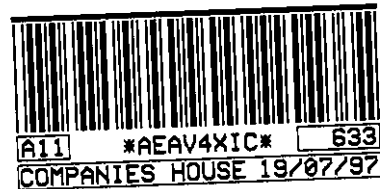


HARRODS HOLDINGS PLC
(formerly Harrods Investments plc)
REPORT AND FINANCIAL STATEMENTS

53 WEEKS ENDED 1 FEBRUARY 1997



Registered Number: 1848143

HARRODS HOLDINGS PLC
(formerly Harrods Investments plc)

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HARRODS HOLDINGS PLC
(formerly Harrods Investments plc)

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements of Harrods Holdings plc and its subsidiary companies ("the Group") for the 53 weeks ended 1 February 1997.

Change of Name

On 26 July 1996 the name of the Company was changed from Harrods Investments plc to Harrods Holdings plc.

Principal Activity

The principal activity of the Company is that of an investment holding company, the principal subsidiaries of which continue to operate retail businesses as well as the media and other businesses acquired during the last two years.

Directors and their Interests

The present Directors of the Company are:

M Al Fayed

A Fayed (Chairman)

M D Cole

C P de Boer (appointed on 28 June 1996)

J G Hawkins (appointed on 28 June 1996)

The following Director also held office during the year:

D R Webb (resigned on 1 August 1996)

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

M Al Fayed and A Fayed are beneficially interested in the shares of the Company. No other Director 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 1996, at date of appointment, or at 1 February 1997.

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.

Results and Dividends

The Group's profits after taxation for the 53 weeks ended 1 February 1997 amounted to £27.3 million (1996: £44.4 million).

The Directors have proposed and paid a dividend of £20.0 million (1996: £40.0 million) during the year.

HARRODS HOLDINGS PLC
(formerly Harrods Investments plc)

DIRECTORS' REPORT (Continued)

Review of the Business and Future Developments

The Group continues to perform well with an increase in turnover of 6.5% over the prior year on a like for like basis. Similarly, after adjusting for losses generated by businesses acquired during the year and exceptional administrative expenses the operating profit increased by £2.3 million or 3.5% over the prior year.

On 21 March 1996 the Group purchased shares in Liberty Publishing Limited (formerly Opencounty Limited) which was renamed Liberty Publishing & Media Limited on 16 December 1996.

On 4 March 1997 the Company issued one new special rights redeemable preference share of £1 each to two of the partners in Alfayed Investment and Trust PVT LP and the Memorandum and Articles of Association of the Company were amended accordingly.

On 19 March 1997 the Group purchased 46,616,666 shares in ALPHA Airports Group plc from Cylena SA for a consideration of £58.3 million (125p per share), representing 27.8% of the total share capital.

Employee Involvement

Information is provided regularly by means of normal management communication channels using written material, face-to-face meetings and video presentations.

Consultation with employees takes place through elected staff committees, health and safety committees and through normal recognised trade union channels. Employees are made aware of their contribution to the Group through individual performance appraisals.

Disabled Persons

It is the policy of the Group to give full and fair consideration to applications for employment from disabled persons, to continue wherever possible the employment of members of staff who may become disabled and to ensure that suitable training, career development and promotion is afforded to such persons.

The Environment

The Group has continued to adopt policies and procedures which 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.

Pension Plan

The Harrods Group Pension Plan has two member trustees amongst its trustee board. It also has a committee of staff and management representatives who are kept informed of the administration, performance and development of the Plan. Further details of the Plan are set out in Note 10 to the financial statements.

Donations

The charitable donations made and charged in the accounts amounted to £731,980 (1996: £695,939). No political contributions were made.

HARRODS HOLDINGS PLC
(formerly Harrods Investments plc)

DIRECTORS' REPORT (Continued)

Payment of Creditors

It is the Company's policy to agree payment terms as part of any formal contract with a supplier and to make every endeavour to abide by the agreed terms. Where a purchase is not covered by a formal contract, and no agreement is reached in advance of raising an order, the policy is that any valid invoice will be paid in full. The Company is sympathetic to, and pays particular attention to, the cash flow needs of its smaller suppliers.

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

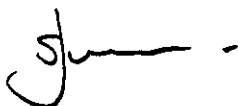
The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period.

The Directors have prepared the financial statements on pages 6 to 28 on a going concern basis and consider that the Company and the Group have 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 and the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Company and the Group 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 the Group and to prevent and detect fraud and other irregularities.

By Order of the Board



S JERMAN
Secretary
24 April 1997

Registered Office
87-135 Brompton Road
Knightsbridge
London, SW1X 7XL

HARRODS HOLDINGS PLC
(formerly Harrods Investments plc)

AUDITORS' REPORT TO THE MEMBERS OF
HARRODS HOLDINGS PLC

We have audited the financial statements on pages 6 to 28 which have been prepared under the historical cost convention, as modified by the revaluation of certain land and buildings, and the accounting policies set out on pages 12 and 13.

