

Company Number: 879931

GENAVCO INSURANCE LIMITED
DIRECTORS' REPORT AND ACCOUNTS
53 WEEKS ENDED 1 FEBRUARY 1997



**GENAVCO INSURANCE LIMITED
REPORT AND ACCOUNTS**

CONTENTS	PAGE
Directors' Report	1-2
Auditors' Report	3
Profit and Loss Account	4
Balance Sheet	5
Notes on the Accounts	6-16

GENAVCO INSURANCE LIMITED

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited accounts of the Company for the 53 weeks ended 1 February 1997.

DIRECTORS

The present Directors of the Company are:-

Mr. P.K. Winstone (Chairman & Managing Director)
Mr. N.W. Towning
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 53 weeks to 1 February 1997 was £270,198 compared with £1,723,924 for the previous 52 week period. Last years profit included an exceptional item of £1,446,737 (1997-£nil) relating to the disposal of Stag Insurance Company Limited.

A dividend has been paid for the period to 1 February 1997 amounting to £1,446,737 (1996 £188,000), and an amount of £1,176,539 has been transferred from reserves. Last year £1,535,924 was transferred to reserves.

DIRECTORS' INTERESTS

No Director in office at 1 February 1997 held any beneficial interest in the shares of Harrods Holdings plc (formerly Harrods Investments plc) or any of its subsidiaries at 28 January 1996 or at 1 February 1997.

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.

CHANGES IN FIXED ASSETS

The changes are set out in Note 8 to the accounts.

DONATIONS

Charitable contributions made and charged in the accounts amounted to £1,000.

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

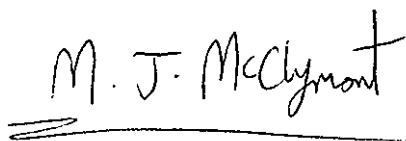
The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year.

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
8 April 1997

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 1 February 1997 and of its profit for the 53 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



Price Waterhouse

Chartered Accountants
and Registered Auditors

Southwark Towers
32 London Bridge Street
London
SE1 9SY

8 April 1997

GENAVCO INSURANCE LIMITED
PROFIT AND LOSS ACCOUNT
53 Weeks to 1 February 1997

Note	53 Weeks to 1/2/97 £	52 Weeks to 27/1/96 £
2 Turnover - continuing activities	<u>1,034,181</u>	<u>989,849</u>
3 Operating Profit - continuing activities	295,193	303,879
4 Interest receivable	<u>105,005</u>	<u>102,100</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE EXCEPTIONAL ITEM AND TAXATION	400,198	405,979
5 Exceptional Item - profit on disposal of fixed asset investment	<u>-</u>	<u>1,446,737</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	400,198	1,852,716
6 Taxation	<u>130,000</u>	<u>128,792</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	270,198	1,723,924
Dividends	<u>1,446,737</u>	<u>188,000</u>
TRANSFER (FROM)/TO RESERVES	<u>(1,176,539)</u>	<u>1,535,924</u>

The movements on reserves are shown in Note 14.

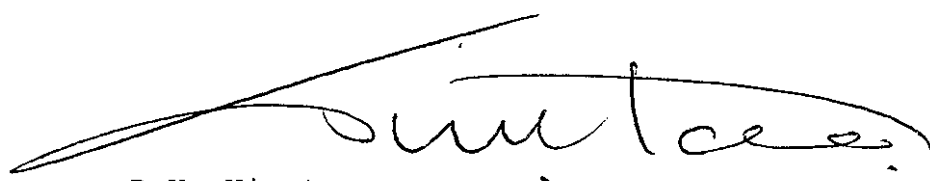
The Company has no recognised gains and losses other than those included in the profits above, therefore no separate statement of total recognised gains and losses has been presented.

