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**HARRODS PROPERTY  
LIMITED**

**FINANCIAL STATEMENTS**

**For the Period ended  
31 JANUARY 2009**

**Company no 5985365**

**HARRODS PROPERTY LIMITED**  
**FINANCIAL STATEMENTS**

For the period ended 31 JANUARY 2009

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**HARRODS PROPERTY LIMITED**  
REPORT OF THE DIRECTORS

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

**Principal activity**

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

**Business review**

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

**Directors**

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

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

Except as disclosed in note 18, no director has had a material interest, directly or indirectly, at any time during the period in any contract significant to the company.

The company has a deficit of shareholders funds at 31 January 2009. The directors consider it appropriate for these financial statements to be prepared on a going concern basis as the 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.

**Credit risk**

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

**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 8 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.

**Statement of directors' responsibilities**

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

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

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

In so far as the directors are aware:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

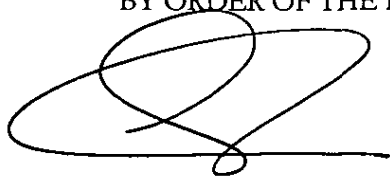
The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Statement of directors' responsibilities (continued)**

**Auditors**

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

BY ORDER OF THE BOARD



S Dean  
Secretary  
31 July 2009

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

## **REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF HARRODS PROPERTY LIMITED**

We have audited the financial statements of Harrods Property Limited for the period ended 31 January 2009 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the cash flow statement and notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

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

### **Respective responsibilities of the directors and auditor**

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

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

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

### **Basis of audit opinion**

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

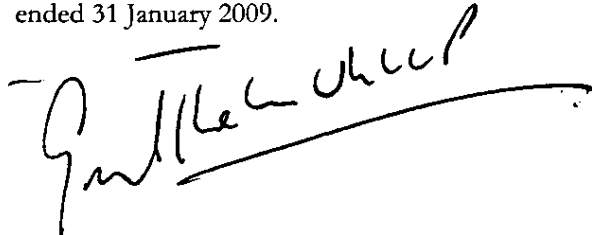
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

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

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 January 2009 and of its loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements for the year ended 31 January 2009.

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

GRANT THORNTON UK LLP  
REGISTERED AUDITOR  
CHARTERED ACCOUNTANTS

LONDON  
31 July 2009

**Basis of Preparation**

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom applicable accounting standards.

The company has a deficit of shareholders funds at 31 January 2009. The directors consider it appropriate for these financial statements to be prepared on a going concern basis as the 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.

The principal accounting policies of the company have remained unchanged from the previous year 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 - 10 years
Freehold property	35 - 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 substantially all the risk and rewards of ownership of the asset subject to the lease, the asset is shown within tangible fixed assets. Rental income from these operating leases is recognised on a systematic basis over the period of the lease.

**Deferred taxation**

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

**Financial instruments**

Interest differentials, under which the amount 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 FRS26 the fair value of the financial instrument is not recognised, but is disclosed in the notes to the accounts.

**HARRODS PROPERTY LIMITED**  
**PROFIT AND LOSS ACCOUNT**

For the period ended 31 JANUARY 2009

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

All transactions arise from continuing operations.

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

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

**HARRODS PROPERTY LIMITED**  
BALANCE SHEET AT 31 JANUARY 2009

	Note	At 31 January 2009 £'000	At 2 February 2008 £'000
<b>Fixed assets</b>			
Tangible assets	5	<u>696,752</u>	<u>698,696</u>
<b>Current assets</b>			
Debtors due within one year	6	1,461	801
Debtors due after one year	6	258,659	290,004
Cash at bank		4,041	7,448
		<u>264,161</u>	<u>298,253</u>
<b>Creditors: amounts falling due within one year</b>	7	<u>(14,979)</u>	<u>(13,508)</u>
<b>Total assets less current liabilities</b>		<u>945,934</u>	<u>983,441</u>
<b>Creditors: amounts falling due after more than one year</b>	8	<u>(971,900)</u>	<u>(984,896)</u>
<b>Net liabilities</b>		<u>(25,966)</u>	<u>(1,455)</u>
<b>Capital and reserves</b>			
Called up share capital	10	100	100
Profit and loss account	11	<u>(26,066)</u>	<u>(1,555)</u>
<b>Shareholders' deficit</b>	12	<u>(25,966)</u>	<u>(1,455)</u>

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



B Smith - Director

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

**HARRODS PROPERTY LIMITED**  
**CASH FLOW STATEMENT**

For the period ended 31 JANUARY 2009

	Note	52 weeks ended 31 January 2009 £'000	66 weeks ended 2 February 2008 £'000
<b>Net cash inflow from operating activities</b>	13	41,535	48,214
<b>Returns on investments and servicing of finance</b>			
Interest received		433	341
Interest paid		(37,184)	(35,563)
Issue costs of new bank borrowings		(23)	(2,832)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<u>(36,774)</u>	<u>(38,054)</u>
<b>Taxation received/(paid)</b>		600	(141)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(3,651)	(349,624)
Loans to related parties		(600)	(290,000)
<b>Net cash outflow from capital expenditure and financial investment</b>		<u>(4,251)</u>	<u>(639,624)</u>
<b>Financing</b>			
Proceeds from issuing of ordinary share capital	12	-	100
Proceeds from bank borrowings		-	650,000
Repayment of bank borrowings	14	(4,517)	(13,047)
<b>Net cash (outflow)/inflow from financing</b>		<u>(4,517)</u>	<u>637,053</u>
<b>(Decrease)/Increase in cash</b>	14,15	<u><u>(3,407)</u></u>	<u><u>7,448</u></u>

