

GENAVCO INSURANCE LIMITED

DIRECTORS' REPORT AND
FINANCIAL STATEMENTS

52 WEEKS ENDED 27 JANUARY 2001



Company Number: 879931

GENAVCO INSURANCE LIMITED

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GENAVCO INSURANCE LIMITED

DIRECTORS' REPORT

The Directors have pleasure in submitting their annual report and the audited accounts of the Company for the 52 weeks ended 27 January 2001.

Principal Activity

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

Directors and their interests

The present Directors of the Company are:-

Mr. P.K. Winstone (Chairman)
Mr D Meur
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.

No Director in office at 27 January 2001 held any beneficial interest in the shares of Harrods Holdings Limited or any of its subsidiaries at 29 January 2000, at date of appointment, or at 27 January 2001.

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.

Results & Dividends

The profit after tax for the 52 weeks to 27 January 2001 was £145,867 compared with £3,895 for the previous 52 week period.

A dividend has been paid for the period to 27 January 2001 amounting to £1,000,000 (2000 £nil), and an amount of £854,133 has been transferred from reserves (2000 £3,895 was transferred to reserves).

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.

GENAVCO INSURANCE LIMITED
DIRECTORS' REPORT (continued)

Auditors

PricewaterhouseCoopers 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.

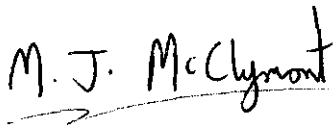
Statement of Directors' Responsibilities

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 of the profit or loss of the company 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. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 27 January 2001 and that applicable accounting standards have been followed.

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.

By Order of the Board



M J McClymont
Company Secretary
22 November 2001

Registered Office

87-135 Brompton Road
London SW1X 7XL

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

We have audited the financial statements on pages 4 to 13 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

The Directors are responsible for preparing the Annual Report. As described on Page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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, 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 27 January 2001 and of its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers

Chartered Accountants
and Registered Auditors
London

22 November 2001

**GENAVCO INSURANCE LIMITED
PROFIT AND LOSS ACCOUNT
52 WEEKS TO 27 JANUARY 2001**

Note	52 Weeks 27/1/01 £	52 Weeks 29/1/00 £
2	753,022	711,001
	<u>671,676</u>	<u>807,180</u>
3	81,346	(96,179)
4	<u>131,390</u>	<u>113,774</u>
	212,736	17,595
5	<u>66,869</u>	<u>13,700</u>
	145,867	3,895
	<u>1,000,000</u>	<u>-</u>
	<u>(854,133)</u>	<u>3,895</u>

The movements on the profit and loss account are shown in Note 13.

All profits have arisen from continuing operations.

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.

There is no difference between profit on ordinary activities before taxation and the retained profit for the period stated above, and their historical cost equivalents.

The notes on pages 6 to 13 form part of these accounts.

GENAVCO INSURANCE LIMITED
BALANCE SHEET
AT 27 JANUARY 2001

Note		27/1/01 £	29/1/00 £
	Fixed Assets		
7	Tangible assets	7,865	18,221
8	Investments	<u>1,000</u>	<u>1,000</u>
		8,865	19,221
	Current Assets		
9	Debtors	418,361	285,565
	Short term deposits	252,335	100,914
	Cash at bank and in hand	<u>1,051,848</u>	<u>1,923,322</u>
		1,722,544	2,309,801
	Current Liabilities		
10	Creditors: amounts falling due within one year	<u>743,818</u>	<u>504,785</u>
	Net Current Assets	<u>978,726</u>	<u>1,805,016</u>
	Total Assets Less Current Liabilities	987,591	1,824,237
11	Provisions for Liabilities and Charges	<u>20,487</u>	<u>3,000</u>
	Total Net Assets	<u>967,104</u>	<u>1,821,237</u>
	Capital and Reserves		
12	Called up share capital	500,000	500,000
13	Profit and loss account	<u>467,104</u>	<u>1,321,237</u>
14	Total Shareholders' Funds	<u>967,104</u>	<u>1,821,237</u>

The notes on pages 6 to 13 form part of these accounts.

