



**HARRODS PROPERTY
HOLDINGS LIMITED**

FINANCIAL STATEMENTS

**For the Period ended
31 JANUARY 2009**

Company no 05985333

HARRODS PROPERTY HOLDINGS LIMITED
FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2009

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HARRODS PROPERTY HOLDINGS LIMITED
REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of Harrods Property Holdings Limited and its subsidiary company ("the group") for the period ended 31 January 2009.

Principal activity

The principal activity of the company is that of an investment holding company.

The principal activity of the group is the ownership and management of property and buildings.

Business review

There was a loss for the period after taxation amounting to £24,510,862 (2008: £1,554,666). The directors did not pay a dividend in the period (2008: £nil).

Directors

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

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

The group has a deficit of shareholders funds at 31 January 2009. The directors consider it appropriate for these financial statements to be prepared on a going concern basis as the group has entered into appropriate hedging arrangements to ensure that its rental income is sufficient to meet the group's obligations due under its bank loan. The group has sufficient cash reserves to meet any administrative expenses.

Liquidity risk

Rents receivable from Harrods Limited are used to fund interest and loan repayments due under the group's bank loan.

Interest rate risk

Rents receivable from Harrods Limited are used to fund interest and loan repayments due under the company's bank loan. Cash flow risk on these rents is mitigated by the use of the swap arrangements disclosed in note 8 to the financial statements.

Credit risk

The company has a significant loan to a related party. The loan to AIT Partners Limited is ultimately considered recoverable against other assets and investments directly or indirectly supporting the nominal value of this loan. An independent valuation of these assets was carried out at the directors' request as at 3 February 2007. The directors conducted a reassessment of the valuation of these assets as at 31 January 2009 and, in line with conditions as at 31 January 2009, have recognised a provision against this receivable of £24.4 million.

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 group and company and of the profit or loss of the group 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.

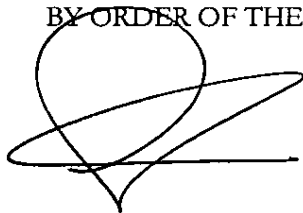
The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of directors' responsibilities (continued)

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 loop followed by a horizontal stroke and a small downward tick.

S Dean
Secretary
31 July 2009

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

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF HARRODS PROPERTY HOLDINGS LIMITED

We have audited the financial statements of Harrods Property Holdings Limited for the period ended 31 January 2009 which comprise the principal accounting policies, the consolidated profit and loss account, the group and company balance sheets, the consolidated cash flow statement 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.

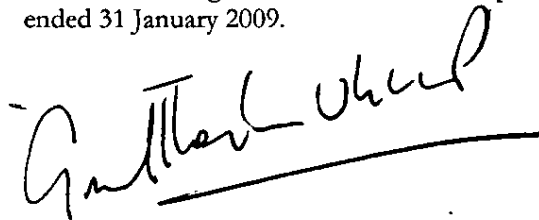
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 PROPERTY 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 31 January 2009 and of the group's loss 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 UK LLP', 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 and in accordance with United Kingdom applicable accounting standards.

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

The group has a deficit of shareholders' funds at 31 January 2009. The directors consider it appropriate for these financial statements to be prepared on a going concern basis as the group has entered into appropriate hedging arrangements to ensure that its rental income is sufficient to meet the group's obligations due under its bank loan. The group has sufficient cash reserves to meet any administrative expenses.

Basis of consolidation

The consolidated financial statements include the results of the company and its subsidiary undertaking.

Turnover

Turnover is rental income from Harrods Limited and is accounted for on an accruals basis.

Tangible Fixed Assets and Depreciation

Freehold properties are stated at cost less accumulated 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
Plant and fittings	3 - 10 years
Freehold property	35 - 50 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 (based upon prices prevailing at the time of the acquisition or subsequent valuation) is so high, that the depreciation is immaterial. Any permanent diminution in the value of this property is charged to the profit and loss account as appropriate.

Operating leases

Where the group retains subsequently all the risk and rewards of ownership of the asset subject to the lease, the asset is shown within tangible fixed assets. Rental income from these operating leases is recognised on a systematic basis over the period of the lease.

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.

Issue costs

Costs associated with the issue of the bank loan are amortised over the period of the loan.

Financial instruments

Interest differentials, under which the amounts and periods for which interest rates on borrowings are varied, are reflected as adjustments to interest payable.

