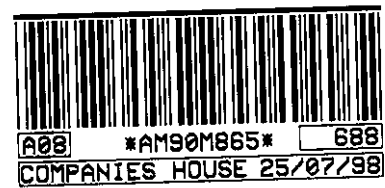


Company Number: 879931

GENAVCO INSURANCE LIMITED  
DIRECTORS' REPORT AND ACCOUNTS  
52 WEEKS ENDED 31 JANUARY 1998



GENAVCO INSURANCE LIMITED  
DIRECTORS' REPORT AND ACCOUNTS  
FOR THE 52 WEEKS ENDED 31 JANUARY 1998

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**GENAVCO INSURANCE LIMITED**

**DIRECTORS' REPORT  
FOR THE 52 WEEKS ENDED 31 JANUARY 1998**

The Directors have pleasure in submitting their report and the audited accounts of the Company for the 52 weeks ended 31 January 1998.

**DIRECTORS**

The present Directors of the Company are:-

Mr. P.K. Winstone (Chairman & Managing Director)  
Mr. N.W. Towing  
Mr. M.J. McClymont

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

**PRINCIPAL ACTIVITY**

The Company's principal activity continues to be that of insurance broking.

**RESULTS & DIVIDENDS**

The profit after tax for the 52 weeks to 31 January 1998 was £283,532 compared with £270,198 for the previous 53 week period.

A dividend has been paid for the period to 31 January 1998 amounting to £110,000 (1997 £1,446,737), and an amount of £173,532 has been transferred to reserves. Last year £1,176,539 was transferred from reserves.

**DIRECTORS' INTERESTS**

No Director in office at 31 January 1998 held any beneficial interest in the shares of Harrods Holdings plc or any of its subsidiaries at 2 February 1997 or at 31 January 1998.

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

**GENAVCO INSURANCE LIMITED**  
**DIRECTORS' REPORT (continued)**  
**FOR THE 52 WEEKS ENDED 31 JANUARY 1998**

**CHANGES IN FIXED ASSETS**

The changes are set out in Note 7 to the accounts.

**DONATIONS**

Charitable contributions made and charged in the accounts amounted to £1,050.

No political contributions were made.

**AUDITORS**

Price Waterhouse have expressed their willingness to continue in office as Auditors to the Company and a resolution proposing their re-appointment and authorising the Directors to fix their remuneration will be put to the Annual General Meeting.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

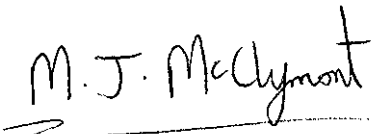
The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year.

The Directors have prepared the financial statements on pages 4 to 16 on a going concern basis and consider that the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

By Order of the Board



M J McClymont  
Company Secretary  
17 April 1998

Registered Office

3 Gracechurch Street  
London EC3V 0AT

**AUDITORS' REPORT**  
**TO THE MEMBERS OF GENAVCO INSURANCE LIMITED**

We have audited the financial statements on pages 4 to 16 which have been prepared under the historical cost convention and in accordance with the accounting policies set out on pages 6 and 7.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As described on page 2 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**BASIS OF OPINION**

We conducted our audit in accordance with 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.

**OPINION**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 January 1998 and of its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

*Price Waterhouse*

Price Waterhouse

Chartered Accountants  
and Registered Auditors

Southwark Towers  
32 London Bridge Street  
London  
SE1 9SY

17 April 1998

**GENAVCO INSURANCE LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**52 Weeks to 31 January 1998**

Note	52 Weeks to 31/1/98 £	53 Weeks to 1/2/97 £
2 Turnover - continuing activities	<u>980,283</u>	<u>1,034,181</u>
3 Operating Profit - continuing activities	288,404	295,193
4 Interest receivable and similar income	<u>128,128</u>	<u>105,005</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	416,532	400,198
5 Taxation	<u>133,000</u>	<u>130,000</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	283,532	270,198
Dividends	<u>110,000</u>	<u>1,446,737</u>
RETAINED PROFIT/(LOSS) FOR THE PERIOD	<u>173,532</u>	<u>(1,176,539)</u>

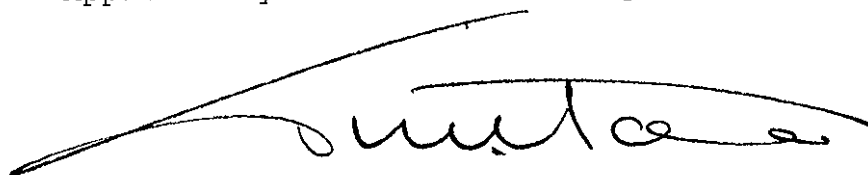
The movements on reserves are shown in Note 13.

