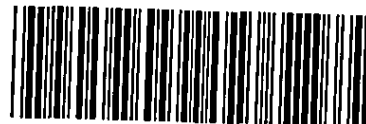


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HARRODS (UK) LIMITED

FINANCIAL STATEMENTS

**For the Period ended
31 JANUARY 2009**

Company no 1889348

HARRODS (UK) LIMITED
FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2009

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The directors present their report together with the audited financial statements for the period ended 31 January 2009.

Principal activity

The principal activity of the company is the provision of management services to subsidiaries. It also holds fixed asset properties and investments. The principal subsidiaries of the company are retail businesses.

Business review and key performance indicators

There was a profit for the period after taxation amounting to £6.7 million (2008: £64.5 million). The directors paid dividends of £nil (2008: £61.0 million).

Post balance sheet events

Since the balance sheet date, and up to the date of signing these financial statements, dividends amounting to £7.6m have been proposed and paid.

Directors

The present membership of the Board is set out below. All served on the Board throughout the period unless otherwise noted.

M Al Fayed
A Fayed
A Tanna
J Byrne
D R Parker
J Healy
M Ward
O Fayed (resigned 3 March 2009)
B Smith
J McArthur (resigned 12 January 2009)

Except as stated in note 20 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 company.

Financial risk management objectives and policies

The company uses various financial instruments which include cash, trade debtors, trade creditors and amounts due to group undertakings that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

The main risks arising from the company's financial instruments are interest rate risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

The company's policy throughout the year has been to achieve this objective through management's day to day involvement in business decisions rather than through setting maximum or minimum liquidity ratios.

Interest rate risk

The company finances its operations principally through retained earnings as the company no longer has any external borrowings. Excess cash balances are placed on deposit to earn higher rates of interest.

Pensions provision

The company operates two pension schemes:

- (i) the Harrods Group Pension Plan, an approved defined benefit scheme that was closed to further accrual in April 2006
- (ii) the Harrods Retirement Savings Plan, which is an approved defined contribution scheme provided and managed by Fidelity International.

The Harrods Group Pension Plan ("the 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 19 to the financial statements.

In December 2006 it was agreed with the trustee of the Plan a new funding agreement which included a commitment by the company to fund the Plan's deficit on a scheme specific funding basis over 7 years. Accordingly, the Trustee of the Plan commissioned an actuarial valuation of the Plan as at 6 April 2007 on a scheme specific funding basis. The deficit on this basis was £67.5m as at 6 April 2007. In line with the agreement, contributions to the Plan by participating employers were set at £11.6m per annum.

As at 31 January 2009 the retirement benefit calculated in accordance with FRS 17 was a surplus of £7.6m net of deferred tax (2008: surplus of £1.3m).

The adverse impact of stock market declines and lower yields on gilts has had the effect of increasing the deficit on the group pension scheme, as measured on a Scheme Specific Funding basis, over the course of the year. Consequently the group has agreed with the scheme Trustees to make additional lump sum payments into the fund prior to the next formal scheme valuation in 2010.

Disabled persons

It is the policy of the company to give full and fair consideration to applications for employment from disabled persons, to continue wherever possible the employment of members of staff who may become disabled and to ensure that suitable training, career development and promotion is afforded to such persons.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and 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 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.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

HARRODS (UK) LIMITED
REPORT OF THE DIRECTORS

Auditors

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with Section 487(2) of the Companies Act 2006 unless the company receives notice under Section 488(1) of the Act.

BY ORDER OF THE BOARD

A handwritten signature in black ink, consisting of a large, stylized loop followed by a horizontal stroke.

