

**HARRODS LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**52 WEEKS ENDED 27 JANUARY 2001**



# HARRODS LIMITED

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## **HARRODS LIMITED**

### **DIRECTORS' REPORT**

The Directors present their annual report and the audited financial statements of the Company for the 52 weeks ended 27 January 2001.

#### **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  
J A Brilliant (appointed 01.05.01)  
J Byrne  
X M Carr-Griffiths  
J L Macnamara  
A Maeder  
W C Najdecki  
A Tanna  
C F Wardle (appointed 16.03.00)  
M S Wikstrom (appointed 01.02.01)

Other Directors who served during the year were:

J M Griffiths (resigned 25.07.01)  
L D J Mayer (resigned 08.08.00)  
D E Norman (resigned 24.05.00)  
D R Parker (resigned 31.03.00)  
A Pitcher (resigned 15.10.01)  
A K Wiles (resigned 07.12.00)

J J Whitacre was appointed as a Director on 1 April 2001 and resigned on 12 November 2001.  
M F V Zingraff was appointed as a Director on 1 February 2001 and resigned on 18 April 2001.

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 Limited the ultimate parent company in the United Kingdom, no Director in office at 27 January 2001 held any beneficial interest in the shares of Harrods Holdings Limited or any of its subsidiaries at 30 January 2000, at date of appointment or at 27 January 2001.

Except as stated in notes 9 and 21 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 profit after taxation for the 52 weeks to 27 January 2001 amounted to £15.9 million (2000: £35.8 million). During the year dividends of £6.0 million were paid (2000: £nil). No final dividend has been proposed (2000: £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 factors such as the foot and mouth epidemic and rail disruption, which all affected tourism and travel to London.

Turnover for the 52 weeks ended 27 January 2001 totalled £436.0 million (2000: £426.8 million), an increase of 2% compared with the 52 weeks ended 29 January 2000. The profit before tax was £20.2 million (2000: £38.9 million).

During the year the Company acquired shares in Harrods Online Limited (note 9).

The Directors expect market conditions to remain difficult throughout the coming year, mainly due to the impact of current world events, but they consider the business to be well placed to overcome these.

**Charitable and Political Donations**

The charitable donations made by the Company and charged in the accounts were £197,198 (2000: £177,703). 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.

**Economic and Monetary Union (EMU)**

A Group-wide programme, designed to address the impact of EMU on the business, was commissioned by the Harrods Holdings Limited 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 handling of sales transactions and making payments in Euro from 1 January 1999.

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

**HARRODS LIMITED**  
**DIRECTORS' REPORT (Continued)**

**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.

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 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.

**Events since the balance sheet date**

Details of these can be found in note 19 to the accounts.

**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 26 days to pay its creditors (2000: 30).

**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.

**HARRODS LIMITED**  
**DIRECTORS' REPORT (Continued)**

**Statement of Directors' Responsibilities**

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. The Directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that suitable accounting policies have been used. These have been applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 9 under Note 1 'Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 27 January 2001 and that applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



S JERMAN  
Company Secretary  
28 November 2001

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 6 to 24 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 9 and 10.

#### **Respective Responsibilities of Directors and Auditors**

The Directors are responsible for preparing the Annual Report. As described on page 4, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom 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 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 at 27 January 2001 and of its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers*

PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
28 November 2001

1 Embankment Place,  
London WC2N 6RH

**HARRODS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**52 WEEKS ENDED 27 JANUARY 2001**

Note	52 weeks 27/1/01 £'000	52 weeks 29/1/00 £'000
<b>2 Turnover</b>	435,954	426,758
Cost of sales	<u>(268,292)</u>	<u>(256,099)</u>
<b>Gross Profit</b>	167,662	170,659
Distribution and store costs	(129,797)	(118,570)
Administrative expenses (incl. Exceptional items)	(10,492)	(9,847)
Operating Profit before exceptional items	27,373	44,467
Exceptional Items	-	(2,225)
<b>3 Operating Profit</b>	27,373	42,242
(Loss)/Profit on disposal of Fixed Assets	(2,596)	8,574
Income from fixed asset investments	6,465	3,492
<b>4 Interest</b>	<u>(11,040)</u>	<u>(15,360)</u>
<b>Profit on Ordinary Activities before Taxation</b>	20,202	38,948
<b>5 Taxation</b>	<u>(4,310)</u>	<u>(3,169)</u>
<b>Profit on Ordinary Activities after Taxation</b>	15,892	35,779
<b>Dividends Paid</b>	<u>(6,000)</u>	-
<b>Retained Profit Transferred to Reserves</b>	<u>9,892</u>	<u>35,779</u>

