

GENAVCO INSURANCE LIMITED

DIRECTORS' REPORT AND
FINANCIAL STATEMENTS

52 WEEKS ENDED 29 JANUARY 2000



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 29 January 2000.

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 (Managing Director - appointed 1 June 1999)
Mr. M.J. McClymont

The following Director also held office during the year:-

Mr N.W. Towning (resigned on 1 January 2000)

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 29 January 2000 held any beneficial interest in the shares of Harrods Holdings Limited (formerly Harrods Holdings plc) or any of its subsidiaries at 30 January 1999, at date of appointment, or at 29 January 2000.

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 29 January 2000 was £3,895 compared with £335,764 for the previous 52 week period.

No dividend has been paid for the period to 29 January 2000 (1999 £163,000), and an amount of £3,895 has been transferred to reserves (1999 £172,764).

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.

GENAVCO INSURANCE LIMITED
DIRECTORS' REPORT (continued)

Year 2000

A Group-wide programme, designed to address the impact of the Year 2000 on the business, was commissioned by the Harrods Holdings Limited (formerly Harrods Holdings plc) Board during 1997. As a result of the work performed we successfully crossed the Century boundary without experiencing any significant system problems.

Although it is not possible for any organisation to guarantee that no Year 2000 problems will remain, we do not anticipate that any significant issues will arise at future Year 2000 sensitive dates as we move forward into the new Century.

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

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 Director's Responsibilities

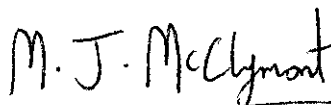
The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year.

The Directors have prepared the financial statements on pages 4 to 13 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
2 May 2000

Registered Office

Bankside House
107-112 Leadenhall Street
London EC3A 4AF

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 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 29 January 2000 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
London
2 May 2000

GENAVCO INSURANCE LIMITED
PROFIT AND LOSS ACCOUNT
52 WEEKS TO 29 JANUARY 2000

Note	52 Weeks 29/1/00 £	52 Weeks 30/1/99 £
2		
Turnover - continuing activities	711,001	1,055,590
Administrative Expenses	<u>807,180</u>	<u>746,953</u>
3		
Operating (Loss)/Profit	(96,179)	308,637
4		
Interest	<u>113,774</u>	<u>182,127</u>
Profit on Ordinary Activities before Taxation	17,595	490,764
5		
Taxation	<u>13,700</u>	<u>155,000</u>
Profit on Ordinary Activities after Taxation	3,895	335,764
Dividends	<u>-</u>	<u>163,000</u>
Retained Profit Transferred to Reserves	<u><u>3,895</u></u>	<u><u>172,764</u></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 29 JANUARY 2000

Note		29/1/00 £	30/1/99 £
	Fixed Assets		
7	Tangible assets	18,221	28,755
8	Investments	<u>1,000</u>	<u>1,000</u>
		19,221	29,755
	Current Assets		
9	Debtors	285,565	332,280
	Short term deposits	100,914	70,000
	Cash and bank balances	<u>1,923,322</u>	<u>1,861,265</u>
		2,309,801	2,263,545
	Current Liabilities		
10	Creditors: amounts falling due within one year	<u>504,785</u>	<u>472,958</u>
	Net Current Assets	<u>1,805,016</u>	<u>1,790,587</u>
	Total Assets Less Current Liabilities	1,824,237	1,820,342
	Provision for Liabilities and Charges		
11	Deferred taxation	<u>3,000</u>	<u>3,000</u>
	Total Net Assets	<u>1,821,237</u>	<u>1,817,342</u>
	Capital and Reserves		
12	Called up share capital	500,000	500,000
13	Profit and loss account	<u>1,321,237</u>	<u>1,317,342</u>
14	Total Shareholders' Funds	<u>1,821,237</u>	<u>1,817,342</u>

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

Approved by the Board on 2 May 2000

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 (formerly 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.

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	52 Weeks
29/1/00	30/1/99
£	£

3 Operating (loss)/profit

Operating (loss)/profit is stated after charging:

Depreciation of fixed tangible assets	11,767	18,198
Auditors' fees and expenses	17,038	14,100
Rentals paid under a property operating lease	<u>92,049</u>	<u>55,933</u>

4 Interest

Interest receivable from group undertakings	87,147	119,089
Interest receivable from third parties	<u>26,627</u>	<u>63,038</u>
	<u>113,774</u>	<u>182,127</u>

GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS (continued)

5 Taxation

Taxation based on the profits of the period at 30.16%
(1999 - 31%) comprises:

Group relief	<u>13,700</u>	<u>155,000</u>
Taxation charge	<u>13,700</u>	<u>155,000</u>

6 Information Regarding Directors and Employees

Directors' remuneration:

Emoluments excluding pension contributions	<u>287,610</u>	<u>228,933</u>
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Emoluments of the Chairman	<u>135,463</u>	<u>135,924</u>
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Accrued pension of highest paid Director	<u>74,036</u>	<u>74,487</u>
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None of the Directors possessed any share options in any group company at 29 January 2000.