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

GENAVCO INSURANCE LIMITED
BALANCE SHEET
At 1 February 1997

Note	1 February 1997 £	27 January 1996 £
FIXED ASSETS		
8	Tangible assets 66,967	49,588
9	Investments <u>1,000</u>	<u>1,000</u>
	<u>67,967</u>	<u>50,588</u>
CURRENT ASSETS		
10	Debtors 596,288	2,202,764
	Short term deposits 120,000	170,000
	Cash and bank balances <u>1,960,331</u>	<u>1,223,185</u>
	<u>2,676,619</u>	<u>3,595,949</u>
CURRENT LIABILITIES		
11	Creditors: amounts falling due within one year <u>1,270,540</u>	<u>995,952</u>
	NET CURRENT ASSETS <u>1,406,079</u>	<u>2,599,997</u>
	TOTAL ASSETS LESS CURRENT LIABILITIES <u>1,474,046</u>	<u>2,650,585</u>
PROVISION FOR LIABILITIES AND CHARGES		
12	Deferred taxation <u>3,000</u>	<u>3,000</u>
	TOTAL NET ASSETS <u>1,471,046</u>	<u>2,647,585</u>
CAPITAL AND RESERVES		
13	Called up share capital 500,000	500,000
14	Profit and loss account <u>971,046</u>	<u>2,147,585</u>
	TOTAL SHARE CAPITAL AND RESERVES <u>1,471,046</u>	<u>2,647,585</u>

Approved by the Board on 8 April 1997



P.K. Winstone
MANAGING DIRECTOR

GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS
53 WEEKS ENDED 1 FEBRUARY 1997

1. ACCOUNTING POLICIES

(a) Basis of accounts

The accounts 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) Pension costs

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

(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)
53 WEEKS ENDED 1 FEBRUARY 1997

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 (formerly Harrods Investments plc), produces a consolidated Cash Flow Statement in accordance with Financial Reporting Standard One (FRS 1). 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)
 53 WEEKS ENDED 1 FEBRUARY 1997

2. TURNOVER

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

	53 Weeks to 1/2/97 £	52 Weeks to 27/1/96 £
--	----------------------------	-----------------------------

3. OPERATING PROFIT is arrived at as follows:

Turnover	1,034,181	989,849
Administrative expenses	<u>738,988</u>	<u>685,970</u>
	<u>295,193</u>	<u>303,879</u>

Included in Administrative expenses are:

Depreciation of fixed tangible assets	25,972	18,819
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

Group undertakings	53,315	54,803
Third parties	<u>51,690</u>	<u>47,297</u>
	<u>105,005</u>	<u>102,100</u>

5. EXCEPTIONAL ITEM

Profit on sale of fixed asset investment - Stag Insurance Company Limited	<u>NIL</u>	<u>1,446,737</u>
---	------------	------------------

GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS (continued)
53 WEEKS ENDED 1 FEBRUARY 1997

	53 Weeks to 1/2/97 £	52 Weeks to 27/1/96 £
6. TAXATION		
Taxation based on the profits of the period at 33% (1996 - 33%) comprises:		
Group relief	130,000	130,000
Adjustment to prior year tax provision	-	(1,208)
Taxation charge	<u>130,000</u>	<u>128,792</u>

7. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' remuneration:

Fees	-	5,000
Other emoluments including pension contributions	<u>237,250</u>	<u>202,444</u>
	<u>237,250</u>	<u>207,444</u>

Emoluments of the Chairman	<u>131,525</u>	<u>108,216</u>
----------------------------	----------------	----------------

The range of directors' emoluments and the number within each range were:

	1997 Number	1996 Number
£Nil - £ 5,000	-	1
£ 35,001 - £ 40,000	-	1
£ 40,001 - £ 45,000	1	1
£ 45,001 - £ 50,000	1	-
£105,001 - £110,000	-	1
£130,001 - £135,000	1	-

	53 Weeks to 1/2/97 £	52 Weeks to 27/1/96 £
Employee costs (including directors)		
Wages and salaries	371,781	332,495
Social security costs	34,249	30,182
Other pension costs	<u>17,676</u>	<u>1,408</u>
	<u>423,706</u>	<u>364,085</u>

GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS (continued)
53 WEEKS ENDED 1 FEBRUARY 1997

7. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	1997 Number	1996 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.

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 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.

GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS (continued)
53 WEEKS ENDED 1 FEBRUARY 1997

7. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

The Company's pension charge for the 53 weeks to 1 February 1997 is based on the total surplus as follows:

	53 Weeks to 1/2/97 £	52 Weeks to 27/1/96 £
Regular cost	28,676	24,808
Variation	<u>(11,000)</u>	<u>(23,400)</u>
Net pension charge	<u>17,676</u>	<u>1,408</u>

The pension prepayment is as follows:

	1997 £	1996 £
Opening balance	25,400	5,514
Contributions paid	28,676	21,294
Charge to profit & loss account	<u>(17,676)</u>	<u>(1,408)</u>
Closing balance	<u>36,400</u>	<u>25,400</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)
 53 WEEKS ENDED 1 FEBRUARY 1997