Respective Responsibilities of Directors and Auditors

As described on page 4 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 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 consider 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 affairs of the Company and the Group as at 1 February 1997 and of the profit and cash flows of the Group for the 53 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse
Chartered Accountants
and Registered Auditors
24 April 1997

Southwark Towers
32 London Bridge Street
London
SE1 9SY

HARRODS HOLDINGS PLC
(formerly Harrods Investments plc)

CONSOLIDATED PROFIT AND LOSS ACCOUNT
53 WEEKS ENDED 1 FEBRUARY 1997

Note	Business Performance 53 weeks 1/2/97 £m	Exceptional Items 53 weeks 1/2/97 £m	Total 53 weeks 1/2/97 £m	52 weeks 27/1/96 £m
	625.7	-	625.7	577.2
	(66.9)	-	(66.9)	(61.6)
2	558.8	-	558.8	515.6
	(318.9)	-	(318.9)	(295.1)
	239.9	-	239.9	220.5
3	(154.0)	-	(154.0)	(135.4)
3	(33.4)	(4.8)	(38.2)	(22.0)
	2.2	-	2.2	3.1
4	54.7	(4.8)	49.9	66.2
5	0.7	-	0.7	1.3
	55.4	(4.8)	50.6	67.5
6	-	-	-	0.4
	55.4	(4.8)	50.6	67.9
7	(13.0)	-	(13.0)	(9.2)
	42.4	(4.8)	37.6	58.7
8	(10.3)	-	(10.3)	(14.3)
	32.1	(4.8)	27.3	44.4
			(20.0)	(40.0)
			7.3	4.4

Included in the result for the 53 weeks ended 1 February 1997 are the following amounts arising from acquisitions during the year; Turnover £1.6 million and, as a result of special promotional expenditure in connection with the new projects, Operating Loss £(10.4) million.

The movements on reserves are shown in Note 20.

HARRODS HOLDINGS PLC
(formerly Harrods Investments plc)

53 WEEKS ENDED 1 FEBRUARY 1997

	53 weeks	52 weeks
	1/2/97	27/1/96
	£m	£m
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES		
Profit on ordinary activities after taxation	27.3	44.4
Unrealised (deficit)/surplus on revaluation of properties	(0.3)	8.5
	<u>27.0</u>	<u>52.9</u>
Total gains and losses recognised since last annual report	<u>27.0</u>	<u>52.9</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

Reported profit on ordinary activities before taxation	37.6	58.7
Realisation of property revaluation gains of previous years on disposal of subsidiary	<u>-</u>	<u>0.1</u>
Historical cost profit for the year before taxation	<u>37.6</u>	<u>58.8</u>
Historical cost profit for the year retained after taxation and dividends	<u>7.3</u>	<u>4.5</u>

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Total recognised gains and losses	27.0	52.9
Dividends	(20.0)	(40.0)
	<u>7.0</u>	<u>12.9</u>
Goodwill adjustment on disposal of subsidiary undertakings	-	6.6
Premiums on acquisition of subsidiaries written off	(2.9)	(1.1)
Net addition to shareholders' funds	<u>4.1</u>	<u>18.4</u>
Opening shareholders' funds	382.2	363.8
Closing shareholders' funds	<u>386.3</u>	<u>382.2</u>


HARRODS HOLDINGS PLC
(formerly Harrods Investments plc)

BALANCE SHEETS
AT 1 FEBRUARY 1997

Note	Consolidated		Company	
	1/2/97	27/1/96	1/2/97	27/1/96
	£m	£m	£m	£m
	Fixed Assets			
11	0.5	-	-	-
12	577.0	538.9	0.5	0.5
13	12.3	12.1	543.5	521.0
	<u>589.8</u>	<u>551.0</u>	<u>544.0</u>	<u>521.5</u>
	Current Assets			
14	54.0	50.9	-	-
15	25.8	20.3	6.6	5.3
15	5.1	5.8	0.1	0.1
16	2.4	5.4	39.2	32.1
	<u>87.3</u>	<u>82.4</u>	<u>45.9</u>	<u>37.5</u>
	Creditors			
17	(89.7)	(75.5)	(3.6)	(1.8)
	<u>(2.4)</u>	<u>6.9</u>	<u>42.3</u>	<u>35.7</u>
	Net Current (Liabilities)/Assets			
	<u>587.4</u>	<u>557.9</u>	<u>586.3</u>	<u>557.2</u>
	Total Assets Less Current Liabilities			
	Creditors			
17	(200.9)	(175.4)	(200.0)	(175.0)
	Provisions for Liabilities and Charges			
18	(0.2)	(0.3)	-	-
	<u>386.3</u>	<u>382.2</u>	<u>386.3</u>	<u>382.2</u>
	Capital and Reserves			
19	50.0	50.0	50.0	50.0
20	245.7	243.0	319.3	296.8
20	90.6	89.2	17.0	35.4
	<u>386.3</u>	<u>382.2</u>	<u>386.3</u>	<u>382.2</u>
	Equity shareholders' funds			

Approved by the Board on 24 April 1997


M AL FAYED
Director


J G HAWKINS
Director

HARRODS HOLDINGS PLC
(formerly Harrods Investments plc)

