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HARRODS HOLDINGS LIMITED

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

28 JANUARY 2006

HARRODS HOLDINGS LIMITED

FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

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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 28 January 2006.

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 28 January 2006 totalled £410.7 million (2005: £448.4 million).

There was a profit for the period after taxation amounting to £21.5 million (2005: £3.8 million as restated). The company paid a dividend of £5.0 million (2005: £39.0 million).

On 4 July 2005, the group disposed of its interest in Kurt Geiger Limited. The consideration for this transaction of £46.0 million was settled fully in cash on completion (Note 25).

Post balance sheet events

Since the balance sheet date, and up to the date of signing these financial statements, dividends amounting to £47.5m have been proposed and paid.

Directors

The present membership of the Board is set out below.

M Al Fayed
A Fayed (Chairman)
J Byrne
A Tanna

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 31. 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 28 January 2006.

R Simonin resigned from the Board on 9 February 2005.

Except as disclosed in notes 27 & 30, no director has had a material interest, directly or indirectly, at any time during the period, in any contract significant to the business of the group or the company.

HARRODS HOLDINGS LIMITED

REPORT OF THE DIRECTORS

Statement of directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

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

Credit risk

The group's principal credit risk relates to the recovery of trade debtors, although it is not considered significant due to the nature of the business.

Amounts owing from credit card companies represent more than half the group's trade debtors. However, the directors consider credit risk to be limited due to the terms of contract the group has with the credit card companies.

In order to manage credit risk relating to other trade debtors, subsidiary credit controllers and Directors review the aged debtors and collection history on a regular basis.

Significant loans due from related parties are secured to minimise credit risk.

Currency risk

The group is exposed to transaction foreign exchange risk on overseas purchasing.

Approximately a quarter of the group's purchases are from suppliers outside the United Kingdom. These purchases are generally invoiced in the local currency of the supplier. Transaction exposures are hedged partially using forward currency contracts. Whilst the aim is to achieve an economic hedge the company does not adopt an accounting policy of hedge accounting in these financial statements.

Interest rate risk

The group finances its operations through a mixture of retained profits and bank borrowings. The group's exposure to interest rate fluctuations on its borrowings has been eliminated by entering into swap agreements that fix the rate of interest over the term of the borrowings.

Excess cash balances are placed in an overnight money market account to attract higher rates of interest.

HARRODS HOLDINGS LIMITED

REPORT OF THE DIRECTORS

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 28 to the financial statements.

Donations

The charitable donations made and charged in the financial statements amounted to £1.3 million (2005: £0.6 million). No political contributions were made.

Payment of creditors

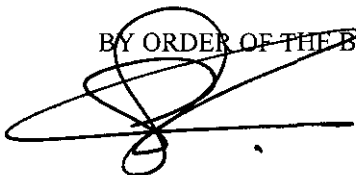
It is the group's policy to agree payment terms as part of any formal contract with a supplier and to make every endeavour to abide by the agreed terms. Where a purchase is not covered by a formal contract, and no agreement is reached in advance of raising an order, the group's policy is to pay suppliers 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 29 days to pay its creditors (2005: 33).

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

Auditors

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

BY ORDER OF THE BOARD



S Dean FCIS
Secretary
21 July 2006
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 group and parent company financial statements (the "financial statements") of Harrods Holdings Limited for the period ended 28 January 2006 which comprise the principal accounting policies, the group profit and loss account, the group and company balance sheets, the group cash flow statement, the statement of total recognised gains and losses, the note of historical cost profits and losses and notes 1 to 32. 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 Annual Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

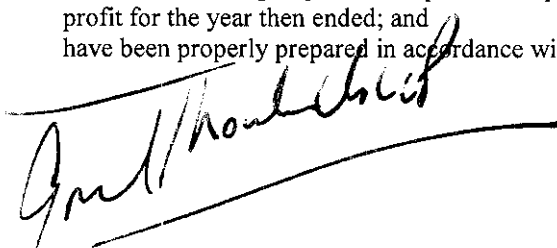
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 28 January 2006 and of the group's profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



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

**LONDON
21 July 2006**

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 are set out below. The company has fully adopted FRS15 and FRS17 in the accounts, with the result that certain figures relating to the prior year have been restated. The group has also adopted FRS 21, 25 and 28. The accounting policies have otherwise remained unchanged.

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. Such amounts are charged to the profit and loss account on the disposal of subsidiaries.

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.

RESTATEMENT OF COMPARATIVES

Certain figures for the prior year have been restated due to the adoption of FRS17. Notes affected are Note 4 (net interest), Note 6 (tax on profit on ordinary activities), Note 20 (Reserves), Note 21 (Reconciliation of movements in shareholders' funds) and Note 28 (Retirement benefit obligations).

Certain figures for the prior year have been restated due to the company adopting a policy of revaluing the group's properties in accordance with FRS15. Notes affected are Note 2 (Operating profit), Note 10 (Fixed assets), Note 20 (Reserves) and Note 21 (Reconciliation of movements in shareholders' funds).

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.

HARRODS HOLDINGS LIMITED

PRINCIPAL ACCOUNTING POLICIES

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 value of goods sold during the year which will be returned and refunded after the year end date.

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. The gross transaction value of sales to customers includes sales made by concessions but excludes discounts and returns.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Freehold properties are stated at professional or directors' valuations less accumulated depreciation. All other fixed assets are stated at cost less accumulated depreciation. 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. Shop fit out expenditure is stated net of supplier contributions where relevant.

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 or valuation, 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.

HARRODS HOLDINGS LIMITED

PRINCIPAL ACCOUNTING POLICIES

GOODWILL

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.

STOCKS

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

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.

ISSUE COSTS

In accordance with FRS 4 'Capital Instruments', issue costs associated with borrowings have been deferred and are being expensed to the profit and loss account over the period of the loan repayments. Loans are therefore shown net of such amounts deferred.

FOREIGN CURRENCY

Monetary 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.

RETIREMENT BENEFIT OBLIGATIONS

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 group and company has adopted the provisions of FRS 17 'Retirement Benefits', which replaces SSAP 24 'Accounting for Pension Costs'. Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet. A net surplus is recognized only to the extent that it is recoverable by the company/group. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the current service cost of providing the benefits, curtailment and settlement gains and losses and financial returns on the pension fund, all reflected in the period to which they relate. The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included in other finance costs. Actuarial gains and losses are recorded through the statement of recognized gains and losses. Disclosure has been made of the assets and liabilities of the scheme under FRS 17 in Note 28 to the accounts.