S Dean FCIS
Secretary
31 July 2009

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

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF HARRODS (UK) LIMITED

We have audited the financial statements of Harrods (UK) Limited for the period ended 31 January 2009 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the statement of total recognised gains and losses and notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our 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 auditor

The directors' responsibilities for preparing the Directors' 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

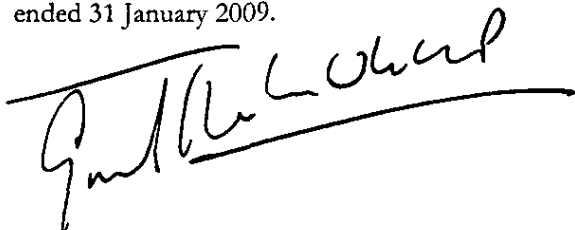
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

**REPORT OF THE AUDITOR TO THE MEMBERS OF
HARRODS (UK) 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 company's affairs as at 31 January 2009 and of its profit for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements for the period ended 31 January 2009.

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

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS

LONDON
31 July 2009

Basis of Preparation

The financial statements have been prepared under the historical cost convention modified to include the revaluation of the company's properties, in accordance with applicable United Kingdom accounting standards and have remained unchanged from the prior period.

Harrods (UK) Limited is a wholly owned subsidiary of AIT UK Holdings Limited which produces Group accounts in accordance with the Companies Act 1985. Consequently the company has taken advantage of the exemption permitted by section 228 of the Act from producing Group accounts. These accounts therefore present information about the company and not about its group.

AIT UK Holdings Limited produces a consolidated cash flow statement in accordance with Financial Reporting Standard No 1 (FRS1). Consequently the company has taken advantage of the exemption in FRS1 from producing a cash flow statement.

Investment properties

Investment properties are revalued annually and are included in the balance sheet at their open market values. The surpluses or deficits on revaluation of such properties are transferred to the revaluation reserve. Depreciation is not provided in respect of freehold investment properties. Leasehold investment properties are not amortised where the unexpired term is over twenty years.

This policy represents a departure from the Companies Act 1985, which requires depreciation to be provided on all fixed assets. The directors consider that this policy is necessary in order that the financial statements may give a true and fair view, because current values and changes in current values are of prime importance rather than the calculation of systematic annual depreciation. The financial effect of the departure from the Companies Act is not material.

Tangible Fixed Assets and Depreciation

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful lives. The rates generally applicable are:

Land	Not depreciated
Freehold properties	20 - 35 years
Fixtures, fittings and equipment	5 - 10 years

Leased assets

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

Investments

Investments are included at cost less amounts written off.

Deferred taxation

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

Deferred tax related to defined benefit pension scheme surpluses or deficits is netted against the respective retirement benefit surplus or obligation.

Contributions to pension schemes

Defined Contribution Scheme

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

Defined Benefit Scheme

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

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. 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 recognised gains and losses. Disclosure has been made of the assets and liabilities of the scheme under FRS 17 in note 19 to the accounts.

HARRODS (UK) LIMITED
PROFIT AND LOSS ACCOUNT

For the period ended 31 JANUARY 2009

	Note	52 weeks ended 31 January 2009 £m	52 weeks ended 2 February 2008 £m
Turnover	1	0.6	0.5
Cost of sales		<u>(0.6)</u>	<u>(0.5)</u>
Gross profit		-	-
Administrative expenses		<u>(0.2)</u>	<u>22.3</u>
Operating (loss)/profit		(0.2)	22.3
Profit on sale of fixed assets	2	1.2	-
Loss on disposal of subsidiary	3	-	(14.4)
Other income	4	<u>0.5</u>	<u>50.8</u>
Profit before interest and taxation		1.5	58.7
Net interest	5	<u>6.9</u>	<u>6.4</u>
Profit on ordinary activities before taxation	1	8.4	65.1
Tax on profit on ordinary activities	7	<u>(1.7)</u>	<u>(0.6)</u>
Profit on ordinary activities after taxation	15	<u><u>6.7</u></u>	<u><u>64.5</u></u>

All transactions arise from continuing operations.

