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**HARRODS PROPERTY
HOLDINGS LIMITED**

FINANCIAL STATEMENTS

**For the Period ended
30 JANUARY 2010**

Company no 05985333

HARRODS PROPERTY HOLDINGS LIMITED
FINANCIAL STATEMENTS

For the period ended 30 JANUARY 2010

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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 30 January 2010

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 profit for the period after taxation amounting to £23.2m (2009 loss £24.5m). The directors did not pay a dividend in the period (2009 £nil).

The market value of the properties held is approximately £140m higher than the carrying value in the accounts.

Post balance sheet events

After the balance sheet date, one of the group's properties with a net book value of £44.8m was sold above book value. Part of the proceeds was used to repay secured debt and to fund certain swap restructuring costs. The remaining proceeds were retained.

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 (resigned 07/05/10)

A Fayed (resigned 07/05/10)

J Byrne

A Tanna (resigned 07/05/10)

M Ward

B Smith

O Fayed (resigned 03/03/09, re-appointed 09/04/10, resigned 07/05/10)

A M Al-Sayed (appointed 07/05/10)

A Armstrong (appointed 07/05/10, resigned 28/06/10)

H Al-Abdulla (appointed 07/05/10)

K Al Kuwari (appointed 07/05/10)

K Maamria (appointed 02/07/10)

The group has a deficit of shareholders funds at 30 January 2010. 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 10 to the financial statements.

Credit risk

The group 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 30 January 2010 and, in line with conditions as at 30 January 2010, have released a provision against this receivable of £24.4 million (2009 provision £24.4 million).

Statement of directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to 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 UK 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 adequate 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 2006. 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,

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 information and to establish that the auditors are aware of that information

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 PROPERTY HOLDINGS 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 'S' followed by a horizontal line and a small loop.

S Dean
Secretary
12 July 2010

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 30 January 2010 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. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the company's affairs as at 30 January 2010 and of its profit for the period then ended,
- have been properly prepared in accordance with United Kingdom General Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

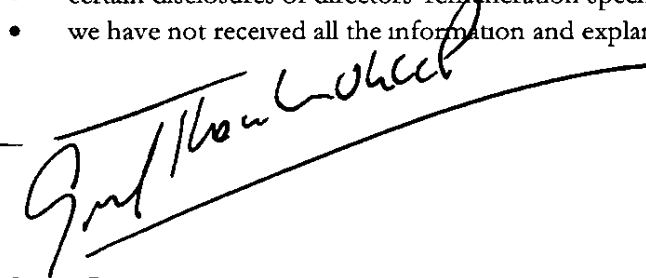
In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

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

Simon Lowe
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
London

13 July 2010

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 30 January 2010. 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	10 - 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 group 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 30 JANUARY 2010

		52 weeks ended 30 January 2010 £'000	52 weeks ended 31 January 2009 £'000
	Note		
Turnover	1	43,226	41,401
Administrative expenses	1	17,852	(30,174)
Operating profit		61,078	11,227
Net interest	2	(38,820)	(36,139)
Profit/(loss) on ordinary activities before taxation		22,258	(24,912)
Tax on profit/(loss) on ordinary activities	4	940	401
Profit/(loss) retained and transferred to/(from) reserves	13	23,198	(24,511)

