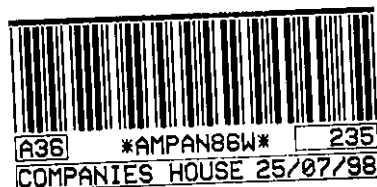


HARRODS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
52 WEEKS ENDED 31 JANUARY 1998



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 31 January 1998.

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
G Janetzky (appointed 05.01.98)
J L Macnamara
A Maeder
L D J Mayer (appointed 11.05.98)
D R Parker
A Pitcher
M Rogers
M E Zipp
A K Wiles (appointed 20.02.98)

Other Directors who served during the year were:

M D Cole (resigned 28.02.98)
C F Cottleer (resigned 01.07.97)
M Jonckers (resigned 22.07.97)

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 31 January 1998 held any beneficial interest in the shares of Harrods Holdings plc or any of its subsidiaries at 2 February 1997, at date of appointment or at 31 January 1998.

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 31 January 1998 amounted to £45.3 million (1997: £50.6 million). During the year dividends were paid to Harrods (UK) plc of £99.5 million, (1997: £19.9 million). No final dividend has been proposed (1997: £20 million).

Review of the Business and Future Developments

During the year the new Egyptian Escalators became operational substantially improving customer flow within the store. In the autumn, new Mens' Designerwear departments opened on the lower ground floor in space formerly used for support services. The new trading area totalled 1,500 square metres; a further expansion of this area is planned in late 1998.

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

On 29 December 1997 Cylena SA was liquidated.

Charitable and Political Donations

The charitable donations made by the Company and charged in the accounts were £50,368 (1997: £69,667). 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/EMU

A Company-wide programme, designed to address the impact of the Year 2000 on the business, has been commissioned by the Board and is under way. Resources have been allocated and the Board receives regular reports on progress.

HARRODS LIMITED

DIRECTORS' REPORT (Continued)

Year 2000/EMU (Continued)

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

The risk analysis also considers the impact on the business of Year 2000 related failures by our significant suppliers, including computer bureau, on customers. In appropriate cases formal communication has been initiated with other parties.

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, of which about one third is new equipment that will be capitalised and the remainder will be expensed as incurred. Of this £2.4 million total, expenditure of £119,000 has been incurred during the year and the remaining £2,281,000 is expected to be spread fairly evenly between 1998 and 1999.

A similar project structure is also in place to address those issues associated with the introduction of the Economic Monetary Union.

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 "Harroddian 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 weekly training sessions for all staff and, through individual performance appraisals, employees are made aware of their individual contribution to the Company.

HARRODS LIMITED

DIRECTORS' REPORT (Continued)

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 (1997:31).

Auditors

Price Waterhouse have expressed their willingness to continue in office as Auditors to the Company and a resolution proposing their re-appointment and authorising the Directors to fix their remuneration will be put to the Annual General Meeting.

Statement of Directors' Responsibilities

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company 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 6 to 23 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 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

J G HAWKINS
Director
21 May 1998



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 23 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

As described on page 4 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's 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 31 January 1998 and of its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



Price Waterhouse
Chartered Accountants
and Registered Auditors
21 May 1998

Southwark Towers
32 London Bridge Street
London SE1 9SY

HARRODS LIMITED

PROFIT AND LOSS ACCOUNT 52 WEEKS ENDED 31 JANUARY 1998

Note		52 weeks 31/1/98 £'000	53 weeks 1/2/97 £'000
	Gross turnover	503,254	495,111
	Value added tax	(58,704)	(58,492)
2	Turnover	444,550	436,619
	Cost of sales	(261,994)	(260,784)
	Gross Profit	182,556	175,835
	Distribution and store costs	(116,443)	(108,055)
	Administrative expenses	(7,277)	(6,309)
3	Operating Profit	58,836	61,471
	Income from shares in group undertakings	5,500	8,000
	Income from listed investment	3,112	-
	Income from other fixed asset investments	475	390
	Other expenses	(411)	(103)
	Profit before Interest and Taxation	67,512	69,758
4	Interest	(9,126)	(4,600)
	Profit on Ordinary Activities before Taxation	58,386	65,158
5	Taxation	(13,052)	(14,551)
	Profit on Ordinary Activities after Taxation for the Financial Year	45,334	50,607
	Dividends - paid	(99,489)	(19,855)
	- proposed	-	(20,000)
	Transfer (from)/to Reserves	(54,155)	10,752

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 23 form part of these accounts.