CONSOLIDATED CASH FLOW STATEMENT
53 WEEKS ENDED 1 FEBRUARY 1997

	53 weeks 1/2/97 £m	52 weeks 27/1/96 £m
Note		
1 Net Cash Inflow from Operating Activities	63.7	80.0
Returns on Investments and Servicing of Finance		
Interest received	0.4	2.8
Interest paid	(13.5)	(12.0)
Dividends received from associated undertakings	0.1	1.4
Dividends received from fixed asset investments	0.4	-
Dividends received from current asset investments	-	0.2
Rent received from properties	0.6	0.9
Other property costs	(0.7)	(0.8)
	<u>(12.7)</u>	<u>(7.5)</u>
Taxation	(5.6)	(30.0)
Capital Expenditure		
Purchase of intangible fixed assets	(0.5)	-
Purchase of tangible fixed assets	(50.6)	(61.9)
Sales of tangible fixed assets	0.2	0.1
	<u>(50.9)</u>	<u>(61.8)</u>
Acquisitions and Disposals		
4 Purchase of a subsidiary undertaking	(3.0)	(1.5)
Sale of businesses:		
Turnbull & Asser Limited	-	11.8
DTSI Limited	-	4.0
5 Cash collateral deposit	-	40.0
	<u>(3.0)</u>	<u>54.3</u>
Equity Dividends Paid	<u>(20.0)</u>	<u>(40.0)</u>
Net cash outflow before use of liquid resources and financing	(28.5)	(5.0)
6 Management of Liquid Resources		
Sales less purchases of current asset investments	-	1.7
2/3 Financing		
Debt due within one year:		
Repayment of amounts borrowed	-	(40.9)
Debt due beyond one year:		
Increase in unsecured long term loans	25.0	45.0
	<u>25.0</u>	<u>4.1</u>
2/3 (Decrease)/Increase in Cash	<u>(3.5)</u>	<u>0.8</u>

HARRODS HOLDINGS PLC
(formerly Harrods Investments plc)

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
53 WEEKS ENDED 1 FEBRUARY 1997

	53 weeks 1/2/97 £m	52 weeks 27/1/96 £m
1 Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities		
Operating profit	49.9	66.2
Depreciation charged	13.2	11.0
Loss on disposal of tangible assets	0.1	0.3
Fixed assets written off	-	0.1
Amounts written back on fixed assets	-	(0.1)
(Increase)/decrease in stocks	(3.1)	4.1
(Increase)/decrease in debtors	(6.3)	2.3
Increase/(decrease) in creditors	9.9	(3.9)
Net cash inflow from operating activities	63.7	80.0

Cash outflows in respect of exceptional items included within operating profit were £4.4 million (1996: £nil).

2 Reconciliation of Net Cash Flow to Movement in Net Debt

	£m
Decrease in cash in the period	(3.5)
Cash inflow from increase in debt	(25.0)
Movement in net debt in the period	(28.5)
Net debt at 27 January 1996	(175.3)
Net debt at 1 February 1997	(203.8)

3 Analysis of Net Debt

	27/1/96 £m	Cash Flow £m	1/2/97 £m
Cash in hand and at bank	5.4	(3.0)	2.4
Overdrafts	(5.7)	(0.5)	(6.2)
		(3.5)	
Debt due after one year	(175.0)	(25.0)	(200.0)
	(175.3)	(28.5)	(203.8)

HARRODS HOLDINGS PLC
(formerly Harrods Investments plc)

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)
53 WEEKS ENDED 1 FEBRUARY 1997

4 Purchase of a Subsidiary Undertaking

On 30 June 1996 the Group acquired the whole of the issued share capital of 963 Liberty Radio Limited (formerly Radio Viva Limited) and satisfied all indebtedness for a cash consideration of £3.0 million.

The assets and liabilities acquired at this date were as follows:

	Net Book Value £m	Fair Value Adjustments £m	Fair Value £m
Fixed assets	0.4	(0.3)	0.1
Indebtedness	(2.1)	-	(2.1)
Net assets acquired	(1.7)	(0.3)	(2.0)
Goodwill arising on acquisition			2.9
			0.9
Satisfied by:			
Cash consideration			0.9
Represented by:			
Cash Consideration			0.9
Repayment of indebtedness			2.1
Net cash outflow in respect of the purchase of a subsidiary			3.0

Fair value adjustments represent the write-off of certain fixed assets on acquisition.

5 Cash Collateral Deposit

On 3 April 1995 the cash collateral deposit of £40.0 million, relating to the deferred consideration on the sale of House of Fraser plc, was released.

6 Management of Liquid Resources

At 1 February 1997 the Group did not hold any liquid resources (1996: £nil).

HARRODS HOLDINGS PLC
(formerly Harrods Investments plc)

NOTES TO THE ACCOUNTS

1 Accounting Policies

Basis of Accounts

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of the Group's properties, and comply with applicable accounting standards.

Basis of Consolidation

The consolidated financial statements include the results of the Company and its subsidiary undertakings and the Group's share of the results and the post acquisition reserves of its associated undertaking.

The assets of subsidiary undertakings acquired are incorporated at their fair value at the date of acquisition. The premium arising on the acquisition of subsidiary undertakings is charged against reserves.

The investment in the associated undertaking is stated at cost, less goodwill (which is written off against reserves), plus the Group's share of post acquisition results.

Stock

Stock is stated at the lower of cost and net realisable value, which is generally computed on the basis of selling price less the appropriate trading margin.

Tangible Fixed Assets

Freehold and long leasehold properties are stated at either professional or Directors' valuation. All other fixed assets are stated at cost.

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

Certain freehold assets	25-50 years
Short leasehold property	remaining period of lease
Fixtures and fittings	3-20 years
Vehicles and equipment	4-7 years

It is the practice of the Group to maintain its properties in a continual state of repair. Accordingly, in general for freehold and long leasehold properties the Directors consider that the lives of these assets are so long, and the residual values (based upon prices prevailing at the time of the acquisition or subsequent valuation) are so high, that their depreciation is immaterial. Any permanent diminution in value of such properties is charged to the profit and loss account as appropriate.

