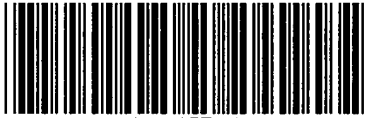


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Harrods Property Limited

Reports and Financial Statements

for the Period ended 31 January 2015

Registration number: 5985365

Harrods Property Limited
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Harrods Property Limited
Directors' Report for the Period ended 31 January 2015

The directors present their report together with the audited financial statements for the period ended 31 January 2015.

Directors of the company

The directors who held office during the period were as follows:

H Al-Abdulla (resigned 2 February 2015)

A M Al-Sayed (resigned 2 February 2015)

K Maamria (resigned 29 May 2014)

K J Al-Kuwari (resigned 2 September 2014)

M A Ward

J P Edgar

No director has had a material interest, directly or indirectly, at any time during the period in any contract significant to the company.

Going concern

The company has a surplus of shareholders funds at 31 January 2015. The directors consider it appropriate for these financial statements to be prepared on a going concern basis as the company has entered into appropriate hedging arrangements to ensure that its rental income is sufficient to meet the company's obligations due under its bank loan. The company has sufficient cash reserves to meet any administrative expenses.

KPIs

There are no other KPIs required to be reported other than turnover and operating profit that would give a fuller understanding to the business.

Harrods Property Limited
Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report and 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 the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 apply them consistently;
- make judgements and accounting 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; and
- 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 are sufficient to show and explain the company's transactions and 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 each of the directors is 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.


Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

Reappointment of auditors

The auditors Ernst & Young LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 22 April 2015 and signed on its behalf by:



.....
D.J. Webster
Company secretary

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

Harrods Property Limited
Strategic Report for the Period ended 31 January 2015

The directors present their strategic report for the period ended 31 January 2015.

Principal activity

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

Business review

There was a profit for the period after taxation amounting to £8.1m (2014: £6.3m). The directors did not pay a dividend in the period (2014: £nil).

The market value of the properties held is estimated to be £400m (2014: £330m) higher than the carrying value in the accounts.

Principal Risks and Uncertainties

Credit risk

The company has a significant loan to a related party. The loan to QH Partners Limited is ultimately considered recoverable against other assets and investments directly or indirectly supporting the nominal value of this loan.

Liquidity 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.

Interest rate risk

The company's exposure to interest rate fluctuations on its borrowings has been eliminated by entering into swap agreements that fix the rate of interest over the term of the borrowings.

Approved by the Board on 22 April 2015 and signed on its behalf by:



.....
D J Webster
Company secretary

Independent Auditor's Report to the Members of Harrods Property Limited

We have audited the financial statements of Harrods Property Limited for the period from 2 February 2014 to 31 January 2015 which comprises the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 18. 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 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 auditor's 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 directors and auditors

As explained more fully in the Statement of Directors' Responsibilities (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 and express an opinion on 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2015 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

**Independent Auditor's Report to the Members of
Harrods Property Limited**

..... *continued*

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, 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.

Ernst & Young LLP
Julie Carlyle (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor

1 More London Place
London
SE1 2AF

28 April 2015

Harrods Property Limited
Profit and Loss Account for the Period ended 31 January 2015

	Note	52 weeks ended 31 January 2015 £ 000	52 weeks ended 1 February 2014 £ 000
Turnover	2	47,530	45,790
Administrative expenses		<u>(3,093)</u>	<u>(3,056)</u>
Operating profit	3	44,437	42,734
Other interest receivable and similar income		1	19
Interest payable and similar charges	4	<u>(33,717)</u>	<u>(34,003)</u>
Profit on ordinary activities before taxation		10,721	8,750
Tax on profit on ordinary activities	6	<u>(2,642)</u>	<u>(2,420)</u>
Profit for the financial period	12	<u><u>8,079</u></u>	<u><u>6,330</u></u>


Turnover and operating profit derive wholly from continuing operations.

The company has no recognised gains or losses for the period other than the results above.

