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**HARRODS PROPERTY  
LIMITED**

**FINANCIAL STATEMENTS**

**For the Period ended  
30 JANUARY 2010**

**Company no 5985365**

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

For the period ended 30 JANUARY 2010

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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 30 January 2010

**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 £23.2m (2009 loss £24.5m). The directors did not pay a dividend in the period (2009 £nil).

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

**Post balance sheet events**

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

**Directors**

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

M Al Fayed (resigned 07/05/10)

A Fayed (resigned 07/05/10)

J Byrne

A Tanna (resigned 07/05/10)

M Ward

B Smith

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

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

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

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

K Al Kuwan (appointed 07/05/10)

K Maamria (appointed 08/07/10)

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

**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 financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities,

In so far as the directors are aware

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

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

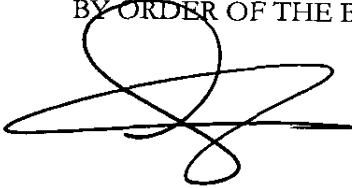
**HARRODS PROPERTY LIMITED**  
REPORT OF THE DIRECTORS

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**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  
12 July 2010

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 30 January 2010 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the cash flow statement and notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

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

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements

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

### **Opinion on other matters prescribed by the Companies Act 2006**

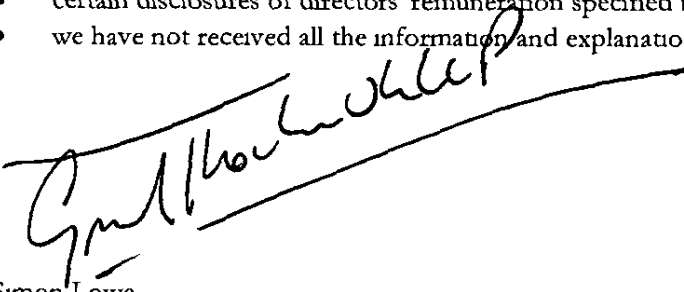
In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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

**Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, 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



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

12/7/ 2010

**Basis of Preparation**

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

The company has a deficit of shareholders funds at 30 January 2010. The directors consider it appropriate for these financial statements to be prepared on a going concern basis as the 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 - 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 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 30 JANUARY 2010

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

All transactions arise from continuing operations

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

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

**HARRODS PROPERTY LIMITED**  
BALANCE SHEET AT 30 JANUARY 2010

	Note	At 30 January 2010 £'000	At 31 January 2009 £'000
<b>Fixed assets</b>			
Tangible assets	5	<u>696,174</u>	<u>696,752</u>
<b>Current assets</b>			
Debtors due within one year	6	423	1,461
Debtors due after one year	6	274,904	258,659
Cash at bank		184	4,041
		<u>275,511</u>	<u>264,161</u>
<b>Creditors: amounts falling due within one year</b>	7	<u>(18,347)</u>	<u>(14,979)</u>
<b>Total assets less current liabilities</b>		<u>953,338</u>	<u>945,934</u>
<b>Creditors: amounts falling due after more than one year</b>	8	<u>(956,106)</u>	<u>(971,900)</u>
<b>Net liabilities</b>		<u>(2,768)</u>	<u>(25,966)</u>
<b>Capital and reserves</b>			
Called up share capital	10	100	100
Profit and loss account	11	<u>(2,868)</u>	<u>(26,066)</u>
<b>Shareholders' deficit</b>	12	<u>(2,768)</u>	<u>(25,966)</u>

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



B Smith - Director

Company registration no 5985365

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

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

For the period ended 30 JANUARY 2010

	Note	52 weeks ended 30 January 2010 £'000	52 weeks ended 31 January 2009 £'000
<b>Net cash inflow from operating activities</b>	13	42,686	41,535
<b>Returns on investments and servicing of finance</b>			
Interest received		18	433
Interest paid		(37,812)	(37,184)
Issue costs of new bank borrowings		-	(23)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<u>(37,794)</u>	<u>(36,774)</u>
<b>Taxation received</b>		616	600
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(5,220)	(3,651)
Repayment by AIT Partners		8,116	-
Borrowing from Harrods Limited		2,017	-
Repayment to Harrods Limited		(8,668)	(600)
<b>Net cash outflow from capital expenditure and financial investment</b>		<u>(3,755)</u>	<u>(4,251)</u>
<b>Financing</b>			
Repayment of bank borrowings	14	<u>(5,610)</u>	<u>(4,517)</u>
<b>Net cash outflow from financing</b>		<u>(5,610)</u>	<u>(4,517)</u>
<b>Decrease in cash</b>	14,15	<u><u>(3,857)</u></u>	<u><u>(3,407)</u></u>

