Registered Number: 1066321

TURNBULL & ASSER LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JANUARY 2006

TURNBULL & ASSER LIMITED
DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements of Turnbull & Asser Limited ("the Company") and its subsidiaries ("the Group") for the 52 weeks ended 28 January 2006.

PRINCIPAL ACTIVITY

The principal activity of the company is the retailing of menswear clothing.

DIRECTORS AND THEIR INTERESTS

The present Directors of the Company are:

Mr A Fayed
Mr S Quin
Mr P Price (appointed 1 February 2005)
Mr S Miller (appointed 15 September 2005)

The following Directors also held office during the year:

Mr S Rees-Boughton (resigned 5 September 2005)
Mr K Williams (resigned 12 September 2005)

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

Mr A. Fayed has beneficial interest in the shares of the Company, comprising the entire issued share capital as at 28 January 2006 and at 29 January 2005. No other Directors in office during the year held any beneficial interest in the shares of the Company or of any of its subsidiary undertakings at 28 January 2006 or at 29 January 2005.

No Director has had a material interest, directly or indirectly, at any time during the year in any contract significant to the business of the Company or the Group.

REVIEW OF THE BUSINESS

In general, the Company had a challenging 52 week period to 28 January 2006 and business had to compete in an unpredictable and difficult trading environment. During the year there were changes to the management structure of the Company with renewed focus being placed on good merchandising practice, with the emphasis on quality and service. In addition, with the improvement seen in the company's manufacturing operations along with a strong management team, the Directors consider that the Group is well placed to benefit from the Group's strong brand image and an upturn in trading conditions.

RESULTS AND DIVIDENDS

The Group loss on ordinary activities before taxation for the 52 weeks ended 28 January 2006 amounted to £0.25 million (52 weeks ended 29 January 2005: restated profit of £0.07 million). No dividend was paid for the year (2005: £nil). No final dividend is proposed and the loss has been set against reserves.

FINANCIAL INSTRUMENTS

The companies principal financial instruments comprise bank balances, bank overdrafts, trade creditors and trade debtors. The main purpose of these instruments is to raise funds for the company's operations and to finance the company's operations. Due to the nature of the financial instruments used by the company there is no exposure to price risk. The company's approach to managing other risks applicable to the financial instruments concerned is shown below.

FINANCIAL INSTRUMENTS/continued

In respect of bank balances the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of overdrafts at floating rates of interest. The company makes use of money market facilities where funds are available. In respect of loans these comprise loans from financial institutions. The interest rate on the loans from financial institutions is variable but the monthly repayments are fixed. The company manages the liquidity risk by ensuring there are sufficient funds to meet the payments. Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits. Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

THE ENVIRONMENT

The Company has continued to adopt policies and procedures that take account of the need to preserve and protect the environment. The Directors are committed to compliance with environmental best practice in all aspects of the business.

CHARITABLE AND POLITICAL DONATIONS

During the year £200 was spent on donations to charitable organisations. No contributions were made to any political party.

AUDITORS

On 1 April 2006, HLB AV Audit plc changed its name to HLB Vantis Audit plc. In accordance with section 385 of the Companies Act 1985, a resolution proposing that they be reappointed will be put to the Annual General Meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently as explained on page 9 under Note 1 'Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the 52 weeks ended 28 January 2006 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board.

S Dean
Secretary

6 th December 2006

Registered Office
14 South Street
London, W1K 1DF

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF TURNBULL & ASSER LIMITED

We have audited the financial statements of Turnbull & Asser Limited, on pages 5 to 20 for the year ended 28 January 2006. 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 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 described in the statement of directors' responsibilities on page 3 the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 or 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 transactions with the company 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 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 and the group'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.

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 and the Group's affairs as at 28 January 2006 and of the Group's loss for the 52 weeks ended; and
- have been properly prepared in accordance with the Companies Act 1985.