All profits in the period arose from continuing operations.

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

The notes on pages 9 to 24 form part of these accounts.



# HARRODS LIMITED

	52 weeks 27/1/01 £'000	52 weeks 29/1/00 £'000
<b>STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES</b>		
Profit on ordinary activities after taxation	15,892	35,779
Dividends Paid	(6,000)	-
Unrealised surplus on revaluation of properties	-	19,762
Total gains recognised since last financial statements	9,892	55,541

## NOTE OF HISTORICAL COST PROFITS AND LOSSES

Reported profit on ordinary activities before taxation	20,202	38,948
Realisation of property revaluation gains of previous years	368,082	-
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	188	-
Historical cost profit on ordinary activities before taxation.	388,472	38,948
Historical cost profit for the year retained after taxation and dividends	378,162	35,779

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Profit in the financial year	9,892	35,779
Other recognised gains and losses relating to the year	-	19,762
Net increase to shareholders' funds	9,892	55,541
Opening shareholders' funds	474,158	418,617
Closing shareholders' funds	484,050	474,158

The notes on pages 9 to 24 form part of these accounts.

**HARRODS LIMITED**  
**BALANCE SHEET**  
**AT 27 JANUARY 2001**

Note		27/1/01 £'000	29/1/00 £'000
	<b>Fixed Assets</b>		
8	Tangible assets	114,865	663,615
9	Investments	251,020	7,266
		<hr/> 365,885	<hr/> 670,881
	<b>Current Assets</b>		
10	Stocks	34,507	32,552
11	Debtors due within one year	91,149	13,601
11	Debtors due after more than one year	-	1,979
	Cash at bank and in hand	49,737	40,547
		<hr/> 175,393	<hr/> 88,679
	<b>Creditors</b>		
12	Amounts falling due within one year	(56,728)	(282,073)
	<b>Net Current Assets /(Liabilities)</b>	<hr/> 118,665	<hr/> (193,394)
	<b>Total Assets less Current Liabilities</b>	484,550	477,487
13	<b>Provisions for Liabilities and Charges</b>	(500)	(3,329)
		<hr/> 484,050	<hr/> 474,158
	<b>Capital and Reserves</b>		
14	Called up share capital	19,200	19,200
15	Revaluation reserve	1,799	369,881
15	Profit and loss account	463,051	85,077
	<b>Total Shareholders' Funds</b> (inc. non equity interests of £2)	<hr/> 484,050	<hr/> 474,158

The notes on pages 9 to 24 form part of these accounts.

Approved by the Board on 28 November 2001



A TANNA  
Director

**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.

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

Harrods Holdings Limited 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.

FRS 15 'Tangible Fixed Assets' has been adopted in this year's financial statements. The adoption of which has resulted in Freehold and leasehold buildings being depreciated to their estimated residual value over their estimated remaining economic lives and the retention of previously revalued assets at their current book values as outlined below. The adoption of which has resulted in an increase in the depreciation charge of £1.0 million.

FRS 16 'Current Tax' has been adopted in this year's financial statements. The adoption of which does not result in any adjustment to the financial statements.

**Stocks**

Stocks are stated at the lower of cost and net realisable value.