HARRODS HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the period ended 28 JANUARY 2006

		52 weeks ended 28 January 2006			52 weeks ended 29 January 2005		
	Note	Continuing operations	Discontinued operations	Total	Continuing operations as restated	Discontinued operations as restated	Total as restated
		£m	£m	£m	£m	£m	£m
Gross transaction value		534.5	33.1	567.6	490.9	89.8	580.7
Turnover	1	377.6	33.1	410.7	358.6	89.8	448.4
Cost of sales		(175.2)	(14.5)	(189.7)	(166.3)	(42.2)	(208.5)
Gross profit		202.4	18.6	221.0	192.3	47.6	239.9
Distribution and store costs		(134.1)	(16.2)	(150.3)	(128.7)	(35.6)	(164.3)
Administrative expenses		(34.4)	(0.8)	(35.2)	(30.5)	(7.3)	(37.8)
Operating profit	2	33.9	1.6	35.5	33.1	4.7	37.8
Exceptional items	3						
Profit on sale of discontinued operation		13.9	-	13.9	-	-	-
Profit/(loss) on disposal of fixed assets		1.0	-	1.0	(0.8)	-	(0.8)
Other exceptional gains		-	-	-	0.2	-	0.2
Income from other fixed asset investments		0.5	-	0.5	0.4	-	0.4
Profit on ordinary activities before interest		49.3	1.6	50.9	32.9	4.7	37.6
Net interest	4	(25.2)	0.1	(25.1)	(27.3)	(0.2)	(27.5)
Profit on ordinary activities before taxation		24.1	1.7	25.8	5.6	4.5	10.1
Tax on profit on ordinary activities	6	(4.3)	-	(4.3)	(4.9)	(1.4)	(6.3)
Profit on ordinary activities after taxation	20	19.8	1.7	21.5	0.7	3.1	3.8

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

HARRODS HOLDINGS LIMITED

BALANCE SHEETS AT 28 JANUARY 2006

		Consolidated		Company	
	Note	At 28 January 2006 £m	At 29 January 2005 as restated £m	At 28 January 2006 £m	At 29 January 2005 as restated £m
Fixed assets					
Intangible assets	9	-	0.1	-	-
Tangible assets	10	769.1	716.3	-	-
Investments	11	7.7	7.7	573.3	502.7
		<u>776.8</u>	<u>724.1</u>	<u>573.3</u>	<u>502.7</u>
Current assets					
Properties held for resale	12	2.2	16.3	-	-
Stocks	13	31.9	47.3	-	-
Debtors due within one year	14	31.9	47.2	4.8	4.9
Debtors due after more than one year	14	34.7	-	-	-
Cash at bank and in hand		87.6	61.4	3.2	0.9
		<u>188.3</u>	<u>172.2</u>	<u>8.0</u>	<u>5.8</u>
Creditors: amounts falling due within one year	15	<u>(97.4)</u>	<u>(111.0)</u>	<u>(3.4)</u>	<u>(1.6)</u>
Net current assets		<u>90.9</u>	<u>61.2</u>	<u>4.6</u>	<u>4.2</u>
Total assets less current liabilities		<u>867.7</u>	<u>785.3</u>	<u>577.9</u>	<u>506.9</u>
Creditors: amounts falling due after more than one year	16	<u>(363.3)</u>	<u>(376.6)</u>	<u>(170.2)</u>	<u>(169.9)</u>
Provisions for liabilities and charges	18	<u>(6.1)</u>	<u>(6.1)</u>	<u>-</u>	<u>-</u>
Retirement benefit obligations	28	<u>(92.0)</u>	<u>(66.6)</u>	<u>(1.4)</u>	<u>(1.0)</u>
		<u>406.3</u>	<u>336.0</u>	<u>406.3</u>	<u>336.0</u>
Capital and reserves					
Called up share capital	19	50.0	50.0	50.0	50.0
Revaluation reserve	20	428.4	367.4	349.2	278.6
Profit and loss account	20	(72.1)	(81.4)	7.1	7.4
Shareholders' funds	21	<u>406.3</u>	<u>336.0</u>	<u>406.3</u>	<u>336.0</u>

The financial statements were approved by the Board of Directors on 21 July 2006.



A Tanna - Director

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

HARRODS HOLDINGS LIMITED

OTHER PRIMARY STATEMENT

For the period ended 28 JANUARY 2006

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2006 £m	2005 £m as restated
Profit for the financial period	21.5	3.8
Unrealised surplus on revaluation of land and buildings	69.7	60.4
Actuarial gains and losses on pension scheme (net of tax)	(23.2)	(6.4)
Total recognised gains and losses for the period	68.0	57.8
Prior year adjustment (adoption of FRS17)	(64.0)	-
Prior year adjustment (adoption of FRS15)	74.4	-
Total recognised gains and losses since last report	78.4	57.8

GROUP NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2006 £m	2005 £m as restated
Profit on ordinary activities before taxation	25.8	10.1
Realisation of revaluation gains of previous years	7.5	-
Difference between historical cost depreciation charge and depreciation charge based on revalued amounts	1.2	0.6
Historical cost profit on ordinary activities before taxation	34.5	10.7
 Historical cost profit retained	 25.2	 (34.6)

HARRODS HOLDINGS LIMITED

CONSOLIDATED CASH FLOW STATEMENT

For the period ended 28 JANUARY 2006

	Note	52 weeks ended 28 January 2006 £m	52 weeks ended 29 January 2005 £m
Net cash inflow from operating activities	22	57.0	69.6
Returns on investments and servicing of finance			
Interest received		3.0	1.7
Interest paid		(23.7)	(23.2)
Dividends received from fixed asset investments		0.5	0.3
Net cash outflow from returns on investments and servicing of finance		(20.2)	(21.2)
Taxation paid		(8.3)	(5.3)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(15.3)	(18.5)
Disposal of tangible fixed assets		19.1	1.0
Disposal of business	25	38.9	-
Loans to related parties		(37.4)	(32.7)
Repayment of loans by related parties		15.6	16.5
Net cash inflow/(outflow) from capital expenditure and financial investment		20.9	(33.7)
Equity dividends paid		(5.0)	(39.0)
Financing			
Proceeds from bank borrowings		-	39.5
Repayment of bank borrowings		(18.2)	(6.5)
Net cash (outflow)/inflow from financing	23	(18.2)	33.0
Increase in cash	23,24	26.2	3.4