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

**HARRODS PROPERTY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 JANUARY 2009

**1 Turnover and loss on ordinary activities before taxation**

The loss on ordinary activities before taxation is stated after:

	52 weeks ended 31 January 2009 £'000	66 weeks ended 2 February 2008 £'000
Rents receivable from related parties	<u>41,401</u>	<u>45,500</u>

The loss on ordinary activities before taxation is stated after:

Auditors' remuneration:		
Audit services	41	22
Non-audit services		
Exceptional charge for provision against loan to related party (note 6)	24,384	-
Depreciation:		
Tangible fixed assets owned	<u>5,596</u>	<u>6,567</u>

**2 Net interest**

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

**HARRODS PROPERTY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 JANUARY 2009

**3 Directors and employees**

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

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

**4 Tax on loss on ordinary activities**

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

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

**HARRODS PROPERTY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 JANUARY 2009

**5 Tangible fixed assets**

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

Freehold properties are stated at historic cost.

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

**6 Debtors**

	31 January 2009 £'000	2 February 2008 £'000
<b>Amounts due within one year:</b>		
Other debtors	1,296	641
Prepayments and accrued income	165	160
	<u>1,461</u>	<u>801</u>
<b>Amounts due after more than one year:</b>		
Loan to a related party (note 18)	257,991	289,138
Deferred tax asset (note 9)	52	266
Corporation tax receivable	616	600
	<u>258,659</u>	<u>290,004</u>

**HARRODS PROPERTY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 JANUARY 2009

**Debtors (continued)**

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

**7 Creditors: amounts falling due within one year**

	31 January 2009 £'000	2 February 2008 £'000
Syndicated bank loan (note 8)	5,610	4,517
Accruals and deferred income	3,427	3,000
Bank interest payable	5,942	5,991
	<u>14,979</u>	<u>13,508</u>

**8 Creditors: amounts falling due after more than one year**

	31 January 2009 £'000	2 February 2008 £'000
Syndicated bank loan repayable by instalments (refer (i) below)	624,620	629,952
Loan from related party (refer (iii) below)	295,045	302,407
Unamortised swap liability owing to bank (refer (ii) below)	52,235	52,537
	<u>971,900</u>	<u>984,896</u>



**HARRODS PROPERTY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 JANUARY 2009

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

The maturity profiles of the company's syndicated bank borrowings at the period end were as follows:

In one year or less	5,610	4,517
Between one and two years	6,891	5,610
Between two and three years	8,266	6,891
Between three and four years	9,451	8,266
Between four and five years	11,412	9,451
Between five and ten years	590,806	602,218
	<u>632,436</u>	<u>636,953</u>
Issue costs	(2,854)	(2,832)
Amortisation charged to date	648	348
	<u>630,230</u>	<u>634,469</u>
Comprises:		
Within one year	5,610	4,517
More than one year	624,620	629,952
	<u>630,230</u>	<u>634,469</u>

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

The syndicated bank loan is repayable quarterly in advance over 10 years with a final payment of £550.6 million due in December 2016. The loan is secured by way of fixed and floating charges over the 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 2009 the fair value of the swap amounted to a loss of £76.6m. The loss will only be incurred if the swap arrangement is terminated before the termination date of 1 March 2031.

(ii) The 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 £52.6m. The liability is amortised over the period of the swap. At 31 January 2009 the fair value of the swap amounted to £139.9m, a loss of £87.3m. However, the loss will only be incurred if the swap arrangement is terminated before the termination date of 1 September 2031.

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

**HARRODS PROPERTY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 JANUARY 2009

**9 Deferred taxation**

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

	<b>Amount provided</b>	
	31	2
	January	February
	2009	2008
	£'000	£'000
Deferred tax asset: Accelerated capital allowances	52	266

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

**10 Share capital**

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

**HARRODS PROPERTY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 JANUARY 2009

**11 Reserves**

	Profit and loss account £'000
At 3 February 2008	(1,555)
Loss for the period	<u>(24,511)</u>
At 31 January 2009	<u><u>(26,066)</u></u>

**12 Reconciliation of movements in shareholders' funds**

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

**13 Net cash inflow from operating activities**

	52 weeks ended 31 January 2009 £'000	66 weeks ended 2 February 2008 £'000
Operating profit	11,227	38,713
Depreciation (note 1)	5,596	6,567
Impairment provision (note 1 and 6)	24,384	-
Increase in debtors	(99)	(66)
Increase in deferred income	396	2,982
Increase in creditors	<u>31</u>	<u>18</u>
Net cash inflow from operating activities	<u><u>41,535</u></u>	<u><u>48,214</u></u>

**14 Reconciliation of net cash flow to movement in net debt**

	52 weeks ended 31 January 2009 £'000	66 weeks ended 2 February 2008 £'000
(Decrease)/Increase in cash in the period	(3,407)	7,448
Proceeds from syndicated bank borrowings, net of issue costs	-	(647,168)
Repayment of syndicated bank borrowings	4,517	13,047
Proceeds from related party borrowings	7,362	(302,407)
Assumption of unamortised swap liability	-	(52,537)
Movement in net debt in the period	<u>8,472</u>	<u>(981,617)</u>
Other non cash charges	25	(348)
Net debt at 3 February 2008	<u>(981,965)</u>	-
Net debt at 31 January 2009	<u>(973,468)</u>	<u>(981,965)</u>

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

**15 Analysis of changes in net debt**

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

**16 Capital commitments**

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

## **17 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.

The company also has contingent liabilities in respect of its interest rate swap and LPI swap, as detailed in note 8. However, this would only be incurred if the swaps were terminated before the relevant termination date.

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

## **18 Transactions with directors and other related parties**

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

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

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

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

There are no other related party transactions.

**HARRODS PROPERTY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 31 JANUARY 2009

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