

HARRODS LIMITED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
3 FEBRUARY 2007

Company no 30209

HARRODS LIMITED

FINANCIAL STATEMENTS

* For the period ended 3 FEBRUARY 2007

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HARRODS LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the audited consolidated financial statements of Harrods Limited and its subsidiary companies ("the Group") for the period ended 3 February 2007

Principal activities

The group's activities consist principally of retailing in the United Kingdom. The group operates the world-renowned department store Harrods in London. Other activities include concessions at London airports, export of branded merchandise to overseas department stores and airport terminals, and direct sales via the internet at Harrods.com and through catalogues. The group also operates an estate agency.

Results of Ordinary Activities Before Exceptional Items

The group had a very successful year with a strong growth in sales and profits over the previous year.

For the period under review the group's financial year was extended to 53 weeks. To assist in comparing the reported results of ordinary activities (before exceptional items) to the prior year, the 52-week highlights have also been set out below.

	Growth vs 2005/06	
	53 weeks	52 weeks
Gross transaction value	19.4%	19.1%
Turnover	13.9%	12.2%
Operating profit	72.2%	65.7%

Sales growth came from a number of factors and initiatives, including the introduction during the first quarter of trading until 8.00pm, new concessions and collections introduced during the period and new shopfit expenditure. Capital expenditure during the period on new shopfits and modernisation of existing shopfits, systems and store maintenance amounted to £16.5m net of supplier and concession contributions. In addition, the group estimates that during the period an amount equivalent to over half of this amount again was expended by suppliers and concessions on their shopfits within the Harrods Store.

In September 2006 Harrods Limited introduced its new loyalty programme, Harrods Rewards. The programme is independent from a credit facility, allowing customers to use any form of payment at the point-of-sale along with their Rewards card to earn Rewards points and enjoy special services, offers and privileges.

Improvements in gross margin coupled with a reduction in distribution and store costs as a percentage of sales boosted operating profit as a percentage of turnover by 5.5 percentage points to 16%.

Changes to Group Pension Plan

As outlined in note 25, after a comprehensive review of existing pension arrangements, the group took the view that the cost and volatility of continuing with the group's defined benefit pension scheme ('the Plan') presented an unacceptable risk for both the group and its employees. In April 2006, after consultation with members of the Plan, the group closed its final salary pension scheme to existing and new employees. A new defined contribution pension plan was introduced into which the group contributes for those choosing to participate. The closure of the Plan led to a remeasurement of the provision for retirement benefit obligations, resulting in a reduction in the Plan liabilities. This has been treated as an exceptional item within operating profit in these accounts.

HARRODS LIMITED

REPORT OF THE DIRECTORS

Changes to Group Pension Plan (continued)

In December 2006 the group agreed with the trustee of the Plan a new funding agreement which provided for a lump-sum payment of £53.5m by the participating employers of the Plan, of this amount, £43.0m was contributed by the Harrods Limited group of companies, the remainder being contributed by other subsidiaries and related parties of Harrods Holdings Limited. The funding agreement also provided for the granting of a second charge over the freehold properties sold to a related party, a lien over the inventory held by Harrods Limited and a commitment by the group to fund the Plan's deficit on a scheme specific funding basis over 7 years.

As at 3 February 2007 the retirement benefit obligations of the group calculated in accordance with FRS 17 was a surplus of £0.3m net of tax (see note 25 for further details).

Property disposals

During the period, the group disposed of most of its freehold properties to a related party for £705.3m at a book profit of £8.2m, which has been treated as an exceptional item (see note 27 for further details). The group repaid the outstanding bank loan of £348.0m following the sale of the freehold properties (see note 14 for further details).

Principal business risks and uncertainties

The major business risks and uncertainties for the Harrods business relate to

- (i) Adverse economic conditions and other major events outside Harrods' control
- (ii) Damage or interruption due to natural disaster, war and terrorist activity
- (iii) Damage, loss or interruption of information systems

During the period the group initiated a business continuity planning review, detailed plans for which continue to be developed. In addition the group works with its internal audit function and with its insurers to identify and mitigate or remedy operational risks on an on-going basis.

Profit for the Financial Period and the dividend

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

Turnover for the period ended 3 February 2007 totalled £401.0m (2006: £352.1m).

There was a profit for the period after taxation amounting to £31.0m (2006: £13.5m). The directors paid a dividend of £55.0m (2006: £17.0m) in respect of the period.

HARRODS LIMITED

REPORT OF THE DIRECTORS

Directors

The present membership of the Board is set out below

M Al Fayed (Chairman)
A Fayed
O Al Fayed (appointed 01 11 06)
R L Assanand
J Byrne
J P Healy
M-G McKee
D R Parker
B Smith (appointed 10 11 06)
A Tanna
M Ward (appointed 01 08 06)

Other Directors who served during the period were

N C Blow (resigned 31 01 07)

In accordance with the Articles of Association, no director is required to seek re-election at the forthcoming Annual General Meeting

Apart from M Al Fayed, A Fayed and O Al Fayed who are beneficially interested in the shares of the company as described in note 28, no other director in office during the period held any beneficial interest in the shares of the company, or of any of its subsidiary undertakings at 3 February 2007

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

Statement of directors' responsibilities

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

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

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

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

HARRODS LIMITED

REPORT OF THE DIRECTORS

Statement of directors' responsibilities (continued)

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.

Credit risk

The group's principal credit risk relates to the recovery of trade debtors, although it is not considered significant due to the nature of the business. Amounts owing from credit card companies represent almost two-thirds of the group's trade debtors. However, the directors consider credit risk to be limited due to the terms of contract the group has with the credit card companies.

The group also has a significant loan to a related party. As described in note 27, the loan to Harrods Property Limited (formerly Featurecode 2 Limited) amounting to £303.2m (2006: £nil) 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.

Currency risk

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

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

Interest rate risk

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

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

Charitable and political donations

The charitable donations made by the group and charged in the financial statements were £0.2m (2006: £0.1m). In addition, during the period the group supported various charities by hosting fundraising events within the Harrods department store. There were no political donations.

Disabled persons

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

HARRODS LIMITED

REPORT OF THE DIRECTORS

Employee involvement

Information is provided regularly to employees by means of normal management communication channels using written materials, face-to-face meetings and video presentations. The Store magazine 'The Harroddian Gazette' has been issued during the year and has been available to all employees. In addition, a weekly staff bulletin is distributed.

Consultation with employees takes place through elected staff committees, health and safety committees and through normal recognised trade union channels. The Harrods Group Pension Plan has two member trustees amongst its trustee board. It also has a committee of staff and management representatives who are kept informed of the administration, performance and development of the Plan. Written information about the Plan is regularly circulated to both current and potential members. Further details of the Plan are set out in note 25 to the financial statements.

A general awareness of the company's performance is maintained through regular half-hour training sessions for all staff and, through individual performance appraisals, employees are made aware of their individual contribution to the company.