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 28 JANUARY 2006

1 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:

Business segments

	52 weeks ended 28 January 2006				52 weeks ended 29 January 2005			
	Continuing operations	Dis-continued operations	Continuing operations	Total	Continuing operations	Dis-continued operations	Continuing operations	Total
	Retailing £'000	Retailing £'000	Aviation services £'000	£'000	Retailing £'000	Retailing £'000	Aviation services £'000	£'000
Turnover	<u>350.3</u>	<u>33.1</u>	<u>27.3</u>	<u>410.7</u>	<u>341</u>	<u>89.8</u>	<u>17.6</u>	<u>448.4</u>
Operating profit/(loss)	<u>33.6</u>	<u>1.6</u>	<u>0.3</u>	<u>35.5</u>	<u>33.7</u>	<u>4.7</u>	<u>(0.6)</u>	<u>37.8</u>
Exceptional items	14.9	-	-	14.9	(0.6)	-	-	(0.6)
Investment income	0.5	-	-	0.5	0.4	-	-	0.4
Net interest	(25.2)	0.1	-	(25.1)	(27.3)	(0.2)	-	(27.5)
Profit before taxation				<u>25.8</u>				<u>10.1</u>
Net assets before finance	<u>654.7</u>	<u>-</u>	<u>16.4</u>	<u>671.1</u>	<u>609.8</u>	<u>16.6</u>	<u>18.5</u>	<u>644.9</u>
Net debt				<u>(264.8)</u>				<u>(308.9)</u>
Net assets				<u>406.3</u>				<u>336.0</u>

The disposal of Kurt Geiger Limited represents a material change in the nature and focus of the Group's operations.

Geographical analysis

	Turnover by destination	
	52 weeks ended 28 January 2006 £m	52 weeks ended 29 January 2005 £m
United Kingdom	389.9	434.0
Rest of Europe	6.3	2.9
Japan	5.0	4.2
Other overseas destinations	9.5	7.3
	<u>410.7</u>	<u>448.4</u>

Turnover by destination and origin are not materially different.

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

2 OPERATING PROFIT

Profit on ordinary activities before taxation is stated after charging/(crediting):

	52 weeks ended 28 January 2006 £m	52 weeks ended 29 January 2005 £m
Auditors' remuneration:		
Audit services	0.3	0.4
Non-audit services	0.1	-
Depreciation:		
Tangible fixed assets owned	24.7	24.8
Rentals paid under operating leases:		
Property	2.7	2.9
Plant and machinery	0.9	0.8
Gains on foreign exchange	(0.1)	(0.4)
Royalty (income)	(1.4)	(1.2)

Auditors' remuneration in respect of non-audit services during the period amounted to £135,475 (2005: £50,325).

3 EXCEPTIONAL ITEMS

	52 weeks ended 28 January 2006 £m	52 weeks ended 29 January 2005 £m
Profit on disposal of subsidiary (note 25)	13.9	-
Profit/(loss) on disposal of fixed assets	1.0	(0.8)
Other exceptional gains	-	0.2
	14.9	(0.6)

Cash proceeds from the sale of these fixed assets during the period was £58.0m (2005: £1.0m).

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

4 NET INTEREST

	52 weeks ended 28 January 2006 £m	52 weeks ended 29 January 2005 as restated £m
Interest payable:		
Bank loans and overdrafts	(27.5)	(27.4)
To third parties	(0.2)	(0.4)
Other finance expense (FRS17)	(2.0)	(1.7)
	<u>(29.7)</u>	<u>(29.5)</u>
Interest receivable:		
Cash and bank balances	<u>4.6</u>	<u>2.0</u>
Net interest payable	<u>(25.1)</u>	<u>(27.5)</u>

5 DIRECTORS AND EMPLOYEES

Group staff costs during the period were as follows:

	52 weeks ended 28 January 2006 £m	52 weeks ended 29 January 2005 £m
Wages and salaries	92.7	92.4
Social security costs	8.8	8.3
Other pension costs	5.9	8.1
	<u>107.4</u>	<u>108.8</u>

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

	2006 Number	2005 Number
Production	494	475
Selling and distribution	2,968	3,353
Administration	236	271
	<u>3,698</u>	<u>4,099</u>

In addition, the group employed an average of 103 (2005: 78) agency staff during the period at a cost of £1.5 million (2005: £1.1m).

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

DIRECTORS AND EMPLOYEES (CONTINUED)

Company staff costs during the period were as follows:

	52 weeks ended 28 January 2006 £'000	52 weeks ended 29 January 2005 £'000
Wages and salaries	6.4	1.3
Social security costs	0.8	0.2
Other pension costs	0.1	0.1
	<u>7.3</u>	<u>1.6</u>

The average number of employees of the company during the period was 36 (2005: 36).

Remuneration in respect of directors was as follows:

	52 weeks ended 28 January 2006 £'000	52 weeks ended 29 January 2005 as restated £'000
Emoluments excluding pension contributions	5,534	1,129
Payment to former director	350	950
	<u>5,884</u>	<u>2,079</u>

In the period ended 29 January 2005 a payment of £950,000 was made to a former director. These accounts are restated in this respect.

There are 2 directors to whom retirement benefits are accruing under a defined benefit pension scheme (2005: 3).

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

	52 weeks ended 28 January 2006 £'000	52 weeks ended 29 January 2005 £'000
Emoluments of highest paid director	<u>5,000</u>	<u>624</u>

The highest paid director's accrued pension at the period end was £nil (2005: £2,545).