All transactions arise from continuing operations

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

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

HARRODS PROPERTY HOLDINGS LIMITED
BALANCE SHEET AT 30 JANUARY 2010

	Note	Consolidated		Company	
		At 30 January 2010 £'000	At 31 January 2009 £'000	At 30 January 2010 £'000	At 31 January 2009 £'000
Fixed assets					
Tangible assets	6	696,174	696,752	-	-
Investments	7	-	-	100	100
		<u>696,174</u>	<u>696,752</u>	<u>100</u>	<u>100</u>
Current assets					
Debtors due within one year	8	423	1,461	-	-
Debtors due after one year	8	274,904	258,659	-	-
Cash at bank and in hand		184	4,041	-	-
		<u>275,511</u>	<u>264,161</u>	<u>-</u>	<u>-</u>
Creditors: amounts falling due within one year	9	<u>(18,347)</u>	<u>(14,979)</u>	<u>-</u>	<u>-</u>
Total assets less current liabilities		<u>953,338</u>	<u>945,934</u>	<u>100</u>	<u>100</u>
Creditors: amounts falling due after more than one year	10	<u>(956,106)</u>	<u>(971,900)</u>	<u>-</u>	<u>-</u>
Net (liabilities)/assets		<u>(2,768)</u>	<u>(25,966)</u>	<u>100</u>	<u>100</u>
Capital and reserves					
Called up share capital	12	100	100	100	100
Profit and loss account	13	(2,868)	(26,066)	-	-
Shareholders' (deficit)/surplus	14	<u>(2,768)</u>	<u>(25,966)</u>	<u>100</u>	<u>100</u>

The financial statements were approved by the Board of Directors on 12 July 2010



B Smith - Director

Company registration no 05985333

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 30 JANUARY 2010

		52 weeks ended 30 January 2010 £'000	52 weeks ended 31 January 2009 £'000
	Note		
Net cash inflow from operating activities	15	42,686	41,535
Returns on investments and servicing of finance			
Interest received		18	433
Interest paid		(37,812)	(37,184)
Issue costs of new bank borrowings		-	(23)
Net cash outflow from returns on investments and servicing of finance		<u>(37,794)</u>	<u>(36,774)</u>
Taxation received		616	600
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(5,220)	(3,651)
Repayment by AIT Partners		8,116	-
Borrowing from Harrods Limited		2,017	-
Repayment to Harrods Limited		<u>(8,668)</u>	<u>(600)</u>
Net cash outflow from capital expenditure and financial investment		<u>(3,755)</u>	<u>(4,251)</u>
Financing			
Repayment of bank borrowings	16	<u>(5,610)</u>	<u>(4,517)</u>
Net cash outflow from financing		<u>(5,610)</u>	<u>(4,517)</u>
Decrease in cash	16,17	<u><u>(3,857)</u></u>	<u><u>(3,407)</u></u>

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 30 JANUARY 2010

1 Turnover and profit/(loss) on ordinary activities before taxation

The turnover and profit/(loss) on ordinary activities before taxation is attributable to

	52 weeks ended 30 January 2010 £'000	52 weeks ended 31 January 2009 £'000
Rents receivable from related parties	43,226	41,401

The profit/(loss) on ordinary activities before taxation is stated after

	52 weeks ended 30 January 2010 £'000	52 weeks ended 31 January 2009 £'000
Auditors' remuneration Audit services	21	41
Exceptional (credit)/charge for provision against loan to related party (note 20)	(24,384)	24,384
Depreciation Tangible fixed assets owned	5,798	5,596

2 Interest payable and similar charges

	52 weeks ended 30 January 2010 £'000	52 weeks ended 31 January 2009 £'000
Interest payable on bank loan	(37,383)	(35,597)
Amortisation of issue costs	(295)	(300)
Finance charge on swaps	(1,158)	(573)
	(38,836)	(36,470)
Interest receivable	16	331
Net interest payable	(38,820)	(36,139)

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

HARRODS PROPERTY HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 JANUARY 2010

4 Tax on profit/(loss) on ordinary activities

The tax credit is based on the profit/(loss) for the period and represents

	52 weeks ended 30 January 2010 £'000	52 weeks ended 31 January 2009 £'000
Current tax		
Group relief	347	550
Prior Period adjustment	-	65
	<u>347</u>	<u>615</u>
Deferred tax		
Accelerated capital allowances	593	(214)
Total tax credit	<u>940</u>	<u>401</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% (2009 28 33%)

Profit/(loss) on ordinary activities before tax	<u>22,258</u>	<u>(24,912)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 28% (2009 28 33%)	(6,232)	7,057
Effect of		
Impairment of receivable not allowable for tax	6,827	(6,907)
Transfer pricing adjustments	1,191	1,769
Depreciation in excess of capital allowances	(1,439)	(1,369)
Prior year adjustment	-	65
Current tax credit for the period	<u>347</u>	<u>615</u>

5 Company profit and loss account

As permitted by section 408 of the Companies Act 2006 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 30 JANUARY 2010