Policy on payment of creditors

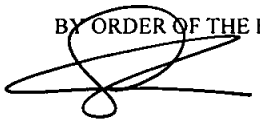
It is the group's policy to agree payment terms as part of any formal contract with a supplier and to make every endeavour to abide by the agreed terms. Where a purchase is not covered by a formal contract, and no agreement is reached in advance of raising an order, the group's policy is to pay suppliers within 30 days after the end of the month of receipt of goods or services.

The group is sympathetic to, and pays particular attention to, the cash flow needs of its smaller suppliers. The group takes on average 38 days to pay its creditors (2006: 31 days).

Auditors

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

BY ORDER OF THE BOARD


S Dean FCIS
Secretary
27th July 2007

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

HARRODS LIMITED

We have audited the financial statements of Harrods Limited for the period ended 3 February 2007 which comprise the principal accounting policies, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the statement of total recognised gains and losses, the note of historical cost profits and losses and notes 1 to 28. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

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

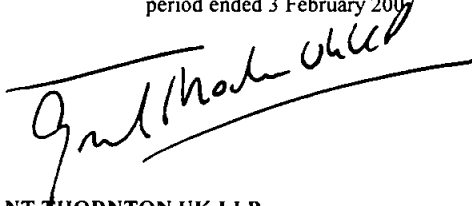
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
HARRODS 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 3 February 2007 and of the group's profit for the period then ended,
- 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 3 February 2007



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

LONDON

27/2/07 2007

HARRODS LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of the group's properties and the company's fixed asset investments, and comply with applicable United Kingdom accounting standards

The principal accounting policies of the group have remained unchanged from the previous period except for the adoption of FRS 20 "Share Based Payments", which had no impact on the group

BASIS OF CONSOLIDATION

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

Harrods Bank Limited, a company registered in England and Wales, has been accounted for as an unlisted investment, due to it having independent management and control (in accordance with Bank of England direction in 1991), although the group continues to retain 100% ownership through the non-voting shares

TURNOVER

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

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

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

Concession sales

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

Discounts

FRS 5 ANG states that revenue should be recorded net of discounts. Accordingly turnover is disclosed net of discounts provided to customers and staff

Estimated sales returns

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

Gross transaction value

In order to present a measure that provides a guide to the value of overall activity of the group, the gross transaction value (excluding VAT) is presented on the face of the profit and loss account. The gross value of sales to customers includes sales made by concessions but excludes discounts and returns

HARRODS LIMITED

PRINCIPAL ACCOUNTING POLICIES

TANGIBLE FIXED ASSETS AND DEPRECIATION

Freehold properties are stated at professional or directors' valuations less accumulated depreciation. All other fixed assets are stated at cost less accumulated depreciation. The values brought forward are retained subject to the requirement to test assets for impairment in accordance with FRS 11. All additions thereafter are accounted for at cost. Shop fit out expenditure is stated net of supplier contributions where relevant.

Depreciation is provided by the group and the company in order to write down to estimated residual value (if any) the cost or valuation of tangible fixed assets over their estimated useful economic lives by equal annual instalments, as follows:

Land	Not depreciated
Certain freehold and long leasehold properties	35 - 50 years
Short leasehold property	Remaining period of lease
Fixtures and fittings	3 - 20 years
Vehicles and equipment	4 - 7 years

It is the practice of the group to maintain its properties to a high standard. Accordingly, for the Harrods department store in Knightsbridge, the directors considered that the life of the asset was so long, and the residual value so high, that depreciation was immaterial. Any impairment in the value of this property would be charged to the profit and loss account as appropriate.

Assets held for resale are classified within current assets, and are stated at the lower of cost or valuation, and net realisable value.

FIXED ASSET INVESTMENTS

The group and the company account for their fixed asset investments at the lower of cost or directors' valuation less any provision required for permanent diminution in value.

LEASED ASSETS

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

STOCKS

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

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.

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

HARRODS LIMITED

PRINCIPAL ACCOUNTING POLICIES

FINANCIAL INSTRUMENTS

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Financial assets are recognised at historic cost and are carried at the lower of cost and recoverable amount.

ISSUE COSTS

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

FOREIGN CURRENCY

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currency are translated at exchange rates ruling at the transaction date. Realised gains and losses are dealt with in the profit and loss account.

Gains and losses on forward foreign exchange contracts used to manage foreign exchange exposure are carried forward and taken to the profit and loss account on maturity to match the underlying transactions.

RETIREMENT BENEFIT OBLIGATIONS

Defined Contribution Scheme

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

Defined Benefit Scheme

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

The group and company has adopted the provisions of FRS 17 'Retirement Benefits'. 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.

HARRODS LIMITED

PRINCIPAL ACCOUNTING POLICIES

RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Defined Benefit Scheme (continued)

A net surplus is recognised only to the extent that it is recoverable by the company/group. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the current service cost of providing the benefits, curtailment and settlement gains and losses and financial returns on the pension fund, all reflected in the period to which they relate. The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included in other finance costs. Actuarial gains and losses are recorded through the statement of recognized gains and losses. Disclosure has been made of the assets and liabilities of the scheme under FRS 17 in note 25 to the accounts.

HARRODS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the period ended 3 FEBRUARY 2007

	53 weeks ended 3 February 2007			52 weeks ended 28 January 2006		
	Ordinary activities before exceptional items	Exceptional items (Note 2)	Total	Ordinary activities before exceptional items	Exceptional items (Note 2)	Total
Note	£m	£m	£m	£m	£m	£m
Gross transaction value	<u>613.1</u>	<u>-</u>	<u>613.1</u>	<u>513.5</u>	<u>-</u>	<u>513.5</u>
Turnover	1 401.0	-	401.0	352.1	-	352.1
Cost of sales	<u>(174.2)</u>	<u>-</u>	<u>(174.2)</u>	<u>(159.8)</u>	<u>-</u>	<u>(159.8)</u>
Gross profit	226.8	-	226.8	192.3	-	192.3
Distribution and store costs	2 (148.5)	16.0	(132.5)	(140.7)	0.9	(139.8)
Administrative expenses	2 (20.0)	0.1	(19.9)	(18.7)	-	(18.7)
Other income	<u>5.6</u>	<u>-</u>	<u>5.6</u>	<u>4.2</u>	<u>-</u>	<u>4.2</u>
Operating profit	63.9	16.1	80.0	37.1	0.9	38.0
Profit/(loss) on disposal of fixed assets	3 -	11.3	11.3	-	0.6	0.6
Income from other fixed asset investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.4</u>	<u>-</u>	<u>0.4</u>
Profit on ordinary activities before interest	63.9	27.4	91.3	37.5	1.5	39.0
Net interest	4 <u>(11.5)</u>	<u>(37.1)</u>	<u>(48.6)</u>	<u>(16.7)</u>	<u>-</u>	<u>(16.7)</u>
Profit on ordinary activities before taxation	52.4	(9.7)	42.7	20.8	1.5	22.3
Tax on profit on ordinary activities	6 <u>(18.0)</u>	<u>6.3</u>	<u>(11.7)</u>	<u>(8.5)</u>	<u>(0.3)</u>	<u>(8.8)</u>
Profit on ordinary activities after taxation	17 18 34.4	(3.4)	31.0	12.3	1.2	13.5