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	52 weeks ended 28 January 2006	52 weeks ended 29 January 2005 as restated
	£m	£m
Current tax		
Corporation tax at 30% (2005: 30%)	(5.5)	(6.5)
Foreign tax	(0.1)	(0.1)
	<u>(5.6)</u>	<u>(6.6)</u>
Over/(under) provision in respect of prior years	0.8	(0.8)
	<u>(4.8)</u>	<u>(7.4)</u>
Deferred tax		
Accelerated capital allowances	0.2	-
FRS17 deferred tax	0.3	1.1
Total tax charge for the period	<u>(4.3)</u>	<u>(6.3)</u>

Factors affecting current period corporation tax

The current period corporation tax assessed for the period is lower than the standard rate of corporation tax of 30% (2005: 30%) for the following reasons:

Profit on ordinary activities before tax	<u>25.8</u>	<u>10.1</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30% (2005: 30%)	(7.8)	(3.0)
Effect of:		
Income/(expenses) not assessable for tax purposes	4.9	(2.3)
Depreciation for the period in excess of capital allowances	(2.2)	(1.3)
Income and expenses assessed on a cash basis	(0.5)	-
Under provision in respect of prior years	0.8	(0.8)
Current tax charge for the period	<u>(4.8)</u>	<u>(7.4)</u>

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

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. The profit for the period after taxation amounted to £5.0 million (2005: profit £38.4 million).

8 DIVIDENDS

Equity - ordinary

	52 weeks ended 28 January 2006 £m	52 weeks ended 29 January 2005 £m
Interim paid: 10p (2005: 78p) per £1 share	<u>5.0</u>	<u>39.0</u>

Post balance sheet dividends are disclosed in note 32.

9 INTANGIBLE FIXED ASSETS

Consolidated

	Total £m
Cost	
At 29 January 2005 and 28 January 2006	<u>0.1</u>
Amortisation	
At 29 January 2005	-
Impairment	(0.1)
At 28 January 2006	<u>(0.1)</u>
Net book amount at 28 January 2006	<u>-</u>
Net book amount at 29 January 2005	<u>0.1</u>

The intangible asset, relating to a gaming license acquired in the Isle of Man, was deemed to be impaired during the period ended 28 January 2006.

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

10 TANGIBLE FIXED ASSETS

Consolidated	Freehold £m	Long leasehold £m	Short leasehold £m	Fixtures, fittings, vehicles and equipment £m	Total £m
Cost or valuation					
At 30 January 2005 as restated	626.9	0.4	10.5	232.6	870.4
Additions	3.4	-	1.3	11.4	16.1
Disposals	(0.7)	-	(0.1)	(16.2)	(17.0)
Disposal of subsidiary	-	-	(0.1)	(15.8)	(15.9)
Revaluation	65.9	-	-	-	65.9
At 28 January 2006	<u>695.5</u>	<u>0.4</u>	<u>11.6</u>	<u>212.0</u>	<u>919.5</u>
Depreciation					
At 30 January 2005 as restated	2.9	-	1.8	149.4	154.1
Provided in the period	6.2	-	0.6	17.9	24.7
Disposals	(0.2)	-	(0.1)	(12.7)	(13.0)
Disposal of subsidiary	-	-	(0.1)	(11.4)	(11.5)
Revaluation	(3.9)	-	-	-	(3.9)
At 28 January 2006	<u>5.0</u>	<u>-</u>	<u>2.2</u>	<u>143.2</u>	<u>150.4</u>
Net book amount at 28 January 2006	<u>690.5</u>	<u>0.4</u>	<u>9.4</u>	<u>68.8</u>	<u>769.1</u>
Net book amount at 29 January 2005	<u>624.0</u>	<u>0.4</u>	<u>8.7</u>	<u>83.2</u>	<u>716.3</u>
Cost or valuation:					
Valuation	694.6	0.4	-	-	695.0
Cost	0.9	-	11.6	212.0	224.5
	<u>695.5</u>	<u>0.4</u>	<u>11.6</u>	<u>212.0</u>	<u>919.5</u>

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
Historical cost at 28 January 2006	210.1	0.2	11.6	212.0	424.6
Depreciation on historical cost	(23.8)	-	(2.2)	(143.2)	(169.8)
Net book value at 28 January 2006	<u>186.3</u>	<u>0.2</u>	<u>9.4</u>	<u>68.8</u>	<u>254.8</u>
Historical cost at 29 January 2005	205.7	0.2	10.5	232.6	449.0
Depreciation on historical cost	(19.4)	-	(1.8)	(149.3)	(170.5)
Net book value at 29 January 2005	<u>186.3</u>	<u>0.2</u>	<u>8.7</u>	<u>83.3</u>	<u>278.5</u>

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

TANGIBLE FIXED ASSETS (CONTINUED)

The group's freehold properties were valued at £690 million on 26 September 2005 by an external valuer, Simon Smith MRICS, of Cushman & Wakefield Healey & Baker. The valuations were in accordance with the requirements of the RICS Appraisal and Valuation Standards and FRS15. The valuation of each property was on the basis of Existing Use Value, assuming that the properties would be sold as part of the continuing business. The valuer's opinion of Existing Use Value was primarily derived using comparable recent market transactions on arm's length basis.

All other fixed assets are stated at cost.

Included in the cost element of fixtures, fittings, vehicles and equipment above is £7.3 million representing the cost of unfinished projects at the period end (2005: £9.1 million).

Netted off the cost of fixed assets are supplier contributions amounting to £10.9m at the period end (2005: £9.2 million). Of this amount £6.8m (2005: £6m) had been taken to the profit and loss account by way of a reduction to accumulated depreciation.

Company	Short leasehold £m	Fixtures, fittings, vehicles and equipment £m	Total £m
Cost			
At 28 January 2006 and 30 January 2005	0.3	0.3	0.6
Accumulated depreciation			
At 28 January 2006 and 30 January 2005	(0.3)	(0.3)	(0.6)
Net book amount at 28 January 2006 and 29 January 2005	-	-	-

11 FIXED ASSET INVESTMENTS

Consolidated

	Unlisted investments £m
Cost	
At 28 January 2006 and 30 January 2005	7.7
Provision	
At 28 January 2006 and 30 January 2005	-
Net book amount at 28 January 2006 and 29 January 2005	7.7

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

FIXED ASSET INVESTMENTS (CONTINUED)

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 28 January 2006 the aggregate capital and reserves of Harrods Bank Limited was £7.5 million (2005: £7.8 million) and the profit for the period ended 28 January 2006 was £0.2 million (2005: £0.4 million).