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

	52 Weeks 29/1/00 £	52 Weeks 30/1/99 £
Employee costs (including directors)		
Wages and salaries	469,356	404,960
Social security costs	44,443	36,228
Other pension costs	<u>42,040</u>	<u>25,915</u>
	<u>555,839</u>	<u>467,103</u>

	2000 Number	1999 Number
The average weekly number of employees during the period was as follows:	<u>10</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

These assumptions have been altered since the previous valuation to reflect the current long term economic situation. This, combined with a reduction in the plan surplus since the 1996 valuation, has resulted in an increase to the pension charge.

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 used to allow the Company to contribute at the rate of 7.9% of members' salaries to 5 April 2001 and 10% of members' salaries from 6 April 2001 to 31 December 2003.

The total surplus determined at the valuation date has been allocated to the companies within the Group by the Directors of Harrods Holdings Limited (formerly Harrods Holdings plc) on a basis that is consistent with that adopted in prior years.

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 29 January 2000 was as follows:

	52 Weeks 29/1/00	52 Weeks 30/1/99
	£	£
Regular cost	29,740	25,715
Variation	<u>12,300</u>	<u>200</u>
Net pension charge	<u>42,040</u>	<u>25,915</u>

GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS (continued)

6 Information Regarding Directors and Employees (continued)

The pension prepayment is as follows:

	29/1/00	30/1/99
	£	£
Opening balance	39,200	39,400
Contributions paid	29,740	25,715
Charge to profit & loss account	<u>(42,040)</u>	<u>(25,915)</u>
Closing balance	<u>26,900</u>	<u>39,200</u>

Fixtures,
Fittings,
Vehicles &
Equipment
£

7 Tangible Fixed Assets

Cost:

At 30 January 1999	108,280
Additions	<u>1,233</u>

At 29 January 2000	<u>109,513</u>
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Accumulated depreciation:

At 30 January 1999	79,525
Charge for period	<u>11,767</u>

At 29 January 2000	<u>91,292</u>
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Net book value:

At 29 January 2000	<u>18,221</u>
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At 30 January 1999	<u>28,755</u>
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	29/1/00	30/1/99
	£	£
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)

9 Debtors

	29/1/00	30/1/99
	£	£
Trade debtors	221,736	239,282
Amounts owed by group undertakings	-	5,868
Prepayments	<u>63,829</u>	<u>87,130</u>
	<u>285,565</u>	<u>332,280</u>

Included in Prepayments of £63,829 is an amount of £26,900 (1999 £39,200) in respect of pension contributions repayable in more than one year.

10 Creditors: Amounts falling due within one year

	29/1/00	30/1/99
	£	£
Trade creditors	472,861	300,528
Amounts due to group undertakings	13,700	155,000
Accruals	<u>18,224</u>	<u>17,430</u>
	<u>504,785</u>	<u>472,958</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.

12 Called up Share Capital

Authorised, issued and fully paid:

	29/1/00	30/1/99
	£	£
500,000 ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>

GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS (continued)

	52 Weeks 29/1/00 £	52 Weeks 30/1/99 £
13 Profit and Loss Account		
At 30 January 1999	1,317,342	1,144,578
Profit retained for the period	<u>3,895</u>	<u>172,764</u>
Balance at 29 January 2000	<u>1,321,237</u>	<u>1,317,342</u>
14 Reconciliation of Movement in Shareholders' Funds		
Profit for the financial year	3,895	335,764
Dividends	<u>-</u>	<u>(163,000)</u>
Net addition to shareholders' funds	3,895	172,764
Opening shareholders' funds	<u>1,817,342</u>	<u>1,644,578</u>
Closing shareholders' funds	<u>1,821,237</u>	<u>1,817,342</u>
15 Leasing Commitments		
Commitments during the year commencing 30 January 2000 in respect of operating leases of land and buildings are:		
Lease expiring in more than five years	<u>62,432</u>	<u>68,550</u>
16 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 29 January 2000 amounted to £472,861 (30 January 1999 £300,528). The charge only becomes enforceable under certain circumstances as set out in the deed. The assets subject to this charge were:-

	29/1/00 £	30/1/00 £
Bank balances	548,490	352,441
Insurance debtors	<u>221,736</u>	<u>245,150</u>
	<u>770,226</u>	<u>597,591</u>

GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS (continued)

17 Contingent Liabilities

The Harrods Holdings Group's working capital facility from HSBC Bank plc, which amounted to £144.3 million as at 29 January 2000, is guaranteed by Genavco Insurance Limited and other Group companies. The guarantee extends to Genavco Insurance Limited's non trust bank account only.

18 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 (formerly 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.

19 Related Party Transactions

The Company is a wholly owned subsidiary of Harrods Holdings Limited (formerly 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 £137,045 in the 52 weeks ended 29 January 2000 (1999 £118,887). Trade debtors include £135,787 (1999 £120,943) of insurance premiums due from the above related parties. Trade creditors include £32,760 (1999 £29,788) of return premiums due to the above related parties.