All transactions arise from continuing operations

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

HARRODS LIMITED

BALANCE SHEETS AT 3 FEBRUARY 2007

	Note	Consolidated		Company	
		At 3 February 2007 £m	At 28 January 2006 £m	At 3 February 2007 £m	At 28 January 2006 £m
Fixed assets					
Tangible fixed assets	9	66.0	755.9	64.7	66.2
Investments	10	7.7	7.7	13.4	213.8
		<u>73.7</u>	<u>763.6</u>	<u>78.1</u>	<u>280.0</u>
Non-current assets					
Debtors due after one year	12	419.7	136.3	420.6	137.4
Current assets					
Stocks	11	36.2	31.0	32.7	27.8
Debtors	12	16.8	18.1	14.4	15.3
Cash and bank balance		52.0	72.1	49.2	68.3
		<u>105.0</u>	<u>121.2</u>	<u>96.3</u>	<u>111.4</u>
Creditors: amounts falling due within one year	13	<u>(99.6)</u>	<u>(91.0)</u>	<u>(107.5)</u>	<u>(73.7)</u>
Net current assets		<u>5.4</u>	<u>30.2</u>	<u>(11.2)</u>	<u>37.7</u>
Total assets less current liabilities		<u>498.8</u>	<u>930.1</u>	<u>487.5</u>	<u>455.1</u>
Creditors: amounts falling due after more than one year	14	<u>(12.3)</u>	<u>(361.8)</u>	<u>(12.3)</u>	<u>(26.2)</u>
Provisions for liabilities and charges	15	<u>(5.5)</u>	<u>(6.2)</u>	<u>(5.7)</u>	<u>(6.5)</u>
Retirement benefit obligations	25	0.3	(74.7)	0.3	(71.8)
		<u>481.3</u>	<u>487.4</u>	<u>469.8</u>	<u>350.6</u>
Capital and reserves					
Called up share capital	16	19.2	19.2	19.2	19.2
Capital redemption reserve	17	-	-	-	-
Revaluation reserve	17	0.4	504.1	0.4	0.5
Profit and loss account	17	461.7	(35.9)	450.2	330.9
Shareholders' funds	18	<u>481.3</u>	<u>487.4</u>	<u>469.8</u>	<u>350.6</u>

The financial statements were approved by the Board of Directors on *July 27,* 2007

Benedict Smith

B Smith - Director

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

HARRODS LIMITED**OTHER PRIMARY STATEMENT**For the period ended 3 FEBRUARY 2007

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2007	2006
	£m	£m
Profit for the financial period	31.0	13.5
Unrealised surplus on revaluation of land and buildings	-	69.7
Actuarial gains and (losses) on pension scheme	25.7	(26.9)
Deferred tax movement on actuarial gains and losses on pension scheme	(7.7)	8.1
Total recognised gains and losses for the period	49.0	64.4

GROUP NOTE OF HISTORICAL COST PROFIT AND LOSSES

	2007	2006
	£m	£m
Profit on ordinary activities before taxation	42.7	22.3
Realisation of revaluation gains	502.4	7.5
Difference between historical cost depreciation charge and depreciation charge based on revalued amounts	1.2	1.2
Historical cost profit on ordinary activities before taxation	546.3	31.0
Historical cost profit retained	534.6	22.2

HARRODS LIMITED**CONSOLIDATED CASH FLOW STATEMENT**

For the period ended 3 FEBRUARY 2007

	Note	53 weeks ended 3 February 2007 £m	52 weeks ended 28 January 2006 £m
Net cash inflow from operating activities before payments toward retirement benefit obligations	19	103.7	65 0
Payments towards retirement benefit obligations	25	(50.2)	(6 1)
Net cash inflow from operating activities		53.5	58 9
Returns on investments and servicing of finance			
Interest received		12 3	12 2
Interest paid		(24.7)	(23 4)
Dividends received from fixed asset investments		-	0 4
Net cash outflow from returns on investments and servicing of finance		(12.4)	(10 8)
Taxation paid		(6.7)	(10 4)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(15 8)	(12 5)
Disposal of tangible fixed assets	3	351.3	12 0
Movement in loans with group undertakings and related parties		19.8	5 8
Net cash inflow from capital expenditure and financial investment		355.3	5 3
Equity dividends paid		(55.0)	(17 0)
Financing			
Repayment of bank borrowings		(354.8)	(16 4)
Net cash outflow from financing	20,21	(354.8)	(16 4)
(Decrease)/Increase in cash	20,21	(20.1)	9 6

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

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

1 TURNOVER AND SEGMENTAL ANALYSIS

Turnover is the total amount receivable by the group for goods supplied and services provided, excluding VAT, trade discounts and concession sales, and arises principally from retailing activities

Turnover by destination and origin are not materially different as follows

	53 weeks ended 3 February 2007 £m	52 weeks ended 28 January 2006 £m
Geographical analysis		
United Kingdom	396.8	346.0
Rest of Europe	0.2	0.3
Japan	3.0	5.0
Other	1.0	0.8
	<u>401.0</u>	<u>352.1</u>

All costs are incurred in the United Kingdom and all operating assets are held in the United Kingdom

2 OPERATING PROFIT

Profit on ordinary activities before exceptional items, interest and taxation is stated after charging/(crediting)

	53 weeks ended 3 February 2007 £m	52 weeks ended 28 January 2006 £m
Depreciation on tangible fixed assets	21.3	22.8
Rentals paid under operating leases		
Property	6.7	1.0
Plant and machinery	0.8	0.8
Exceptional pension curtailment gains (note 25)	(16.1)	(0.9)
Royalty (income)	<u>(1.3)</u>	<u>(1.4)</u>

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

OPERATING PROFIT (CONTINUED)

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

	53 weeks ended 3 February 2007 £'000's	52 weeks ended 28 January 2006 £'000's
Fees payable for the audit of the company's financial statements	163	131
Fees payable for other services		
- audit of subsidiary undertakings	83	64
- other services	9	16

3 EXCEPTIONAL ITEMS

	53 weeks ended 3 February 2007 £m	52 weeks ended 28 January 2006 £m
Profit on disposal of properties	11.5	1.6
Loss on disposal of other fixed assets	(0.2)	(1.0)
	<u>11.3</u>	<u>0.6</u>
Reconciliation to cash flows for disposal of fixed assets		
Gross consideration for disposal of properties and fixed assets to third parties	3.3	12.0
Gross consideration for disposal of fixed assets to a related party (note 27)	705.3	-
Liabilities assumed by a related party (note 27)	(54.3)	-
Non cash consideration from a related party (note 27)	(303.0)	-
Cash consideration received	<u>351.3</u>	<u>12.0</u>

HARRODS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**For the period ended 3 FEBRUARY 2007