Harrods Property Limited
(Registration number: 5985365)
Balance Sheet at 31 January 2015

	Note	31 January 2015 £ 000	1 February 2014 £ 000
Fixed assets			
Tangible fixed assets	7	<u>638,055</u>	<u>641,016</u>
Current assets			
Debtors due within one year	8	356	348
Debtors due after more than one year	8	265,535	265,519
Cash at bank and in hand		<u>320</u>	<u>364</u>
		266,211	266,231
Creditors: Amounts falling due within one year	9	<u>(25,527)</u>	<u>(23,706)</u>
Net current assets		<u>240,684</u>	<u>242,525</u>
Total assets less current liabilities		878,739	883,541
Creditors: Amounts falling due after more than one year	10	<u>(855,613)</u>	<u>(868,494)</u>
Net assets		<u><u>23,126</u></u>	<u><u>15,047</u></u>
Capital and reserves			
Called up share capital	11	100	100
Profit and loss account	12	<u>23,026</u>	<u>14,947</u>
Shareholders' funds	13	<u><u>23,126</u></u>	<u><u>15,047</u></u>

Approved by the Board on 22 April 2015 and signed on its behalf by:



 J P Edgar
 Director

Harrods Property Limited
Cash Flow Statement for the Period ended 31 January 2015

Reconciliation of operating profit to net cash flow from operating activities

	52 weeks ended 31 January 2015 £ 000	52 weeks ended 1 February 2014 £ 000
Operating profit	44,437	42,734
Depreciation, amortisation and impairment charges	2,961	3,051
Loss on disposal of fixed assets	-	1
Increase in debtors	(8)	(51)
Increase in creditors	2,552	3,385
Increase in deferred income	11	398
Net cash inflow from operating activities	<u>49,953</u>	<u>49,518</u>

Cash flow statement

	52 weeks ended 31 January 2015 £ 000	52 weeks ended 1 February 2014 £ 000
Net cash inflow from operating activities	<u>49,953</u>	<u>49,518</u>
Returns on investments and servicing of finance		
Interest received	1	19
Interest paid	<u>(35,299)</u>	<u>(35,524)</u>
	<u>(35,298)</u>	<u>(35,505)</u>
Taxation paid	<u>(2,403)</u>	<u>(2,047)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	-	(2,507)
Sale of tangible fixed assets	-	1
	<u>-</u>	<u>(2,506)</u>
Net cash inflow before management of liquid resources and financing	12,252	9,460
Financing		
Repayment of loans and borrowings	<u>(12,296)</u>	<u>(19,562)</u>
Decrease in cash	<u>(44)</u>	<u>(10,102)</u>

The notes on pages 10 to 20 form an integral part of these financial statements.

Harrods Property Limited

Cash Flow Statement for the Period ended 31 January 2015

..... *continued*

Reconciliation of net cash flow to movement in net debt

	Note	52 weeks ended 31 January 2015 £ 000	52 weeks ended 1 February 2014 £ 000
Decrease in cash		(44)	(10,102)
Cash outflow from repayment of loans		<u>12,296</u>	<u>19,562</u>
Change in net debt resulting from cash flows	14	12,252	9,460
Other non-cash movements		<u>(1,060)</u>	<u>(489)</u>
Movement in net debt	14	11,192	8,971
Net debt at start of period	14	<u>(880,409)</u>	<u>(889,380)</u>
Net debt at end of period	14	<u><u>(869,217)</u></u>	<u><u>(880,409)</u></u>

The notes on pages 10 to 20 form an integral part of these financial statements.

Harrods Property Limited

Notes to the Financial Statements for the Period ended 31 January 2015

1 Accounting policies

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 company have remained unchanged from the previous period and are set out below.

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	3-20 years
Freehold property	10-50 years

It is the practice of the company 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 company 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 tax

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Issue costs

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

Harrods Property Limited

Notes to the Financial Statements for the Period ended 31 January 2015

..... *continued*

Accounting policies (continued)

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

2 Turnover

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

	52 weeks ended 31 January 2015 £ 000	52 weeks ended 1 February 2014 £ 000
Rents receivable from related parties	<u>47,530</u>	<u>45,790</u>

3 Operating profit

Operating profit is stated after charging:

	52 weeks ended 31 January 2015 £ 000	52 weeks ended 1 February 2014 £ 000
Loss on sale of tangible fixed assets	-	2
Auditor's remuneration (Audit services)	23	18
Depreciation: Tangible fixed assets owned	<u>2,961</u>	<u>3,051</u>

Harrods Property Limited

Notes to the Financial Statements for the Period ended 31 January 2015

..... *continued*

4 Interest payable and similar charges

	52 weeks ended 31 January 2015 £ 000	52 weeks ended 1 February 2014 £ 000
Interest payable on bank loan	31,022	31,577
Amortisation of the issue cost	258	261
Finance charge on swaps	2,437	2,165
	33,717	34,003
	33,717	34,003

Finance charge on swaps in the current year includes the cost of reducing the notional principal amount under the company's interest rate swaps.