The group has entered into financial instruments which fix rental income receivable and bank interest payable. The differential in rental income receivable and bank interest payable resulting from utilising these instruments is taken to the profit and loss account in the period to which the financing income or costs relate. As the company has not adopted the measurement criteria of FRS 26 the fair value of the financial instrument is not recognised, but is disclosed in the notes to the accounts.

HARRODS PROPERTY HOLDINGS LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the period ended 31 JANUARY 2009

	Note	52 weeks ended 31 January 2009 £'000	66 weeks ended 2 February 2008 £'000
Turnover	1	41,401	45,500
Administrative expenses		<u>(30,174)</u>	<u>(6,787)</u>
Operating profit		11,227	38,713
Net interest	2	<u>(36,139)</u>	<u>(40,993)</u>
Loss on ordinary activities before taxation	1	(24,912)	(2,280)
Tax on loss on ordinary activities	4	<u>401</u>	<u>725</u>
Loss retained and transferred from reserves	13	<u>(24,511)</u>	<u>(1,555)</u>

All transactions arise from continuing operations.

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

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

HARRODS PROPERTY HOLDINGS LIMITED
BALANCE SHEET AT 31 JANUARY 2009

	Note	Consolidated		Company	
		At 31 January 2009 £'000	At 2 February 2008 £'000	At 31 January 2009 £'000	At 2 February 2008 £'000
Fixed assets					
Tangible assets	6	696,752	698,696	-	-
Investments	7	-	-	100	100
		<u>696,752</u>	<u>698,696</u>	<u>100</u>	<u>100</u>
Current assets					
Debtors due within one year	8	1,461	801	-	-
Debtors due after one year	8	258,659	290,004	-	-
Cash at bank and in hand		4,041	7,448	-	-
		<u>264,161</u>	<u>298,253</u>	<u>-</u>	<u>-</u>
Creditors: amounts falling due within one year	9	<u>(14,979)</u>	<u>(13,508)</u>	<u>-</u>	<u>-</u>
Total assets less current liabilities		<u>945,934</u>	<u>983,441</u>	<u>100</u>	<u>100</u>
Creditors: amounts falling due after more than one year	10	<u>(971,900)</u>	<u>(984,896)</u>	<u>-</u>	<u>-</u>
Net (liabilities)/assets		<u>(25,966)</u>	<u>(1,455)</u>	<u>100</u>	<u>100</u>
Capital and reserves					
Called up share capital	12	100	100	100	100
Profit and loss account	13	(26,066)	(1,555)	-	-
Shareholders' (deficit)/surplus	14	<u>(25,966)</u>	<u>(1,455)</u>	<u>100</u>	<u>100</u>

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

Benedict Smith

B Smith - Director

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

HARRODS PROPERTY HOLDINGS LIMITED
CONSOLIDATED CASH FLOW STATEMENT

For the period ended 31 JANUARY 2009

		52 weeks ended 31 January 2009 £'000	66 weeks ended 2 February 2008 £'000
	Note		
Net cash inflow from operating activities	15	41,535	48,214
Returns on investments and servicing of finance			
Interest received		433	341
Interest paid		(37,184)	(35,563)
Issue costs of new bank borrowings		(23)	(2,832)
Net cash outflow from returns on investments and servicing of finance		(36,774)	(38,054)
Taxation received/(paid)		600	(141)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(3,651)	(349,624)
Loans to related parties		(600)	(290,000)
Net cash outflow from capital expenditure and financial investment		(4,251)	(639,624)
Financing			
Proceeds from issuing of ordinary share capital	14	-	100
Proceeds from bank borrowings		-	650,000
Repayment of bank borrowings	16	(4,517)	(13,047)
Net cash (outflow)/inflow from financing		(4,517)	637,053
(Decrease)/Increase in cash	16,17	(3,407)	7,448

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

HARRODS PROPERTY HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2009

1 Turnover and loss on ordinary activities before taxation

The turnover and loss on ordinary activities before taxation is attributable to:

	52 weeks ended 31 January 2009 £'000	66 weeks ended 2 February 2008 £'000
Rents receivable from related parties	<u>41,401</u>	<u>45,500</u>
The loss on ordinary activities before taxation is stated after:		
	52 weeks ended 31 January 2009 £'000	66 Weeks ended 2 February 2008 £'000
Auditors' remuneration: Audit services	41	22
Exceptional charge for provision against loan to related party (note 8)	24,384	-
Depreciation: Tangible fixed assets owned	<u>5,596</u>	<u>6,567</u>

2 Interest payable and similar charges

	52 weeks ended 31 January 2009 £'000	66 Weeks ended 2 February 2008 £'000
Interest payable on bank loan	(35,597)	(40,808)
Amortisation of issue costs	(300)	(348)
Finance charge on swaps	(573)	(51)
Interest payable to related party	-	(230)
	<u>(36,470)</u>	<u>(41,437)</u>
Interest receivable	331	444
Net interest payable	<u>(36,139)</u>	<u>(40,993)</u>

HARRODS PROPERTY HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2009

3 Directors and employees

No emoluments were paid to the directors of the company during the period.