4 NET INTEREST

	53 weeks ended 3 February 2007 £m	52 weeks ended 28 January 2006 £m
Interest payable		
Bank loans and overdrafts	(22.9)	(27.2)
Other finance expense (FRS17)	(0.9)	(1.6)
	<u>(23.8)</u>	<u>(28.8)</u>
Interest receivable		
From group undertakings	10.4	10.9
From third parties	0.4	0.2
Cash and bank balances	1.5	1.0
	<u>12.3</u>	<u>12.1</u>
Net interest payable before exceptional interest charges	<u>(11.5)</u>	<u>(16.7)</u>
Exceptional interest charges	<u>(37.1)</u>	<u>-</u>
Net interest payable	<u>(48.6)</u>	<u>(16.7)</u>

Exceptional interest charges comprise costs associated with the early repayment of the group's primary bank loan including the write-off of unamortized issue costs, loan prepayment fees, and termination of the interest rate swap (note 14)

HARRODS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**For the period ended 3 FEBRUARY 2007

5 DIRECTORS AND EMPLOYEES**Group staff costs during the period were as follows:**

	53 weeks ended 3 February 2007 £m	52 weeks ended 28 January 2006 £m
Wages and salaries	80.8	75.1
Social security costs	8.3	7.1
Other pension costs	3.6	6.1
	<u>92.7</u>	<u>88.3</u>

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

	2007 Number	2006 Number
Production	392	375
Selling and distribution	2,464	2,643
Administration	114	105
	<u>2,970</u>	<u>3,123</u>

Company staff costs during the period were as follows:

	53 weeks ended 3 February 2007 £m	52 weeks ended 28 January 2006 £m
Wages and salaries	74.7	69.5
Social security costs	7.7	6.5
Other pension costs	3.3	5.6
	<u>85.7</u>	<u>81.6</u>

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

	2007 Number	2006 Number
Production	392	375
Selling and distribution	2,258	2,428
Administration	90	89
	<u>2,740</u>	<u>2,892</u>

In addition, the company employed an average of 54 (2006 97) agency staff during the period at a cost of £0.8m (2006 £1.4m)

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

DIRECTORS AND EMPLOYEES (CONTINUED)

Remuneration in respect of directors was as follows

	53 weeks ended 3 February 2007 £m	52 weeks ended 28 January 2006 £m
Emoluments excluding pension contributions	5.6	7.0
Compensation for loss of office	-	0.4
	<u>5.6</u>	<u>7.4</u>

There are 6 directors to whom retirement benefits are accruing under a defined benefit pension scheme (2006 7) and 7 directors to whom retirement benefits are accruing under a defined contribution scheme (2006 nil)

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

	53 weeks ended 3 February 2007 £m	52 weeks ended 28 January 2006 £m
Emoluments	<u>2.6</u>	<u>5.0</u>

The highest paid director's accrued pension at the period end was £nil (2006 £nil)

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	53 weeks ended 3 February 2007 £m	52 weeks ended 28 January 2006 £m
Current tax		
Corporation tax at 30% (2006 30%)	(2.2)	(5.5)
Foreign tax	(0.1)	(0.1)
Group relief	(3.1)	(3.5)
	<u>(5.4)</u>	<u>(9.1)</u>
Under provision in respect of prior years	0.1	-
	<u>(5.3)</u>	<u>(9.1)</u>
Deferred tax		
Origination and reversal of timing differences	0.7	0.1
FRS17 Deferred tax	(7.1)	0.2
Total tax charge for the period	<u>(11.7)</u>	<u>(8.8)</u>

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

	53 weeks ended 3 February 2007 £m	52 weeks ended 28 January 2006 £m
Factors affecting current period corporation tax		
The current period corporation tax assessed for the period is lower than the standard rate of corporation tax of 30% (2006 30%) for the following reasons		
Profit on ordinary activities before tax	<u>42.7</u>	<u>22.3</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30% (2006 30%)	(12.8)	(6.7)
Effect of		
Income/(expenses) not assessable/(deductible) for tax purposes	7.2	0.2
Depreciation for the period in excess of capital allowances	(1.9)	(2.1)
Income and expenses assessed/relieved on a cash basis	<u>2.2</u>	<u>(0.5)</u>
Current tax charge for period	<u>(5.3)</u>	<u>(9.1)</u>

7 COMPANY PROFIT AND LOSS ACCOUNT

As permitted by section 230 of the Companies Act 1985 the profit and loss account of Harrods Limited is not presented as part of the financial statements. Harrods Limited's profit for the period after taxation amounted to £156.9 m (2006 £174.4 m)

8 DIVIDENDS

Equity - ordinary

	53 weeks ended 3 February 2007 £m	52 weeks ended 28 January 2006 £m
Interim paid 28.6p (2006 8.8p) per 10p share	<u>55.0</u>	<u>17.0</u>

HARRODS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 3 FEBRUARY 2007

9 TANGIBLE FIXED ASSETS**Consolidated**

	Freehold land and buildings £m	Fixtures, fittings, vehicles and equipment £m	Total £m
Cost and valuation			
At 29 January 2006	694.7	205.7	900.4
Additions	1.5	15.0	16.5
Disposals	(694.8)	(14.0)	(708.8)
Revaluation of properties			
At 3 February 2007	<u>1.4</u>	<u>206.7</u>	<u>208.1</u>
Accumulated depreciation			
At 29 January 2006	4.9	139.6	144.5
Provided in the period	5.4	15.9	21.3
Disposals	(10.1)	(13.6)	(23.7)
Revaluation of properties			
At 3 February 2007	<u>0.2</u>	<u>141.9</u>	<u>142.1</u>
Net book amount at 3 February 2007	<u>1.2</u>	<u>64.8</u>	<u>66.0</u>
Net book amount at 28 January 2006	<u>689.8</u>	<u>66.1</u>	<u>755.9</u>
Cost and valuation			
Valuation	1.4	-	1.4
Cost	-	206.7	206.7
	<u>1.4</u>	<u>206.7</u>	<u>208.1</u>

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

Consolidated historical cost

	Freehold land and buildings £m	Fixtures, fittings, vehicles and equipment £m	Total £m
Historical cost at 3 February 2007	0.9	206.7	207.6
Depreciation on historical cost at 3 February 2007	(0.1)	(141.9)	(142.0)
Net book value at 3 February 2007	<u>0.8</u>	<u>64.8</u>	<u>65.6</u>
Historical cost at 28 January 2006	209.6	205.7	415.3
Depreciation on historical cost at 28 January 2006	(23.8)	(139.6)	(163.4)
Net book value at 28 January 2006	<u>185.8</u>	<u>66.1</u>	<u>251.9</u>