HARRODS LIMITED

	52 weeks 31/1/98 £'000	53 weeks 1/2/97 £'000
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES		
Profit on ordinary activities after taxation	45,334	50,607
Unrealised surplus/(deficit) on revaluation of properties	37,015	(362)
	<hr/>	<hr/>
Total gains recognised since last financial statements	82,349	50,245
	<hr/>	<hr/>
NOTE OF HISTORICAL COST PROFITS AND LOSSES		
Reported profit on ordinary activities before taxation	58,386	65,158
Realisation of property revaluation gains of previous years on group property transfers	114	14,041
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	58,500	79,199
	<hr/>	<hr/>
Historical cost (loss)/profit for the year retained after taxation and dividends	(54,041)	24,793
	<hr/>	<hr/>
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS		
Total recognised gains	82,349	50,245
Dividends	(99,489)	(39,855)
	<hr/>	<hr/>
Net (reductions)/additions to shareholders' funds	(17,140)	10,390
Opening shareholders' funds	441,386	430,996
	<hr/>	<hr/>
Closing shareholders' funds	424,246	441,386
	<hr/>	<hr/>

The notes on pages 9 to 23 form part of these accounts.

HARRODS LIMITED

BALANCE SHEET AT 31 JANUARY 1998

Note		31/1/98 £'000	1/2/97 £'000
	Fixed Assets		
8	Tangible assets	578,617	508,229
9	Investments	60,521	2,250
		<hr/>	<hr/>
		639,138	510,479
	Current Assets		
10	Stocks	30,726	31,952
11	Debtors due within one year	15,243	12,162
11	Debtors due after more than one year	3,341	4,285
	Cash at bank and in hand	33,440	21,557
		<hr/>	<hr/>
		82,750	69,956
	Creditors		
12	Amounts falling due within one year	(297,142)	(138,852)
		<hr/>	<hr/>
	Net Current Liabilities	(214,392)	(68,896)
		<hr/>	<hr/>
	Total Assets less Current Liabilities	424,746	441,583
	Provisions for Liabilities and Charges		
13	Deferred taxation	(500)	(197)
		<hr/>	<hr/>
		424,246	441,386
	Capital and Reserves		
14	Called up share capital	19,200	19,200
15	Revaluation reserve	349,673	312,772
15	Profit and loss account	55,373	109,414
		<hr/>	<hr/>
	Total Shareholders' Funds	424,246	441,386
		<hr/>	<hr/>

Approved by the Board on 21 May 1998



C P de BOER
Director



J G HAWKINS
Director

The notes on pages 9 to 23 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.

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.

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.

HARRODS LIMITED

NOTES TO THE ACCOUNTS (Continued)

1 ACCOUNTING POLICIES (Continued)

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.

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 31/1/98 £'000	53 weeks 1/2/97 £'000
2 Turnover		
Arising entirely within the United Kingdom	444,550	436,619

HARRODS LIMITED

NOTES TO THE ACCOUNTS (Continued)

	52 weeks 31/1/98 £'000	53 weeks 1/2/97 £'000
3 Operating Profit		
Operating profit is stated after charging:		
- Depreciation of tangible fixed assets		
- owned assets	12,369	11,019
- Auditors' remuneration:		
- audit fees	129	85
- non-audit services	-	19
- Amounts paid under operating leases		
- Hire of plant and machinery	765	615
- Year 2000	119	-
	<hr/>	<hr/>
4 Interest		
Interest receivable		
From group undertakings	30	25
	<hr/>	<hr/>
	30	25
Interest payable		
Loans from group undertakings	(9,139)	(4,625)
To third parties	(17)	-
	<hr/>	<hr/>
	(9,126)	(4,600)
	<hr/>	<hr/>
5 Taxation		
Taxation based on the profits for the year:		
Corporation tax	(5,349)	(9,161)
Group relief	(7,691)	(5,390)
Adjustments for prior year	610	-
Tax credits on Franked Investment Income	(622)	-
	<hr/>	<hr/>
	(13,052)	(14,551)
	<hr/>	<hr/>

