	-
Between one and five years	0.6	0.4	-	-
	<u>0.8</u>	<u>0.6</u>	<u>-</u>	<u>-</u>

In addition to the above, the group has commitments under concession agreements payable within one year amounting to £19.1 million (2003: £18.5 million).

29 TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES

During the period the Group entered into transactions with a number of entities, which are under the control of the Group's ultimate controlling party. These entities comprise Balnagown Castle Properties Limited, Bocardo Societe Anonyme, Fulham Football Club (1987) Limited, Fulham Football Leisure Limited, Fulham Stadium Limited, Gallant Minerals Limited, Gallant Minerals Services Limited, Metro Energy (Thailand) Limited, Metro Natural Resources Participations Limited, Scintilla Limited, Metro Petroleum Corporation Limited, Harrods Staff Benevolent Fund, Hyde Park Residence Limited, Liberty Holdings Limited (and subsidiaries), Mohafa, Prestige Properties S.A., The Ritz Hotel Limited, Barrow Green Court, Jasmine Di Milo Limited, Payair (Jersey) Company Limited, West Heath 2000 Limited, Samodal Properties Limited, Allied Stars S.A. and Turnbull & Asser Limited (and subsidiaries). The transactions and balances with these entities are not considered to be material except as described below.

The company has taken advantage of the exemption in Financial Reporting Standard No 8 "Related Party Disclosures" and has not disclosed transactions with group undertakings.

The group charged Turnbull & Asser Limited £0.4m (2003: £0.3m) under commercial terms for the concession it operates in the Store. The debtor outstanding at period end was £nil. The maximum debtor balance during the period was £0.1m (2003: £0.1m).

During the period, the group recharged payroll and made administration charges to Fulham Football Club (1987) Limited, amounting to £32.2m (2003: £12.7m). The debtor outstanding at the period end was £nil (2003: £13.0m). The maximum debtor balance during the period was £25.6m (2003: £13.0m).

During the period, the group recharged payroll and made administration charges to Fulham Stadium Limited, amounting to £nil (2003: £0.3m). The debtor outstanding at the period end was £nil (2003: £0.3m). The maximum debtor balance during the period was £nil (2003: £0.3m).

During the period, the group recharged payroll and made administration charges to Fulham Football Leisure Limited, amounting to £nil (2003: £20.2m). The debtor outstanding at the period end was £nil (2003: £12.9m). The maximum debtor balance during the period was £nil (2003: £12.9m).

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2004

TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES (CONTINUED)

During the period, the group charged Balnagown Castle Properties Limited for stock sold amounting to £0.2m (2003: £nil). The debtor outstanding at the period end was £0.2m (2003: £0.1m). The maximum debtor balance during the period was £0.2m.

During the period, the group charged fees in respect of marketing and advisory services to Prestige Properties S.A. of an amount of £1.2m (2003: £1.3m). The debtor outstanding at period end was £0.1m (2003: £1.4m). The maximum debtor balance during the period was £1.5m (2003: £1.4m).

During the period, the group recharged payroll and made administration charges to Gallant Minerals Services Limited, amounting to £0.5m (2003: £0.1m). The debtor outstanding at the period end was £nil (2003: £0.1m). The maximum debtor balance during the period was £0.6m (2003: £0.1m).

During the period, the group recharged payroll and made administration charges to Metro Natural Resources Participations Limited, amounting to £nil (2003: £0.3m). The debtor outstanding at the period end was £nil (2003: £0.3m). The maximum debtor balance during the period was £0.3m (2003: £0.3m).

During the period, the group charged fees relating to contract work and engineering service to Fayair (Jersey) Company Limited, amounting to £1.0m (2003: £1.2m). The debtor outstanding at the period end was £0.2m (2003: £0.2m). The maximum debtor balance during the period was £0.3m (2003: £0.3m).

During the period, the group charged occupancy charges including rent and telephone charges etc to Liberty Publishing & Media Limited for an amount of £nil (2003: nil). The debtor outstanding at the period end was £nil. The maximum debtor balance during the period was £0.1m (2003: £0.5m). During the period, the company recharged payroll and made administration charges to Liberty Publishing & Media Limited, amounting to £0.3 million (2003: £0.6 million). The debtor outstanding at the period end was £nil (2003: £0.5 million). The maximum debtor balance during the period was £0.8 million (2003: £0.5m).

During the period, the group was charged and made administration charges to Hyde Park Residence Limited amounting to a net £1.0m (2003: £1.3m). The creditor outstanding at period end was £nil (2003: £nil). The maximum creditor balance during the period was £0.1m. The debtor outstanding at period end was £nil (2003: £nil).

Jasmine Di Milo Limited operates a concession in the Knightsbridge Store, on commercial terms, for which it was charged £0.1m (2003: £nil). The debtor outstanding at period end was £0.1m (2003: £nil). The maximum debtor balance during the period was £0.1m (2003: £nil).

During the period, the group charged Bocardo Societe Anonyme £0.1m (2003: £0.1m) for payroll charges. The maximum debtor outstanding during the period was £nil (2003: £nil).

During the period, the group was charged payroll charges by The Ritz Hotel Limited amounting to £0.1m (2003: £nil). The creditor outstanding at period end was £nil (2003: £nil). The maximum creditor balance during the period was £0.1m.

All balances due to the group from related parties were repaid in full after the period end except for £0.3m.

There are no other related party transactions.

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.