HLB Vantis Audit plc

HLB Vantis Audit plc
Chartered Accountants
Registered Auditor
6th December 2006

66 Wigmore Street
London, W1U 2SB

TURNBULL & ASSER LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE 52 WEEKS ENDED 28 JANUARY 2006

Note		52 Weeks 2006 £000	52 Weeks 2005 as restated £000
	Gross turnover	9,258	9,263
	Value added tax	(1,012)	(999)
2	TURNOVER	8,246	8,264
	Cost of sales	(4,818)	(4,349)
	Gross profit	3,428	3,915
	Distribution costs	(170)	(172)
	Administrative expenses	(3,566)	(3,732)
3	Other operating income	106	108
4	OPERATING (LOSS)/PROFIT	(202)	119
5	Net interest	(48)	(52)
	(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	(250)	67
6	Taxation on (loss)/profit on ordinary activities	70	40
18	RETAINED (LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR	(180)	107

There is no material difference between the results on ordinary activities before taxation and the retained results for the year stated above, and the historical costs equivalents.

All results in the period arose from continuing operations.

The notes on pages 9 to 20 form part of these financial statements.

TURNBULL & ASSER LIMITED
STATEMENT OF RECOGNISED GAINS AND LOSSES
FOR THE 52 WEEKS ENDED 28 JANUARY 2006

	52 Weeks 2006 £000	52 Weeks 2005 as restated £000
(Loss)/profit for the financial year	(180)	107
Total recognised gains and losses relating to the year	(180)	107
Prior year adjustment	114	
Total gains and losses recognised since last annual report	(66)	

TURNBULL & ASSER LIMITED
BALANCE SHEETS
AS AT 28 JANUARY 2006

Note		GROUP 2006 £000	GROUP 2005 as restated £000	COMPANY 2006 £000	COMPANY 2005 as restated £000
	FIXED ASSETS				
8	Tangible assets	3,412	3,554	3,412	3,554
9	Investments	-	-	12	12
		3,412	3,554	3,424	3,566
	CURRENT ASSETS				
10	Stocks	2,322	2,846	2,322	2,846
11	Debtors	877	1,396	890	1,409
	Cash at bank and in hand	72	24	60	13
		3,271	4,266	3,272	4,268
12	CREDITORS: amounts falling due within one year	(1,546)	(2,060)	(1,558)	(2,073)
	NET CURRENT ASSETS	1,725	2,206	1,714	2,195
	TOTAL ASSETS LESS CURRENT LIABILITIES	5,137	5,760	5,138	5,761
13	CREDITORS: amounts falling due after more than one year	-	(400)	-	(400)
15	PROVISION FOR LIABILITIES	-	(43)	-	(43)
		5,137	5,317	5,138	5,318
	CAPITAL AND RESERVES				
16	Called up share capital	850	850	850	850
17	Capital redemption reserve	30	30	30	30
18	Profit and loss account	4,257	4,437	4,258	4,438
19	SHAREHOLDERS' FUNDS	5,137	5,317	5,138	5,318

Approved by the Board on 6th December 2006

P Price
Chief Financial Officer

P L Price

The notes on pages 9 to 20 form part of these financial statements.

TURNBULL & ASSER LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE 52 WEEKS ENDED 28 JANUARY 2006

Note		2006 £000	2005 £000
22	NET CASH INFLOW FROM OPERATING ACTIVITIES	606	518
	Bank interest received	-	2
	Interest paid	(48)	(54)
	NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(48)	(52)
	Corporation tax received/(paid)	16	(30)
	CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS		
	Purchase of tangible fixed assets	(191)	(339)
	NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS	(191)	(339)
	FINANCING		
	Bank loan repaid in year	-	(200)
	NET CASH OUTFLOW FROM FINANCING	-	(200)
	INCREASE/(DECREASE) IN CASH IN THE PERIOD	383	(103)

Note		2006 £000	2005 £000
23	ANALYSIS OF CHANGES IN NET DEBT:		
	OPENING NET DEBT	(911)	(1,008)
	Increase/(decrease) in cash	383	(103)
	Repayment of bank loan	-	200
	CLOSING NET DEBT	(528)	(911)

TURNBULL & ASSER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
52 WEEKS ENDED 28 JANUARY 2006

1 ACCOUNTING POLICIES

Basis of accounting preparation

The financial statements have been prepared under the historical cost convention in accordance with the accounting policies set out below and applicable accounting standards.