Company	Total £m
Investment in subsidiaries at 30 January 2005 as restated	502.7
Share of net increment for the period	70.6
Investment in subsidiaries at 28 January 2006	<u>573.3</u>
Representing:	
Cost of investment	224.1
Share of post acquisition reserve	349.2
	<u>573.3</u>

Principal subsidiaries

Operating at 28 January 2006	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
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 and Harrods Holdings 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.

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

12 PROPERTIES HELD FOR RESALE

	Consolidated		Company	
	28 January	29 January	28 January	29 January
	2006	2005	2006	2005
	£m	£m	£m	£m
Properties held for resale	<u>2.2</u>	<u>16.3</u>	<u>-</u>	<u>-</u>

Properties held for resale are transferred from tangible fixed assets at the lower of cost or valuation, and net realisable value.

13 STOCKS

	Consolidated		Company	
	28 January	29 January	28 January	29 January
	2006	2005	2006	2005
	£m	£m	£m	£m
Raw materials and consumables	0.6	0.6	-	-
Work in progress	0.3	0.3	-	-
Finished goods for resale	31.0	46.4	-	-
	<u>31.9</u>	<u>47.3</u>	<u>-</u>	<u>-</u>

14 DEBTORS

	Consolidated		Company	
	28 January	29 January	28 January	29 January
	2006	2005	2006	2005
	£m	£m	£m	£m
Amounts due within one year:				
Trade debtors	16.8	19.7	-	-
Amounts owed by group undertakings	-	-	4.6	4.8
Other debtors	8.7	20.1	0.2	0.1
Prepayments and accrued income	6.4	7.4	-	-
	<u>31.9</u>	<u>47.2</u>	<u>4.8</u>	<u>4.9</u>
Amounts due after more than one year:				
Other debtors	<u>34.7</u>	<u>-</u>	<u>-</u>	<u>-</u>

The debtor outstanding with Fulham Football Club (1987) Limited of £40.3m (2005: £16.2m) is secured by second and third fixed and floating charges, held respectively by Harrods Holdings Limited and Harrods (UK) Limited, over Fulham Stadium Limited's rights to and title of the whole of its property, assets, rights and revenues. The debt bears interest at a commercial rate and is repayable in equal instalments quarterly over 10 years with a final payment of £21.6m due in January 2016.

The balance outstanding at the year end of £40.3m has been reduced to £22.9m as at the date of signing (Note 30).

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		Company	
	28 January 2006 £m	29 January 2005 £m	28 January 2006 £m	29 January 2005 £m
Bank loans	6.9	7.2	-	-
Trade creditors	42.8	44.1	-	-
Corporation tax	2.3	5.8	-	-
Social security and other taxes	11.4	13.0	2.6	-
Other creditors	10.1	9.9	0.1	0.1
Accruals and deferred income	23.9	31.0	0.7	1.5
	<u>97.4</u>	<u>111.0</u>	<u>3.4</u>	<u>1.6</u>

16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated		Company	
	28 January 2006 £m	29 January 2005 £m	28 January 2006 £m	29 January 2005 £m
Amounts owed to group undertakings	-	-	170.2	169.9
Bank loans	345.5	363.1	-	-
Accruals	17.8	13.5	-	-
	<u>363.3</u>	<u>376.6</u>	<u>170.2</u>	<u>169.9</u>

17 BORROWINGS

Borrowings are repayable as follows:

	Consolidated		Company	
	28 January 2006 £m	29 January 2005 £m	28 January 2006 £m	29 January 2005 £m
Bank loans with repayment dates:				
In one year or less	6.9	7.2	-	-
Between one and two years	7.3	7.0	-	-
Between two and three years	7.6	9.7	-	-
Between three and four years	8.3	7.4	-	-
Between four and five years	9.6	8.1	-	-
Between five and ten years	56.1	52.4	-	-
Between ten and fifteen years	260.3	74.4	-	-
Between fifteen and sixteen years	-	208.1	-	-
	<u>356.1</u>	<u>374.3</u>	<u>-</u>	<u>-</u>
Issue costs	(5.5)	(5.5)	-	-
Amortisation costs	1.8	1.5	-	-
	<u>352.4</u>	<u>370.3</u>	<u>-</u>	<u>-</u>

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

BORROWINGS (CONTINUED)

The group's bank debt consists of two separate loans. The first is repayable quarterly in arrears over 16 years, with a final payment due in November 2020 of £180.6 million (2005: £190 million). 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. At 28 January 2006 the fair value of the swap amounted to a cost of £70.9m (2005: £54.3m). This cost will only be incurred if the swap arrangement is terminated.

On 29 April 2005, the group made a loan repayment of £9.5 million following the sale of one of its freehold properties.

The second bank loan (£5.5 million) 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.

18 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred Taxation

	Consolidated		Company	
	28 January 2006 £m	29 January 2005 £m	28 January 2006 £m	29 January 2005 £m
Balance at 30 January 2005	6.1	4.7	-	-
Reversal of SSAP 24	-	1.4	-	-
Loss on disposal of subsidiary deferred tax asset	0.2	-	-	-
Transfer (to)/from profit and loss account	(0.2)	-	-	-
Balance at 28 January 2006	<u>6.1</u>	<u>6.1</u>	<u>-</u>	<u>-</u>
Accelerated capital allowances	6.2	6.2	-	-
Other timing differences	(0.1)	(0.1)	-	-
	<u>6.1</u>	<u>6.1</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		Company	
	At 28 January 2006 £m	At 29 January 2005 £m	At 28 January 2006 £m	At 29 January 2005 £m
Revaluation of properties	<u>41.5</u>	<u>7.6</u>	<u>-</u>	<u>-</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 potential deferred tax liability is stated after taking into account the latest assessment of the availability of capital losses.

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

19 CALLED UP SHARE CAPITAL

	Consolidated		Company	
	28 January 2006	29 January 2005	28 January 2006	29 January 2005
	£	£	£	£
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
Shares classed as financial liabilities				
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.

The nominal value of the shares, which can be redeemed at any time, is classified as a liability under FRS 25.