In the case of major property development projects the interest on the capital borrowed to finance the project is, where separately identifiable and to the extent that it accrues during the period of development, capitalised as part of the cost of the asset.

HARRODS HOLDINGS PLC
(formerly Harrods Investments plc)

NOTES TO THE ACCOUNTS (Continued)

1 Accounting Policies (Continued)

Tangible Fixed Assets (Continued)

Surpluses and deficits on the disposal of such assets are determined by reference to their net book value.

Fixed Asset Investments

The Group accounts for its fixed asset investments at cost less any provision required for permanent diminution in value.

Fixed asset investments in subsidiary undertakings are stated in the balance sheet of the Company at the consolidated net asset value of those subsidiary undertakings. Net surpluses or deficits are transferred to a non-distributable revaluation reserve.

Leased Assets

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

Deferred Taxation

Deferred taxation is provided in respect of differences arising from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements, and where a tax liability is expected to crystallise in the foreseeable future.

Pensions

Retirement benefits are funded by contributions from the Group and employees. Payment is made to the pension trust, which is financially separate from the Group, 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 Plan.

Foreign Currency

All amounts in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. 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. Realised gains and losses are dealt with in the profit and loss account.

Gains and losses on forward foreign exchange contracts used to manage foreign exchange exposure are carried forward and taken to the profit and loss on maturity to match the underlying transactions.

HARRODS HOLDINGS PLC
(formerly Harrods Investments plc)

NOTES TO THE ACCOUNTS (Continued)

2 Turnover and Segmental Analysis

Turnover is the amount receivable, excluding VAT, for goods and services supplied to customers and includes the sales of concession departments.

In the current year a new segment has arisen through the acquisition of media and publishing businesses. Turnover and net assets of this segment are not material to the Group, the results of which are disclosed on page 6. There was no significant activity in this segment in the prior year. In the opinion of the Directors, the Group conducts only one significant class of business in one geographical area, the United Kingdom. Any further segmental analysis of this information would be immaterial.

3 Distribution and Store Costs and Administrative Expenses

The Directors have reviewed the nature of distribution and store costs and as a result, certain expenses have been reclassified as administrative expenses in the current year. Prior year amounts have been restated accordingly.

4 Operating Profit

	53 weeks 1/2/97	52 weeks 27/1/96
	£m	£m

Operating profit is stated after charging/(crediting):

Depreciation on tangible fixed assets	13.2	11.0
Auditors' remuneration:		
Audit fees and expenses	0.2	0.2
Non-audit services	0.1	0.1
Rentals paid under operating leases:		
Property	4.7	2.7
Plant and machinery	0.7	0.6
Fixed assets written off	-	0.1
Amounts written back on fixed assets	-	(0.1)
Gains on foreign exchange	(1.0)	(1.1)
Exceptional administrative expenses	4.8	-
Royalty income	(2.2)	(3.0)
	(2.2)	(3.0)

Exceptional administrative expenses relate to special advisory fees which were incurred during the year as part of a strategic review of the financing options available to the Group and include Auditors' remuneration, in relation to non-audit services, of £1.4 million.

Included in the result for the 53 weeks ended 1 February 1997 are the following amounts arising from acquisitions during the year; Cost of sales £(4.4) million; Administrative expenses £(7.6) million.

The audit fee of the Company was £6,000 (1996: £6,000).

HARRODS HOLDINGS PLC
(formerly Harrods Investments plc)

NOTES TO THE ACCOUNTS (Continued)

	53 weeks 1/2/97 £m	52 weeks 27/1/96 £m
5 Other Income		
Investment income:		
Share of profits of associated undertakings	0.5	1.0
Income from fixed asset investment	0.4	-
Income from current asset investment	-	0.2
Net rental income	0.6	0.8
Non trading property expenses	<u>(0.8)</u>	<u>(0.7)</u>
	<u>0.7</u>	<u>1.3</u>
6 Exceptional Items		
Profit on disposal of shareholding in Turnbull & Asser Limited and subsidiaries	-	3.8
Loss on disposal of the assets and the business of DTSI Limited	<u>-</u>	<u>(3.4)</u>
	<u>-</u>	<u>0.4</u>
7 Interest		
Payable:		
Bank loans and overdrafts	(13.4)	(11.9)
Receivable:		
Cash and bank balances	0.4	0.9
Other interest receivable	<u>-</u>	<u>1.8</u>
	<u>(13.0)</u>	<u>(9.2)</u>
8 Taxation		
Taxation based on the profits for the year:		
Corporation tax	(9.2)	(15.2)
Irrecoverable Advance Corporation Tax	(0.8)	-
Deferred tax released in the year	-	1.5
Associated undertakings	(0.2)	(0.1)
Other tax	<u>(0.2)</u>	<u>(0.2)</u>
	<u>(10.4)</u>	<u>(14.0)</u>
Adjustment for earlier years	<u>0.1</u>	<u>(0.3)</u>
	<u>(10.3)</u>	<u>(14.3)</u>

HARRODS HOLDINGS PLC
(formerly Harrods Investments plc)

NOTES TO THE ACCOUNTS (Continued)

9 Profit For The Financial Year

Company Profit and Loss Account

As permitted by Section 230 of the Companies Act 1985 the profit and loss account of Harrods Holdings plc is not presented as part of these financial statements. Harrods Holdings plc profit for the year after taxation amounted to £1.6 million (1996: £29.7 million).