The Company has no recognised gains and losses other than those included in the profits above, therefore no separate statement of total recognised gains and losses has been presented.

**GENAVCO INSURANCE LIMITED**  
**BALANCE SHEET**  
**As at 31 January 1998**

Note	31 January 1998 £	1 February 1997 £
<b>FIXED ASSETS</b>		
7	41,470	66,967
8	<u>1,000</u>	<u>1,000</u>
	<u>42,470</u>	<u>67,967</u>
<b>CURRENT ASSETS</b>		
9	500,789	596,288
	150,000	120,000
	<u>1,694,980</u>	<u>1,960,331</u>
	<u>2,345,769</u>	<u>2,676,619</u>
<b>CURRENT LIABILITIES</b>		
10	Creditors: amounts falling due within one year	<u>740,661</u>
		<u>1,270,540</u>
	<u>1,605,108</u>	<u>1,406,079</u>
	<u>1,647,578</u>	<u>1,474,046</u>
<b>PROVISION FOR LIABILITIES AND CHARGES</b>		
11	Deferred taxation	<u>3,000</u>
		<u>3,000</u>
	<u>1,644,578</u>	<u>1,471,046</u>
<b>CAPITAL AND RESERVES</b>		
12	Called up share capital	500,000
13	Profit and loss account	<u>971,046</u>
	<u>1,644,578</u>	<u>1,471,046</u>

Approved by the Board on 17 April 1998



P.K. Winstone  
MANAGING DIRECTOR

**GENAVCO INSURANCE LIMITED**  
**NOTES TO THE ACCOUNTS**  
**52 WEEKS ENDED 31 JANUARY 1998**

1. ACCOUNTING POLICIES

(a) Basis of accounts

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

(b) Turnover

Turnover represents the amount of broking commission earned by the Company. Commission is normally recognised when a debit note is issued to the Insured.

(c) Depreciation of tangible fixed assets

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

Motor vehicles	-	over 4 years
Plant and machinery	-	between 5 and 10 years
Fixtures and fittings	-	over 10 years
Computer equipment	-	over 5 years

(d) Pensions

Retirement benefits are funded by contributions from the Company and employees. Payment is made to a pension trust, which is financially separate from the Company, in accordance with calculations made periodically by consulting actuaries. Contributions are charged to the profit and loss account on a basis that spreads the expected cost of providing pensions over the average remaining service lives of employees in the scheme.

(e) Deferred taxation

Provisions are made for deferred taxation, using the liability method, for all material timing differences to the extent that it is probable that a liability will crystallise in the foreseeable future.



GENAVCO INSURANCE LIMITED  
NOTES TO THE ACCOUNTS (continued)  
52 WEEKS ENDED 31 JANUARY 1998

1. ACCOUNTING POLICIES (continued)

(f) Foreign currency

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Exchange differences arising, together with those arising on transactions in the period, are dealt with in the profit and loss account.

(g) Cash Flow Statement

The ultimate United Kingdom holding company Harrods Holdings plc, produces a consolidated Cash Flow Statement in accordance with Financial Reporting Standard One (FRS 1 revised 1996). Consequently the Company has taken advantage of the exemption in FRS 1 from producing a Cash Flow Statement.

**GENAVCO INSURANCE LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**  
**52 WEEKS ENDED 31 JANUARY 1998**

2. TURNOVER

Turnover arises almost entirely from within the United Kingdom. A material proportion of turnover is generated from broking transactions with group companies.

	52 Weeks to 31/1/98 £	53 Weeks to 1/2/97 £
--	-----------------------------	----------------------------

3. OPERATING PROFIT is arrived at as follows:

Turnover	980,283	1,034,181
Administrative expenses	<u>691,879</u>	<u>738,988</u>
	<u>288,404</u>	<u>295,193</u>

Included in Administrative expenses are:

Depreciation of fixed tangible assets	25,634	25,972
Auditors' fees and expenses	12,925	12,925
Rentals paid under a property operating lease	<u>31,228</u>	<u>31,228</u>

4. INTEREST RECEIVABLE AND SIMILAR INCOME

Interest receivable from group undertakings	88,557	53,315
Interest receivable from third parties	<u>39,571</u>	<u>51,690</u>
	<u>128,128</u>	<u>105,005</u>

5. TAXATION

Taxation based on the profits of the period at 31% (1997 - 33%) comprises:

Group relief	<u>133,000</u>	<u>130,000</u>
Taxation charge	<u>133,000</u>	<u>130,000</u>

**GENAVCO INSURANCE LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**  
**52 WEEKS ENDED 31 JANUARY 1998**

	52 Weeks to 31/1/98 £	53 Weeks to 1/2/97 £
<b>6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES</b>		
Directors' remuneration:		
Fees	-	-
Other emoluments including pension contributions	<u>229,592</u>	<u>237,250</u>
	<u>229,592</u>	<u>237,250</u>
Emoluments of the Chairman	<u>122,500</u>	<u>131,525</u>

None of the Directors possessed any share options in any group company at 31 January 1998.