20 RESERVES

	Consolidated		Company	
	28 January 2006	29 January 2005	28 January 2006	29 January 2005
	£m	as restated £m	£m	as restated £m
Profit and loss account				
Balance at 30 January 2005 as previously stated	(17.4)	(40.4)	8.3	8.1
Prior year adjustment (adoption of FRS 17)	(64.0)	-	(0.9)	-
Balance at 30 January 2005 as restated	<u>(81.4)</u>	<u>(40.4)</u>	<u>7.4</u>	<u>8.1</u>
Goodwill on disposal of business	7.3	-	-	-
Depreciation on revaluation surplus	1.2	0.6	-	-
Revaluation surplus realised on property disposal	7.5	-	-	-
Actuarial loss on pension scheme	(23.2)	(6.4)	(0.3)	(0.1)
Profit for the period	21.5	3.8	5.0	38.4
Dividends	(5.0)	(39.0)	(5.0)	(39.0)
Balance at 28 January 2006	<u>(72.1)</u>	<u>(81.4)</u>	<u>7.1</u>	<u>7.4</u>

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

RESERVES (CONTINUED)

At 28 January 2006, the cumulative amount of goodwill immediately written off to reserves amounted to £31.8 million (2005: £39.1 million).

	Consolidated		Company	
	28 January 2006	29 January 2005 as restated	28 January 2006	29 January 2005 as restated
	£m	£m	£m	£m
Revaluation reserve				
Balance at 30 January 2005	293.0	307.6	267.3	259.1
Prior year adjustment – revaluation of properties	74.4	-	11.3	-
Balance at 30 January 2005 as restated	367.4	307.6	278.6	259.1
Surplus on revaluation of property	69.7	60.4	-	-
Depreciation on revaluation surplus	(1.2)	(0.6)	-	-
Revaluation surplus realised on property disposal	(7.5)	-	-	-
Share of net surplus / (deficit) for the period	-	-	70.6	19.5
Balance at 28 January 2006	428.4	367.4	349.2	278.6

21 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	52 weeks ended 28 January 2006	52 weeks ended 29 January 2005 as restated
	£m	£m
Profit after tax for the financial period	21.5	3.8
Dividends	(5.0)	(39.0)
Retained profit/(loss) for the period	16.5	(35.2)
Actuarial loss on pension scheme	(23.2)	(6.4)
Goodwill on disposal of business	7.3	-
Surplus on revaluation of property	69.7	60.4
Net increase in shareholders' funds	70.3	18.8
Shareholders' funds at 30 January 2005 as previously stated	325.6	317.2
Prior year adjustment – revaluation of properties	74.4	-
Prior year adjustment - adoption of FRS 17	(64.0)	-
Shareholders' funds at 30 January 2005 as restated	336.0	317.2
Shareholders' funds at 28 January 2006	406.3	336.0

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

22 NET CASH INFLOW FROM OPERATING ACTIVITIES

	52 weeks ended 28 January 2006			52 weeks ended 29 January 2005		
	Continuing £m	Discontinued £m	Total £m	Continuing £m	Discontinued £m	Total £m
Operating profit	33.9	1.6	35.5	33.1	4.7	37.8
Depreciation	23.9	0.8	24.7	23.1	1.7	24.8
Decrease/(increase) in stock	2.3	(0.8)	1.5	(1.7)	0.3	(1.4)
Decrease/(increase) in debtors	(0.7)	(1.3)	(2.0)	(7.2)	(0.1)	(7.3)
(Decrease)/increase in creditors	(0.4)	(2.3)	(2.7)	13.6	2.1	15.7
	<u>59.0</u>	<u>(2.0)</u>	<u>57.0</u>	<u>60.9</u>	<u>8.7</u>	<u>69.6</u>

23 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	52 weeks ended 28 January 2006 £m	52 weeks ended 29 January 2005 £m
Increase in cash in the period	26.2	3.4
Repayment/(proceeds from) of bank borrowings	18.2	(33.0)
Movement in net debt in the period	44.4	(29.6)
Other non cash charges	(0.3)	(0.3)
Net debt at 30 January 2005	(308.9)	(279.0)
Net debt at 28 January 2006	<u>(264.8)</u>	<u>(308.9)</u>

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

24 ANALYSIS OF CHANGES IN NET DEBT

	At 29 January 2005 £m	Cash flow £m	Other non- cash charges £m	At 28 January 2006 £m
Cash at bank and in hand	61.4	26.2	-	87.6
Bank loan	(370.3)	18.2	(0.3)	(352.4)
	<u>(308.9)</u>	<u>44.4</u>	<u>(0.3)</u>	<u>(264.8)</u>

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

25 DISPOSALS

During the year the group disposed of its interest in Kurt Geiger Limited. Group profits include £1.7 million earned by Kurt Geiger up to its date of disposal on 4 July 2005.

	£m
Net assets disposed of:	
Tangible fixed assets	4.5
Investments	0.3
Stocks	13.8
Debtors	6.6
Cash at bank and in hand	2.6
Creditors	(9.3)
Deferred taxation	0.3
	<u>18.8</u>
Goodwill	7.3
Profit on disposal (note 3)	<u>13.9</u>
Disposal proceeds (net of costs)	<u>40.0</u>
Satisfied by:	
Cash consideration received	46.0
Payment of costs and liabilities retained by the group	(4.5)
Increase in FRS 17 pension deficit – loss of deferred tax asset	<u>(1.5)</u>
	<u>40.0</u>

Kurt Geiger Limited utilised £1.9m of net operating cash flow during the period, paid £nil in respect of net returns on investments and servicing of finance, paid £nil on taxation, paid £1.1m for capital expenditure and financial investment, paid £nil on acquisitions and disposals, paid £nil for management of liquid resources and paid £1.0m on financing activities.

Analysis of net cash inflow of cash in respect of disposals during the year:

	2006 £m	2005 £m
Cash at bank and in hand disposed of	(2.6)	-
Cash consideration (net of costs)	<u>41.5</u>	-
Net cash proceeds	<u>38.9</u>	-

26 CAPITAL COMMITMENTS

	Consolidated		Company	
	28 January 2006 £	29 January 2005 £	28 January 2006 £	29 January 2005 £
Contracted but not provided for	<u>4.4</u>	<u>9.1</u>	-	-
Authorised but not contracted for	<u>7.8</u>	<u>7.5</u>	-	-

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

27 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 and the US dollar. Through its hedging activities the group 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 forward foreign exchange contracts at the period end was £2.0 million (2005: £6.7 million).

