

Company Number: 879931

GENAVCO INSURANCE LIMITED

DIRECTORS' REPORT AND ACCOUNTS

52 WEEKS ENDED 30 JANUARY 1999



**GENAVCO INSURANCE LIMITED
DIRECTORS' REPORT AND ACCOUNTS
FOR THE 52 WEEKS ENDED 30 JANUARY 1999**

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GENAVCO INSURANCE LIMITED

**DIRECTORS' REPORT
FOR THE 52 WEEKS ENDED 30 JANUARY 1999**

The Directors have pleasure in submitting their report and the audited accounts of the Company for the 52 weeks ended 30 January 1999.

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 52 weeks to 30 January 1999 was £335,764 compared with £283,532 for the previous 52 week period.

A dividend has been paid for the period to 30 January 1999 amounting to £163,000 (1998 £110,000), and an amount of £172,764 has been transferred to reserves (1998 £173,532).

DIRECTORS' INTERESTS

No Director in office at 30 January 1999 held any beneficial interest in the shares of Harrods Holdings plc or any of its subsidiaries at 31 January 1998 or at 30 January 1999.

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 30 JANUARY 1999

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 £1,000.

No political contributions were made.

AUDITORS

Following the merger of Price Waterhouse and Coopers and Lybrand on 1 July 1998, Price Waterhouse resigned as auditors in favour of the new firm, PricewaterhouseCoopers and the Directors have appointed PricewaterhouseCoopers to fill the casual vacancy created by the resignation. A resolution to reappoint PricewaterhouseCoopers as auditors to the Company will be proposed as special business at the forthcoming 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
12 April 1999

Registered Office

Bankside House
107-112 Leadenhall Street
London EC3A 4AF

**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

The Directors are responsible for preparing the Annual Report including as described on Page 2, the financial statements. Our responsibilities, as independent auditors, are established 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 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 of 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 30 January 1999 and of its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers

Chartered Accountants
and Registered Auditors

Embankment Place
London

12 April 1999

GENAVCO INSURANCE LIMITED
PROFIT AND LOSS ACCOUNT
52 Weeks to 30 January 1999

Note	52 Weeks to 30/1/99 £	52 Weeks to 31/1/98 £
2 Turnover - continuing activities	<u>1,055,590</u>	<u>980,283</u>
3 Operating Profit - continuing activities	308,637	288,404
4 Interest receivable and similar income	<u>182,127</u>	<u>128,128</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	490,764	416,532
5 Taxation	<u>155,000</u>	<u>133,000</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	335,764	283,532
Dividends	<u>163,000</u>	<u>110,000</u>
RETAINED PROFIT FOR THE PERIOD	<u>172,764</u>	<u>173,532</u>

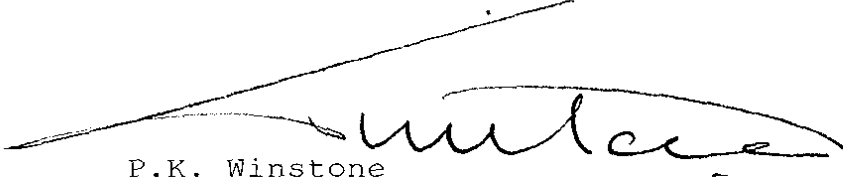
The movements on reserves are shown in Note 13.