The group and the company did not employ any persons or incur any staff costs during the period.

4 Tax on loss on ordinary activities

The tax credit is based on the loss for the year and represents:

	52 weeks ended 31 January 2009 £'000	66 weeks ended 2 February 2008 £'000
Current tax		
Group relief	550	459
Prior Period adjustment	65	-
	<u>615</u>	<u>459</u>
Deferred tax		
Accelerated capital allowances	(214)	266
Total current tax	<u>401</u>	<u>725</u>
Factors affecting current period corporation tax		
The current period corporation tax assessed for the period is higher than the standard rate of corporation tax of 28 % (2008: 30%)		
Loss on ordinary activities before tax	<u>(24,912)</u>	<u>(2,280)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 28% (2008: 30%)	7,057	684
Effect of:		
Impairment of receivable not allowable for tax	(6,907)	-
Transfer pricing adjustments	1,769	1,377
Depreciation in excess of capital allowances	(1,369)	(1,602)
Prior year adjustment	65	-
Current tax credit for the period	<u>615</u>	<u>459</u>

5 Company profit and loss account

As permitted by section 230 of the Companies Act 1985 the profit and loss account of Harrods Property Holdings Limited is not presented as part of these financial statements. The company did not trade during the financial period, making neither a profit nor a loss.

HARRODS PROPERTY HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2009

6 Tangible fixed assets

	Consolidated Freehold properties £'000	Company Freehold properties £'000
Cost		
At 3 February 2008	705,263	-
Additions	3,652	-
At 31 January 2009	<u>708,915</u>	<u>-</u>
Depreciation		
At 3 February 2008	6,567	-
Provided in the period	5,596	-
At 31 January 2009	<u>12,163</u>	<u>-</u>
Net book amount:		
At 31 January 2009	<u><u>696,752</u></u>	<u><u>-</u></u>
At 2 February 2008	<u><u>698,696</u></u>	<u><u>-</u></u>

Freehold properties are stated at historic cost.

All of the group's fixed assets are held for use in operating leases. Accordingly, during the period rental income of £41.4m (2008: £45.5m) has been recognised in respect of these operating leases.

7 Fixed asset investments - Company

	Company Unlisted investments £'000
Cost	
At 3 February 2008:	
Investment in subsidiaries	<u>100</u>
At 31 January 2009	<u><u>100</u></u>

Principal subsidiary

Harrods Property Limited is 100% owned by Harrods Property Holdings Limited. The company is registered in England and Wales and operates in the United Kingdom. The principal activity of the subsidiary is property management.

HARRODS PROPERTY HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2009

8 Debtors

	Consolidated		Company	
	At 31	At 2	At 31	At 2
	January	February	January	February
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Amounts due within one year:				
Other debtors	1,296	641	-	-
Prepayments and accrued income	165	160	-	-
	<u>1,461</u>	<u>801</u>	<u>-</u>	<u>-</u>
Amounts due after more than one year:				
Loan to a related party	257,991	289,138	-	-
Deferred tax asset (see note 11)	52	266	-	-
Other debtors	616	600	-	-
	<u>258,659</u>	<u>290,004</u>	<u>-</u>	<u>-</u>

The related party loan to AIT Partners Limited, a company under the common control of the company's ultimate parent undertaking, is non interest bearing and is repayable with not less than 12 months notice by the company. The loan is guaranteed by the company's ultimate parent undertaking. The gross amount outstanding is £282,375,000. An independent valuation of these assets was carried out at the directors' request as at 3 February 2007. The directors conducted a reassessment of the valuation of these assets as at 31 January 2009 and, in line with conditions as at 31 January 2009, have recognised a provision against this receivable of £24.4 million.