**Depreciation of Tangible Fixed Assets**

Freehold and leasehold properties are stated at cost or at professional or Directors' valuations less accumulated depreciation. All other fixed assets are stated at cost less accumulated depreciation. On adoption of FRS 15, the Company has followed the transitional provision to cease its previous policy of revaluing its properties, instead retaining them at their current book values. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

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:

Land	- Not depreciated
Freehold buildings	- 20 years
Short leasehold buildings	- Period of lease
Fixtures, fittings, vehicles and equipment	- 2 to 20 years

**HARRODS LIMITED**  
**NOTES TO THE ACCOUNTS (Continued)**

**1 Accounting Policies (Continued)**

**Fixed Asset Investments**

Fixed asset investments in subsidiary undertakings are stated in the balance sheet of the Company at cost.

**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 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.

Actuarial valuations are normally performed every three years and actuarial surpluses and deficits are amortised over the expected remaining service lives of current scheme employees. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

**Turnover**

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

**Foreign Currency**

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

**HARRODS LIMITED**  
**NOTES TO THE ACCOUNTS (Continued)**

	52 weeks 27/1/01 £'000	52 weeks 29/1/00 £'000
<b>2 Turnover</b>		
Arising entirely within the United Kingdom	435,954	426,758
<b>3 Operating Profit</b>		
Operating profit is stated after charging:		
- Depreciation of tangible fixed assets		
- owned assets	19,618	15,896
- Auditors' remuneration:		
- audit fees	120	100
- non audit services	136	20
- Amounts paid under operating leases		
- Hire of plant and machinery	540	575
- Other	4,892	-
- Year 2000	-	1,787
- Exceptional litigation costs (see Note 13)	-	2,225
	<u>435,954</u>	<u>426,758</u>
The Auditors' Remuneration for non-audit services related to accounting and taxation advice.		
<b>4 Interest</b>		
<b>Interest receivable</b>		
From third parties	569	67
From group undertakings	1,176	26
	<u>1,745</u>	<u>93</u>
<b>Interest payable</b>		
Loans from group undertakings	(12,785)	(15,450)
To third parties	-	(3)
	<u>(11,040)</u>	<u>(15,360)</u>
<b>5 Taxation</b>		
Taxation based on the profits for the year:		
Corporation tax @ 30% (2000: 30%)	(2,563)	(1,131)
Group relief	(1,747)	(2,846)
Adjustments in respect of prior years	-	808
	<u>(4,310)</u>	<u>(3,169)</u>

The effective tax rate is 21% (2000: 8%). The taxation charge for the year is not equal to 30% due to the existence of tax allowances in excess of depreciation and other timing differences.

**HARRODS LIMITED**  
**NOTES TO THE ACCOUNTS (Continued)**

	52 weeks 27/1/01 £'000	52 weeks 29/1/00 £'000
<b>6 Information regarding Directors and Employees</b>		
Emoluments excluding pension contributions	2,959	3,094
Compensation for loss of office	-	115
	<u>2,959</u>	<u>3,209</u>
Emoluments of highest paid Director	<u>773</u>	<u>774</u>
Accrued pension of highest paid Director	<u>3</u>	<u>2</u>

There are 8 Directors to whom retirement benefits are accruing under a defined benefit pension scheme (2000:12).

**Staff Costs**

Wages and salaries	71,302	70,134
Social security costs	6,182	5,915
Other pension costs	5,370	4,607
	<u>82,854</u>	<u>80,656</u>

The average number of employees during the year was:

	Number	Number
Production	536	522
Selling and Distribution	2,927	2,993
Administration	102	80
	<u>3,565</u>	<u>3,595</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 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

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 spread over the estimated service life of current employees of 15 years on a straight line basis.

The total surplus determined at the valuation date has been allocated to the companies within the Group by the Directors of Harrods Holdings Limited based on pensionable salaries as a percentage of the total pensionable salaries for the whole Harrods Group.

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.