5 Directors and employees

No emoluments were paid to the directors of the company during the period (2014: £nil) for qualifying services.

The company did not employ any persons or incur any staff costs during the period (2014: £nil).

6 Taxation

Tax on profit on ordinary activities

	52 weeks ended 31 January 2015 £ 000	52 weeks ended 1 February 2014 £ 000
Current tax		
Current tax charge	2,658	2,404
Deferred tax		
Accelerated capital (charges)/allowances	(16)	16
Total tax on profit on ordinary activities	2,642	2,420
	2,642	2,420

Harrods Property Limited

Notes to the Financial Statements for the Period ended 31 January 2015

..... *continued*

Taxation (continued)

Factors affecting current tax charge for the period

Tax on profit on ordinary activities for the year is higher than (2014 - higher than) the standard rate of corporation tax in the UK of 21.32% (2014 - 23.16%).

The differences are reconciled below:

	52 weeks ended 31 January 2015 £ 000	52 weeks ended 1 February 2014 £ 000
Profit on ordinary activities before taxation	10,721	8,750
Corporation tax at standard rate	2,286	2,026
Capital allowances in excess of depreciation	18	(9)
Expenses not deductible for tax purposes	354	387
Total current tax	2,658	2,404

Harrods Property Limited

Notes to the Financial Statements for the Period ended 31 January 2015

..... *continued*

7 Tangible fixed assets

	Freehold Properties £ 000
Cost or valuation	
At 2 February 2014	662,405
Disposals	(9)
At 31 January 2015	662,396
Depreciation	
At 2 February 2014	21,389
Charge for the period	2,961
Eliminated on disposals	(9)
At 31 January 2015	24,341
Net book value	
At 31 January 2015	638,055
At 1 February 2014	641,016

Freehold properties are stated at historic cost.

All of the company's fixed assets are held for use in operating leases. During the period rental income of £47.5m (2014: £45.8m) has been recognised in respect of these operating leases.

The market value of the properties held is estimated to be £400m (2014: £330m) higher than the carrying value in the accounts.

8 Debtors

	31 January 2015 £ 000	1 February 2014 £ 000
Amounts due within one year:		
Prepayments and accrued income	354	345
Other debtors	-	1
Amounts due from related party	2	2
	356	348

Harrods Property Limited

Notes to the Financial Statements for the Period ended 31 January 2015

..... *continued*

Debtors (continued)

	31 January 2015 £ 000	1 February 2014 £ 000
Amounts due after more than one year:		
Loan to related party (note 17)	265,463	265,463
Deferred tax (see below)	72	56
	265,535	265,519

Deferred tax

The movement in the deferred tax asset in the period is as follows:

	£ 000
At 2 February 2014	56
Deferred tax credited to the profit and loss account	16
At 31 January 2015	72

Analysis of deferred tax

	31 January 2015 £ 000	1 February 2014 £ 000
Difference between accumulated depreciation and amortisation and capital allowances	72	56
	72	56

Harrods Property Limited

Notes to the Financial Statements for the Period ended 31 January 2015

..... *continued*

Debtors (continued)

Legislation was introduced in the Finance Act 2013 to reduce the main rate of corporation tax from 23% to 21% on 1 April 2014, then to 20% on 1 April 2015.

Deferred tax liabilities have been measured at the rate that is expected to apply in the period in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted at the balance sheet date.

9 Creditors: Amounts falling due within one year

	31 January 2015 £ 000	1 February 2014 £ 000
Syndicated bank loan (note 10)	13,924	12,296
Accruals and deferred income	3,811	3,755
Bank interest payable	5,133	5,251
Corporation tax payable	2,659	2,404
	<u>25,527</u>	<u>23,706</u>

10 Creditors: Amounts falling due after more than one year

	31 January 2015 £ 000	1 February 2014 £ 000
Syndicated bank loan repayable by instalments (refer (i) below)	516,881	530,547
Loan from related party (refer (iii) below)	285,607	283,102
Unamortised swap liability owing to swap counterparty (refer (ii) below)	53,125	54,845
	<u>855,613</u>	<u>868,494</u>