HARRODS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 3 FEBRUARY 2007

TANGIBLE FIXED ASSETS (CONTINUED)**Company**

	Freehold land and buildings £m	Fixtures, fittings, vehicles and equipment £m	Total £m
Cost and valuation			
At 29 January 2006	1.3	199.8	201.1
Additions	-	16.1	16.1
Disposals	-	(10.9)	(10.9)
Group transfers	-	(1.5)	(1.5)
At 3 February 2007	<u>1.3</u>	<u>203.5</u>	<u>204.8</u>
Accumulated depreciation			
At 29 January 2006	0.1	134.8	134.9
Provided in the period	-	15.6	15.6
Disposals	-	(10.4)	(10.4)
Group transfers	-	-	-
At 3 February 2007	<u>0.1</u>	<u>140.0</u>	<u>140.1</u>
Net book amount at 3 February 2007	<u>1.2</u>	<u>63.5</u>	<u>64.7</u>
Net book amount at 28 January 2006	<u>1.2</u>	<u>65.0</u>	<u>66.2</u>
Cost and valuation			
Valuation – 2000	1.3	-	1.3
Cost	-	203.5	203.5
	<u>1.3</u>	<u>203.5</u>	<u>204.8</u>

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

Company historical cost

	Freehold land and buildings £m	Fixtures, fittings, vehicles and equipment £m	Total £m
Historical cost at 3 February 2007	0.9	203.5	204.4
Depreciation on historical cost at 3 February 2007	(0.1)	(140.0)	(140.1)
Net book value at 3 February 2007	<u>0.8</u>	<u>63.5</u>	<u>64.3</u>
Historical cost at 28 January 2006	0.9	199.8	200.7
Depreciation on historical cost at 28 January 2006	(0.1)	(134.8)	(134.9)
Net book value at 28 January 2006	<u>0.8</u>	<u>65.0</u>	<u>65.8</u>

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

TANGIBLE FIXED ASSETS (CONTINUED)

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

All other fixed assets are stated at cost.

Included in the cost element of freeholds, fixtures, fittings, vehicles and equipment are costs incurred on unfinished projects at the period end amounting to £4.3m (2006 £7.3m) in both the group and the company.

Netted off the cost of fixed assets are accumulated supplier and concession contributions amounting to £8.2m at the period end (2006 £10.9m). Of this amount £3.7m (2006 £6.8m) had been taken to the profit and loss account by way of a reduction to accumulated depreciation.

10 INVESTMENTS

Consolidated

	Unlisted investments £m
Cost	
At 29 January 2006 and 3 February 2007	7.7
Net book amount at 3 February 2007	7.7
Net book amount at 28 January 2006	7.7

Company

	Unlisted investments £m	Shares in group under- takings £m	Total £m
Shares at cost:			
At 29 January 2006 and 3 February 2007	2.3	211.9	214.2
Provisions			
At 29 January 2006	-	(0.4)	(0.4)
Provided in the period	-	(200.4)	(200.4)
At 3 February 2007	-	(200.8)	(200.8)
Net book value at 3 February 2007	2.3	11.1	13.4
Net book value at 28 January 2006	2.3	211.5	213.8

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

INVESTMENTS (CONTINUED)

Unlisted investments:

Harrods Bank Limited

Harrods Bank Limited, a company registered in England and Wales, has been accounted for as an unlisted investment, due to it having independent management and control (in accordance with Bank of England direction in 1991), although the group continues to retain 100% ownership through the non-voting shares. The consolidated investment of £7.7m includes an amount of £5.4m, which represents the share of post-acquisition reserves frozen at the point control transferred.

At 3 February 2007 the aggregate capital and reserves of Harrods Bank Limited was £8.2m (2006 £7.5m) and the profit for the period ended 3 February 2007 was £0.6m (2006 £0.2m).

Shares in group undertakings:

The group has the following wholly owned (100% of equity) trading and non-trading subsidiary undertakings which are registered and operate in the United Kingdom.

Name	Country of registration	Nature of business
Operating at 3 February 2007		Principal activity
Harrods International Limited	England and Wales	Tax free retailer and wholesaler
Harrods (Continental) Limited	England and Wales	Exporter
Harrods Estates Limited	England and Wales	Estate agents
PL Management Limited	England and Wales	Property management
Harrods Card Handling Company Ltd	England and Wales	Merchant card handling
Featurecode 2A (formerly Harrods Property Limited)	England and Wales	Property management

The whole of the share capital of Featurecode 2A is held by Featurecode 2A Holdings (formerly Harrods Property Holdings Limited).

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

11 STOCKS

	Consolidated		Company	
	At 3 February 2007 £m	At 28 January 2006 £m	At 3 February 2007 £m	At 28 January 2006 £m
Finished goods for resale	<u>36.2</u>	<u>31.0</u>	<u>32.7</u>	<u>27.8</u>

A lien over inventory owned by Harrods Limited comprising goods held for re-sale has been granted to the trustee of the group's defined benefit pension scheme, as detailed in note 25

12 DEBTORS

	Consolidated		Company	
	At 3 February 2007 £m	At 28 January 2006 £m	At 3 February 2007 £m	At 28 January 2006 £m
Amounts falling due within one year:				
Trade debtors	9.2	12.8	7.1	10.5
Amounts owed by group undertakings	0.1	-	0.2	0.2
Other debtors	1.0	0.9	1.0	0.8
Prepayments and accrued income	<u>6.5</u>	<u>4.4</u>	<u>6.1</u>	<u>3.8</u>
	<u>16.8</u>	<u>18.1</u>	<u>14.4</u>	<u>15.3</u>
Amounts due after one year:				
Amounts owed by group undertakings	116.5	136.3	117.4	137.4
Loan to related party	<u>303.2</u>	<u>-</u>	<u>303.2</u>	<u>-</u>
	<u>419.7</u>	<u>136.3</u>	<u>420.6</u>	<u>137.4</u>

As described in note 27, during the period the group granted a subordinated loan to Harrods Property Limited (formerly Featurecode 2 Limited), which is under the common control of the group's ultimate parent undertaking (note 28). The debt is non-interest bearing and is repayable on demand by the lender.

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		Company	
	At 3 February 2007 £m	At 28 January 2006 £m	At 3 February 2007 £m	At 28 January 2006 £m
Bank loans	-	6.7	-	-
Trade creditors	54.9	39.6	53.9	38.7
Amounts owed to group undertakings	0.1	3.6	1.2	0.4
Social security and other taxes	7.7	8.8	7.7	8.7
Corporation tax payable	5.1	2.9	13.8	2.9
Other creditors	17.0	15.2	17.0	9.8
Accruals and deferred income	<u>14.8</u>	<u>14.2</u>	<u>13.9</u>	<u>13.2</u>
	<u>99.6</u>	<u>91.0</u>	<u>107.5</u>	<u>73.7</u>

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated		Company	
	At 3 February 2007 £m	At 28 January 2006 £m	At 3 February 2007 £m	At 28 January 2006 £m
Bank loan	-	344.3	-	-
Amounts owed to group undertakings	-	-	-	26.2
Accruals and deferred income	12.3	17.5	12.3	-
	<u>12.3</u>	<u>361.8</u>	<u>12.3</u>	<u>26.2</u>