**HARRODS LIMITED**  
**NOTES TO THE ACCOUNTS (Continued)**

**7 Pensions (continued)**

The Company's net pension charge for the 52 weeks to 27 January 2001 was as follows:

	52 weeks 27/1/01 £'000	52 weeks 29/1/00 £'000
Regular cost	3,486	3,220
Variation	1,884	1,387
Net pension charge	<u>5,370</u>	<u>4,607</u>

	27/1/01 £'000	29/1/00 £'000
The pension prepayment is as follows:		
Opening balance	1,979	3,366
Contributions paid	3,486	3,220
Charge to profit and loss account	<u>(5,370)</u>	<u>(4,607)</u>
Closing balance	<u>95</u>	<u>1,979</u>



# 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
<b>Cost and valuation</b>				
At 29 January 2000	728,292	516,829	452	211,011
Additions	19,827	203	-	19,624
Disposals	(24,252)	(15,512)	-	(8,740)
Reclassifications	-	43,567	(150)	(43,417)
Group Transfers	(536,014)	(536,014)	-	-
	<u>187,853</u>	<u>9,073</u>	<u>302</u>	<u>178,478</u>
<b>At 27 January 2001</b>				
	<u>187,853</u>	<u>9,073</u>	<u>302</u>	<u>178,478</u>
<b>Accumulated depreciation</b>				
At 29 January 2000	(64,677)	(306)	(447)	(63,924)
Charge for year	(19,618)	(2,464)	-	(17,154)
Disposals	8,725	-	-	8,725
Reclassification	-	-	145	(145)
Group Transfers	2,582	2,582	-	-
	<u>(72,988)</u>	<u>(188)</u>	<u>(302)</u>	<u>(72,498)</u>
<b>At 27 January 2001</b>				
	<u>(72,988)</u>	<u>(188)</u>	<u>(302)</u>	<u>(72,498)</u>
<b>Net book value</b>				
At 27 January 2001	114,865	8,885	-	105,980
	<u>114,865</u>	<u>8,885</u>	<u>-</u>	<u>105,980</u>
<b>At 29 January 2000</b>				
	<u>663,615</u>	<u>516,523</u>	<u>5</u>	<u>147,087</u>
<b>Cost and valuation</b>				
Valuation	7,054	7,054	-	-
Cost	180,799	2,019	302	178,478
	<u>187,853</u>	<u>9,073</u>	<u>302</u>	<u>178,478</u>

# HARRODS LIMITED

## NOTES TO THE ACCOUNTS (Continued)

### Fixed Assets - Tangible Assets (Continued)

Freehold properties are stated at cost or professional or Directors' valuation. All other fixed assets are stated at cost. On adoption of FRS 15, the Company has followed the transitional provision to cease its previous policy of revaluing its properties, instead retaining them at their current book values.

Some of the freehold properties of the Company were valued independently as at 31 December 1999. Those properties primarily occupied by the Company 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 Company's principal valuers are: Healey & Baker, International Real Estate Consultants, and W.A. Ellis, Estate Agents and Surveyors. The remainder of the freehold properties were revalued by the Directors as at 31 December 1999. These valuations were adopted by the Directors and incorporated in the financial statements at 29 January 2000.

Included in the cost element of Fixtures, Fittings, Vehicles and Equipment are costs incurred on unfinished projects at the year end amounting to £15.1 million, (2000: £60.3 million).

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

	<b>Total £'000</b>	<b>Freehold £'000</b>	<b>Short Leasehold £'000</b>	<b>Fixtures, Fittings, Vehicles &amp; Equipment £'000</b>
Historical cost				
At 29 January 2000	358,411	146,948	452	211,011
Depreciation to 29 January 2000	<u>(64,676)</u>	<u>(305)</u>	<u>(447)</u>	<u>(63,924)</u>
<b>Net historical cost At 29 January 2000</b>	<u>293,735</u>	<u>146,643</u>	<u>5</u>	<u>147,087</u>
Historical cost				
At 27 January 2001	186,054	7,274	302	178,478
Depreciation to 27 January 2001	<u>(72,939)</u>	<u>(139)</u>	<u>(302)</u>	<u>(72,498)</u>
<b>Net historical cost At 27 January 2001</b>	<u>113,115</u>	<u>7,135</u>	<u>-</u>	<u>105,980</u>