Changes in accounting policies

The company has adopted FRS17 "Retirement benefits" in full in these financial statements. The adoption of this standard represents a change of accounting policy as the company previously accounted for pension costs under SSAP 24 "Accounting for pension costs". There was no effect on the results for the year of the change in accounting policy (2005: £25k increase in staff costs). As shown in note 18 the profit and loss reserve has increased by £114k since the last financial statements as a result of the restatement of the balance sheet.

Turnover

Turnover comprises the sales of goods to customers outside the Group, net of discounts and returns and excludes VAT. The turnover also includes the value of concession commission, following the adoption of FRS 5 application Note G - Revenue Recognition.

Basis of consolidation

These consolidated financial statements include the results of the Company and its subsidiary undertakings for the period to the nearest Saturday to 31 January. In the current financial year this represents the 52 weeks ended 28 January 2006. All of its subsidiary undertakings are dormant and consequently, the results of the Group reflect those of the Company.

Tangible fixed assets

All fixed assets are stated at cost.

Fixed asset investments

Fixed asset investments are held at cost less any provision required for impairment in value.

Depreciation of tangible fixed assets

Depreciation is provided by the Group in order to write down to estimated residual value, if any, the cost of tangible fixed assets over their estimated useful lives by equal annual instalments, as follows:

Freehold property	50 years
Long leasehold	Remaining period of lease
Fixture and fittings	Over 3 – 10 years
Vehicles and equipment	Over 4 – 10 years

Stock

Stock is stated at the lower of cost calculated on a weighted average basis and net realisable value.

1 ACCOUNTING POLICIES (continued)

Operating leases

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

Deferred taxation

Deferred taxation is accounted for on an undiscounted basis at expected tax rates on all differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. A deferred tax asset is only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the underlying timing differences can be deducted.

Retirement benefit schemes

Defined Contribution Pension Scheme

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

Defined Benefit Pension Scheme

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

The assets of the pension scheme are held and administered by trustees appointed under the scheme's rules as a single scheme. As there is more than one employer participating in the scheme Turnbull & Asser Limited is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. In accordance with the provisions of FRS 17 Turnbull & Asser Limited account for pension contributions as if their section of the group scheme were a defined contribution scheme because they are within a multi-employer scheme. Therefore the pension costs charged against operating profits are the contributions payable to the scheme in respect of the accounting period.

Foreign currency

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the year-end and transactions during the year are translated at the actual rate on the day of the transaction. Exchange differences arising from the translation of the opening net investment in a subsidiary to the closing rate are recorded as a movement on reserves. All other foreign exchange gains and losses are dealt with in the profit and loss account.

		2006 £000	2005 £000
2	TURNOVER is the amount receivable, excluding VAT, for goods and services supplied to customers in the following locations:		
	United Kingdom	5,962	5,869
	America	1,526	1,605
	Continental Europe	534	523
	Japan	177	208
	Other	47	59
		8,246	8,264

All operations are based in the United Kingdom.

3 OTHER OPERATING INCOME

	2006 £000	2005 £000
Royalty income	106	108

4 OPERATING (LOSS)/ PROFIT is stated after charging/(crediting):

	2006 £000	2005 £000
Depreciation of tangible fixed assets	333	338
Legal fees	47	33
Auditors' remuneration	15	15
Rentals paid under operating leases:		
• Land and buildings	314	357
• Plant and machinery	32	46

The audit fee for the parent company is £15,000 (2005: £15,000). There were no additional non audit fees paid to HLB Vantis Audit plc during the year (2005: £nil).