9 Creditors: amounts falling due within one year

	Consolidated		Company	
	At 31	At 2	At 31	At 2
	January	February	January	February
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Syndicated bank loan (note 10)	5,610	4,517	-	-
Accruals and deferred income	3,427	3,000	-	-
Bank interest payable	5,942	5,991	-	-
	<u>14,979</u>	<u>13,508</u>	<u>-</u>	<u>-</u>

HARRODS PROPERTY HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2009

10 Creditors: amounts falling due after more than one year

	Consolidated		Company	
	At 31	At 2	At 31	At 2
	January	February	January	February
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Syndicated bank loan repayable by instalments (refer (i) below)	624,620	629,952	-	-
Loan from related party (refer (iii) below)	295,045	302,407	-	-
Unamortised swap liability owing to bank (refer (ii) below)	52,235	52,537	-	-
	<u>971,900</u>	<u>984,896</u>	<u>-</u>	<u>-</u>
The maturity profiles of the group's syndicated bank borrowings at the period end was as follows:				
In one year or less	5,610	4,517	-	-
Between one and two years	6,891	5,610	-	-
Between two and three years	8,266	6,891	-	-
Between three and four years	9,451	8,266	-	-
Between four and five years	11,412	9,451	-	-
Between five and ten years	590,806	602,218	-	-
	<u>632,436</u>	<u>636,953</u>	<u>-</u>	<u>-</u>
Issue costs	(2,854)	(2,832)	-	-
Amortisation charged to date	648	348	-	-
	<u>630,230</u>	<u>634,469</u>	<u>-</u>	<u>-</u>
Comprises:				
Within one year	5,610	4,517	-	-
More than one year	624,620	629,952	-	-
	<u>630,230</u>	<u>634,469</u>	<u>-</u>	<u>-</u>

(i) During the period, repayments of £4.5m were made on the syndicated bank loan, reducing the balance to £632.4m at 31 January 2009.

The syndicated bank loan is repayable quarterly in advance over 10 years with a final payment of £550.6 million due in December 2016. The loan is secured by way of fixed and floating charges over the group's land and buildings. Interest is linked to LIBOR. However, the group entered into a swap arrangement to eliminate interest rate risk. At 31 January 2009 the fair value of the swap amounted to a loss of £76.6m. The loss will only be incurred if the swap arrangement is terminated before the termination date of 1 March 2031.

(ii) The group has a limited price inflation ("LPI") swap to eliminate the inflation risk on its rental income. Embedded in the LPI swap is a previous liability assumed of £52.6m. The liability is amortised over the period of the swap. At 31 January 2009 the fair value of the swap amounted to £139.9m, a loss of £87.3m. However, the loss will only be incurred if the swap arrangement is terminated before the termination date of 1 September 2031.

HARRODS PROPERTY HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2009

Creditors: amounts falling due after more than one year (continued)

(iii) The related party loan from Harrods Limited, a company under the common control of the company's ultimate parent undertaking, is non interest bearing and is repayable on demand by the lender. However, the debt is subject to a deed of subordination between the lender and Royal Bank of Scotland plc for so long as the group's bank debt remains outstanding.

11 Deferred taxation

Deferred taxation provided for in the financial statements is set out below.

	Amount provided			
	Consolidated		Company	
	At 31	At 2	At 31	At 2
	January 2009 £'000	February 2008 £'000	January 2009 £'000	February 2008 £'000
Deferred tax asset: Accelerated capital allowances	52	266	-	-

In addition to the amount provided for deferred taxation, there are potential liabilities in respect of deferred taxation (after utilisation of capital losses) of £26.2m (2008: £33.4m) if the properties were disposed of at the current carrying value. In the opinion of the directors the potential liabilities in respect of capital gains are unlikely to arise since the majority of the properties will be retained for use by the business.

12 Share capital

	Consolidated		Company	
	At 31	At 2	At 31	At 2
	January 2009 £	February 2008 £	January 2009 £	February 2008 £
	January 2009 £	February 2008 £	January 2009 £	February 2008 £
<u>Authorised:</u>				
100,002 ordinary shares of £1 each	100,002	100,002	100,002	100,002
1 'A' special rights redeemable preference share of £1	-	-	-	-
1 'B' special rights redeemable preference share of £1	-	-	-	-
	<u>100,002</u>	<u>100,002</u>	<u>100,002</u>	<u>100,002</u>

HARRODS PROPERTY HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2009

Share capital (continued)

	Consolidated		Company	
	At 31	At 2	At 31	At 2
	January	February	January	February
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
<u>Allotted and fully paid:</u>				
100,002 ordinary shares of £1 each	100	100	100	100
<u>Shares classed as financial liabilities:</u>				
1 'A' special rights redeemable preference share of £1	-	-	-	-
1 'B' special rights redeemable preference share of £1	-	-	-	-
	100	100	100	100