All of the Directors are members of the Harrods Group Pension Plan, which operates as a defined benefits pension scheme.

The accrued pension at 31 January 1998 of the highest paid Director was £72,535.

	52 Weeks to 31/1/98 £	53 Weeks to 1/2/97 £
Employee costs (including directors)		
Wages and salaries	375,649	371,781
Social security costs	32,515	34,249
Other pension costs	<u>21,110</u>	<u>17,676</u>
	<u>429,274</u>	<u>423,706</u>

	1998 Number	1997 Number
The average weekly number of employees during the period was as follows:	<u>11</u>	<u>11</u>

**PENSIONS**

During the year, the Company participated in the Harrods Group Pension Plan, which operated as a defined benefit group pension scheme in the United Kingdom.

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

**GENAVCO INSURANCE LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**  
**52 WEEKS ENDED 31 JANUARY 1998**

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

The regular pension cost charged to the profit and loss account is based on figures calculated for the Group as a whole which are such as to spread the expected pension costs over the average remaining working lives of employees who are members of the Plan. The regular cost is expressed as a level percentage of the current and expected future earnings using the projected unit method of calculation, having adopted the following actuarial assumptions:

Investment return	9.0 per cent per annum compound
General increase in pensionable earnings	6.5 per cent per annum compound
Dividend growth for asset valuation purposes	4.5 per cent per annum compound

The total surplus for the Group Pension Plan as at 5 April 1996 has been determined by qualified independent actuaries who are partners of Bacon and Woodrow, Consulting Actuaries. This total surplus has been allocated to the companies within the Group by the Directors of Harrods Holdings plc on a basis that is consistent with that adopted in prior years.

Surpluses or deficiencies and associated interest are spread over the same average period as an adjustment to regular cost.

The Company's pension charge for the 52 weeks to 31 January 1998 is based on the total surplus as follows:

	52 Weeks to 31/1/98 £	53 Weeks to 1/2/97 £
Regular cost	24,110	28,676
Variation	<u>(3,000)</u>	<u>(11,000)</u>
Net pension charge	<u>21,110</u>	<u>17,676</u>

GENAVCO INSURANCE LIMITED  
 NOTES TO THE ACCOUNTS (continued)  
 52 WEEKS ENDED 31 JANUARY 1998

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

The pension prepayment is as follows:

	1998	1997
	£	£
Opening balance	36,400	25,400
Contributions paid	24,110	28,676
Charge to profit & loss account	<u>(21,110)</u>	<u>(17,676)</u>
Closing balance	<u>39,400</u>	<u>36,400</u>

The market value of assets held within the Pension Plan as at 5 April 1996 was £126.9 million. At this date, the actuarial value was sufficient to cover 119.0% of the benefits that had accrued to members, after allowing for the expected future increases in earnings. The actuarial surplus is being spread over the estimated remaining service life of current employees over 13 years on a straight line basis.

GENAVCO INSURANCE LIMITED  
 NOTES TO THE ACCOUNTS (continued)  
 52 WEEKS ENDED 31 JANUARY 1998

	Fixtures, Fittings, Vehicles & Equipment £	
7. TANGIBLE FIXED ASSETS		
Opening cost at 2 February 1997		183,376
Additions		<u>137</u>
Closing cost at 31 January 1998		<u>183,513</u>
Opening aggregate depreciation		116,409
Charge for period		<u>25,634</u>
Closing aggregate depreciation		<u>142,043</u>
Closing net book value		<u>41,470</u>
Opening net book value		<u>66,967</u>
	1998	1997
	£	£
8. FIXED ASSET INVESTMENTS		
Shares in an unlisted Company	<u>1,000</u>	<u>1,000</u>

The Directors consider the value of the unlisted investment to be not less than its book value.

GENAVCO INSURANCE LIMITED  
 NOTES TO THE ACCOUNTS (continued)  
 52 WEEKS ENDED 31 JANUARY 1998

9. DEBTORS

	1998	1997
	£	£
Trade debtors	421,902	512,349
Amounts owed by group undertakings	-	2,957
Prepayments	<u>78,887</u>	<u>80,982</u>
	<u>500,789</u>	<u>596,288</u>

Included in Prepayments of £78,887 is an amount of £39,400 (1997 36,400) in respect of pension contributions repayable in more than one year.