5 NET INTEREST

	2006 £000	2005 £000
Bank interest receivable	-	2
Bank interest payable	(48)	(54)
	(48)	(52)

		2006	2005 as restated
		£000	£000
6	TAXATION		
	Current tax:		
	UK Corporation tax on current year profits at 30% (2005: 30%)	-	(10)
	Total current tax	-	(10)
	Deferred tax:		
	Origination and reversal of timing differences (ACA and other)	70	50
	Tax on (loss)/profit on ordinary activities	70	40

Tax assessed for the period is higher than the standard rate of corporation tax in the UK 30% (2005: 30%). The differences are explained below:

	2006	2005
(Loss)/Profit on ordinary activities before tax	(250)	67
(Loss)/Profit on ordinary activities multiplied by standard rate in the UK 30% (2005: 30%)	75	(20)
Effects of:		
Expenses not deductible for tax purposes	1	3
Accelerated capital allowances and other timing differences	(20)	(11)
Utilisation of losses	(56)	18
Current tax charge for the financial year	-	(10)

The Company has losses available to carry forward against future profits of £376k (2005:£164k).

7 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2006	2005
Staff costs:		
Wages and salaries	2,649	2,660
Social security costs	210	204
Other pension costs	175	191
	3,034	3,055

The average number of employees during the financial year was as follows:

	2006 Number	2005 Number
Retail	24	31
Production	112	101
Administration	28	24
	164	156

7 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	2006 £000	2005 £000
Directors' remuneration:		
Emoluments excluding pension contributions	248	227
Highest paid Director:		
Emoluments excluding pension contributions	82	84
Company pension contribution	-	7
Accrued pension under defined benefit scheme	-	3

	2006 Number	2005 Number
NUMBER OF DIRECTORS TO WHOM RETIREMENT BENEFITS ARE ACCRUING UNDER:		
Defined benefit schemes	1	3
	1	3

PENSIONS

Pension schemes operated

During the year the Group has principally operated two schemes:

(i) The Harrods Holdings Stakeholder Scheme (the Scheme), which is an approved defined contribution scheme; it was established with Scottish Equitable plc on 1 May 2002.
(ii) The Harrods Holdings Group Pension Plan (the Plan), which is an approved defined benefit scheme.

Membership of the Plan is no longer available to new employees on the staff scale, during the first five years of employment. Those employees are eligible to join the Scheme and can then elect to transfer to the Plan after five years continuous service. Those employees commencing on the management scale are eligible to apply for either the Scheme or the Plan.

The Harrods Holdings Group pays such contributions to the Scheme and the Plan as required in order to fund benefits for the members and pensioners. The assets of the Scheme and Plan are held in trust separately from the Harrods Holdings Group.

7 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

Stakeholder Scheme ("the Scheme")
The pension cost under the defined contribution scheme amounted to £nil (2005: £nil). A pension accrual of £nil (2005: £nil) is included in the balance sheet in relation to this scheme.

Defined Benefit Pension Scheme (the "Plan")
The Harrods Holdings Group Pension Plan is a funded defined benefit scheme. However, the contributions paid by the Company are accounted for as if the scheme were a defined contribution scheme, as the Company is unable to define its share of the underlying assets and liabilities in the scheme.

The employer has closed the Plan to future accrual with the following changes taking place as of 5 April 2006:

(i) the Plan will close 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 it's 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.

The Harrods Group has agreed with the Trustee of the Plan that it will be fully funded on an ongoing basis in ten years time. The deficit at 5 April 2005 was estimated at £95.0 million.

Accordingly, the Group has agreed to pay into the Plan additional contributions of £9.0 million per annum for the next ten years, with effect from 6 April 2006, and any further contributions as necessary thereafter. All participating employers will contribute toward this payment and it is expected that Harrods International Limited will contribute approximately £230k per annum toward this payment.

The funding position of the Plan is monitored by the Trustee and the Group on a quarterly basis and formally reviewed at each triennial actuarial valuation, or more frequently as required by the Pensions Act 2004.

Recognising the risks inherent in the performance of the financial markets during the ten year deficit correction period, the principal employer has also agreed to fund any deficits outside an agreed tolerance band during this period.

At the 28th January, the market value of the assets of the Plan was £236.0 million and the actuarial value of assets covered 98% of the benefits that had accrued to members, after allowing for expected increases in future earnings. The next scheduled actuarial valuation of the Harrods Holdings Group Pension Plan will take place on the 6 April 2008.

The Company's net pension charge for the Harrods Holdings Group Pension Plan for the 52 weeks to 28 January 2006 was £175k (2005: £192k).