		Fixtures, Fittings, Vehicles & Equipment £
8. FIXED TANGIBLE ASSETS		
Opening cost		206,824
Additions		43,351
Disposals		<u>(66,799)</u>
Closing cost		<u>183,376</u>
Opening aggregate depreciation		157,236
Charge for period		25,972
Disposals		<u>(66,799)</u>
Closing aggregate depreciation		<u>116,409</u>
Closing net book value		<u><u>66,967</u></u>
Opening net book value		<u><u>49,588</u></u>
	1997	1996
	£	£
9. 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)
53 WEEKS ENDED 1 FEBRUARY 1997

10. DEBTORS

	1997	Restated 1996
	£	£
Trade debtors	512,349	535,212
Amounts owed by group undertakings	2,957	1,598,221
Prepayments	<u>80,982</u>	<u>69,331</u>
	<u>596,288</u>	<u>2,202,764</u>

Included in Prepayments of £80,982 is an amount of £36,400 (1996 £25,400) in respect of pension contributions repayable in more than one year.

The offset provisions in Financial Reporting Standard Five "Reporting the substance of transactions" have been implemented this year for the first time. The effect of this has been to increase 1997 trade debtors by £69,187.

The 1996 comparative trade debtor figure has been restated from £491,253, as previously reported, to £535,212.

11. CREDITORS: Amounts falling due within one year

	1997	Restated 1996
	£	£
Trade creditors	1,122,165	813,762
Amounts due to group undertakings	130,000	162,615
Accruals	<u>18,375</u>	<u>19,575</u>
	<u>1,270,540</u>	<u>995,952</u>

The offset provisions in Financial Reporting Standard Five "Reporting the substance of transactions" have been implemented this year for the first time. The effect of this has been to increase 1997 trade creditors by £69,187.

The 1996 comparative trade creditor figure has been restated from £769,803, as previously reported, to £813,762.

GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS (continued)
53 WEEKS ENDED 1 FEBRUARY 1997

	1997 £	1996 £
12. DEFERRED TAXATION		
Provided in respect of capital allowances		
Opening and closing balance	<u>3,000</u>	<u>3,000</u>
There is no unprovided deferred tax.		
13. CALLED UP SHARE CAPITAL		
Authorised, issued and fully paid:		
Ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>
	53 Weeks to 1/2/97 £	52 Weeks to 27/1/96 £
14. PROFIT AND LOSS ACCOUNT		
At 28 January 1996	2,147,585	611,661
(Loss)/Profit retained for the period	<u>(1,176,539)</u>	<u>1,535,924</u>
Balance at 1 February 1997	<u>971,046</u>	<u>2,147,585</u>
15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS		
Profit for the financial year	270,198	1,723,924
Dividends	<u>(1,446,737)</u>	<u>(188,000)</u>
Net (reduction)/addition to shareholders' funds	<u>(1,176,539)</u>	1,535,924
Opening shareholders' funds	<u>2,647,585</u>	<u>1,111,661</u>
Closing shareholders' funds	<u>1,471,046</u>	<u>2,647,585</u>
16. CAPITAL COMMITMENTS		
Authorised but not yet contracted	<u>NIL</u>	<u>44,303</u>

GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS (continued)
53 WEEKS ENDED 1 FEBRUARY 1997

	1997	1996
17. LEASING COMMITMENTS	£	£
<p>Commitments during the year commencing 2 February 1997 in respect of operating leases of land and buildings are:</p>		
Lease expiring between one and five years	<u>31,228</u>	<u>31,228</u>

18. 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 1 February 1997 amounted to £1,122,165 (1995/96 £813,762). The charge only becomes enforceable under certain circumstances as set out in the deed. The assets subject to this charge were:-

	1 February 1997 £	27 January 1996 £
Bank balances	947,671	686,162
Insurance debtors	<u>515,306</u>	<u>535,212</u>
	<u>1,462,977</u>	<u>1,221,374</u>

19. CONTINGENT LIABILITIES

The Harrods Holdings plc (formerly Harrods Investments 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.

GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS (continued)
53 WEEKS ENDED 1 FEBRUARY 1997

20. PARENT UNDERTAKINGS

The company's immediate parent undertaking is Genavco Holdings Limited. Genavco Holdings Limited's immediate parent undertaking is Harrods (UK) plc (formerly Harrods Holdings plc), a company registered in England and Wales. The immediate parent undertaking of Harrods (UK) plc is Harrods Holdings plc (formerly Harrods Investments 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.

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 £58,294 in the 53 weeks ended 1 February 1997. Trade debtors include £104,241 of insurance premiums due from the above related parties. Trade creditors include £19,195 of return premiums due to the above related parties.