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

HARRODS (UK) LIMITED
BALANCE SHEET AT 31 JANUARY 2009

	Note	At 31 January 2009 £m	At 2 February 2008 £m
Fixed assets			
Tangible assets	9	0.9	3.7
Investments	10	742.6	742.6
		<u>743.5</u>	<u>746.3</u>
Current assets			
Debtors due within one year	11	15.0	2.4
Debtors due after more than one year	11	203.7	191.2
Cash at bank and in hand		1.4	4.5
		<u>220.1</u>	<u>198.1</u>
Creditors: amounts falling due within one year	12	<u>(9.1)</u>	<u>(2.2)</u>
Net current assets		<u>211.0</u>	<u>195.9</u>
Total assets less current liabilities		<u>954.5</u>	<u>942.2</u>
Creditors: amounts falling due after more than one year	13	(120.2)	(105.9)
Retirement benefit surplus	19	7.6	1.3
Net Assets		<u><u>841.9</u></u>	<u><u>837.6</u></u>
Capital and reserves			
Called up share capital	14	6.1	6.1
Share premium account	15	218.0	218.0
Merger reserve	15	576.0	576.0
Revaluation reserve	15	0.3	0.9
Profit and loss account	15	41.5	36.6
Shareholders' funds	16	<u><u>841.9</u></u>	<u><u>837.6</u></u>

The financial statements were approved by the Board of Directors on 31 July 2009.



B Smith - Director

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

For the period ended 31 JANUARY 2009

Statement of Total Recognised Gains and Losses

	52 weeks ended 31 January 2009 £m	52 weeks ended 2 February 2008 £m
Profit for the financial period	6.7	64.5
Actuarial (losses)/gains on pension scheme (net of tax)	(2.4)	0.5
Total recognised gains and losses for the period	<u>4.3</u>	<u>65.0</u>

Note of historical cost profits and losses

	52 weeks ended 31 January 2009 £m	52 weeks ended 2 February 2008 £m
Reported profit on ordinary activities before taxation	8.4	65.1
Realisation of property revaluation gains of previous years	0.6	-
Historical cost profit on ordinary activities before taxation	<u>9.0</u>	<u>65.1</u>
Historical cost profit for the period after taxation	<u>7.0</u>	<u>64.3</u>

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

HARRODS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2009

1 Turnover and profit on ordinary activities before taxation

	52 weeks ended 31 January 2009 £m	52 weeks ended 2 February 2008 £m
Represents the charge for management services provided to subsidiaries	0.6	0.5

The profit on ordinary activities before taxation is stated after:

	52 weeks ended 31 January 2009 £'000	52 weeks ended 2 February 2008 £'000
Depreciation on tangible fixed assets	15	19
Provision /(release) against amount owed by group undertakings	54	(22,234)

During the period, the company obtained the following services from the group's auditors:

	52 weeks ended 31 January £'000	52 weeks ended 2 February £'000
Fees payable for the audit of the company's financial statements	6	6

2 Profit on sale of fixed assets

	52 weeks ended 31 January 2009 £m	52 weeks ended 2 February 2008 £m
(Loss) on sale of property	(0.2)	-
Profit on sale of investment	1.4	-
	1.2	-

HARRODS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2009

3 Loss on disposal of subsidiary

	52 weeks ended 31 January 2009 £m	52 weeks ended 2 February 2008 £m
Profit on sale of Kurt Geiger Limited	-	0.1
Loss on disposal of other subsidiaries	-	(14.5)
	<u>-</u>	<u>(14.4)</u>

4 Other income

	52 weeks ended 31 January 2009 £m	52 weeks ended 2 February 2008 £m
Investment income:		
Dividends received from group undertakings	0.5	50.8

5 Net interest

	52 weeks ended 31 January 2009 £m	52 weeks ended 2 February 2008 £m
Payable:		
Group undertakings	(8.1)	(8.7)
Receivable:		
Group undertakings	13.9	12.5
Other	0.8	2.6
Other finance income (FRS17)	0.3	-
	<u>15.0</u>	<u>15.1</u>
Net interest receivable	<u>6.9</u>	<u>6.4</u>

HARRODS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2009

6 Directors and employees

Staff costs during the year were as follows:

	52 weeks ended 31 January 2009 £'000	52 weeks ended 2 February 2008 £'000
Wages and salaries	887	850
Social security costs	82	74
Other pension costs	56	55
	<u>1,025</u>	<u>979</u>

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

	52 weeks ended 31 January 2009 Number	52 weeks ended 2 February 2008 Number
Administration	<u>12</u>	<u>13</u>

Remuneration in respect of directors was as follows:

	52 weeks ended 31 January 2009 £'000	52 weeks ended 2 February 2008 £'000
Emoluments	<u>5,713</u>	<u>5,067</u>

Included in emoluments for the period ended 31 January 2009 are pension contributions of £0.1 m.

The value of emoluments incurred directly by the company was £nil (2008: £nil). Emoluments incurred by the group's subsidiary undertakings was £2.3 m (2008: £2.7 m). Emoluments include £3.4m (2008: £2.4m) incurred by parent undertakings.

There are 4 directors to whom retirement benefits are accruing under a defined benefit pension scheme (2008: 4) and 6 directors to whom retirement benefits are accruing under a defined contribution scheme (2008: 5).

For the period ended 31 JANUARY 2009

Directors and employees (continued)

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

	52 weeks ended 31 January 2009 £	52 weeks ended 2 February 2008 £
Emoluments	<u>2,442</u>	<u>2,460</u>

The highest paid director's accrued pension at the period end was £nil (2008: £nil).

7 Tax on profit on ordinary activities

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

	52 weeks ended 31 January 2009 £m	52 weeks ended 2 February 2008 £m
Group relief	(0.1)	(1.1)
Prior period adjustment	0.2	0.3
Current tax	0.1	(0.8)
FRS17 Deferred taxation	(1.8)	0.2
	<u>(1.7)</u>	<u>(0.6)</u>
Profit on ordinary activities before tax	8.4	65.1
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 28% (2008: 30%)	(2.4)	(19.5)
Effect of:		
Income not assessable for tax purposes	0.5	17.6
Income and expenses assessed on a cash basis	1.8	0.8
Prior year adjustment	0.2	0.3
	<u>0.1</u>	<u>(0.8)</u>

HARRODS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2009

8 Dividends

	52 weeks ended 31 January 2009 £m	52 weeks ended 2 February 2008 £m
Equity - ordinary		
Interim paid: £nil (2008: £10.00p) per £1 share	-	61.0

9 Investment property and tangible fixed assets

	Investment properties			
	Freehold £m	Long leasehold £m	Fixtures, fittings and equipment £m	Total £m
Cost or valuation				
At 3 February 2008	0.6	3.2	0.2	4.0
Disposals	-	(2.8)	-	(2.8)
At 31 January 2009	0.6	0.4	0.2	1.2
Accumulated depreciation				
At 3 February 2008	-	0.1	0.2	0.3
Disposals	-	-	-	-
31 January 2009	-	0.1	0.2	0.3
Net book amount at 31 January 2009	0.6	0.3	-	0.9
Net book amount at 2 February 2008	0.6	3.1	-	3.7

As disclosed in note 20, during the period, the company disposed of three apartments held as long leasehold assets to Stuart Property Holdings Limited, a related party. Consideration received for the apartments amounted to £2.6 million, being the market value as derived from an independent valuation conducted at the time of the transaction. The loss on disposal of the apartments amounted to £0.2 million. There was no receivable outstanding at period end.

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

Investment properties and tangible fixed assets (continued)

Historical cost

	Investment properties			
	Freehold	Long leasehold	Fixtures, fittings and equipment	Total
	£m	£m	£m	£m
Cost or valuation				
At 31 January 2009	0.5	0.2	0.2	0.9
Depreciation on historical cost	-	-	(0.2)	(0.2)
Net book value at 31 January 2009	0.5	0.2	-	0.7
At 2 February 2008	0.5	2.4	0.2	3.1
Depreciation on historical cost	-	-	(0.2)	(0.2)
At 31 January 2009	0.5	2.4	-	2.9

Freehold properties are stated at cost or professional or directors' valuation.