Approved by the Board on 22 November 2001

D Meur

D Meur
MANAGING DIRECTOR

**GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS**

1 Accounting Policies

Basis of Financial Statements

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

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.

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	-	between 5 and 10 years
Computer equipment	-	over 5 years

Pensions

Retirement benefits are funded by contributions from the Company and employees. Payment is made to a pension trust, which is 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.

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)

1 Accounting Policies (continued)

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.

Cash Flow Statement

The ultimate United Kingdom holding company Harrods Holdings Limited, 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.

Operating Leases

Rental costs under operating leases are charged to profit and loss account in equal amounts over the period of the lease.

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 27/1/01	52 Weeks 29/1/00
	£	£
3 Operating profit/(loss)		
Operating profit/(loss) is stated after charging:		
Depreciation of fixed tangible assets	11,177	11,767
Auditors' fees and expenses	15,275	17,038
Rentals paid under a property operating lease	<u>47,332</u>	<u>92,049</u>
4 Interest		
Interest receivable from group undertakings	96,612	87,147
Interest receivable from short term deposits and cash at bank	<u>34,778</u>	<u>26,627</u>
	<u>131,390</u>	<u>113,774</u>

GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS (continued)

5 Taxation

Taxation based on the profits of the period at 30% (1999 - 30.16%) comprises:

Group relief	69,382	13,700
Deferred Tax	<u>(2,513)</u>	<u>-</u>
Taxation charge	<u>66,869</u>	<u>13,700</u>

6 Information Regarding Directors and Employees

Directors' remuneration:

Emoluments excluding pension contributions	<u>171,895</u>	<u>287,610</u>
Emoluments of the highest paid Director	<u>93,575</u>	<u>135,463</u>
Accrued pension of highest paid Director	<u>3,490</u>	<u>74,036</u>

None of the Directors possessed any share options in any group company at 27 January 2001.

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

	52 Weeks 27/1/01 £	52 Weeks 29/1/00 £
Employee costs (including directors)		
Wages and salaries	328,353	469,356
Social security costs	30,357	44,443
Other pension costs	<u>27,958</u>	<u>42,040</u>
	<u>386,668</u>	<u>555,839</u>
	2001 Number	2000 Number
The average weekly number of employees during the period was as follows:	<u>8</u>	<u>10</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)

6 Information Regarding Directors and Employees (continued)

The last formal actuarial valuation of the Group Pension Plan, as at 6 April 1999, was performed by qualified independent actuaries who are partners of Bacon & Woodrow, Consulting Actuaries. The valuation used the projected unit method, and adopted the following actuarial assumptions:

Investment return	7.5 per cent per annum compound
Pension increases	3.25 per cent per annum compound
General increase in pensionable earnings	5.0 per cent per annum compound
UK equity net dividend yield for asset valuation purposes	2.73 per cent per annum compound

The market value of assets (excluding AVCs) held within the Pension Plan as at 6 April 1999 was £180.7 million. At this date, the actuarial value was sufficient to cover 107.0% 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 service life of current employees of 15 years on a straight line basis.

The total surplus determined at the valuation date has been allocated to the companies within the Group by the Directors of Harrods Holdings Limited on a basis that is consistent with that adopted in prior years, based on pensionable salaries as a percentage of the total pensionable salaries for the whole Harrods Group.

The regular pension cost charged to the profit and loss account is based on figures calculated for the Group as a whole. Any variation is spread over the average remaining working lives of employees who are members of the Plan.