Harrods Property Limited

Notes to the Financial Statements for the Period ended 31 January 2015

..... *continued*

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

	31 January 2015 £'000	1 February 2014 £'000
The maturity profiles of the company's syndicated bank borrowings at the period end were as follows:		
Due:		
In one year or less	13,924	12,296
Between one and two years	517,339	13,924
Between two and three years	-	517,339
	531,263	543,559
Issue cost	(2,854)	(2,854)
Amortisation charged to date	2,396	2,138
	530,805	542,843
Comprises:		
Within one year	13,924	12,296
More than one year	516,881	530,547
	530,805	542,843

(i) During the period, repayments of £12.3m were made on the syndicated bank loan (2014: £19.6m). The balance at 31 January 2015 stands at £531.3m (2014: £543.6m).

The syndicated bank loan is repayable quarterly in advance over 10 years with a final payment of £505.9m due in December 2016. The loan is secured by way of fixed and floating charges over the company's land and buildings. Interest is linked to LIBOR. The company entered into a swap arrangement to eliminate interest rate risk. At 31 January 2015 the fair value of the swap amounted to a liability of £191.1m (2014 £121.5m).

(ii) The company 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 £60.5m. At 31 January 2015 the fair value of the swap amounted to a liability of £124.8m (2014 £148.1m).

(iii) The related party loan is from Harrods Limited, a company under the common control of the group's ultimate parent undertaking and is non interest bearing and repayable on demand by the lender. 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.

Harrods Property Limited

Notes to the Financial Statements for the Period ended 31 January 2015

..... *continued*

11 Share capital

	31 January 2015 £'000	1 February 2014 £'000
Authorised:		
100,002 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted and fully paid:		
100,002 ordinary shares of £1 each	<u>100</u>	<u>100</u>

12 Reserves

	Profit and loss account £ 000
At 2 February 2014	14,947
Profit for the period	<u>8,079</u>
At 31 January 2015	<u>23,026</u>

13 Reconciliation of movement in shareholders' funds

	31 January 2015 £ 000	1 February 2014 £ 000
Profit attributable to the members of the company	8,079	6,330
Shareholders' funds at start of period	<u>15,047</u>	<u>8,717</u>
Shareholders' funds at end of period	<u>23,126</u>	<u>15,047</u>

Harrods Property Limited

Notes to the Financial Statements for the Period ended 31 January 2015

..... *continued*

14 Analysis of net debt

	At 2 February 2014 £ 000	Cash flow £ 000	Other non-cash changes £ 000	At 31 January 2015 £ 000
Cash at bank and in hand	364	(44)	-	320
Unamortised swap liability	(54,845)	-	1,720	(53,125)
Bank loan	(542,843)	12,296	(258)	(530,805)
Loan from related party	(283,085)	-	(2,522)	(285,607)
Net debt	<u>(880,409)</u>	<u>12,252</u>	<u>(1,060)</u>	<u>(869,217)</u>

15 Capital commitments

The company had no capital commitments at 31 January 2015 or 1 February 2014.

16 Contingent liabilities

In December 2006, the company granted a second charge over the company'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.

There were no other contingent liabilities at 31 January 2015 or 1 February 2014.

Harrods Property Limited

Notes to the Financial Statements for the Period ended 31 January 2015

..... *continued*

17 Related party transactions

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 £285.6m (2014: £283.1m). During the period, movement in the intercompany balance owed by Harrods Property Limited was £2.5m (2014: £5.1m).

The property leases with Harrods Limited are for a term of 35 years commencing 5 December 2006. Rent is reviewed annually calculated by using the applicable Retail Price Index (RPI). At 5 December 2014, current rent was £48.3m per annum, receivable quarterly in advance.

During the period the company charged rent of £47.5m (2014: £45.8m) to Harrods Limited, the lessee. At the period end, the balance of rent received in advance was £3.7m (2014: £3.7m).

During the period the company was recharged for fixed assets additions amounting to £nil (2014: £2.5m) from Harrods Limited. At the period end, the creditor balance was £nil (2014: £nil).

The related party loan to QH 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 £265.5m (2014: £265.5m). The loan is considered recoverable against other assets and investments directly or indirectly supporting the nominal value of this loan.

There are no other related party transactions.

18 Ultimate parent undertaking

The company's immediate and ultimate United Kingdom parent undertaking is Harrods Property Holdings Limited, which is both the smallest and the largest group which consolidates the results of the company. The group accounts will be filed with the Register of Companies in due course.

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.