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

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

For the period ended 30 JANUARY 2010

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

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

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

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

Auditors' remuneration		
Audit services	21	41
Exceptional (credit)/charge for provision against loan to related party (note 6)	(24,384)	24,384
Depreciation		
Tangible fixed assets owned	<u>5,798</u>	<u>5,596</u>

**2 Net interest**

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

**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

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

For the period ended 30 JANUARY 2010

**4 Tax on profit/(loss) on ordinary activities**

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

	52 weeks ended 30 January 2010 £'000	52 weeks ended 31 January 2009 £'000
<b>Current tax</b>		
Group relief	347	550
Prior Period adjustment	-	65
	<u>347</u>	<u>615</u>
<b>Deferred tax</b>		
Accelerated capital allowances	593	(214)
Total tax credit	<u>940</u>	<u>401</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% (2009 28 33%)		
Profit/(loss) on ordinary activities before tax	<u>22,258</u>	<u>(24,912)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 28% (2009 28 33%)	(6,232)	7,057
Effect of		
Impairment of receivable not allowable for tax	6,827	(6,907)
Transfer pricing adjustments	1,191	1,769
Depreciation in excess of capital allowances	(1,439)	(1,369)
Prior year adjustment	-	65
Current tax credit for the period	<u>347</u>	<u>615</u>

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

For the period ended 30 JANUARY 2010

**5 Tangible fixed assets**

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

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

**6 Debtors**

	30 January 2010 £'000	31 January 2009 £'000
<b>Amounts due within one year.</b>		
Other debtors	-	1,296
Prepayments and accrued income	76	165
Corporation tax receivable	347	-
	<u>423</u>	<u>1,461</u>

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

For the period ended 30 JANUARY 2010

**Debtors (continued)**

	30 January 2010 £'000	31 January 2009 £'000
<b>Amounts due after more than one year:</b>		
Loan to a related party (note 18)	274,259	257,991
Deferred tax asset (note 9)	645	52
Corporation tax receivable	-	616
	<u>274,904</u>	<u>258,659</u>

The related party loan to AIT Partners Limited, a company under the common control of the company's ultimate parent undertaking, is non interest bearing and is repayable with not less than 12 months notice by the company. The gross amount outstanding is £274.3m. An independent valuation of these assets was carried out at the directors' request as at 3 February 2007. The directors conducted a reassessment of the valuation of these assets as at 30 January 2010 and, in line with conditions as at 30 January 2010, have released a provision against this receivable of £24.4m (2009 provision £24.4m).

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

	30 January 2010 £'000	31 January 2009 £'000
Syndicated bank loan (note 8)	6,891	5,610
Amounts due to related parties	2,017	-
Accruals and deferred income	3,535	3,427
Bank interest payable	5,904	5,942
	<u>18,347</u>	<u>14,979</u>

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

	30 January 2010 £'000	31 January 2009 £'000
Syndicated bank loan repayable by instalments (refer (i) below)	618,022	624,620
Loan from related party (refer (iii) below)	286,377	295,045
Unamorused swap liability owing to bank (refer (u) below)	51,707	52,235
	<u>956,106</u>	<u>971,900</u>



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

For the period ended 30 JANUARY 2010

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

	30	31
	January	January
	2010	2009
	£'000	£'000
The maturity profiles of the company's syndicated bank borrowings at the period end were as follows		
In one year or less	6,891	5,610
Between one and two years	8,266	6,891
Between two and three years	9,451	8,266
Between three and four years	11,412	9,451
Between four and five years	13,111	11,412
Between five and ten years	577,695	590,806
	<u>626,826</u>	<u>632,436</u>
Issue costs	(2,854)	(2,854)
Amortisation charged to date	941	648
	<u>624,913</u>	<u>630,230</u>
Comprises		
Within one year	6,891	5,610
More than one year	<u>618,022</u>	<u>624,620</u>
	<u>624,913</u>	<u>630,230</u>