Contributions from Acquisitions

The results from 963 Liberty Radio Limited for the period prior to acquisition were as follows:

	53 weeks 1/2/97 £000	Loss after Tax £m 52 weeks 27/1/96 £000
Period from 1/10/95 to 29/6/96		(0.8)
Year ended 30/9/95		<u>(1.4)</u>

10 Information Regarding Directors and Employees

Directors emoluments including pension contributions	835	468
Payment to a Director on retirement	100	-
Compensation for loss of office	-	189
Payments to a former Director	-	117
	<u>935</u>	<u>774</u>
Emoluments of the Chairman	nil	nil
Emoluments of highest paid Director	<u>275</u>	<u>258</u>

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

	Number	Number
£0 - £5,000	2	2
£155,001 - £160,000	-	1
£160,001 - £165,000	1	-
£175,001 - £180,000	2	-
£210,001 - £215,000	-	1
£255,001 - £260,000	-	1
£275,001 - £280,000	<u>1</u>	<u>-</u>

HARRODS HOLDINGS PLC
(formerly Harrods Investments plc)

NOTES TO THE ACCOUNTS (Continued)

10 Information Regarding Directors and Employees (Continued)

	53 weeks 1/2/97 £m	52 weeks 27/1/96 £m
Wages and salaries	88.2	77.8
Social security costs	7.5	6.6
Pension costs	2.0	1.0
	97.7	85.4
	Number	Number
Average weekly number of employees during the year:		
United Kingdom	4,894	5,041

Pensions

During the year, the Group 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.

HARRODS HOLDINGS PLC
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NOTES TO THE ACCOUNTS (Continued)

10 Information Regarding Directors and Employees (Continued)

Pensions (Continued)

The Group's pension charge for the 53 weeks to 1 February 1997 was as follows:

	53 weeks 1/2/97 £m	52 weeks 27/1/96 £m
Regular cost	3.2	2.6
Variation	<u>(1.2)</u>	<u>(1.6)</u>
Net pension charge	<u><u>2.0</u></u>	<u><u>1.0</u></u>

The pension charge for the year ended 1 February 1997 was significantly higher than the previous year due to the change in variation which reflects a lower actuarial surplus and the change to the assumed estimated service life of current employees to 13 years compared to the 10 years used previously.

The pension prepayment is as follows:

	1/2/97 £m	27/1/96 £m
Opening balance	2.7	1.6
Contributions paid	3.2	2.1
Charge to profit and loss account	<u>(2.0)</u>	<u>(1.0)</u>
Closing balance	<u><u>3.9</u></u>	<u><u>2.7</u></u>

The market value of assets held within the Plan, as at 5 April 1996 was £126.9 million. At that 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.

11 Fixed Assets - Intangible Assets

Consolidated	Total £m
Cost:	
At 27 January 1996	-
Additions	<u>0.5</u>
At 1 February 1997	<u><u>0.5</u></u>

The intangible assets represent the acquisition of publishing rights during the year.

There are no intangible assets in the Company (1996: £nil).

HARRODS HOLDINGS PLC
(formerly Harrods Investments plc)

NOTES TO THE ACCOUNTS (Continued)

12 Fixed Assets - Tangible Assets

Consolidated	Total £m	Freehold £m	Long Leasehold £m	Short Leasehold £m	Fixtures, Fittings Vehicles & Equipment £m
Cost and valuation:					
At 27 January 1996	605.8	478.9	0.5	2.4	124.0
Additions:					
Subsidiary acquired	0.1	-	-	0.1	-
Other	51.8	35.9	-	1.1	14.8
Disposals	(2.9)	(0.2)	-	-	(2.7)
Reclassifications	-	(1.0)	-	-	1.0
Revaluation deficit	(1.1)	(1.1)	-	-	-
At 1 February 1997	<u>653.7</u>	<u>512.5</u>	<u>0.5</u>	<u>3.6</u>	<u>137.1</u>
Accumulated depreciation:					
At 27 January 1996	66.9	0.6	-	1.0	65.3
Charge for year	13.2	0.5	-	0.2	12.5
Disposals	(2.6)	-	-	-	(2.6)
Revaluation surplus	(0.8)	(0.8)	-	-	-
At 1 February 1997	<u>76.7</u>	<u>0.3</u>	<u>-</u>	<u>1.2</u>	<u>75.2</u>
Net book value:					
At 1 February 1997	<u>577.0</u>	<u>512.2</u>	<u>0.5</u>	<u>2.4</u>	<u>61.9</u>
At 27 January 1996	<u>538.9</u>	<u>478.3</u>	<u>0.5</u>	<u>1.4</u>	<u>58.7</u>
Cost and valuation:					
1997 Directors' valuation	477.6	477.1	0.5	-	-
Cost	176.1	35.4	-	3.6	137.1
	<u>653.7</u>	<u>512.5</u>	<u>0.5</u>	<u>3.6</u>	<u>137.1</u>
Historical cost at					
27 January 1996	363.4	236.6	0.4	2.4	124.0
Depreciation on historical cost					
at 27 January 1996	(66.9)	(0.6)	-	(1.0)	(65.3)
Net historical cost at					
27 January 1996	<u>296.5</u>	<u>236.0</u>	<u>0.4</u>	<u>1.4</u>	<u>58.7</u>
Historical cost at					
1 February 1997	409.4	268.3	0.4	3.6	137.1
Depreciation on historical cost					
at 1 February 1997	(77.5)	(1.1)	-	(1.2)	(75.2)
Net historical cost at					
1 February 1997	<u>331.9</u>	<u>267.2</u>	<u>0.4</u>	<u>2.4</u>	<u>61.9</u>