Borrowings were repayable as follows

	Consolidated		Company	
	At 3 February 2007 £m	At 28 January 2006 £m	At 3 February 2007 £m	At 28 January 2006 £m
Bank loan with repayment dates				
In one year or less	-	6.7	-	-
Between one and two years	-	7.1	-	-
Between two and three years	-	7.4	-	-
Between three and four years	-	8.2	-	-
Between four and five years	-	9.0	-	-
Between five and ten years	-	56.0	-	-
Between ten and fifteen years	-	260.3	-	-
Between fifteen and sixteen years	-	-	-	-
	-	<u>354.7</u>	-	-
Issue costs	-	(5.5)	-	-
Amortisation costs	-	1.8	-	-
	-	<u>351.0</u>	-	-

On 15 December 2006, the group repaid the outstanding loan of £348.0m with Royal Bank of Scotland plc following the sale of most of the group's freehold properties to a related party (note 27)

Upon the early repayment of the bank loan the group terminated its interest rate swap, realising the fair value of the swap, being a cost of £52.6m (2006 £70.9m). The liability of £52.6 million owing to Royal Bank of Scotland plc was subsequently assumed by the purchaser as part consideration for the purchase of the freehold properties (note 27)

The termination of the interest rate swap contributed £32.1m (2006 £nil) towards the exceptional interest charge of £37.1m (2006 £nil) as £20.5m had previously been provided in accordance with FRS4. The remaining £5.0m in exceptional interest charges consist of the write-off of unamortised issue costs and loan prepayment fees

HARRODS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**For the period ended 3 FEBRUARY 2007

15 PROVISIONS FOR LIABILITIES AND CHARGES

	Consolidated		Company	
	At 3 February 2007 £m	At 28 January 2006 £m	At 3 February 2007 £m	At 28 January 2006 £m
Deferred taxation				
Balance at 29 January 2006	6.2	6.3	6.5	7.2
Transfer (to)/from profit and loss account	(0.7)	(0.1)	(0.8)	(0.7)
Balance at 3 February 2007	<u>5.5</u>	<u>6.2</u>	<u>5.7</u>	<u>6.5</u>
Accelerated capital allowances	5.6	6.3	5.8	6.5
Other timing differences	(0.1)	(0.1)	(0.1)	-
	<u>5.5</u>	<u>6.2</u>	<u>5.7</u>	<u>6.5</u>

In addition to the amount provided for deferred taxation, there are potential liabilities in respect of deferred taxation in relation to

	Consolidated		Company	
	At 3 February 2007 £m	At 28 January 2006 £m	At 3 February 2007 £m	At 28 January 2006 £m
Revaluation of properties	-	41.4	-	0.1

In the opinion of the directors, at 3 February 2007 the potential taxation liability in respect of capital gains is £nil (2006 £41.4 million) due to the availability of capital losses. There are no other unprovided deferred tax amounts.

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

16 CALLED UP SHARE CAPITAL

	Consolidated		Company	
	At 3 February 2007 £	At 28 January 2006 £	At 3 February 2007 £	At 28 January 2006 £
<u>Authorised</u>				
215,000,000 ordinary shares of 10p each	21,500,000	21,500,000	21,500,000	21,500,000
1 'A' special rights redeemable preference share of £1	1	1	1	1
1 'B' special rights redeemable preference share of £1	1	1	1	1
	<u>21,500,002</u>	<u>21,500,002</u>	<u>21,500,002</u>	<u>21,500,002</u>
<u>Allotted and fully paid</u>				
192,000,000 ordinary shares of 10p each	19,200,000	19,200,000	19,200,000	19,200,000
<u>Shares class as financial liabilities</u>				
1 'A' special rights redeemable preference share of £1	-	1	-	1
1 'B' special rights redeemable preference share of £1	-	1	-	1
	<u>19,200,000</u>	<u>19,200,002</u>	<u>19,200,000</u>	<u>19,200,002</u>

On 24 January 2007 the redeemable preference shares of £1 each were redeemed at par. This amount has been transferred to a capital redemption reserve.

17 RESERVES

	Consolidated		Company	
	Revaluation reserve £m	Profit and loss account £m	Revaluation reserve £m	Profit and loss account £m
Balance at 29 January 2006	504.1	(35.9)	0.5	330.9
Depreciation on revaluation surplus	(1.2)	1.2	-	-
Revaluation surplus realised on property disposal	(138.1)	138.1	(0.1)	0.1
Revaluation surplus realised on group property transfers	(364.4)	364.4	-	-
Actuarial loss on pension scheme	-	17.9	-	17.3
Profit for the period	-	31.0	-	156.9
Dividends paid	-	(55.0)	-	(55.0)
Balance at 3 February 2007	<u>0.4</u>	<u>461.7</u>	<u>0.4</u>	<u>450.2</u>

At 3 February 2007, there is a balance of £2 (2006: £nil) on the capital redemption reserve.

Included in the profit and loss account reserve is £73.9m (2006: £46.2m) that is non-distributable.

HARRODS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 3 FEBRUARY 2007

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £m	2006 £m
Profit for the financial period	31.0	13.5
Dividends	(55.0)	(17.0)
Retained loss for the period	<u>(24.0)</u>	<u>(3.5)</u>
Actuarial loss on pension scheme	17.9	(18.8)
Surplus on revaluation of property	-	69.8
Net (decrease)/increase in shareholders' funds	<u>(6.1)</u>	<u>47.5</u>
Shareholders' funds at 29 January 2006	<u>487.4</u>	<u>439.9</u>
Shareholders' funds at 3 February 2007	<u>481.3</u>	<u>487.4</u>

19 NET CASH INFLOW FROM OPERATING ACTIVITIES

	53 weeks ended 3 February 2007 £m	52 weeks ended 28 January 2006 £m
Operating profit	80.0	38.0
Depreciation	21.2	22.8
FRS 17 pension (credit)/costs	(14.8)	5.3
(Increase)/decrease in stock	(5.2)	2.4
Decrease/(increase) in debtors	1.3	(0.9)
Increase/(decrease) in creditors	21.2	(2.6)
Net cash inflow from operating activities	<u>103.7</u>	<u>65.0</u>

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

20 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	53 weeks ended 3 February 2007 £m	52 weeks ended 28 January 2006 £m
Increase in cash in the period	(20.1)	9.6
Repayment of bank borrowings	354.8	16.4
Decrease in net debt in the period	334.7	26.0
Other non cash charges	(3.7)	(0.3)
Net debt at 29 January 2006	(279.0)	(304.7)
Net cash/(debt) at 3 February 2007	52.0	(279.0)

Non cash charges represent the amortisation and write-off of issue costs relating to the bank loan

21 ANALYSIS OF CHANGES IN NET DEBT

	At 28 January 2006 £m	Cash flow £m	Other non- cash charges £m	At 3 February 2007 £m
Cash at bank and in hand	72.1	(20.1)	-	52.0
Bank loan	(351.1)	354.8	(3.7)	-
	(279.0)	334.7	(3.7)	52.0

22 ACQUISITION OF SUBSIDIARY UNDERTAKING

During the period, the group purchased PL Management Limited for £2 from a related party (note 27). The fair value and book value of net assets at the time of acquisition were £37,302.