(i) During the period, repayments of £5.6m (2009 £4.5m) were made on the syndicated bank loan, reducing the balance to £626.8m at 30 January 2010 (2009 £632.4m)

The syndicated bank loan is repayable quarterly in advance over 10 years with a final payment of £550.6m 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 30 January 2010 the fair value of the swap amounted to a loss of £65.9m. The loss will only be incurred if the swap arrangement is terminated before the termination date of 1 March 2031.

(ii) The 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 30 January 2010 the fair value of the swap amounted to £109.5m, a loss of £56.9m. However, the loss will only be incurred if the swap arrangement is terminated before the termination date of 1 September 2031.

(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 30 JANUARY 2010

**9 Deferred taxation**

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

	<b>Amount provided</b>	
	30	31
	<b>January</b>	<b>January</b>
	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 February 2009	52	266
Transfer from/(to) profit and loss account	593	(214)
Balance at 30 January 2010	<u>645</u>	<u>52</u>

In addition to the amount provided for deferred taxation, there are potential liabilities in respect of deferred taxation (after utilisation of capital losses) of £26.3m (2009 £26.2m) if the properties were disposed of at the current carrying value. In the opinion of the directors the potential liabilities in respect of capital gains are unlikely to arise since the majority of the properties will be retained for use by the business.

**10 Share capital**

	2010	2009
	£'000	£'000
<u>Authorised</u>		
100,002 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<u>Allotted and fully paid</u>		
100,002 ordinary shares of £1 each	<u>100</u>	<u>100</u>

**11 Reserves**

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

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

For the period ended 30 JANUARY 2010

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

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

**13 Net cash inflow from operating activities**

	52 weeks ended 30 January 2010 £'000	52 weeks ended 31 January 2009 £'000
Operating profit	61,078	11,227
Depreciation (note 1)	5,798	5,596
Impairment provision (note 1)	(24,384)	24,384
Decrease/(increase) in debtors	86	(99)
Increase in deferred income	118	396
(Decrease)/increase in creditors	<u>(10)</u>	<u>31</u>
Net cash inflow from operating activities	<u><u>42,686</u></u>	<u><u>41,535</u></u>

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

	52 weeks ended 30 January 2010 £'000	52 weeks ended 31 January 2009 £'000
Decrease in cash in the period	(3,857)	(3,407)
Repayment of syndicated bank borrowings	5,610	4,517
Proceeds from related party borrowings	8,668	7,362
Movement in net debt in the period	<u>10,421</u>	<u>8,472</u>
Other non cash charges	235	25
Net debt at 1 February 2009	<u>(973,468)</u>	<u>(981,965)</u>
Net debt at 30 January 2010	<u><u>(962,812)</u></u>	<u><u>(973,468)</u></u>

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

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

For the period ended 30 JANUARY 2010

**15 Analysis of changes in net debt**

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

**16 Capital commitments**

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

**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 30 January 2010 or 31 January 2009

For the period ended 30 JANUARY 2010

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## **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 £286m (2009 £295m)

The property leases with Harrods Limited are for a term of 35 years commencing 5 December 2006, with the initial rent commencing at £39.7m per annum, receivable quarterly in advance. Rent is reviewed annually calculated by using the applicable Retail Price Index (RPI). At 5 December 2009, current rent was £43.2m per annum.

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

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

The related party loan to AIT Partners Limited, a company under the common control of the company's ultimate parent undertaking, is non interest bearing and is repayable with not less than 12 months notice by the company. The loan is considered recoverable against other assets and investments directly or indirectly supporting the nominal value of this loan. An independent valuation of these assets was carried out at the directors' request as at 3 February 2007. The directors conducted a reassessment of the valuation of these assets as at 30 January 2010 and, in line with conditions as at 30 January 2010, have released a provision against this receivable of £24.4m. At the period end, the gross loan receivable was £274.3m (2009 £282.4m). The maximum receivable during the period was £282.4m (2009 £290.0m).

There are no other related party transactions.

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