Most of the company's investment properties were revalued as at 3 February 2007 by a qualified independent valuer and members of RICS. The valuations were in accordance with the requirements of the RICS Appraisal and Valuation Standards and the valuation of each property was on the basis of Market Value. The investment properties are held at directors valuation at year end.

All other fixed assets are stated at cost.

10 Fixed asset investments

	Shares in group undertakings £m
Cost at 2 February 2009 and at 31 January 2009	742.6
Net book amount at 31 January 2009	742.6
Net book amount at 2 February 2008	742.6

HARRODS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2009

Fixed asset investments (continued)

The principal subsidiary undertakings registered in England and Wales and operating in the United Kingdom at 31 January 2009 are:

	Principal activity
Harrods Limited*	Department store
Harrods International Limited	Tax free retailer and wholesaler
Harrods Watches	Wholesaler
Harrods Card Handling Company Ltd	Merchant card handling
Harrods (Continental) Limited	Exporter
Harrods Estates Limited	Estate agency
PL Management Limited	Property management
Harrods Services Limited*	Security staff agency
Genavco Insurance Limited	Insurance brokers

*The whole of the issued share capital of these companies is owned directly by Harrods (UK) Limited. The whole of the share capital in the other companies is held by intermediate holding companies.

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

In addition to the companies shown in the above list, the company also holds investments in other subsidiary undertakings which are not material. Details of all subsidiary undertakings will be annexed to the company's next annual return in compliance with section 231 of the Companies Act 1985.

11 Debtors

	At 31 January 2009 £m	At 2 February 2008 £m
Amounts due within one year:		
Other debtors	13.5	0.2
Amounts owed by group undertakings	0.8	1.0
Corporation tax	0.7	1.2
	<u>15.0</u>	<u>2.4</u>
Amount due after more than one year:		
Amounts owed by group undertakings	203.7	191.2
	<u>218.7</u>	<u>193.6</u>

HARRODS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2009

12 Creditors: amounts falling due within one year

	At 31 January 2009 £m	At 2 February 2008 £m
Amounts owed to group undertakings	8.8	0.8
Corporation tax	-	1.2
Other creditors	0.1	-
Accruals and deferred income	0.2	0.2
	<u>9.1</u>	<u>2.2</u>

13 Creditors: amounts falling due after more than one year

	At 31 January 2009 £m	At 2 February 2008 £m
Amounts owed to group undertakings	<u>120.2</u>	<u>105.9</u>

14 Share capital

	At 31 January 2009 £m	At 2 February 2008 £m
Authorised 10,000,000 ordinary shares of £1 each	<u>10.0</u>	<u>10.0</u>
Allotted, called up and fully paid 6,098,118 ordinary shares of £1 each	<u>6.1</u>	<u>6.1</u>

15 Share premium account and reserves

The company has elected to adopt section 132 of the Companies Act 1985, which limits the premium arising on the issue of shares in group reorganisations to a 'minimum premium value'. Under this section, the excess over the minimum premium value may be credited to a merger reserve.

	Share premium account £m	Merger reserve £m	Revaluation reserve £m	Profit and loss account £m
At 3 February 2008	218.0	576.0	0.9	36.6
Revaluation	-	-	(0.6)	0.6
Profit for the year	-	-	-	6.7
Actuarial (loss) on Pension Scheme	-	-	-	(2.4)
At 31 January 2009	<u>218.0</u>	<u>576.0</u>	<u>0.3</u>	<u>41.5</u>

16 Reconciliation of movements in shareholders' funds

	2009 £m	2008 £m
Profit on ordinary activities after taxation	6.7	64.5
Dividends	-	(61.0)
Retained profit for the period	<u>6.7</u>	<u>3.5</u>
Other recognised gains and losses		
Actuarial (loss)/gain on pension scheme	(2.4)	0.5
Revaluation	-	-
	<u>4.3</u>	<u>4.0</u>
Shareholders' funds at 3 February 2008	<u>837.6</u>	<u>833.6</u>
Shareholders' funds at 31 January 2009	<u>841.9</u>	<u>837.6</u>

17 Capital commitments

The company had no capital commitments at 31 January 2009 or 2 February 2008.