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

23 CAPITAL COMMITMENTS

	Consolidated		Company	
	53 weeks ended 3 February 2007 £m	52 weeks ended 28 January 2006 £m	53 weeks ended 3 February 2007 £m	52 weeks ended 28 January 2006 £m
Contracted for but not provided	<u>3.7</u>	<u>4.4</u>	<u>3.7</u>	<u>4.4</u>
Authorised but not contracted for	<u>4.4</u>	<u>7.6</u>	<u>-</u>	<u>-</u>

There were no other capital commitments at 3 February 2007 or 28 January 2006

24 CONTINGENT LIABILITIES

During the period, the group had a bank loan that was guaranteed by Harrods Holdings Limited and other group companies. The bank loan was repaid on 15 December 2006.

The group participated in derivative financial instruments during the period to manage its foreign exchange exposure to the Euro and the US dollar. Through its hedging activities the group seeks to minimise the risk that eventual cash flows required to settle related liabilities will be affected by changes in exchange rates. The exposure on outstanding forward foreign exchange contracts at the period end was £8.2m (2006: £2.0m) and their fair value was £8.0m (2006: £1.8m) based on exchange rates prevailing at the period end.

The group is not aware of any material contingent liabilities existing at the balance sheet date. The group is involved in litigation in the ordinary course of business. However, in the opinion of the directors, no material losses in excess of provisions made are likely to arise.

There were no other contingent liabilities at 3 February 2007 or 28 January 2006.

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

25 RETIREMENT BENEFIT OBLIGATIONS

Pensions schemes operated

During the period the Harrods Holdings group principally operated two schemes

- (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 £2.3 m (2006 £37,185). A pension accrual of £nil (2006 £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 will not accrue future pension benefits under the Plan
- (ii) the existing accrued pension benefit of members will be protected and preserved at its existing level as at 5 April 2006 and will be revalued until retirement as if the members had left the Group
- (iii) a new defined contribution pension scheme, the Harrods Retirement Savings Plan, has been introduced with effect from 5 April 2006

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 and included the following provisions

- (i) a contribution of £3.0m to the Plan on 15 January 2007
- (ii) a payment of £50.5m (£9.9 million of this amount relates to non group companies covered by the Plan) on 15 January 2007 into an Escrow account held solely for the benefit of the Plan
- (iii) the balance of the Escrow account will be released to the Trustee by 4 February 2008
- (iv) a second ranking charge in favour of the Trustee over the properties owned by Harrods Property Limited
- (v) a lien over the inventory owned by Harrods Limited comprising goods held for re-sale
- (vi) the Trustee will commission an actuarial valuation of the Plan as at 5 April 2007 on a scheme specific funding basis
- (vii) monthly contributions totalling £16.3 m per annum from February 2007 for a period of 7 years, or those agreed following the Scheme Specific Funding valuation as at 5 April 2007

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

Accordingly, during the year ended 3 February 2007, the participating employers made total contributions to the Plan of £62.5 million, including a payment of £50.5 million into the abovementioned Escrow account. All participating employers have contributed to these payments, pro-rated on the basis of their share of the Plan's pension liabilities (as calculated by the Plan actuary), including the two related party participating employers

Amounts contributed by the Harrods Limited group are therefore summarized in the tables below

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

HARRODS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**For the period ended 3 FEBRUARY 2007

RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)**Financial Reporting Standard 17 Disclosures**

For the period ended 3 February 2007, the Group has accounted for its defined benefit pension liability in accordance with FRS 17

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

Using the results of the actuarial valuation, an approximate actuarial assessment of the Plan for FRS 17 purposes has been carried out as at 3 February 2007 using the projected unit method of valuation. The major assumptions used by the actuary were

	3 February 2007	% per annum 28 January 2006	29 January 2005
Discount rate	5.3%	4.7%	5.3%
Inflation assumption	3.0%	3.0%	2.9%
Rate of increase in salaries	n/a	4.5%	4.4%
Rate of pension increases (LPI 5%)	2.9%	2.9%	2.8%
Rate of pension increases (LPI 2.5%)	2.5%	2.5%	n/a
Longevity at age 60 for current pensioners			
- Men	24.6	24.5	21.2
- Women	27.6	27.5	24.2
Longevity at age 60 for future pensioners			
- Men	25.9	25.8	22.6
- Women	28.9	28.8	25.6

The sensitivities regarding these assumptions are as follows

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

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

At 3 February 2007 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 3 February 2007		As at 28 January 2006		As at 29 January 2005	
	£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	113.6	7.5%	145.8	7.0%	114.2	7.6%
Corporate bonds	18.9	5.5%	24.8	4.7%	24.2	5.3%
Government bonds	23.1	4.6%	14.0	4.0%	11.5	4.6%
Total return investments	39.1	7.5%	-	n/a	-	n/a
Active currency	9.4	9.8%	-	n/a	-	n/a
Other	-	n/a	5.1	4.0%	2.3	4.6%
Total asset held by the Plan	204.1		189.7		152.2	
Mones held in Escrow	40.6	4.8%	-	n/a	-	n/a
Total market value of assets	244.7		189.7		152.2	
Present value of plan liabilities	(261.6)		(296.4)		(231.2)	
Deficit in the Plan	(16.9)		(106.7)		(79.0)	
Related deferred tax asset	17.2		32.0		23.7	
Net pension surplus/(liability)	0.3		(74.7)		(55.3)	

At 3 February 2007, £12.2m of the deferred tax asset relates to monies held in escrow and will be realised as monies are released from escrow to the Plan in accordance with the Funding Agreement

As at 31 January 2004, the total market value of assets in the plan was £137.4 m, the present value of plan liabilities was £205.6 m, resulting in a deficit in the plan of £68.2 m (before related deferred tax asset)

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Profit and Loss Disclosures

	3 February 2007	28 January 2006
	£m	£m
Analysis of amounts charged to operating profit		
Current service cost	1.3	6.2
Curtailment and settlements	<u>(16.1)</u>	<u>(0.9)</u>
Total operating (credit)/charge	<u>(14.8)</u>	<u>5.3</u>

Analysis of amounts included as other finance costs

Expected return on pension plan assets	(12.2)	(10.6)
Interest cost on pension plan liabilities	<u>13.1</u>	<u>12.2</u>
Net financial cost	<u>0.9</u>	<u>1.6</u>

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

Actual return less expected return on assets	2.2	27.1
Experience gain on liabilities	(9.1)	(2.3)
Impact of changes in assumptions relating to the present value of plan liabilities	<u>32.6</u>	<u>(51.7)</u>
Actuarial gain/(loss) recognised in statement of total recognised gains and losses	<u>25.7</u>	<u>(26.9)</u>

Movement in the deficit during the period

Deficit in the plan at 29 January 2006	(106.7)	(79.0)
Current service cost	(1.3)	(6.2)
Employer contributions	9.6	6.1
Monies paid into escrow account by employers	40.6	-
Impact of curtailments and settlements	16.1	0.9
Net financial cost	(0.9)	(1.6)
Actuarial gain/(loss)	<u>25.7</u>	<u>(26.9)</u>
Deficit in the plan at 3 February 2007	<u>(16.9)</u>	<u>(106.7)</u>