# HARRODS LIMITED

## NOTES TO THE ACCOUNTS (Continued)

			Associated	Shares
		Unlisted	Under-	in Group
		Investment	Takings	Under-
	Total	£'000	£'000	Takings
	£'000			£'000
<b>9 Fixed Assets – Investments</b>				
<b>Shares at cost:</b>				
At 29 January 2000	7,605	7,266	-	339
Transfers	-	(5,016)	5,016	-
Additions	243,754	-	32,247	211,507
At 27 January 2001	251,359	2,250	37,263	211,846
Provisions at 29 January 2000 and 27 January 2001	(339)	-	-	(339)
<b>Net book value</b>				
At 27 January 2001	251,020	2,250	37,263	211,507
At 29 January 2000	7,266	7,266	-	-

### Unlisted Investment :

#### Harrods Bank Limited

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

### Associated Undertakings:

#### Harrods Online Limited

On 10 December 1999, Harrods Limited purchased 350,000 shares (3.5 per cent of the ordinary share capital) in Harrods Online Limited ('HOL'), a private limited company formed under the laws of Ireland, from Danamon Enterprises BV, for a consideration of US \$8.050 million, which in the opinion of the Directors, approximated to market value.

**HARRODS LIMITED**  
**NOTES TO THE ACCOUNTS (Continued)**

**9 Fixed Assets – Investments (Continued)**

**Associated Undertakings: (Continued)**

The initial purchase price paid by the Company for the shares was arrived at by the Directors by comparing projected revenue multiples of similar companies in the e-commerce retail sector with those for HOL. This valuation was applied for all share acquisitions throughout the period.

During the year, the Company acquired additional shares in HOL from Danamon Enterprises BV, a company in which a Director, Mr M Al Fayed, has an indirect material interest and payment for the shares was made to Karimco SA, an associate company of Danamon in which Mr M Al Fayed has a similar indirect material interest (see also note 20). As a result of these transactions, the Company owned 25% of the share capital of HOL, for which it has paid an aggregate sum of £37.263 million. Subsequent to the year end in October 2001, the Company sold its entire shareholding in HOL to Danamon Enterprises BV for an aggregate consideration of £37.275 million which was almost identical to its aggregate purchase price.

Details of the particular transactions referred to above are as follows: on 3 February 2000, 3.5% of the share capital was acquired for US \$8.050 million; on 29 March 2000, 8.0% of the share capital was acquired for US \$18.400 million; on 5 May 2000, 1.5% of the share capital was acquired for US \$3.450 million; on 9 June 2000, 3.0% of the share capital was acquired for US \$6.900 million; on 30 June 2000, 0.5% of the share capital was acquired for US \$1.150 million; on 10 July 2000, 1.5% of the share capital was acquired for US \$3.450 million; on 20 July 2000, 1.5% of the share capital was acquired for US \$3.450 million; on 18 August 2000, 1.0% of the share capital was acquired for US \$2.300 million; on 4 October 2000, 1.0% of the share capital was acquired for US \$2.300 million.

In October 2001, the purchase price paid in respect of each of the above transactions was reviewed (to arrive at a market value) by comparing the original price paid per share against an index of movements in the share price of similar internet retailing companies during the period. The index used is issued monthly by a leading independent equity research and investment bank. Applying this index the values attributable to each of the transactions were: 3 February 2000, US \$7.044 million; 29 March 2000, US \$15.934 million; 5 May 2000, US \$2.156 million; 9 June 2000, US \$3.195 million; 30 June 2000, US \$0.532 million; 10 July 2000, US \$1.314 million; 20 July 2000, US \$1.314 million; 18 August 2000, US \$1.182 million; 4 October 2000, US \$0.971 million.

The Directors estimate the market value of the share on disposal, using the above index, was £4.722 million.

**HARRODS LIMITED**  
**NOTES TO THE ACCOUNTS (Continued)**

**9 Fixed Assets – Investments (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:

<b>Name</b>	<b>Nature of Business</b>
Harrods International Limited	International retailer & wholesaler
Harrods (Continental) Limited	Shipping & freight agency
Harrods Estates Limited	Estate agency
Harrods (Management) Limited	Non-trading
Harrods Property Holdings Limited	Holding Company
Harrods Property Limited	Property Management
Wylie and Company Limited	Non-trading

The whole of the share capital of Harrods Property Limited is held by Harrods Property Holdings Limited.