HARRODS HOLDINGS PLC
(formerly Harrods Investments plc)

NOTES TO THE ACCOUNTS (Continued)

12 Fixed Assets - Tangible Assets (Continued)

The freehold and long leasehold properties of the Group were valued as at 27 July 1996. Those properties primarily occupied by the Group were valued on the basis of Existing Use Value and the remainder (principally residential and development properties) on the basis of Open Market Value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. The Group's principal valuers are: Healey & Baker, International Real Estate Consultants; Knight Frank, International Property Consultants; and W.A. Ellis, Estate Agents and Surveyors. The valuations have been adopted by the Directors and incorporated in the financial statements at 1 February 1997.

Included in the cost element of freehold land and buildings is £34.9 million representing the cost of unfinished projects at the year end (1996: £11.1 million).

Included in the cost of tangible fixed assets is £2.8 million (1996: £2.7 million) of capitalised interest (net of tax) of which £0.1 million was incurred during the year (1996: £0.1 million).

	Total £m	Short Leasehold £m	Fixtures Fittings Vehicles & Equipment £m
Company			
Cost:			
At 27 January 1996	1.0	0.4	0.6
Additions	0.1	-	0.1
	<hr/>	<hr/>	<hr/>
At 1 February 1997	1.1	0.4	0.7
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Accumulated depreciation:			
At 27 January 1996	0.5	0.1	0.4
Charge for year	0.1	-	0.1
	<hr/>	<hr/>	<hr/>
At 1 February 1997	0.6	0.1	0.5
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value:			
At 1 February 1997	0.5	0.3	0.2
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 27 January 1996	0.5	0.3	0.2
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

HARRODS HOLDINGS PLC
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NOTES TO THE ACCOUNTS (Continued)

13 Fixed Assets - Investments

Consolidated	Total £m	Associated Undertakings £m	Unlisted Investments £m
Shares			
Cost:			
At 27 January 1996	8.8	8.8	-
Reclassification	-	(2.3)	2.3
At 1 February 1997	<u>8.8</u>	<u>6.5</u>	<u>2.3</u>
Written off:			
At 27 January 1996 and at 1 February 1997	<u>3.8</u>	<u>3.8</u>	-
Net book value:			
At 1 February 1997	<u>5.0</u>	<u>2.7</u>	<u>2.3</u>
At 27 January 1996	<u>5.0</u>	<u>5.0</u>	-
Share of post-acquisition reserves			
At 27 January 1996	7.1	7.1	-
Movement in the year	0.2	0.2	-
Reclassification	-	(5.4)	5.4
At 1 February 1997	<u>7.3</u>	<u>1.9</u>	<u>5.4</u>
Totals			
Net book value:			
At 1 February 1997	<u>12.3</u>	<u>4.6</u>	<u>7.7</u>
At 27 January 1996	<u>12.1</u>	<u>12.1</u>	-

Associated Undertakings

The investment in the associated undertaking represents a 29.93% interest in the ordinary share capital of Mallett plc. The market value of this listed investment at 1 February 1997 which was quoted on the London Stock Exchange, was £3.3 million (1996: £3.3 million).

In prior years Harrods Bank Limited has been accounted for as an associated undertaking. Arrangements between Harrods Bank Limited and the Group have not changed, and the Group continues to retain the full economic interest in Harrods Bank Limited through its ownership of 100% of the non-voting shares. Following a review, however, the Directors are of the opinion that Harrods Bank Limited is more appropriately accounted for as a fixed asset investment.

The net assets of Harrods Bank Limited at 1 February 1997, and its profit for the 53 weeks then ended have not been shown, as they are not material to the Group.

HARRODS HOLDINGS PLC
(formerly Harrods Investments plc)

NOTES TO THE ACCOUNTS (Continued)

13 Fixed Assets - Investments (Continued)

Company	Total £m
Cost of investment at 27 January 1996	224.2
Share of post acquisition reserves	296.8
	<hr/>
Investments in subsidiaries at 27 January 1996	521.0
Surplus for the year	22.5
	<hr/>
Investments in subsidiaries at 1 February 1997	543.5
	<hr/> <hr/>
Representing:	
Cost of investment at 1 February 1997	224.2
Share of post acquisition reserves	319.3
	<hr/>
	543.5
	<hr/> <hr/>

	Consolidated		Company	
	1/2/97	27/1/96	1/2/97	27/1/96
	£m	£m	£m	£m
14 Stocks				
Raw materials and consumables	0.5	0.4	-	-
Work in progress	0.6	0.5	-	-
Finished goods for resale	52.9	50.0	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	54.0	50.9	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

There were no significant differences between the replacement cost of stocks at 1 February 1997 and the amounts at which they are stated in the accounts.