History of experience gains and losses

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

	3 February 2007		28 January 2006		29 January 2005		31 January 2004	
	£m	%	£m	%	%	%	£m	%
Difference between actual and expected return on assets	2.2	0.9%	27.1	14.3%	4.8	3.2%	18.7	13.6%
Experience (losses)/gains on liabilities	(9.1)	(3.5%)	(2.3)	(0.8%)	-	-	(4.5)	(2.2%)
Amount recognised in statement of total recognised gains and losses against liabilities	25.7	9.8%	(26.9)	(9.1%)	(7.6)	(3.3%)	6.1	2.9%

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

26 LEASING COMMITMENTS

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

	Consolidated		Company	
	3 February 2007 £m	28 January 2006 £m	3 February 2007 £m	28 January 2006 £m
Land and buildings In five years or more	<u>40.5</u>	<u>0.8</u>	<u>40.5</u>	<u>31.5</u>
	40.5	0.8	40.5	31.5

	Consolidated		Company	
	3 February 2007 £m	28 January 2006 £m	3 February 2007 £m	28 January 2006 £m
Other assets leases Between one and five years	<u>0.8</u>	<u>0.8</u>	<u>0.8</u>	<u>0.8</u>
	0.8	0.8	0.8	0.8

27 TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES

During the period the group entered into transactions with a number of entities, which are under the control of the group's ultimate controlling party. These entities comprise Balnagown Castle Properties Limited, Barrow Green Court, Bocardo Societe Anonyme, Fulham Football Club (1987) Limited, Fulham Football Leisure Limited, Fulham Stadium Limited, Gallant Minerals Limited, Gallant Minerals Services Limited, Harrods Property Limited (formerly Featurecode 2 Limited), Hyde Park Residence Limited, Jasmine Di Milo Limited, Liberty Holdings Limited (and subsidiaries), Metro Energy (Thailand) Limited, Metro Natural Resources Participations Limited, Mohafa, Prestige Properties S A, The Ritz Hotel Limited, Samodal Properties, Scintilla Limited, Turnbull & Asser Limited (and subsidiaries) and West Heath 2000. The transactions and balances with these entities are not considered to be material except as described below.

Harrods Limited is a wholly owned subsidiary of Harrods Holdings Limited, and as permitted by Financial Reporting Standard No 8 "Related party disclosures" has not disclosed transactions with group undertakings.

During the period, stock amounting to £nil (2006 £0.1m) was sold to Balnagown Castle Properties Limited. Trade debtors due from Balnagown Castle Properties Limited at 3 February 2007 amounted to £nil (2006 £0.2m). The maximum debtor balance during the period was £0.1m (2006 £0.2m).

During the period, the group recharged payroll and made administration charges to Fulham Football Club (1987) Limited, amounting to £0.2m (2006 £0.2m). The debtor outstanding at the period end was £nil (2006 £0.1). The maximum debtor balance during the period was £0.1m (2006 £0.1m).

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES (CONTINUED)

Fees in respect of marketing and advisory services, received from Fulham Stadium Limited during the period amounted to £0.2m (2006: £nil). Trade debtors due from Fulham Stadium Limited at 3 February 2007 amounted to £nil (2006: £nil). The maximum debtor balance during the period was £0.2m (2006: £0.1m).

Engineering, storage and general consulting charges were billed to Hyde Park Residence Limited amounted to £0.2m (2006: £0.1m). The maximum debtor balance during the period was £nil (2006: £0.1).

Jasmine Di Milo Limited operates a concession in the Knightsbridge Store on commercial terms, for which it was charged £0.2m (2006: £0.7m). The debtor outstanding at period end was £nil (2006: £nil). The maximum debtor balance during the period was £nil (2006: £nil).

Occupancy charges including rent and telephone charges received from Liberty Publishing & Media Limited during the period amounted to £nil (2006: £nil). The debtor outstanding at the period end was £nil (2006: £0.1m). The maximum debtor balance during the period was £0.1m (2006: £0.1m).

Fees in respect of marketing and advisory services levied to Prestige Properties S.A. during the period amounted to £0.1m (2006: £0.4m). Trade debtors due from Prestige Properties S.A. at 3 February 2007 amounted to £nil (2006: £nil). The maximum debtor balance during the period was £nil (2006: £0.2m).

During the period, the group purchased 100% of the shares in PL Management Limited from Prestige Properties S.A. Consideration for the shares was £2 and was paid in cash (note 22).

During the period, the group charged payroll charges to The Ritz Hotel Limited amounting to £0.4m (2006: £0.1). The debtor outstanding at period end was £0.2m (2006: £0.1).

The group charged Turnbull & Asser Limited £0.3m (2006: £0.4m) under commercial terms for the concession it operates in the Store. The debtor outstanding at period end was £nil (2006: £nil). The maximum debtor balance during the period was £nil (2006: £nil).

Fees in respect of marketing and advisory services from Bocardo Societe Annoyme during the period amounted to £0.1m (2006: £nil). The debtor outstanding at period end was £nil (2006: £nil).

On 14 December 2006, the group disposed of most of its freehold properties to Harrods Property Limited (formerly Featurecode 2 Limited ("the purchaser")), which is under the common control of the group's ultimate parent undertaking.

Total consideration for the disposal was £705.3m. The properties were, in the main, transferred at their net book value, not market value, as the purchaser and the seller were both under the common control of the group's ultimate parent undertaking. Accordingly, properties totalling £645.9m were transferred at their net book value, while the remaining properties were transferred at their market value, amounting to £59.4m.

The consideration of £705.3m was settled by the granting of a loan facility to the purchaser. The loan was subsequently reduced to £303.0 million when the purchaser repaid £348.0m in cash and assumed liabilities of £54.3m the group owed to Royal Bank of Scotland plc for early repayment of the bank loan. These liabilities include £52.6 million owing from the termination of the group's interest rate swap (note 14).

The loan to the purchaser 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. The loan is non-interest bearing and is repayable on demand by the lender. At the period end, the loan outstanding was £303.2m (2006: £nil). The maximum receivable during the period was £705.3 million (2006: £nil).

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 3 FEBRUARY 2007

TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES (CONTINUED)

Upon transfer of the properties, the relevant property leases were assigned to the purchaser. The Harrods Limited group continues as tenant under the leases, which are for a term of 35 years commencing 5 December 2006, with the initial rents commencing at £39.7m per annum, payable quarterly in advance. The initial market rents for such leases were estimated at £36.1m per annum.

Accordingly, during the period the group was charged rent of £5.7m (2006: £ nil) by Harrods Property Limited (formerly Featurecode 2 Limited). At the period end, the balance of prepaid rent was £2.7m (2006: £ nil).

28 ULTIMATE PARENT UNDERTAKING

The group's immediate parent undertaking is Harrods (UK) Limited. The immediate parent undertaking of Harrods (UK) Limited is Harrods Holdings Limited, which is the largest group which consolidates the results of the company. The Harrods Holdings Group financial statements will be filed with the Registrar of Companies in due course.

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