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

During the year the Company acquired 100% interest in Harrods Property Holdings Limited for a consideration of £100,000.

	<b>27/1/01</b>	<b>29/1/00</b>
	<b>£'000</b>	<b>£'000</b>
<b>10 Stocks</b>		
Finished goods and goods for resale	34,507	32,552

There was no significant difference between the replacement cost of stocks at 27 January 2001 and the amount at which they are stated in the financial statements.

**HARRODS LIMITED**  
**NOTES TO THE ACCOUNTS (Continued)**

	27/1/01 £'000	29/1/00 £'000	
<b>11 Debtors</b>			
<b>Amounts due within one year:</b>			
Trade debtors	1,932	5,204	
Amounts owed by group undertakings	73,997	1,942	
Other debtors	6,598	4,399	
Corporation Tax	-	157	
Prepayments and accrued income	8,527	1,899	
Pension Prepayment	95	-	
	<u>91,149</u>	<u>13,601</u>	
<b>Amounts due after more than one year:</b>			
Pension prepayments	-	1,979	
	<u>-</u>	<u>1,979</u>	
<b>12 Creditors</b>			
	27/1/01 £'000	29/1/00 £'000	
<b>Amounts falling due within one year:</b>			
Trade creditors	27,282	30,389	
Amounts owed to group undertakings	3,065	222,255	
Corporation tax	1,305	-	
Other creditors	5,385	4,657	
Other taxation and social security	8,924	9,927	
Accruals and deferred income	10,767	14,845	
	<u>56,728</u>	<u>282,073</u>	
<b>13 Provisions for Liabilities and Charges</b>			
	<b>Deferred Tax £'000</b>	<b>Litigation Settlement &amp; Associated costs £'000</b>	<b>Total £'000</b>
Balance at 29 January 2000	500	2,829	3,329
Utilised in the year	-	(2,829)	(2,829)
Balance at 27 January 2001	500	-	500

# HARRODS LIMITED

## NOTES TO THE ACCOUNTS (Continued)

### 13 Provisions for Liabilities and Charges (Continued )

#### (A) Deferred Tax

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

	27/1/01 £'000	29/1/00 £'000
Capital allowances	10,000	12,905
Other	734	55,347
Corporation tax on capital gains	5,142	5,142
	<u>15,876</u>	<u>73,394</u>

Other relates to tax of £734,000 which would arise if properties were disposed of at the current carrying value.

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 capital losses would eliminate any liability, which could otherwise result from disposals.

Deferred taxation has not been provided in respect of the pension prepayment as at 27 January 2001 as a tax liability will not crystallise as a result of any timing difference.

#### (B) Provisions for Litigation, Settlement & Associated Costs

The opening provision of £2,829,000, related to anticipated costs required to resolve specific legal disputes brought both against and by Harrods Limited. These disputes were resolved in the year. £2,225,000 was charged to the profit and loss account as exceptional litigation costs as a result of this in the prior year.

# HARRODS LIMITED

## NOTES TO THE ACCOUNTS (Continued)

	27/1/01 £	29/1/00 £
<b>14 Called Up Share Capital</b>		
<b>Authorised:</b>		
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>
<b>Allotted and fully paid:</b>		
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 £484.1 million is an amount in respect of non-equity interests of £2. All other amounts are attributable to equity shareholders.

	Revaluation Reserve £'000	Profit and loss account £'000	Total £'000
<b>15 Reserves</b>			
Balance at 29 January 2000	369,881	85,077	454,958
Profit for year	-	9,892	9,892
Revaluation movement	(368,082)	368,082	-
Balance at 27 January 2001	<u>1,799</u>	<u>463,051</u>	<u>464,850</u>

£47 million of the Profit and Loss Account reserve is non-distributable.