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 30 January 1999

Note	30 January 1999 £	31 January 1998 £
FIXED ASSETS		
7	Tangible assets 28,755	41,470
8	Investments <u>1,000</u>	<u>1,000</u>
	<u>29,755</u>	<u>42,470</u>
CURRENT ASSETS		
9	Debtors 332,280	500,789
	Short term deposits 70,000	150,000
	Cash and bank balances <u>1,861,265</u>	<u>1,694,980</u>
	<u>2,263,545</u>	<u>2,345,769</u>
CURRENT LIABILITIES		
10	Creditors: amounts falling due within one year <u>472,958</u>	<u>740,661</u>
	NET CURRENT ASSETS <u>1,790,587</u>	<u>1,605,108</u>
	TOTAL ASSETS LESS CURRENT LIABILITIES <u>1,820,342</u>	<u>1,647,578</u>
PROVISION FOR LIABILITIES AND CHARGES		
11	Deferred taxation <u>3,000</u>	<u>3,000</u>
	TOTAL NET ASSETS <u>1,817,342</u>	<u>1,644,578</u>
CAPITAL AND RESERVES		
12	Called up share capital 500,000	500,000
13	Profit and loss account <u>1,317,342</u>	<u>1,144,578</u>
	TOTAL SHAREHOLDERS FUNDS <u>1,817,342</u>	<u>1,644,578</u>

Approved by the Board on 12 April 1999


P.K. Winstone
MANAGING DIRECTOR

GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS
52 WEEKS ENDED 30 JANUARY 1999

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	-	between 5 and 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 30 JANUARY 1999

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 30 JANUARY 1999

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 30/1/99 £	52 Weeks to 31/1/98 £
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3. OPERATING PROFIT is arrived at as follows:

Turnover	1,055,590	980,283
Administrative expenses	<u>746,953</u>	<u>691,879</u>
	<u>308,637</u>	<u>288,404</u>

Included in Administrative expenses are:

Depreciation of fixed tangible assets	18,198	25,634
Auditors' fees and expenses	14,100	12,925
Rentals paid under a property operating lease	<u>55,933</u>	<u>31,228</u>

4. INTEREST RECEIVABLE AND SIMILAR INCOME

Interest receivable from group undertakings	119,089	88,557
Interest receivable from third parties	<u>63,038</u>	<u>39,571</u>
	<u>182,127</u>	<u>128,128</u>

5. TAXATION

Taxation based on the profits of the period at 31% (1998 - 31%) comprises:

Group relief	<u>155,000</u>	<u>133,000</u>
Taxation charge	<u>155,000</u>	<u>133,000</u>

GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS (continued)
52 WEEKS ENDED 30 JANUARY 1999

	52 Weeks to 30/1/99 £	52 Weeks to 31/1/98 £
6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES		
Directors' remuneration:		
Fees	-	-
Other emoluments including pension contributions	<u>244,787</u>	<u>229,592</u>
	<u>244,787</u>	<u>229,592</u>
Emoluments of the Chairman	<u>135,924</u>	<u>122,500</u>

None of the Directors possessed any share options in any group company at 30 January 1999.

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

The accrued pension at 30 January 1999 of the highest paid Director was £74,487.

	52 Weeks to 30/1/99 £	52 Weeks to 31/1/98 £
Employee costs (including directors)		
Wages and salaries	404,960	375,649
Social security costs	36,228	32,515
Other pension costs	<u>25,915</u>	<u>21,110</u>
	<u>467,103</u>	<u>429,274</u>

	1999 Number	1998 Number
The average weekly number of employees during the period was as follows:	<u>10</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 30 JANUARY 1999

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 30 January 1999 is based on the total surplus as follows:

	52 Weeks to 30/1/99 £	52 Weeks to 31/1/98 £
Regular cost	25,715	24,110
Variation	<u>200</u>	<u>(3,000)</u>
Net pension charge	<u>25,915</u>	<u>21,110</u>

GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS (continued)
52 WEEKS ENDED 30 JANUARY 1999

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

The pension prepayment is as follows:

	1999	1998
	£	£
Opening balance	39,400	36,400
Contributions paid	25,715	24,110
Charge to profit & loss account	<u>(25,915)</u>	<u>(21,110)</u>
Closing balance	<u>39,200</u>	<u>39,400</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 30 JANUARY 1999

	Fixtures, Fittings, Vehicles & Equipment £	
7. TANGIBLE FIXED ASSETS		
Opening cost at 31 January 1998	183,513	
Additions	5,483	
Disposals	<u>(80,716)</u>	
Closing cost at 30 January 1999	<u>108,280</u>	
Opening aggregate depreciation	142,043	
Charge for period	18,198	
Disposals	<u>(80,716)</u>	
Closing aggregate depreciation	<u>79,525</u>	
Closing net book value	<u>28,755</u>	
Opening net book value	<u>41,470</u>	
	1999	1998
	£	£
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 30 JANUARY 1999