An approximate actuarial assessment of the Plan was also carried out as at 29 January 2006 by qualified independent actuaries, Hymans Robertson, and showed an actuarial deficit of £132.8 million (2005: £98.3 million). The implication of the existence of this deficit to the Company is that level of employer contributions payable to the Plan were from April 2005 as noted above.

8 TANGIBLE FIXED ASSETS

Group and Company:	**Total**	**Freehold Land and Buildings**	**Leasehold Land and Buildings**	**Fixtures Fittings and Equipment**
	£000	***£000***	***£000***	***£000***
Opening cost	5,875	984	1,512	3,379
Additions	191	-	5	186
Closing cost	6,066	984	1,517	3,565
Opening aggregate depreciation	2,321	28	95	2,198
Charge for the period	333	13	22	298
Closing aggregate depreciation	2,654	41	117	2,496
Closing net book value	3,412	943	1,400	1,069
Opening net book value	3,554	956	1,417	1,181

The net book value of leasehold land and buildings comprises:

	2006	**2005**
	£000	**£000**
Long leasehold	1,400	1,417
	1,400	1,417

9 FIXED ASSET INVESTMENTS (Company)

Shares in Group undertakings:		
Opening cost	31	31
Closing cost	31	31
Opening provision	(19)	(19)
Closing provision	(19)	(19)
Closing net book value	12	12
Opening net book value	12	12

9 FIXED ASSET INVESTMENTS (Company)/continued

The Company has the following wholly owned non-trading subsidiary undertakings which operate in the United Kingdom:

The Jermyn Street Shirtmakers Limited
The Jermyn Street Tie Company Limited
Turnbull & Asser International Limited

and in Canada:

Turnbull & Asser (Ontario) Limited

In the opinion of the Directors the value of the Company's investments in its subsidiary undertakings is not less than the amount at which it is stated in the balance sheet.

	2006	2005
	£000	£000
10 STOCKS		
Group and Company:		
Raw materials and consumables	649	831
Work in progress	88	166
Finished goods and goods for resale	1,585	1,849
	2,322	2,846

	Group		Company	
	2006	2005 as restated	2006	2005 as restated
	£000	£000	£000	£000
11 DEBTORS				
Amounts falling due within one year:				
Trade debtors	601	1,095	601	1,095
Amounts owed by group undertakings	-	-	13	13
Other debtors	74	28	74	28
Corporate taxation recoverable	27	43	27	43
Prepayments and accrued income	175	230	175	230
	877	1,396	890	1,409
12 CREDITORS : Amounts falling due within one year:				
Overdraft	-	335	-	335
Bank loan (note 14)	600	200	600	200
Trade creditors	94	679	94	679
Amounts owed to group undertakings	-	-	12	13
Other creditors	1	36	1	36
Taxation and social security	248	232	248	232
Accruals and deferred income	603	578	603	578
	1,546	2,060	1,558	2,073

	Group 2006 £000	Group 2005 as restated £000	Company 2006 £000	Company 2005 as restated £000
13 CREDITORS : Amounts falling due after more than one year:				
Bank loan (note 14)	-	400	-	400
	-	400	-	400
14 BANK LOAN				
Maturity of debt:				
Amounts falling due within one year	600	200	600	200
Amounts falling due 1-2 years	-	200	-	200
Amounts falling due 2-5 years	-	200	-	200
	600	600	600	600

The bank loan is secured by a fixed charge on the long leasehold of a property. The loan is repayable in annual instalments of £0.20 million. Interest payable is based on a fixed rate of 6.65%.

	2006 £000	2005 £000
15 DEFERRED TAXATION		
Group and Company:		
Accelerated capital allowances	129	131
Other timing differences	(156)	(88)
Total (asset)/provision for deferred tax	(27)	43

The movement in the deferred tax provision relates to a credit to the profit and loss account of £70k.

