

HARRODS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
52 WEEKS ENDED 30 JANUARY 1999



Registered Number: 30209

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HARRODS LIMITED
DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Company for the 52 weeks ended 30 January 1999.

Principal Activity

The Company continues to operate the world renowned department store in London.

Directors and their Interests

The present Directors of the Company are:

M Al Fayed - Chairman
A Fayed
R L Assanand
C P de Boer
X M Carr-Griffiths
J M Griffiths
J G Hawkins
J L Macnamara
A Maeder
L D J Mayer (appointed 11.05.98)
W C Najdecki (appointed 17.11.98)
D E Norman (appointed 29.10.98)
D R Parker
A Pitcher
A K Wiles (appointed 20.02.98)

Other Directors who served during the year were:

I Bogdaneris (appointed 14.10.98; ceased 09.04.99)
M D Cole (resigned 28.02.98)
G Janetzky (resigned 20.10.98)
M Rogers (resigned 21.05.99)
M E Zipp (resigned 15.04.99)

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

Apart from M Al Fayed and A Fayed, who are beneficially interested in the shares of Harrods Holdings plc the ultimate parent company in the United Kingdom, 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 1 February 1998, at date of appointment or at 30 January 1999.

No Director has had a material interest, directly or indirectly, at any time during the year in any contract significant to the business.

HARRODS LIMITED
DIRECTORS' REPORT (Continued)

Results and Dividends

The loss after taxation for the 52 weeks to 30 January 1999 amounted to £3.9 million (1998: £45.3 million profit). During the year no dividends were paid to Harrods (UK) plc, (1998: £99.5 million). No final dividend has been proposed (1998: NIL).

Review of the Business and Future Developments

The Directors consider the trading performance of the Company to be satisfactory. The Company faced difficult trading conditions throughout the year due to external economic factors including the continued strength of sterling.

During the year, the Company completed the second phase of the Men's Designer-wear department on the lower ground floor, substantially increasing selling space for these departments. The unique interior design of this area won a prestigious award presented by the British Design Council.

Charitable and Political Donations

The charitable donations made by the Company and charged in the accounts were £20,431 (1998: £50,368). There were no political donations.

Disabled Persons

It is the policy of the Company 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.

Year 2000

A Group-wide programme, designed to address the impact of the Year 2000 on the business, was commissioned by the 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 operational 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.

HARRODS LIMITED
DIRECTORS' REPORT (Continued)

Year 2000 (Continued)

Management have taken steps to identify all of the mission-critical business systems. Adequate repair or replace solutions have been determined, and are being implemented and tested. Management have set a target for the completion of all mission-critical Year 2000 related projects of 1 September 1999 and are not aware of any issue which would indicate that the Company will not be compliant by this date.

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. The total cost of modifications to computer hardware and software is estimated at £2.4 million. Approximately half of this is new equipment that will be capitalised since the costs are value enhancing to the systems concerned. The remainder will be expensed as incurred. Of this £2.4 million total, expenditure of £902,000 has been incurred during the year, (which is additional to the £119,000 incurred during the prior year), and the remaining £1.4 million is expected to be incurred during 1999.

Economic and Monetary Union (EMU)

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

The Company makes sales to European Union customers and also makes purchases in the EU. Consequently, the Company has had to cope with the potential of handling sales transactions and making payments in Euro from 1st January 1999.

The cost of achieving this has been negligible as all key systems treat the Euro as any other foreign currency.

Employee Involvement

Information is provided regularly to employees by means of normal management communication channels using written materials, face to face meetings and video presentations. The Store magazine the "Harrodian Gazette" has been issued during the year and has been available to all employees.

HARRODS LIMITED

DIRECTORS' REPORT (Continued)

Employee Involvement (continued)

Consultation with employees takes place through elected staff committees, health and safety committees and through normal recognised trade union channels. 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. Written information about the Plan is regularly circulated to both current and potential members.

A general awareness of the Company's performance is maintained through regular weekly training sessions for all staff and, through individual performance appraisals, employees are made aware of their individual contribution to the Company.

The Environment

The Company 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.