The group is not aware of any material contingent liabilities existing at the balance sheet 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 29 January 2005 Harrods Holdings Limited, ('the company') gave a guarantee to a third party on behalf of Fulham Stadium Limited ('Fulham'). The amount outstanding under the guarantee stood at £7.5 million as at 28 January 2006 (2005: £9.1 million). The company has a second 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. In the event that the company is called upon to repay the liabilities of Fulham, the first charge over the stadium will fall away and the company's second charge will become a first charge. 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 28 January 2006 or 29 January 2005.

28 RETIREMENT BENEFIT OBLIGATIONS

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.

Stakeholder Scheme ("the Scheme")

The pension cost under the defined contribution scheme amounted to £37,185 (2005: £45,222). A pension accrual of £nil (2005: £nil) is included in the balance sheet in relation to this scheme.

Defined Benefit Pension Scheme ("the Plan")

The employer has closed the Plan to future accrual with the following changes taking place as of 5 April 2006:

- (i) the Plan will close to all existing members and all new employees with the effect that members will not accrue future pension benefits under the Plan
- (ii) the existing accrued pension benefit of members will be protected and preserved at its existing level as at 5 April 2006 and will be revalued until retirement as if the members had left the Group
- (iii) a new defined contribution pension scheme, the Harrods Retirement Savings Plan, has been introduced with effect from 5 April 2006.

The Harrods Group has agreed with the Trustee of the Plan that it will be fully funded on an ongoing basis in ten years time. The deficit at 5 April 2005 was estimated at £95.0 million.

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Accordingly, the Group has agreed to pay into the Plan additional contributions of £9.0 million per annum for the next ten years, with effect from 6 April 2006, and any further contributions as necessary thereafter. All participating employers will contribute toward this payment and it is expected that Harrods Holdings Limited (the Company) will contribute approximately £0.1m per annum toward this payment.

The funding position of the Plan is monitored by the Trustee and the Group on a quarterly basis and formally reviewed at each triennial actuarial valuation, or more frequently as required by the Pensions Act 2004.

Recognising the risks inherent in the performance of the financial markets during the ten year deficit correction period, the principal employer has also agreed to fund any deficits outside an agreed tolerance band during this period.

Financial Reporting Standard 17 Disclosures

For the year ended 28 January 2006, the Group has accounted for its defined benefit pension liability in accordance with FRS 17. The Group has previously accounted for the liability under SSAP 24.

The triennial actuarial valuation of the Harrods Holdings Group Pension Plan was undertaken as at 6 April 2005 by qualified independent actuaries, Hymans Robertson.

Using the results of the actuarial valuation, an approximate actuarial assessment of the Plan for FRS 17 purposes has been carried out as at 28 January 2006 using the projected unit method of valuation. The major assumptions used by the actuary were:

	28 January 2006	% per annum 29 January 2005	31 January 2004
Discount rate	4.7%	5.3%	5.5%
Inflation assumption	3.0%	2.9%	2.8%
Rate of increase in salaries	4.5%	4.4%	4.3%
Rate of pension increases (LPI 5%)	2.9%	2.8%	2.7%
Rate of pension increases (LPI 2.5%)	2.5%	n/a	n/a
Longevity at age 60 for current pensioners			
- Men	24.5	21.2	21.2
- Women	27.5	24.2	24.2
Longevity at age 60 for future pensioners			
- Men	25.8	22.6	22.6
- Women	28.8	25.6	25.6

The sensitivities regarding these assumptions are as follows:

Assumption	Change in Assumption	Effect on value of liabilities
Discount rate	Increase/decrease by 0.5% p.a.	Decrease/increase by 10.0%
Inflation assumption	Increase/decrease by 0.5% p.a.	Increase/decrease by 10.0%
Rate of increase in salaries	Increase/decrease by 0.5% p.a.	Increase/decrease by 1.5%
Longevity	Increase by 1 year	Increase by 3%

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

At 28 January 2006 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 28 January 2006		As at 29 January 2005		As at 31 January 2004	
	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	175.7	7.0%	137.6	7.6%	123.5	7.9%
Corporate bonds	29.9	4.7%	29.2	5.3%	27.1	5.5%
Government bonds	16.8	4.0%	13.9	4.6%	12.8	4.9%
Other	6.1	4.0%	2.7	4.6%	2.2	4.9%
Total market value of assets	228.5		183.4		165.6	
Present value of plan liabilities	(357.1)		(278.6)		(247.7)	
Deficit in the Plan	(128.6)		(95.2)		(82.1)	
Related deferred tax asset	36.6		28.6		24.6	
Net pension liability under FRS 17	(92.0)		(66.6)		(57.5)	

Profit and Loss Disclosures

	28 January 2006 £m	29 January 2005 £m
Analysis of amounts charged to operating profit		
Current service cost	7.5	8.4
Curtailment and settlements	(1.1)	-
Total operating charge	6.4	8.4
Analysis of amounts included as other finance costs		
Expected return on pension plan assets	(12.7)	(12.0)
Interest cost on pension plan liabilities	14.7	13.7
Net financial cost	2.0	1.7
Analysis of amounts recognised in statement of total recognised gains and losses		
Actual return less expected return on assets	32.7	5.8
Experience gain on liabilities	(2.8)	-
Impact of changes in assumptions relating to the present value of plan liabilities	(62.3)	(14.9)
Actuarial loss recognised in STRGL	(32.4)	(9.1)

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

	28 January 2006 £m	29 January 2005 £m
Movement in the deficit during the period		
Deficit in the plan at 30 January 2005	(95.2)	(82.1)
Current service cost	(7.5)	(8.4)
Contributions	7.4	6.1
Impact of curtailments and settlements	1.1	-
Net financial cost	(2.0)	(1.7)
Actuarial loss	(32.4)	(9.1)
Deficit in the plan at 28 January 2006	<u>(128.6)</u>	<u>(95.2)</u>