	27/1/01 £'000	29/1/00 £'000
<b>16 Capital Commitments</b>		
Contracted for but not provided	<u>15,836</u>	<u>51,370</u>



# HARRODS LIMITED

## NOTES TO THE ACCOUNTS (Continued)

### 17 Obligations under operating leases which expire

	Plant & Machinery 27/01/01 £'000	Land & Buildings 27/01/01 £'000	Total 27/01/01 £'000	Plant & Machinery 29/01/00 £'000
Within one year	10	-	10	76
Between one and five years	390	-	390	384
After five years	43	25,643	25,686	43
	<u>443</u>	<u>25,643</u>	<u>26,086</u>	<u>503</u>

### 18 Contingent Liabilities

The Harrods Holdings Group has a bank loan facility agreement of £350.0 million, of which £338.5 million has been drawn down as at 27 January 2001. This is guaranteed by Harrods Limited and other Group companies. The Group also had a bank working capital facility, which amounted to £82.7 million as at 27 January 2001, guaranteed by Harrods Limited and other Group companies.

### 19 Post Balance Sheet Events

In October 2001 the Company sold all of its share holding in Harrods Online Limited for £37.3 million to Danamon Enterprises BV. (See note 9).

The Company received a dividend of £8.0m during October 2001 from Harrods International Limited. It subsequently paid a dividend of £8.0m to Harrods (UK) Limited.

### 20 Parent Undertakings

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

## HARRODS LIMITED

### NOTES TO THE ACCOUNTS (Continued)

#### 21 Related Party Transactions

During the year the Company entered into transactions with a number of companies, which are under the control of the Company's ultimate controlling party. These companies comprise ACF Sevenoaks, Balnagowan Castle Properties Limited, Barrow Green Farm Limited, Danamon Enterprises BV, Fulham Football Leisure Limited, Harrods Energy Limited, Harrods Energy (Thailand) Limited, Harrods Finance Trust Co SA, Harrods Minerals Limited, Harrods Minerals Mongolia Limited, Harrods Natural Resources Inc, Harrods Natural Resources Limited, Harrods Online Limited, Harrods Petroleum Corporation Limited, Harrods Staff Benevolent Fund, Harrods Trading International Limited, Hyde Park Residence Limited, Liberty Holdings Limited (and subsidiaries), Mohafa, Prestige Properties SA, The Ritz Hotel Limited and Turnbull & Asser Limited (and subsidiaries). The transactions and balances with these companies are not considered to be material except as described below and as set out in Notes 9 and 19.

Harrods Limited incurred expenses of £4,986,695 (2000: £736,709) during the year, which were recharged back to Harrods Online Limited. The debtor outstanding at the year end was £nil (2000: £186,544). The Company also purchased merchandise for resale from Harrods Online Limited to a value of £257,714 (2000: £nil).

Royalties are paid by Harrods Online Limited, on commercial terms, to the Company for the use of the Harrods name. Royalty income of £65,817 (2000: £38,533) was charged during the year and remains outstanding at the year end (2000: £38,533).

The Company charged trademark fees for the use of the Harrods name to Harrods Natural Resources Inc., Harrods Energy (Thailand) Limited, Harrods Finance Trust Co SA, Harrods Minerals Limited, Harrods Minerals Mongolia Limited, Harrods Natural Resources Limited, Harrods Energy Limited, Harrods Petroleum Corporation Limited, Harrods Trading International Limited of £399,627, some of this charge related to the prior year. £2 was outstanding at the year end.

Harrods Limited did not pay salary bonuses on behalf of Harrods Natural Resources this year (2000: £129,485 including VAT). These were recharged to Harrods Natural Resources. The debtor outstanding at the year end was £nil (2000: £129,485).

The Company made a charitable donation of £70,000 (2000: £115,000) to Harrods Energy (Thailand) Limited which has been used towards the building of a school in Thailand. The Company also paid expenses on behalf of Harrods Energy (Thailand) Limited of £34,254. This balance was outstanding at the year end (2000: £nil).

Turnbull & Asser Limited operates a concession in the Knightsbridge Store, on commercial terms, for which it was charged £300,759 (2000: £282,355).

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