Policy on 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. The Company takes on average 28 days to pay its creditors (1998:28).

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 7 to 22 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.

HARRODS LIMITED
DIRECTORS' REPORT (Continued)

Statement of Directors' Responsibilities (continued)

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time 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



S JERMAN
Company Secretary
4 June 1999

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

HARRODS LIMITED
AUDITORS' REPORT
TO THE MEMBERS OF HARRODS LIMITED

We have audited the financial statements on pages 7 to 22 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 10 to 12.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report including as described on pages 4 and 5, 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 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 Audit 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 loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
4 June 1999

1 Embankment Place,
London WC2N 6NN

HARRODS LIMITED

PROFIT AND LOSS ACCOUNT 52 WEEKS ENDED 30 JANUARY 1999

	Business Performance	Exceptional items	Total	Restated	
	52 weeks 30/1/99 £'000	52 weeks 30/1/99 £'000	52 weeks 30/1/99 £'000	52 weeks 31/1/98 £'000	
Note					
	Gross Turnover	481,272	-	481,272	503,600
	Value added tax	(56,870)	-	(56,870)	(58,755)
2	Turnover	424,402	-	424,402	444,845
	Cost of sales	(249,755)	-	(249,755)	(266,010)
	Gross Profit	174,647	-	174,647	178,835
	Distribution and store costs	(116,038)	-	(116,038)	(112,722)
	Administrative expenses	(8,509)	(30,068)	(38,577)	(7,688)
3/9	Operating Profit	50,100	(30,068)	20,032	58,425
	Income from fixed asset investments	3,562	-	3,562	9,087
	Profit before Interest and Taxation	53,662	(30,068)	23,594	67,512
4	Interest		(18,372)	(18,372)	(9,126)
	Profit on Ordinary Activities before Taxation		5,222	5,222	58,386
5	Taxation		(9,140)	(9,140)	(13,052)
	(Loss)/Profit on Ordinary Activities after Taxation		(3,918)	(3,918)	45,334
	Dividends - paid		-	-	(99,489)
	Retained (Loss) Transferred from Reserves		(3,918)	(3,918)	(54,155)

All profits in the period arose from continuing operations.

A statement of movements on reserves is shown in Note 15.

The notes on pages 10 to 22 form part of these accounts.

HARRODS LIMITED

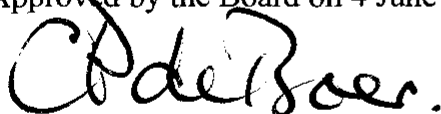
	52 weeks 30/1/99 £'000	52 weeks 31/1/98 £'000
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES		
(Loss)/Profit on ordinary activities after taxation	(3,918)	45,334
Unrealised (deficit)/surplus on revaluation of properties	(1,711)	37,015
	<hr/>	<hr/>
Total (losses)/gains recognised since last financial statements	(5,629)	82,349
	<hr/>	<hr/>
NOTE OF HISTORICAL COST PROFITS AND LOSSES		
Reported profit on ordinary activities before taxation	5,222	58,386
Realisation of property revaluation gains of previous years on group property transfers	-	114
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	5,222	58,500
	<hr/>	<hr/>
Historical cost (loss) for the year retained after taxation and dividends	(3,918)	(54,041)
	<hr/>	<hr/>
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS		
Total recognised (losses)/gains	(5,629)	82,349
Dividends	-	(99,489)
	<hr/>	<hr/>
Net (reductions) to shareholders' funds	(5,629)	(17,140)
Opening shareholders' funds	424,246	441,386
	<hr/>	<hr/>
Closing shareholders' funds	418,617	424,246
	<hr/>	<hr/>

The notes on pages 10 to 22 form part of these accounts.