6 Tangible fixed assets

	Consolidated Freehold properties £'000	Company Freehold properties £'000
Cost		
At 1 February 2009	708,915	-
Additions	5,220	-
At 30 January 2010	<u>714,135</u>	<u>-</u>
Depreciation		
At 1 February 2009	12,163	-
Provided in the period	5,798	-
At 30 January 2010	<u>17,961</u>	<u>-</u>
Net book amount:		
At 30 January 2010	<u>696,174</u>	<u>-</u>
At 31 January 2009	<u>696,752</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 £43.2m (2009 £41.4m) has been recognised in respect of these operating leases.

After the balance sheet date, one of the group's properties with a net book value of £44.8m was sold above book value. Part of the proceeds was used to repay secured debt and to fund certain swap restructuring costs. The remaining proceeds were retained.

7 Fixed asset investments - Company

	Company Unlisted investments £'000
Cost	
At 1 February 2009	100
Investment in subsidiaries	-
At 30 January 2010	<u>100</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 30 JANUARY 2010

8 Debtors

	Consolidated		Company	
	At 30	At 31	At 30	At 31
	January	January	January	January
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Amounts due within one year:				
Other debtors	-	1,296	-	-
Prepayments and accrued income	76	165	-	-
Corporation tax receivable	347	-	-	-
	<u>423</u>	<u>1,461</u>	<u>-</u>	<u>-</u>
Amounts due after more than one year:				
Loan to a related party	274,259	257,991	-	-
Deferred tax asset (see note 11)	645	52	-	-
Other debtors	-	616	-	-
	<u>274,904</u>	<u>258,659</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 gross amount outstanding is £274.3 million. 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 30 January 2010 and, in line with conditions as at 30 January 2010, have released a provision against this receivable of £24.4 million (2009 provision £24.4 million).

9 Creditors: amounts falling due within one year

	Consolidated		Company	
	At 30	At 31	At 30	At 31
	January	January	January	January
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Syndicated bank loan (note 10)	6,891	5,610	-	-
Amounts due to related parties	2,017	-	-	-
Accruals and deferred income	3,535	3,427	-	-
Bank interest payable	5,904	5,942	-	-
	<u>18,347</u>	<u>14,979</u>	<u>-</u>	<u>-</u>

HARRODS PROPERTY HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 JANUARY 2010

10 Creditors: amounts falling due after more than one year

	Consolidated		Company	
	At 30	At 31	At 30	At 31
	January	January	January	January
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Syndicated bank loan repayable by instalments (refer (i) below)	618,022	624,620	-	-
Loan from related party (refer (iii) below)	286,377	295,045	-	-
Unamortised swap liability owing to bank (refer (ii) below)	51,707	52,235	-	-
	<u>956,106</u>	<u>971,900</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	6,891	5,610	-	-
Between one and two years	8,266	6,891	-	-
Between two and three years	9,451	8,266	-	-
Between three and four year	11,412	9,451	-	-
Between four and five years	13,111	11,412	-	-
Between five and ten years	577,695	590,806	-	-
	<u>626,826</u>	<u>632,436</u>	<u>-</u>	<u>-</u>
Issue costs	(2,854)	(2,854)	-	-
Amortisation charged to date	941	648	-	-
	<u>624,913</u>	<u>630,230</u>	<u>-</u>	<u>-</u>
Comprises				
Within one year	6,891	5,610	-	-
More than one year	618,022	624,620	-	-
	<u>624,913</u>	<u>630,230</u>	<u>-</u>	<u>-</u>

(i) During the period, repayments of £5 6m (2009 £4 5m) were made on the syndicated bank loan, reducing the balance to £626 8m at 30 January 2010

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 30 January 2010 the fair value of the swap amounted to a loss of £65 9m. 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 30 January 2010 the fair value of the swap amounted to £109 5m, a loss of £56 9m. 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 30 JANUARY 2010

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

	Consolidated		Company	
	At 30 January 2010 £'000	At 31 January 2009 £'000	At 30 January 2010 £'000	At 31 January 2009 £'000
Balance at 1 February 2009	52	266	-	-
Transfer from/(to) profit and loss account	593	(214)	-	-
Balance at 30 January 2010	645	52	-	-