18 Contingent liabilities

The Harrods Holdings Group and Harrods Aviation Group's cash netting facility is guaranteed by Harrods (UK) Limited and other group companies. There are no other contingent liabilities at 31 January 2009 or 2 February 2008.

19 Retirement benefit obligations

Pension schemes operated

During the period the Harrods Holdings group principally operated two schemes in which the company participated:

- (i) the Harrods Retirement Savings Plan ("the Stakeholder Scheme"), which is an approved defined contribution scheme; it was established in April 2006 and is provided and managed by Fidelity International.
- (ii) the Harrods Group Pension Plan ("the Plan"), which is an approved defined benefit scheme.

Stakeholder scheme

The pension cost under the defined contribution scheme amounted to £52,959 (2008: £52,421). A pension accrual of £nil (2008: £nil) is included in the balance sheet in relation to this scheme.

Defined Benefit Pension Scheme ("the Plan")

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

- (i) the Plan was closed to all existing members and all new employees with the effect that members would not accrue future pension benefits under the Plan
- (ii) the existing accrued pension benefit of members is 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, was introduced with effect from 5 April 2006.

In December 2006, the Harrods Group agreed with the Trustee of the Plan that it will be fully funded on a scheme specific basis by 31 January 2014 (within seven years). The resulting Funding Agreement was entered into on 15 December 2006.

An actuarial valuation of the Plan as at 6 April 2007 on a Scheme Specific Funding basis was carried out by qualified actuaries Hymans Robertson. The deficit on this basis was £67.5m as at 6 April 2007. At that time the amended contributions, in order for the Plan to be fully funded by 31 January 2014, were agreed as follows:

- (i) monthly contributions totaling £10.6m per annum with effect from 1 October 2007
- (ii) monthly contributions totaling an estimated £0.7m per annum to fund administrative expenses of the Plan, with effect from 6 April 2007
- (iii) annual contribution estimated at £0.3m to fund the Pension Protection Fund levy and other such pension scheme levies as are payable by the employers and Trustee under the terms of the Pension Schemes Act 1993 and the Pensions Act 2004

Accordingly, during the period ended 31 January 2009, the participating employers made total contributions to the plan of £11.4m (total contributions in the previous year were £15.3m). In addition, £38.9m (2008: £26.9m) was released from the Escrow account and transferred to the Plan. All participating employers have contributed to these payments.

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

Retirement benefit obligations (continued)

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

Amounts contributed by the company are therefore summarized in the tables below.

Financial Reporting Standard 17 Disclosures

For the period ended 31 January 2009, the company has applied the Amendment to FRS17 Retirement Benefits which is effective for accounting periods commencing on or after 6 April 2007. This amendment replaces the existing disclosure requirements with those of IAS 19.

Mercer, the new actuaries and administrators to the plan, as appointed by the Pension Trustees in 2008, carried out a valuation of the plan's assets and liabilities. The FRS17 liabilities of the plan as at 31 January 2009 were obtained by projecting forward the FRS17 liabilities as at 2 February 2008 calculated by Hymans Robertson, the previous actuaries.

The major assumptions used by the actuary were:

	% per annum		
	31 January 2009	2 February 2008	3 February 2007
Discount rate	6.7%	6.2%	5.3%
Inflation assumption	3.5%	3.5%	3.0%
Rate of increase in salaries	n/a	n/a	n/a
Rate of pension increases (LPI 5%)	3.4%	3.4%	2.9%
Rate of pension increases (LPI 2.5%)	2.3%	2.5%	2.5%
Longevity at age 60 for current pensioners			
- Men	26.8	26.7	24.6
- Women	29.8	29.6	27.6
Longevity at age 60 for future pensioners			
- Men	28.0	27.9	25.9
- Women	30.8	30.7	28.9