HARRODS LIMITED
BALANCE SHEET
AT 30 JANUARY 1999

Note	30/1/99 £'000	Restated 31/1/98 £'000
Fixed Assets		
8 Tangible assets	622,437	578,617
9 Investments	30,453	60,521
	<u>652,890</u>	<u>639,138</u>
Current Assets		
10 Stocks	35,543	30,726
11 Debtors due within one year	13,006	15,243
11 Debtors due after more than one year	3,366	3,341
Cash at bank and in hand	28,932	33,440
	<u>80,847</u>	<u>82,750</u>
Creditors		
12 Amounts falling due within one year	(314,881)	(297,142)
Net Current Liabilities	<u>(234,034)</u>	<u>(214,392)</u>
Total Assets less Current Liabilities	418,856	424,746
Provisions for Liabilities and Charges		
13 Deferred taxation	(239)	(500)
	<u>418,617</u>	<u>424,246</u>
Capital and Reserves		
14 Called up share capital	19,200	19,200
15 Revaluation reserve	350,119	351,830
15 Profit and loss account	49,298	53,216
Total Shareholders' Funds (including non-equity)	<u>418,617</u>	<u>424,246</u>

Approved by the Board on 4 June 1999



C P de BOER
Director



J G HAWKINS
Director

The notes on pages 10 to 22 form part of these accounts.

HARRODS LIMITED
NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

Basis of Financial Statements

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

The Directors have reviewed the presentation of the financial statements and have made the following revisions to the accounts so that they more appropriately highlight the performance of the company's core activities:

Certain expenses and other income have been reclassified as turnover, cost of sales and administration expenses in the current year. The effect of this reclassification is to increase turnover by £0.3 million (1998: £0.3 million), increase cost of sales by £5.0 million (1998: £4.0 million), reduce expenses by £4.2 million (1998: £3.3 million) and increase other income by £0.5 million (1998: £0.4 million). Prior year amounts have been restated accordingly. There is no effect on the balance sheet.

Previously, interest on capital borrowed to finance major property development projects was capitalised as part of the cost of the asset. All interest is now charged to the profit and loss account as incurred. The effect of implementing this change in accounting policy is to increase the loss in the year on ordinary activities by £1.8 million. The impact on the prior year's profit and loss account is immaterial and, accordingly, comparatives have not been restated. The impact on the balance sheet as at 31 January 1998 and 1 February 1997 is the transfer of £2.2 million from the profit and loss account reserve to the revaluation reserve (see note 15). Prior year amounts have been restated accordingly.

Group financial statements are not presented, as the Company is a wholly owned subsidiary undertaking of Harrods Holdings plc, a company registered in England.

Harrods Holdings plc produces a consolidated cash flow statement in accordance with Financial Reporting Standard 1 (FRS 1). Consequently the Company has taken advantage of the exemption in FRS 1 from producing a cash flow statement.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is computed on the basis of selling price less appropriate trading margin.

HARRODS LIMITED
NOTES TO THE ACCOUNTS (Continued)

1 ACCOUNTING POLICIES (Continued)

Depreciation of Tangible Fixed Assets

Freehold properties are stated at a professional valuation. All other fixed assets are stated at cost.

Depreciation is provided by the Company 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, on the following basis:

Certain freehold assets	- 29 to 50 years
Short leasehold buildings	- period of lease
Fixtures, fittings, vehicles and equipment	- 2 to 20 years

It is the practice of the Company 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 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.

Leased Assets

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis 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. Provision has been made where a tax liability is expected to crystallise.

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.

Turnover

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

HARRODS LIMITED
NOTES TO THE ACCOUNTS (Continued)

1 ACCOUNTING POLICIES (Continued)

Foreign Currency

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

	52 weeks 30/1/99 £'000	52 weeks 31/1/98 £'000
2 Turnover		
Arising entirely within the United Kingdom	424,402	444,845
	<u>424,402</u>	<u>444,845</u>
3 Operating Profit		
Operating profit is stated after charging:		
- Depreciation of tangible fixed assets		
- owned assets	13,852	12,369
- Write down of fixed asset investment (see note 9)	30,068	-
- Auditors' remuneration:		
- audit fees	118	129
- Amounts paid under operating leases		
- Hire of plant and machinery	762	765
- Year 2000	723	119
4 Interest		
Interest receivable		
From third parties	13	-
From group undertakings	215	30
	<u>228</u>	<u>30</u>
Interest payable		
Loans from group undertakings	(18,600)	(9,139)
To third parties	-	(17)
	<u>(18,372)</u>	<u>(9,126)</u>
5 Taxation		
Taxation based on the profits for the year:		
Corporation tax	-	(5,349)
Group relief	(8,580)	(7,691)
Adjustments for prior year	62	610
Tax credits on franked investment income	(622)	(622)
	<u>(9,140)</u>	<u>(13,052)</u>