15 Debtors

Amounts due within one year:

Trade debtors	15.6	13.0	-	-
Amounts owed by group undertakings	-	-	5.9	5.2
Other debtors	6.5	4.6	0.1	-
Prepayments and accrued income	3.7	2.7	0.6	0.1
	<hr/>	<hr/>	<hr/>	<hr/>
	25.8	20.3	6.6	5.3
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Amounts due after more than one year:

Other debtors	-	0.5	-	-
Advance Corporation Tax recoverable	1.2	2.6	-	-
Pension prepayment	3.9	2.7	0.1	0.1
	<hr/>	<hr/>	<hr/>	<hr/>
	5.1	5.8	0.1	0.1
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

HARRODS HOLDINGS PLC
(formerly Harrods Investments plc)

NOTES TO THE ACCOUNTS (Continued)

	Consolidated		Company	
	1/2/97	27/1/96	1/2/97	27/1/96
	£m	£m	£m	£m
16 Cash and bank balances				
Cash and bank balances	2.3	3.8	39.2	32.1
Deposits and funds held at call and short notice	0.1	1.6	-	-
	<u>2.4</u>	<u>5.4</u>	<u>39.2</u>	<u>32.1</u>
17 Creditors				
Amounts falling due within one year:				
Bank overdrafts	6.2	5.7	0.2	0.2
Trade creditors	37.3	32.7	-	-
Other creditors	6.0	4.6	0.7	0.4
Taxation and social security	17.2	13.9	-	-
Accruals and deferred income	23.0	18.6	2.7	1.2
	<u>89.7</u>	<u>75.5</u>	<u>3.6</u>	<u>1.8</u>
Amounts falling due after more than one year:				
Bank loans	200.0	175.0	200.0	175.0
Accruals and deferred income	0.9	0.4	-	-
	<u>200.9</u>	<u>175.4</u>	<u>200.0</u>	<u>175.0</u>
Unsecured bank loans and overdrafts				
Repayable on demand	6.2	5.7	0.2	0.2
Repayable between one and two years	25.0	-	25.0	-
Repayable between two and five years	175.0	175.0	175.0	175.0
	<u>206.2</u>	<u>180.7</u>	<u>200.2</u>	<u>175.2</u>

On 27 February 1997 the Group refinanced its existing loan facility with a new facility of up to £370.0 million, which bears interest at variable rates linked to LIBOR. The refinancing requires phased reductions in the new facility prior to maturity on 27 February 2002.

HARRODS HOLDINGS PLC
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NOTES TO THE ACCOUNTS (Continued)

	Consolidated	
	1/2/97	27/1/96
	£m	£m
18 Deferred Taxation		
Provided in respect of capital allowances:		
Balance brought forward (before ACT offset)	0.7	2.2
Amounts released in the year	-	(1.5)
Adjustment for earlier years	(0.2)	-
	0.5	0.7
Advanced Corporation Tax recoverable	(0.3)	(0.4)
Balance carried forward	0.2	0.3

In addition to the amount provided for deferred taxation, there are potential liabilities in respect of taxation deferred in relation to:

Capital allowances	3.7	2.5
Corporation tax on capital gains	5.5	5.5
Revaluation of properties	49.4	54.0
	58.6	62.0

There is no deferred taxation liability provided or unprovided for the Company (1996: £nil).

In the opinion of the Directors the potential liability in respect of capital gains is unlikely to arise since the majority of the properties will be retained for use in the business. The availability of rollover relief would eliminate any liability which could otherwise result from disposals.

Deferred taxation has not been provided for in respect of the pension prepayment as at 1 February 1997 as a tax liability will not crystallise as a result of any timing difference.

HARRODS HOLDINGS PLC
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NOTES TO THE ACCOUNTS (Continued)

	Consolidated		Company	
	1/2/97	27/1/96	1/2/97	27/1/96
	£m	£m	£m	£m
19 Called up Share Capital				
Authorised, allotted and fully paid:				
50,000,000 ordinary shares of £1 each	<u>50.0</u>	<u>50.0</u>	<u>50.0</u>	<u>50.0</u>

Changes to the Company share capital after the year end are shown in Note 25.

	Consolidated		Company	
	Revaluation Reserve £m	Profit & Loss Account £m	Revaluation Reserve £m	Profit & Loss Account £m
20 Reserves				
Balance at 27 January 1996	243.0	89.2	296.8	35.4
Profit/(loss) retained for the year	-	7.3	-	(18.4)
Revaluation deficit on tangible fixed assets	(0.3)	-	-	-
Goodwill written off on acquisition	-	(2.9)	-	-
Revaluation surplus on investment in subsidiaries	-	-	22.5	-
Revaluation adjustment	<u>3.0</u>	<u>(3.0)</u>	<u>-</u>	<u>-</u>
Balance at 1 February 1997	<u>245.7</u>	<u>90.6</u>	<u>319.3</u>	<u>17.0</u>

The revaluation adjustment has arisen following a review of earlier reserve movements. The prior year numbers have not been restated as the adjustment is not material.

At 1 February 1997, the cumulative amount of goodwill written off to reserves amounted to £45.8 million (1996: £42.9 million).

	Consolidated	
	1/2/97	27/1/96
	£m	£m
21 Commitments		
Capital Commitments		
Contracted for but not provided	<u>17.8</u>	<u>19.6</u>

There were no capital commitments in the Company (1996: £nil).