History of experience gains and losses

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

	28 January 2006		29 January 2005		31 January 2004		1 February 2003	
	£m	%	£m	%	%		£m	%
Difference between actual and expected return on assets	32.7	14.3%	5.8	3.2%	22.5	13.6%	(53.5)	(39.6%)
Experience (losses)/gains on liabilities	(2.8)	(0.8%)	-	-	(5.4)	(2.2%)	7.0	3.2%
Amount recognised in statement of total recognised gains and losses against liabilities	(32.4)	(9.1%)	(9.1)	(3.3%)	7.3	2.9%	(62.8)	(28.7%)

29 LEASING COMMITMENTS

The group has annual commitments under operating leases which expire as follows:

	Consolidated		Company	
	28 January 2006 £m	29 January 2005 £m	28 January 2006 £m	29 January 2005 £m
Land and buildings:				
Between one and five years	0.5	0.4	-	-
In five years or more	2.3	2.8	0.2	0.2
	<u>2.8</u>	<u>3.2</u>	<u>0.2</u>	<u>0.2</u>
Other assets leases:				
In one year or less	0.6	0.2	-	-
Between one and five years	3.4	0.6	-	-
In five years or more	2.0	-	-	-
	<u>6.0</u>	<u>0.8</u>	<u>-</u>	<u>-</u>

HARRODS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 28 JANUARY 2006

30 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 Allied Stars S.A., Alfayed Charitable Foundation, Balnagown Castle Properties Limited, Barrow Green Court, Bocardo Societe Anonyme, Fayair (Jersey) Company Limited, Fulham Football Club (1987) Limited, Fulham Football Leisure Limited, Fulham Stadium Limited, Gallant Minerals Limited, Gallant Minerals Services Limited, Hyde Park Residence Limited, Jasmine Di Milo Limited, Liberty Holdings Limited (and subsidiaries), Metro Energy (Thailand) Limited, Metro Natural Resources Participations Limited, Mohafa, Prestige Properties S.A., The Ritz Hotel Limited, Samodal Properties Limited, Scintilla Limited, Turnbull & Asser Limited (and subsidiaries) and West Heath 2000. The transactions and balances with these entities are not considered to be material except as described below.

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

During the period, the group made donations to the Alfayed Charitable Foundation amounting to £1.2m (2005: £0.4m).

During the period, the group charged Balnagown Castle Properties Limited for stock sold amounting to £0.1m (2005: £0.2m). The debtor outstanding at the period end was £0.2m (2005: £0.2m). The maximum debtor balance during the period was £0.2m (2005: £0.2m).

During the period, the group recharged payroll charges to Barrow Green Court, amounting to £nil (2005: £0.1m). The debtor outstanding at the period end was £nil (2005: £nil). The maximum debtor balance during the period was £0.1m (2005: nil).

During the period, the group sold two properties to Bocardo Societe Anonyme, for consideration of £4.0m (2005: nil). The debtor outstanding at the period end was £nil (2005: £nil).

During the period, the group charged Bocardo Societe Anonyme £0.1m (2005: £0.1m) for payroll charges. The maximum debtor outstanding during the period was £nil (2005: £nil).

During the period, the group charged fees relating to contract work and engineering services to Fayair (Jersey) Company Limited, amounting to £1.4m (2005: £1.2m). The debtor outstanding at the period end was £0.2m (2005: £0.4m). The maximum debtor balance during the period was £0.4m (2005: £0.4m).

During the period, the group recharged payroll and made administration charges to Fulham Football Club (1987) Limited, amounting to £32.5m (2005: £32.7m). The debtor outstanding at the period end was £40.3m (2005: £16.2m). The maximum debtor balance during the period was £40.3m (2005: £16.2m).

The debtor outstanding with Fulham Football Club (1987) Limited is secured by second and third fixed and floating charges over Fulham Stadium Limited's rights to and title of the whole of its property, assets, rights and revenues.

During the period, the group recharged payroll and made administration charges to Fulham Stadium Limited, amounting to £nil (2005: £0.1m). The debtor outstanding at the period end was £nil (2005: £0.1m). The maximum debtor balance during the period was £0.1m (2005: £0.1m).

During the period, the group recharged payroll and made administration charges to Gallant Minerals Services Limited, amounting to £nil (2005: £0.2m). The debtor outstanding at the period end was £nil (2005: £nil). The maximum debtor balance during the period was £nil (2005: £0.1m).

During the period, the group was charged and made administration charges to Hyde Park Residence Limited amounting to a net £1.2m (2005: £1.0m). The creditor outstanding at period end was £nil (2005: £nil). The maximum creditor balance during the period was £0.3m (2005: £0.3m). The debtor outstanding at period end was £nil (2005: £0.1m).

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NOTES TO THE FINANCIAL STATEMENTS

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TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES (CONTINUED)

Jasmine Di Milo Limited operates a concession in the Knightsbridge Store, on commercial terms, for which it was charged £0.7m (2005: £0.1m). The debtor outstanding at period end was £nil (2005: £nil). The maximum debtor balance during the period was £nil (2005: £nil).

During the period, the group recharged payroll and made administration and occupancy charges to Liberty Publishing & Media Limited amounting to £0.3m (2005: £0.3m). The debtor outstanding at the period end was £0.4m (2004: £0.2m). The maximum debtor balance during the period was £0.3m (2005: £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 £0.5m (2005: £0.5m). The debtor outstanding at period end was £ 0.1m (2005: £0.3m). The maximum debtor balance during the period was £0.3m (2005: £0.3m).

During the period, the group recharged payroll charges to The Ritz Hotel Limited amounting to £0.1m (2005: £nil). The debtor outstanding at period end was £0.1m (2005: £nil). The maximum debtor balance during the period was £0.1m (2005: £nil).

The group charged Turnbull & Asser Limited £0.4m (2005: £0.4m) under commercial terms for the concession it operates in the Store. The debtor outstanding at period end was £nil (2005: £nil). The maximum debtor balance during the period was £nil (2005: £0.1m).

All balances due to the group from related parties were repaid in full as at the date of signing except for the secured loan (Note 14) owing from Fulham Football Club (1987) Limited which has been reduced to £22.9m (2005: £16.7m) as at the date of signing.

There are no other related party transactions.

31 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.

32 POST BALANCE SHEET EVENTS

Harrods Holdings Limited has declared and paid dividends of £47.5m since the balance sheet date.

As at the date of signing, all balances due to the group from related parties had been repaid in full except for £22.9m (Note 30) which is secured by fixed and floating charges outlined in Note 14.