HARRODS LIMITED
NOTES TO THE ACCOUNTS (Continued)

	52 weeks 30/1/99 £'000	52 weeks 31/1/98 £'000
6 Information regarding Directors and Employees		
Emoluments excluding pension contributions	1,957	1,666
Compensation for loss of office	-	47
	<u>1,957</u>	<u>1,713</u>
Emoluments of highest paid Director	<u>165</u>	<u>175</u>
Accrued pension of highest paid Director	<u>1</u>	<u>106</u>

There are 14 Directors to whom retirement benefits are accruing under a defined benefit pension scheme (1998:13).

Staff Costs

Wages and salaries	67,704	67,254
Social security costs	5,615	5,702
Other pension costs	2,739	2,242
	<u>76,058</u>	<u>75,198</u>

The average number of employees during the year was:

Production	382	335
Selling and Distribution	3,133	3,172
Administration	72	106
	<u>3,587</u>	<u>3,613</u>

HARRODS LIMITED
NOTES TO THE ACCOUNTS (Continued)

7 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 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 & 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 net pension charge for the 52 weeks to 30 January 1999 was £2.7million (1998: £2.2million).

	30/1/99 £'000	31/1/98 £'000
The pension prepayment is as follows:		
Opening balance	3,341	3,025
Contributions paid	2,764	2,558
Charge to profit and loss account	(2,739)	(2,242)
Closing balance	<u>3,366</u>	<u>3,341</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.

HARRODS LIMITED
NOTES TO THE ACCOUNTS (Continued)

8 Fixed Assets - Tangible Assets

	Total £'000	Freehold Land & Buildings £'000	Short Leasehold £'000	Fixtures, Fittings, Vehicles & Equipment £'000
Cost and valuation				
At 31 January 1998	634,690	490,854	455	143,381
Additions	59,267	5,215	-	54,052
Disposals	(9,674)	-	-	(9,674)
Reclassifications	-	2,522	(3)	(2,519)
Revaluation	(2,252)	(2,252)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 January 1999	682,031	496,339	452	185,240
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation				
At 31 January 1998	(56,073)	(64)	(232)	(55,777)
Charge for year	(13,852)	(875)	(107)	(12,870)
Disposals	9,790	-	-	9,790
Revaluation	541	541	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 January 1999	(59,594)	(398)	(339)	(58,857)
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 30 January 1999	622,437	495,941	113	126,383
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 January 1998	578,617	490,790	223	87,604
	<hr/>	<hr/>	<hr/>	<hr/>
Cost and valuation				
1999 Directors'				
Valuation	471,239	471,239	-	-
Cost	210,792	25,100	452	185,240
	<hr/>	<hr/>	<hr/>	<hr/>
	682,031	496,339	452	185,240
	<hr/>	<hr/>	<hr/>	<hr/>

HARRODS LIMITED
NOTES TO THE ACCOUNTS (Continued)

8 Fixed Assets - Tangible Assets (Continued)

The freehold properties have been professionally valued as at 31 December 1998 by Healey & Baker, (International Real Estate Consultants) and W A Ellis, (Estate Agents and Surveyors), on the basis of Existing Use Value or, where appropriate, on the basis of Open Market Value in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors. These valuations have been adopted by the Directors at 30 January 1999 and have been incorporated in the financial statements.

Included in the cost element of Fixtures, Fittings, Vehicles and Equipment are costs incurred on unfinished projects at the year end amounting to £47.4 million, (1998 £19.7million).