The sensitivities regarding these assumptions are as follows:

	Change in assumption	Effect on value of liabilities
Discount rate	Increase/decrease by 0.1% p.a.	Decrease/increase by 2.0%
Inflation assumption	Increase/decrease by 0.1% p.a.	Increase/decrease by 2.0%
Longevity	Increase by 1 year	Increase by 2%

For the period ended 31 JANUARY 2009

Retirement benefit obligations (continued)

The company's share of 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 qualified independent actuary were as follows:

	As at 31 January 2009		As at 2 February 2008		As at 3 February 2007	
	£m	Expected long-term rate of return % per annum	£m	Expected long-term rate of return % per annum	£m	Expected long-term rate of return % per annum
Equities	10.3	7.7%	12.1	7.1%	16.4	7.5%
Equity options	-	7.7%	1.5	7.1%	-	n/a
Corporate bonds	3.7	6.9%	3.5	6.2%	2.7	5.5%
Government bonds	6.2	4.2%	2.8	4.2%	3.3	4.6%
Total return investments	5.4	7.7%	5.9	7.0%	5.6	7.5%
Other	0.3		1.0	9.7%	1.4	9.8%
Cash earmarked for investment	8.6		5.5	7.1%	-	n/a
Cash	6.5	3.7%	0.1	4.95%	-	n/a
Total asset held by the Plan	41.0		32.4		29.4	
Monies held in Escrow	-		4.9	4.95%	5.9	4.8%
Total fair value of assets	41.0		37.3		35.3	
Present value of plan liabilities	(33.8)		(36.2)		(37.7)	
Surplus/(deficit) in the Plan	7.2		1.1		(2.4)	
Irrecoverable surplus	-		(1.1)		-	
Surplus / (deficit) recognised in balance sheet	7.2		-		(2.4)	
Related deferred tax asset	0.4		1.3		1.4	
Net pension asset/(liability) per FRS 17	7.6		1.3		(1.0)	

As required following changes to FRS17, the Plan assets at 31 January 2009 are shown at estimated bid value as either supplied by the relevant investment manager, where available, or using an adjustment factor applied by the Plan's investment consultant.

HARRODS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2009

Retirement benefit obligations (continued)

	31 January 2009 £m	2 February 2008 £m
Analysis of amounts charged to operating profit		
Current service cost	-	-
Curtailment and settlements	-	-
Total operating charge	-	-

Analysis of amounts included as other finance costs

Expected return on pension plan assets	(2.5)	(2.0)
Interest cost on pension plan liabilities	2.2	2.0
Net financial cost	(0.3)	-

Analysis of amounts recognised in statement of total recognised gains and losses

Actuarial losses/(gains) immediately recognised	4.4	(2.0)
Changes in assumptions underlying present value of liabilities	-	-
Effect of surplus cap	(1.1)	1.1
Actuarial loss/(gain) recognised in statement of total recognised gains and losses	3.3	(0.9)

Changes in the benefit obligation during the period were as follows:

Benefit obligation at beginning of period	36.2	37.7
Interest Cost	2.2	2.0
Actuarial gains	(3.2)	(2.1)
Benefits paid	(1.4)	(1.6)
Effect of change in assumptions underlying present value of scheme assets	-	0.2
Benefit obligation at end of period	33.8	36.2

Changes in the plan assets during the period were as follows:

Fair value of plan assets at beginning of period	37.3	35.3
Expected return on plan assets	2.5	2.0
Actuarial losses	(7.5)	(0.2)
Monies paid from escrow account to plan	(4.5)	(3.1)
Monies paid to escrow account by employer	-	1.8
Employer contribution	14.7	2.9
Benefits Paid	(1.5)	(1.6)
Effect of change in assumptions underlying present value of scheme assets	-	0.2
Benefit obligation at end of period	41.0	37.3

For the period ended 31 JANUARY 2009

Retirement benefit obligations (continued)