The Company's net pension charge for the 52 weeks to 27 January 2001 was as follows:

	52 Weeks 27/1/01 £	52 Weeks 29/1/00 £
Regular cost	18,078	29,740
Variation	<u>9,880</u>	<u>12,300</u>
Net pension charge	<u>27,958</u>	<u>42,040</u>

GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS (continued)

6 Information Regarding Directors and Employees (continued)

The pension prepayment is as follows:

	27/1/01	29/1/00
	£	£
Opening balance	26,900	39,200
Contributions paid	18,078	29,740
Charge to profit & loss account	<u>(27,958)</u>	<u>(42,040)</u>
Closing balance	<u>17,020</u>	<u>26,900</u>

7 Tangible Fixed Assets

Cost:

At 29 January 2000

Additions

Disposals

At 27 January 2001

Accumulated depreciation:

At 29 January 2000

Charge for period

Disposals

At 27 January 2001

Net book value:

At 27 January 2001

At 29 January 2000

Fixtures,
Fittings,
Vehicles &
Equipment
£

109,513

821

(18,648)

91,686

91,292

11,177

(18,648)

83,821

7,865

18,221

8 Fixed Asset Investments

Shares in an unlisted Company

27/1/01
£

29/1/00
£

1,000

1,000

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)

9 Debtors

	27/1/01	29/1/00
	£	£
Trade debtors	349,220	221,736
Amounts owed by group undertakings	12,378	-
Prepayments and accrued income	<u>56,763</u>	<u>63,829</u>
	<u>418,361</u>	<u>285,565</u>

Included in Prepayments and accrued income of £56,763 is an amount of £17,020 (2000 £26,900) in respect of pension contributions repayable in more than one year.

10 Creditors: Amounts falling due within one year

	27/1/01	29/1/00
	£	£
Trade creditors	645,997	472,861
Amounts due to group undertakings	69,382	13,700
Accruals	<u>28,439</u>	<u>18,224</u>
	<u>743,818</u>	<u>504,785</u>

11 Provisions for Liabilities and Charges

	Deferred Tax	Other	Total
Balance at 29 January 2000	3,000	-	3,000
Transfer (to)/from Profit and Loss Account	<u>(2,513)</u>	<u>20,000</u>	<u>17,487</u>
Balance as at 27 January 2001	<u>487</u>	<u>20,000</u>	<u>20,487</u>

There is no unprovided deferred tax.

The provision made during the year of £20,000 is in respect of a potential claim under the Company's Professional Indemnity insurance policy. Under the terms of the policy, the Company would be liable for the first £20,000 of the claim.

GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS (continued)

	27/1/01 £	29/1/00 £
12 Called up Share Capital		
Authorised, issued and fully paid:		
500,000 ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>
	52 Weeks 27/1/01 £	52 Weeks 29/1/00 £
13 Profit and Loss Account		
At 29 January 2000	1,321,237	1,317,342
(Loss)/Profit retained for the period	<u>(854,133)</u>	<u>3,895</u>
Balance at 27 January 2001	<u>467,104</u>	<u>1,321,237</u>
14 Reconciliation of Movement in Shareholders' Funds		
Profit for the financial year	145,867	3,895
Dividends	<u>(1,000,000)</u>	<u>-</u>
Net (reduction)/addition to shareholders' funds	(854,133)	3,895
Opening shareholders' funds	<u>1,821,237</u>	<u>1,817,342</u>
Closing shareholders' funds	<u>967,104</u>	<u>1,821,237</u>
15 Leasing Commitments		
Commitments during the year commencing 28 January 2001 in respect of operating leases of land and buildings are:		
Lease expiring in more than five years	<u>NIL</u>	<u>62,432</u>
16 Contingent Liabilities		

The Harrods Holdings Group has a loan facility agreement of £350.0 million with Natwest Bank plc, of which £338.5 million has been drawn down as at 27 January 2001. This is guaranteed by Genavco Insurance Limited and other Group companies. The guarantee extends to Genavco Insurance Limited's non insurance bank account only.

GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS (continued)

17 Parent Undertakings

The Company's immediate parent undertaking is Genavco Holdings Limited. The ultimate UK holding company of Genavco Holdings Limited is Harrods Holdings Limited, 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.

18 Related Party Transactions

The Company is a wholly owned subsidiary of Harrods Holdings Limited 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 £112,585 in the 52 weeks ended 27 January 2001 (2000 £137,045). Trade debtors include £120,014 (2000 £135,787) of insurance premiums due from the above related parties. Trade creditors include £NIL (2000 £32,760) of return premiums due to the above related parties.