The value of fixed assets if determined according to the historical cost accounting rules is as follows:

	Total £'000	Freehold £'000	Short Leasehold £'000	Fixtures, Fittings, Vehicles & Equipment £'000
Historical cost				
At 31 January 1998	286,814	142,978	455	143,381
Depreciation to 31 January 1998	<u>(57,870)</u>	<u>(1,861)</u>	<u>(232)</u>	<u>(55,777)</u>
Net historical cost				
At 31 January 1998	<u>228,944</u>	<u>141,117</u>	<u>223</u>	<u>87,604</u>
Historical cost				
At 30 January 1999	336,407	150,715	452	185,240
Depreciation to 30 January 1999	<u>(61,590)</u>	<u>(2,394)</u>	<u>(339)</u>	<u>(58,857)</u>
Net historical cost				
At 30 January 1999	<u>274,817</u>	<u>148,321</u>	<u>113</u>	<u>126,383</u>

HARRODS LIMITED
NOTES TO THE ACCOUNTS (Continued)

9 Fixed Assets – Investments	Total £'000	Unlisted Investment £'000	Listed Investment £'000	Shares in Group Under- takings £'000
Shares at cost:				
At 31 January 1998	60,860	2,250	58,271	339
Diminution in value	(30,068)	-	(30,068)	-
At 30 January 1999	<u>30,792</u>	<u>2,250</u>	<u>28,203</u>	<u>339</u>
Provisions at 31 January 1998	(339)	-	-	(339)
Provisions during year	-	-	-	-
Provisions at 30 January 1999	<u>(339)</u>	<u>-</u>	<u>-</u>	<u>(339)</u>
Net book value				
At 30 January 1999	<u>30,453</u>	<u>2,250</u>	<u>28,203</u>	<u>-</u>
At 31 January 1998	<u>60,521</u>	<u>2,250</u>	<u>58,271</u>	<u>-</u>

Unlisted Investment

Harrods Bank Limited, a company registered in England, has been accounted for as an unlisted investment, although the Company continues to retain a full economic interest through 100% ownership of the non-voting shares.

Listed Investment and exceptional item

The Company holds 46,616,666 shares in ALPHA Airports Group plc. The value of the company's investment in the shares at the year end was £17.7m, based on a market value on 30 January 1999 of 38 pence per share. Since the year end, the shares of ALPHA have traded in a range from 38 pence to 70.5 pence per share. The Directors have decided to write down the carrying value of the company's holding to the value as at 2 June 1999 of 60.5 pence per share, being the latest practical date prior to the approval of the financial statements. As such, the carrying value has been reduced to £28.2 million and an exceptional charge has been made in the profit and loss account for the year ended 30 January 1999 amounting to £30.1 million (see note 3). This charge is not deductible for tax purposes.

HARRODS LIMITED

NOTES TO THE ACCOUNTS (Continued)

Shares in Group Undertakings

The Company has the following wholly owned (100% of equity) trading and non-trading subsidiary undertakings which are registered and operate in the United Kingdom:

Name	Nature of Business
Harrods International Limited	International retailer & wholesaler
Harrods (Continental) Limited	Shipping & freight agency
Harrods Estates Limited	Estate agency
Harrods (Management) Limited	Non-trading
Wylie and Company Limited	Non-trading

The whole of the share capital of Wylie and Company Limited is held by Harrods International Limited.

	30/1/99	31/1/98
	£'000	£'000
10 Stocks		
Finished goods and goods for resale	35,543	30,726

There was no significant difference between the replacement cost of stocks at 30 January 1999 and the amount at which they are stated in the financial statements.

	30/1/99	31/1/98
	£'000	£'000
11 Debtors		
Amounts due within one year:		
Trade debtors	3,949	5,751
Amounts owed by group undertakings	1,759	3,051
Other debtors	4,854	4,376
Corporation Tax	304	-
Prepayments and accrued income	2,140	2,065
	<u>13,006</u>	<u>15,243</u>
Amounts due after more than one year:		
Pension prepayment	<u>3,366</u>	<u>3,341</u>

HARRODS LIMITED
NOTES TO THE ACCOUNTS (Continued)