The actual return on plan assets follows:

	Period to 31 January 2009 £m	Period to 2 February 2008 £m
Actual return on plan assets	(5.1)	1.8

History of experience gains and losses

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

	31 January 2009		2 February 2008		3 February 2007		28 January 2006		28 January 2005	
	£m	%	£m	%	£m	%	£m	%	£m	%
Benefit obligation at end of year	(33.8)		36.2		37.7		42.8		33.4	
Fair value of plan assets at end of year	41.0		37.3		35.3		27.4		22.0	
Surplus/(Deficit) in the plan	7.2		1.1		(2.4)		(15.4)		(11.4)	
Difference between actual and expected return on assets	(7.5)	(18.4)%	(0.2)	(0.4)%	0.3	0.9%	3.9	14.3%	0.4	3.2%
Experience losses on liabilities	-	-	(0.6)	(1.7)%	(1.3)	(3.5)%	(0.3)	(0.8)%	-	-
Amount recognised in statement of total recognised gains and losses against liabilities	(3.3)	(9.6)%	0.9	2.6%	3.7	9.8%	(3.9)	(9.1)%	(0.6)	(3.3)%

Cumulative amount of gains/(losses) immediately recognized in statement of total recognized gains and losses since introduction of FRS17 is a loss of £(2.5)m (2008: gain of £0.5m).

20 Transactions with directors /and other related parties

During the period the company traded with a number of companies, which are under the control of one or more of the company's ultimate shareholders. These companies comprise Bocardo Societe Anonyme, Fulham Football Club (1987) Limited, Fulham Football Leisure Limited, Hyde Park Residence Limited, Liberty Holdings Limited (and subsidiaries), The Ritz Hotel Limited, Turnbull & Asser Limited, Harrods Property Limited, Metro Natural Resources Limited and Stuart Property Holdings Limited. The transactions with these companies are not material except as described below:

During the period, the company recharged payroll and made administration charges to Bocardo Societe Anonyme, amounting to £22,000 (2008: £0.1 million). The debtor outstanding at the period end was £nil (2008: £nil).

During the period, the company recharged payroll and made administration charges to Fulham Football Club (1987) Limited, amounting to £40.5 million (2008: £29.7 million). The debtor outstanding at the period end was £13.4 million (2008: £nil). The maximum debtor balance during the period was £18.4 million (2008: £17.5 million).

Transactions with directors /and other related parties (continued)

During the period, the company recharged payroll and made administration charges to Liberty Publishing & Media Limited, amounting to £0.3 million (2008: £0.3 million). The debtor outstanding at the period end was £nil (2008: £nil). The maximum debtor balance during the period was £0.1 million (2008: £0.2 million).

During the period, the company charged pension contributions to Turnbull and Asser amounting to £0.3 million (2008: £0.4 million). The debtor outstanding at period end was £nil (2008: £nil). The maximum debtor balance during the period was £0.1 million (2008: £0.1 million).

During the period, the company disposed of three apartments held as long leasehold assets to Stuart Property Holdings Limited. Consideration received for the apartments amounted to £2.6 million, being the market value as derived from an independent valuation conducted at the time of the transaction. The loss on disposal of the apartments amounted to £0.2 million. There was no receivable outstanding at period end.

The company is a wholly owned subsidiary of AIT UK Holdings Limited and, as permitted by Financial Reporting Standard 8 "Related Party Disclosures", transactions with other entities in the Harrods Holdings Group are not disclosed.

There are no other related party transactions.

21 Ultimate parent undertaking

The company's immediate parent undertaking is Harrods Holdings Limited, a company incorporated in the United Kingdom. The ultimate UK parent undertaking of Harrods Holdings Limited is AIT UK Holdings Limited. The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by AIT UK Holdings Limited. The group accounts will be filed with the Registrar of Companies in due course.

The ultimate parent undertaking is Mafco Holdings Limited, a company incorporated in Bermuda. All interests in the company continue to be controlled and held for the benefit of the Fayed family.