In addition to the amount provided for deferred taxation, there are potential liabilities in respect of deferred taxation (after utilisation of capital losses) of £26.3m (2009 £26.2m) 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 30 January 2010 £	At 31 January 2009 £	At 30 January 2010 £	At 31 January 2009 £
<u>Authorised</u>				
100,002 ordinary shares of £1 each	100,002	100,002	100,002	100,002

	Consolidated		Company	
	At 30 January 2010 £'000	At 31 January 2009 £'000	At 30 January 2010 £'000	At 31 January 2009 £'000
<u>Allotted and fully paid</u>				
100,002 ordinary shares of £1 each	100	100	100	100

HARRODS PROPERTY HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 JANUARY 2010

13 Reserves

	Consolidated Profit and loss account £'000	Company Profit and loss account £'000
At 1 February 2009	(26,066)	-
Profit for the period	23,198	-
At 30 January 2010	<u>(2,868)</u>	<u>-</u>

14 Reconciliation of movements in shareholders' deficit

	2010 £'000	2009 £'000
Profit/(loss) for the period	23,198	(24,511)
Shareholders' deficit at 1 February 2009	<u>(25,966)</u>	<u>(1,455)</u>
Shareholders' deficit at 30 January 2010	<u>(2,768)</u>	<u>(25,966)</u>

15 Net cash inflow from operating activities

	52 weeks ended 30 January 2010 £	52 weeks ended 31 January 2009 £
Operating profit	61,078	11,227
Depreciation (note 1 and 6)	5,798	5,596
Impairment provision (note 1 and 20)	(24,384)	24,384
Decrease/(increase) in debtors	86	(99)
Increase in deferred income	118	396
(Decrease)/increase in creditors	<u>(10)</u>	<u>31</u>
Net cash inflow from operating activities	<u>42,686</u>	<u>41,535</u>

HARRODS PROPERTY HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 JANUARY 2010

16 Reconciliation of net cash flow to movement in net debt

	52 weeks ended 30 January 2010 £	52 weeks ended 31 January 2009 £
Decrease in cash in the period	(3,857)	(3,407)
Repayment of syndicated bank borrowings	5,610	4,517
Proceeds/(Repayments) from/of related party borrowings	8,668	7,362
Movement in net debt in the period	10,421	8,472
Other non cash charges	235	25
Net debt at 1 February 2009	(973,468)	(981,965)
Net debt at 30 January 2010	(962,812)	(973,468)

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

17 Analysis of changes in net debt

	At 1 Feb 2009 £'000	Cash flow £'000	Other non- charges £'000	At 30 Jan 2010 £'000
Cash in hand	4,041	(3,857)	-	184
Bank loan	(630,230)	5,610	(293)	(624,913)
Loan from related party	(295,045)	8,668	-	(286,377)
Unamortised swap liability	(52,235)	-	528	(51,707)
	(973,469)	10,421	235	(962,813)

18 Capital commitments

The company had no capital commitments at 30 January 2010 or 31 January 2009

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 30 January 2010 or 31 January 2009

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 £286m (2009 £295m)

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 2009, current rent was £43.2m per annum.

During the period the company charged rent of £43.2m (2009 £41.4m) to Harrods Limited, the lessee. At the period end, the balance of rent received in advance was £3.5m (2009 £3.4m).

During the period the company was recharged for fixed assets additions amounting to £5.9m (2009 £3.7m) from Harrods Limited. At the period end, the creditor balance was £2.0m (2009 £nil).

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 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 30 January 2010 and, in line with conditions as at 30 January 2010, have released a provision against this receivable of £24.4m (2009 provision £24.4m). At the period end, the gross loan receivable was £274.2m (2009 £282.4m). The maximum receivable during the period was £282.4m (2009 £290.0m).

There are no other related party transactions.

21 Ultimate parent undertaking

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

The company is an indirect 100% subsidiary of Qatar Holding LLC which is the strategic investment arm of Qatar Investment Authority, the ultimate controlling party.