	30/1/99	31/1/98
	£'000	£'000
12 Creditors		
Amounts falling due within one year:		
Trade creditors	27,208	25,056
Amounts owing to group undertakings	258,781	244,490
Other creditors	5,246	4,136
Other taxation and social security	7,436	10,756
Accruals and deferred income	16,210	12,704
	<u>314,881</u>	<u>297,142</u>

13 Deferred Taxation

Provided in respect of capital allowances:

Balance brought forward (before ACT set-off)	500	500
ACT set-off	<u>(261)</u>	<u>-</u>
Balance carried forward	<u>239</u>	<u>500</u>

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

Capital allowances	9,911	7,924
Revaluation of properties	59,400	61,621
Corporation tax on capital gains	<u>5,142</u>	<u>5,142</u>
	<u>74,453</u>	<u>74,687</u>

In the opinion of the Directors the potential liabilities in respect of capital gains are 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 in respect of the pension prepayment as at 30 January 1999 as a tax liability will not crystallise as a result of any timing difference.

HARRODS LIMITED
NOTES TO THE ACCOUNTS (Continued)

14 Called Up Share Capital	30/1/99	31/1/98
	£	£
Authorised:		
215,000,000 ordinary shares of 10p each	21,500,000	21,500,000
1 'A' Special Rights redeemable Preference share of £1	1	1
1 'B' Special Rights redeemable Preference share of £1	1	1
	<u>21,500,002</u>	<u>21,500,002</u>
Allotted and fully paid:		
192,000,000 ordinary shares of 10p each	19,200,000	19,200,000
1 'A' Special Rights redeemable Preference Share of £1	1	1
1 'B' Special Rights redeemable Preference Share of £1	1	1
	<u>19,200,002</u>	<u>19,200,002</u>

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.

Included within total shareholders' funds of £418.6 million is an amount in respect of non-equity interests of £2. All other amounts are attributable to equity shareholders.

HARRODS LIMITED
NOTES TO THE ACCOUNTS (Continued)

	Revaluation Reserve £'000	Profit and loss account £'000	Total £'000
15 Reserves			
Balance at 31 January 1998 (as previously stated)	349,673	55,373	405,046
Prior year adjustment (see Note 1)	2,157	(2,157)	-
Balance at 31 January 1998 (restated)	351,830	53,216	405,046
Loss for year	-	(3,918)	(3,918)
Revaluation deficit	(1,711)	-	(1,711)
Balance at 30 January 1999	350,119	49,298	399,417

	30/1/99 £'000	31/1/98 £'000
16 Capital Commitments		
Contracted for but not provided	23,232	22,750

17 Obligations under operating leases which expire

Within one year	13	24
Between one and five years	704	708
After five years	13	4
	730	736

18 Contingent Liabilities

The Harrods Holdings Group has a loan facility agreement of £340.0 million of which Harrods Limited and other group companies are guarantors. In addition, the Harrods Holdings Group's working capital facility from Midland Bank plc is guaranteed by Harrods Limited and other Group companies which amounted to £127.0 million as at 30 January 1999.

HARRODS LIMITED
NOTES TO THE ACCOUNTS (Continued)

19 Parent Undertakings

The Company's immediate parent undertaking is Harrods (UK) plc. The immediate parent undertaking of Harrods (UK) plc is Harrods Holdings plc 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.

20 Related Party Transactions

During the year the Company entered into transactions with a number of companies, which are under the control of one or more of the Company's ultimate controlling party. These companies comprise Turnbull & Asser Limited, Hyde Park Residence Limited, Balnagown Castle Properties Limited, Barrow Green Farm Limited, ACF Sevenoaks Limited, Fulham Football Leisure Limited, Fayair (Jersey) Co. Limited, Mohafa and Liberty Holdings Limited. The transactions with these companies are not considered material, except as described below:

The Company provides payroll services for Liberty Holdings Limited and its subsidiaries, Fulham Football Leisure Limited and its subsidiaries and Turnbull & Asser Limited for which an appropriate fee is charged.

As part of their employment, Directors and senior employees of the Company 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 Company or the individuals. There are no other transactions between these individuals and the Company, other than as shown in Note 6 to the financial statements.

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.