9. DEBTORS

	1999	1998
	£	£
Trade debtors	239,282	421,902
Amounts owed by group undertakings	5,868	-
Prepayments	<u>87,130</u>	<u>78,887</u>
	<u>332,280</u>	<u>500,789</u>

Included in Prepayments of £87,130 is an amount of £39,200 (1998 £39,400) in respect of pension contributions repayable in more than one year.

10. CREDITORS: Amounts falling due within one year

	1999	1998
	£	£
Trade creditors	300,528	591,356
Amounts due to group undertakings	155,000	133,000
Accruals	<u>17,430</u>	<u>16,305</u>
	<u>472,958</u>	<u>740,661</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 30 JANUARY 1999

	1999 £	1998 £
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 30/1/99 £	52 Weeks to 31/1/98 £
13. PROFIT AND LOSS ACCOUNT		
At 31 January 1998	1,144,578	971,046
Profit retained for the period	<u>172,764</u>	<u>173,532</u>
Balance at 30 January 1999	<u>1,317,342</u>	<u>1,144,578</u>
14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS		
Profit for the financial year	335,764	283,532
Dividends	<u>(163,000)</u>	<u>(110,000)</u>
Net addition to shareholders' funds	172,764	173,532
Opening shareholders' funds	<u>1,644,578</u>	<u>1,471,046</u>
Closing shareholders' funds	<u>1,817,342</u>	<u>1,644,578</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 31 January 1999 in respect of operating leases of land and buildings are:		
Lease expiring within one year	-	18,216
Lease expiring in more than five years	<u>68,550</u>	-
	<u>68,550</u>	<u>18,216</u>

GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS (continued)
52 WEEKS ENDED 30 JANUARY 1999

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 30 January 1999 amounted to £300,528 (1997/98 £591,356). The charge only becomes enforceable under certain circumstances as set out in the deed. The assets subject to this charge were:-

	30 January 1999 £	31 January 1998 £
Bank balances	352,441	532,095
Insurance debtors	<u>245,150</u>	<u>421,902</u>
	<u><u>597,591</u></u>	<u><u>953,997</u></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

A Group-wide programme, designed to address the impact of the Year 2000 on the business, was commissioned by the Group Board during 1997 and is now well under way. Resources have been allocated and the Board receives regular reports on progress.

Although it is not possible for any organisation to guarantee that no Year 2000 problems will remain, a significant risk analysis was performed to determine the impact of the issue on all Group activities. From this, prioritised action plans were developed, designed to address the key risks in advance of critical dates and without disruption to the underlying business activities. Priority was given to those systems that could cause a significant financial or legal impact on the Company's business if they were to fail. The plan also included a requirement for the testing of systems changes, involving the participation of users.

All of the mission-critical business systems have now been addressed, with adequate repair or replace solutions determined, tested and, in most cases, implemented.

GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS (continued)
52 WEEKS ENDED 30 JANUARY 1999

Furthermore, detailed contingency plans are being developed to assist the business overcome any unforeseen difficulties or issues at the Century boundary.

The risk analysis also considered the impact on the business of Year 2000 related failures by significant suppliers, computer bureaux and customers. In appropriate cases formal communication with other parties has occurred.

Much of the cost of implementing the action plans will be absorbed into the recurring activities of the departments involved.

20. EMU

A Group-wide programme, designed to address the impact of EMU on the business was commissioned by the Group Board during 1998.

21. 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.

22. 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 £118,887 in the 52 weeks ended 30 January 1999 (1998 £77,762). Trade debtors include £120,943 (1998 £93,976) of insurance premiums due from the above related parties. Trade creditors include £29,788 (1998 £31,046) of return premiums due to the above related parties.