13 Reserves

	Consolidated	Company
	Profit and	Profit and
	loss	loss
	account	account
	£'000	£'000
At 3 February 2008	(1,555)	-
Loss for the period	(24,511)	-
At 31 January 2009	(26,066)	-

14 Reconciliation of movements in shareholders' deficit

	2009	2008
	£'000	£'000
Issue of share capital	-	100
Loss for the period	(24,511)	(1,555)
Shareholders' deficit at 3 February 2008	(1,455)	-
Shareholders' deficit at 31 January 2009	(25,966)	(1,455)

HARRODS PROPERTY HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2009

15 Net cash inflow from operating activities

	52 weeks ended 31 January 2009 £	66 Weeks ended 2 February 2008 £
Operating profit	11,227	38,713
Depreciation (note 1)	5,596	6,567
Impairment provision (note 1 and 8)	24,384	-
Increase in debtors	(99)	(66)
Increase in deferred income	396	2,982
Increase in creditors	31	18
Net cash inflow from operating activities	<u>41,535</u>	<u>48,214</u>

16 Reconciliation of net cash flow to movement in net debt

	52 weeks ended 31 January 2009 £	66 Weeks ended 2 February 2008 £
(Decrease)/Increase in cash in the period	(3,407)	7,448
Proceeds from syndicated bank borrowings, net of issue costs	-	(647,168)
Repayment of syndicated bank borrowings	4,517	13,047
Proceeds/(Repayments) from/of related party borrowings	7,362	(302,407)
Assumption of unamortised swap liability	-	(52,537)
Movement in net debt in the period	<u>8,472</u>	<u>(981,617)</u>
Other non cash charges	25	(348)
Net debt at 3 February 2008	<u>(981,965)</u>	-
Net debt at 31 January 2009	<u>(973,468)</u>	<u>(981,965)</u>

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

17 Analysis of changes in net debt

	At 3 Feb 2008 £'000	Cash flow £'000	Other non- charges £'000	At 31 Jan 2009 £'000
Cash in hand	7,448	(3,407)	-	4,041
Bank loan	(634,469)	4,517	(277)	(630,229)
Loan from related party	(302,407)	7,362	-	(295,045)
Unamortised swap liability	<u>(52,537)</u>	<u>-</u>	<u>302</u>	<u>(52,235)</u>
	<u>(981,965)</u>	<u>8,472</u>	<u>25</u>	<u>(973,468)</u>

18 Capital commitments

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

19 Contingent liabilities

In December 2006, the group granted a second charge over the group's properties in favour of the trustee of the Harrods Group Pension Plan as security for the payment and discharge of the liabilities of the pension plan of Harrods Holdings Limited, the principal employer, and other connected and associated persons.

The group also has contingent liabilities in respect of its interest rate swap and LPI swap, as detailed in note 10. However, this would only be incurred if the swaps were terminated before the relevant termination dates.

There were no contingent liabilities at 31 January 2009 or 2 February 2008.

20 Transactions with directors and other related parties

The related party loan from Harrods Limited, a company under the common control of the company's ultimate parent undertaking, is non interest bearing and is repayable on demand by the lender. However, the debt is subject to a deed of subordination between the lender and Royal Bank of Scotland plc for so long as the company's bank debt remains outstanding. At the period end, the loan outstanding was £295m (2008: £302.4m).

The property leases with Harrods Limited are for a term of 35 years commencing 5 December 2006, with the initial rent commencing at £39.7m per annum, receivable quarterly in advance. Rent is reviewed annually calculated by using the applicable Retail Price Index (RPI). At 5 December 2008, current rent was £42.9m per annum.

During the period the company charged rent of £41.4m to Harrods Limited, the lessee. At the period end, the balance of rent received in advance was £3.4m.

The related party loan to AIT Partners Limited, a company under the common control of the company's ultimate parent undertaking, is non interest bearing and is repayable with not less than 12 months notice by the company. The loan is guaranteed by the company's ultimate parent undertaking. The loan is considered recoverable against other assets and investments directly or indirectly supporting the nominal value of this loan. An independent valuation of these assets was carried out at the directors' request as at 3 February 2007. The directors conducted a reassessment of the valuation of these assets as at 31 January 2009 and, in line with conditions as at 31 January 2009, have recognised a provision against this receivable of £24.4 million. At the period end, the gross loan receivable was £282.4m. The maximum receivable during the period was £290.0m.

There are no other related party transactions.

HARRODS PROPERTY HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 JANUARY 2009

21 Ultimate parent undertaking

The company's immediate parent undertaking is Harrods Property Investments SARL, a company incorporated in Luxembourg.

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.