HARRODS HOLDINGS PLC
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NOTES TO THE ACCOUNTS (Continued)

21 Commitments (Continued)	Consolidated		Company	
	1/2/97	27/1/96	1/2/97	27/1/96
	£m	£m	£m	£m
Leasing Commitments				
Leasing commitments during the year commencing 2 February 1997 in respect of operating leases are:				
Land and buildings				
Leases expiring:				
Within one year	0.4	-	-	-
Between one and five years	0.4	0.8	-	0.1
Over five years	3.5	3.4	-	0.2
	4.3	4.2	-	0.3
Other assets				
Leases expiring:				
Within one year	0.6	0.1	-	-
Between one and five years	2.1	0.1	-	-
Over five years	0.4	-	-	-
	3.1	0.2	-	-

In addition to the above, the Group has commitments under concession agreements amounting to £7.7 million (1996: £15.5 million).

22 Contingent Liabilities

Guarantees are in existence on behalf of 963 Liberty Radio Limited and Punch Limited for £1.0 million and £0.3 million respectively.

The Group does not participate in derivative financial instruments except in respect of the following: The Group enters into forward exchange contracts and options all maturing within one year, solely to manage its foreign exchange exposure to certain currencies. These contracts relate to the trading activities of a subsidiary undertaking. The Group has hedged approximately 90% of these future transactions. Through its hedging activities the Group seeks to minimise the risk that eventual cash flows required to settle related liabilities will be affected by changes in exchange rates.

The exposure on outstanding contracts at each period end was as follows:

Forward exchange contracts	4.3	4.0	-	-
Options	2.3	-	-	-
	6.6	4.0	-	-

HARRODS HOLDINGS PLC
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NOTES TO THE ACCOUNTS (Continued)

23 Parent Undertakings

Harrods Holdings plc, a Company registered in England and Wales is the parent undertaking of the Harrods Holdings Group which is both the smallest and largest group which consolidates the results of the Company.

The ultimate parent undertaking is Alfayed Investments 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.

24 Related Party Transactions

During the year the Group traded with a number of companies, which are under the common control of the Group's ultimate controlling party. These companies comprise Turnbull & Asser Limited, AIT Services (UK) Limited, Balnagown Castle Properties Limited, The Ritz Hotel Limited, Fayair Limited, Hyde Park Residence Limited and Barrow Green Court Limited. The transactions with these companies are not material.

As part of their employment, Directors and senior employees of the Group can purchase goods from the Harrods Store using a staff account card. The amounts of goods purchased by the Directors are not considered to be material either to the Group or the individuals. There were no other transactions between these individuals and the Group, other than as shown in Notes 10 and 25 to the financial statements.

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

25 Events Subsequent to the Year End

On 27 February 1997 the Group purchased 100% of the share capital in Cylena SA, at its net book value, from M Al Fayed for £1 (one pound). On 7 March 1997 the Group provided an intercompany loan of £58.3 million to Cylena SA in order to enable it to repay its external borrowings. On 19 March 1997 the Group purchased 46,616,666 shares in ALPHA Airports Group plc ("the ALPHA Shares") from Cylena SA for a consideration of £58.3 million (125p per share), left outstanding by way of interest free intercompany debt. The majority of the ALPHA Shares had been previously acquired by Cylena SA at a price of 125p per share.

The market prices of the ALPHA Shares were as follows:

On acquisition by Cylena SA	106p (average)
27 February 1997	106p
7 March 1997	106p
19 March 1997	102p

The Group's interest in the ALPHA Shares represents 27.8% of the total share capital of ALPHA Airports Group plc. Had the ALPHA Shares been acquired at 1 February 1997, the Group's share of the net liabilities of ALPHA Airports Group plc, based on the latest available published information at 31 July 1996, would have been £(1.4) million.

HARRODS HOLDINGS PLC
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NOTES TO THE ACCOUNTS (Continued)

25 Events Subsequent to the Year End (Continued)

On 4 March 1997 the Company issued one new special rights redeemable preference share of £1 each ("the Special Shares") to two of the partners in Alfayed Investment and Trust PVT LP. The Special Shares have certain special control rights over the Company, rank in priority, at par, over the ordinary shares on winding-up and are redeemable at the option of the shareholders.

The authorised share capital has been increased and the Memorandum and Articles of Association of the Company have been amended accordingly.

26 Principal Subsidiary and Associated Undertakings

Operating at 1 February 1997

The following trading companies are registered in England and Wales and operate in the United Kingdom:

	<u>Principal Activity</u>
Harrods (UK) plc ⁽¹⁾	Holding company
Harrods Limited	Department store
Harrods International Limited	Tax free retailer and wholesaler
Harrods (Continental) Limited	Exporter
Kurt Geiger Limited	Footwear retailer
Genavco Insurance Limited	Insurance broker
Metro Business Aviation Limited	Executive jet handling company
Air Harrods Limited	Helicopter operator
Brompton Press Limited	Publisher
Punch Limited	Magazine publisher
963 Liberty Radio Limited	Radio station operator

⁽¹⁾ The whole of the issued share capital in this company is owned directly by Harrods Holdings plc. The whole of the share capital in the other companies is held by intermediate holding companies.

All subsidiary undertakings are included within the consolidated financial statements.

Associated Undertakings

At 1 February 1997

The following company is registered in England and Wales and operates in the United Kingdom.

	<u>Accounting Date</u>	<u>Share Capital</u>	<u>% held by Company</u>
Mallett plc (Antique Dealers)	31 December	13,800,060 Ordinary shares of 5p	29.93 (indirect)