	2006 £	2005 £
16 CALLED UP SHARE CAPITAL		
Authorised:		
8.5 million Ordinary shares of US $0.00001 each	55	55
10.3 million Ordinary shares of £0.10 each	1,030,200	1,030,200
	1,030,255	1,030,255
Allotted and fully paid:		
8.5 million Ordinary shares of US $0.00001 each	55	55
8.5 million Ordinary shares of £0.10 each	850,000	850,000
	850,055	850,055

16 CALLED UP SHARE CAPITAL/continued

The US$ shares are each entitled to receive dividends amounting to the first 99% of the amount of profits which the Company may determine to distribute in respect of any financial year, divided by the number of US$ shares then in issue. The Sterling shares are each entitled to receive a dividend of the remaining 1% of distributable profits, divided by the number of Sterling shares then in issue.

Each US$ share carries 99 votes. Each Sterling share carries one vote.

In the event of a return of capital or winding up the US$ class of shares shall be entitled to receive the first 99% of the assets available for distribution. Only after the US$ class has received its full entitlement shall the Sterling class be entitled to the balance of the assets available.

Neither class of share is redeemable at the shareholder's request.

	Group 2006 £000	Company 2006 £000
17 CAPITAL REDEMPTION RESERVE		
Opening balance	30	30
Closing balance	30	30

	Group 2006 £000	Company 2006 £000
18 PROFIT AND LOSS ACCOUNT		
Opening balance as previously reported	4,323	4,324
Prior year adjustment (FRS 17)	114	114
Opening balance as restated	4,437	4,438
Retained (loss) for the financial year	(180)	(180)
Closing balance	4,257	4,258

The Company has taken advantage of section 230 of the Companies Act 1985 and consequently a profit and loss account for the Company has not been presented. The Company's loss after taxation for the financial year was £0.20 million (2005: restated profit of £0.11 million).

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Company	
	2006	**2005**	**2006**	**2005**
	£000	**£000**	**£000**	**£000**
Retained (loss)/profit for the financial year	(180)	107	(180)	107
Net (decrease)/increase in shareholders' funds	(180)	107	(180)	107
Opening shareholders' funds as previously reported	5,203	5,071	5,204	5,072
Prior year adjustment (FRS 17)	114	139	114	139
Closing shareholders' funds	5,137	5,317	5,138	5,318

20 LEASING COMMITMENTS

	2006	**2005**
	£000	**£000**
The Group and Company has the following annual operating commitments in respect of land and buildings:		
Within 1 year	228	10
From 1 - 5 years	103	410
After 5 years	-	-
	331	420
Other assets - within 1 year	31	39
- from 1 - 5 years	9	10
	40	49

21 RELATED PARTY DISCLOSURES

During the year the Group traded with Turnbull & Asser LLC, a company in which Mr A. Fayed has a beneficial interest. Sales were made on commercial terms and amounted to £0.69 million for the year (2005: £0.77 million). A license fee income was obtained on sales resulting in other operating income of £0.07 million (2005: £0.07 million). Turnbull & Asser Limited is now exclusively entitled to sell wholesale into the USA. At the year-end the amount owed to the Company by Turnbull & Asser LLC was £0.09 million (2005: £0.25 million).

The Group also trades with companies in the Harrods Group in which Mr A. Fayed has a beneficial interest. Sales were made on commercial terms and amounted to £1.46 million for the year (2005: £1.56 million). Charges for operating expenses amounted to £0.53 million (2005: £0.49 million). At the year end the net amount owed by these companies to the Company was £0.21 million (2005: £0.20 million).

The ultimate controlling party of the Company is Mr A. Fayed.

22 RECONCILIATION OF OPERATING (LOSS)/PROFIT TO OPERATING CASH FLOWS

	2006 £000	2005 as restated £000
Operating (loss)/profit	(202)	119
Depreciation charged	333	338
Decrease/(Increase) in stocks	524	(288)
Decrease in debtors	530	23
(Decrease)/increase in creditors	(579)	326
Net cash inflow from operating activities	606	518

23 ANALYSIS OF NET DEBT

Group and Company:	2005 £000	Cash flow £000	2006 £000
Cash in hand and at bank and overdraft	(311)	383	72
Bank loan			
Due between 2-5 years	(400)	400	-
Due within one year	(200)	(400)	(600)
Total	(600)	-	(600)
Net debt	(911)	383	(528)