10. CREDITORS: Amounts falling due within one year

	1998	1997
	£	£
Trade creditors	591,356	1,122,165
Amounts due to group undertakings	133,000	130,000
Accruals	<u>16,305</u>	<u>18,375</u>
	<u>740,661</u>	<u>1,270,540</u>

11. DEFERRED TAXATION

Provided in respect of capital allowances

Opening and closing balance	<u>3,000</u>	<u>3,000</u>
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There is no unprovided deferred tax.

**GENAVCO INSURANCE LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**  
**52 WEEKS ENDED 31 JANUARY 1998**

	1998	1997
	£	£
12. CALLED UP SHARE CAPITAL		
Authorised, issued and fully paid:		
Ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>
	52 Weeks to	53 Weeks to
	31/1/98	1/2/97
	£	£
13. PROFIT AND LOSS ACCOUNT		
At 2 February 1997	971,046	2,147,585
Profit/(Loss) retained for the period	<u>173,532</u>	<u>(1,176,539)</u>
Balance at 31 January 1998	<u>1,144,578</u>	<u>971,046</u>
14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS		
Profit for the financial year	283,532	270,198
Dividends	<u>(110,000)</u>	<u>(1,446,737)</u>
Net addition/(reduction) to shareholders' funds	173,532	(1,176,539)
Opening shareholders' funds	<u>1,471,046</u>	<u>2,647,585</u>
Closing shareholders' funds	<u>1,644,578</u>	<u>1,471,046</u>
15. CAPITAL COMMITMENTS		
Authorised but not yet contracted	<u>NIL</u>	<u>NIL</u>
Contracted for	<u>NIL</u>	<u>NIL</u>
16. LEASING COMMITMENTS		
Commitments during the year commencing 1 February 1998 in respect of operating leases of land and buildings are:		
Lease expiring within one year	18,216	NIL
Lease expiring between one and five years	<u>NIL</u>	<u>31,228</u>
	<u>18,216</u>	<u>31,228</u>



**GENAVCO INSURANCE LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**  
**52 WEEKS ENDED 31 JANUARY 1998**

17. FLOATING CHARGE OVER CERTAIN ASSETS

As required by Lloyds Brokers Byelaw (No. 5 of 1988) the Company has entered into a trust deed under which all insurance broking account assets are subject to a floating charge held on trust by the Society of Lloyd's for the benefit of the insurance creditors, which at 31 January 1998 amounted to £591,356 (1996/97 £1,122,165). The charge only becomes enforceable under certain circumstances as set out in the deed. The assets subject to this charge were:-

	31 January 1998 £	1 February 1997 £
Bank balances	532,095	947,671
Insurance debtors	<u>421,902</u>	<u>515,306</u>
	<u>953,997</u>	<u>1,462,977</u>

18. CONTINGENT LIABILITIES

The Harrods Holdings plc group's working capital facility from Midland Bank plc is guaranteed by Genavco Insurance Limited and other group companies. The guarantee extends to Genavco Insurance Limited's non trust bank account only.

19. YEAR 2000 AND THE PROPOSED INTRODUCTION OF THE EURO

The Directors are of the opinion that any costs in connection with Year 2000 compliance and from the proposed introduction of the euro, will not be material.

20. PARENT UNDERTAKINGS

The Company's immediate parent undertaking is Genavco Holdings Limited. Genavco Holdings Limited's immediate parent undertaking is Harrods (UK) plc, a company registered in England and Wales. The immediate parent undertaking of Harrods (UK) plc is Harrods Holdings plc, a company registered in England and Wales which is the parent undertaking of the Harrods Holdings Group and which is both the smallest and the largest Group which consolidates the results of the Company. The Group accounts will be filed with the Registrar of Companies in due course.

The ultimate parent undertaking is Alfayed Investment and Trust PVT LP, a partnership based in Bermuda. All interests in the Partnership continue to be under the control and held for the benefit of the Fayed family, the ultimate controlling party.

GENAVCO INSURANCE LIMITED  
NOTES TO THE ACCOUNTS (continued)  
52 WEEKS ENDED 31 JANUARY 1998

21. RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary of Harrods Holdings plc and, as permitted by Financial Reporting Standard 8 "Related Party Disclosures", transactions with other entities in the Harrods Holdings Group are not disclosed.

Insurance broking transactions have also been undertaken with parties related to the beneficial owners of the ultimate parent undertaking. These transactions generated turnover of £77,762 in the 52 weeks ended 31 January 1998 (1997 £58,294). Trade debtors include £93,976 (1997 £104,241) of insurance premiums due from the above related parties. Trade creditors include £31,046 (1997 £19,195) of return premiums due to the above related parties.