HARRODS LIMITED

NOTES TO THE ACCOUNTS (Continued)

	52 weeks 31/1/98 £'000	53 weeks 1/2/97 £'000
6 Information regarding Directors and Employees		
Emoluments excluding pension contributions	1,666	1,422
Compensation for loss of office	47	-
	<u>1,713</u>	<u>1,422</u>
Emoluments of highest paid Director	<u>175</u>	<u>177</u>
Accrued pension of highest paid Director	<u>106</u>	

There are 13 Directors to whom retirement benefits are accruing under a defined benefit pension scheme (1997: 14).

Staff Costs

Wages and salaries	67,254	64,904
Social security costs	5,702	5,545
Other pension costs	2,242	1,655
	<u>75,198</u>	<u>72,104</u>

The average number of employees during the year was 3,613 (1997: 3,708).

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.

HARRODS LIMITED

NOTES TO THE ACCOUNTS (Continued)

7 Pensions (Continued)

The Company's pension charge for the 52 weeks to 31 January 1998 was as follows:

	52 weeks 31/1/98 £'000	53 weeks 1/2/97 £'000
Regular cost	2,558	2,425
Variation	<u>(316)</u>	<u>(770)</u>
Net pension charge	<u>2,242</u>	<u>1,655</u>

	31/1/98 £'000	1/2/97 £'000
The pension prepayment is as follows:		
Opening balance	3,025	2,255
Contributions paid	2,558	2,425
Charge to profit and loss account	<u>(2,242)</u>	<u>(1,655)</u>
Closing balance	<u>3,341</u>	<u>3,025</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	Long Leasehold £'000	Short Leasehold £'000	Fixtures, Fittings, Vehicles & Equipment £'000
Cost and valuation					
At 1 February 1997	576,162	450,963	215	455	124,529
Additions	46,271	14,129	-	-	32,142
Disposals	(23,519)	-	-	-	(23,519)
Group transfers	(215)	-	(215)	-	-
Reclassifications	-	(10,229)	-	-	10,229
Revaluation	35,991	35,991	-	-	-
At 31 January 1998	634,690	490,854	-	455	143,381
Accumulated depreciation					
At 1 February 1997	(67,933)	(320)	-	(122)	(67,491)
Charge for year	(12,369)	(768)	-	(110)	(11,491)
Disposals	23,205	-	-	-	23,205
Revaluation	1,024	1,024	-	-	-
At 31 January 1998	(56,073)	(64)	-	(232)	(55,777)
Net book value					
At 31 January 1998	578,617	490,790	-	223	87,604
At 1 February 1997	508,229	450,643	215	333	57,038
Cost and valuation					
1998 Directors' valuation	465,754	465,754	-	-	-
Cost	168,936	25,100	-	455	143,381
	634,690	490,854	-	455	143,381

HARRODS LIMITED

NOTES TO THE ACCOUNTS (Continued)

8 Fixed Assets - Tangible Assets (Continued)

The freehold and leasehold properties held by Harrods Ltd were valued by external valuers, Healey & Baker, International Real Estate Consultants, 29 St George Street, Hanover Square, London W1, as at 31 December 1997, on the basis of Existing Use Value in respect of the properties occupied by Harrods Ltd and on the basis of Open Market Value in respect of the properties which are held as an investment or held for development, both bases being in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors. These valuations have been adopted by the Directors at 31 January 1998 and have been incorporated in the financial statements.

Included in the cost element above are costs incurred on unfinished projects at the year end amounting to £ 19.7 million. In 1997 £32.3 million of cost incurred on unfinished projects was included in the cost element of freehold land and buildings. No interest has been capitalised in the year (1997:£2.2 million).

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

	Total £'000	Freehold £'000	Long Leasehold £'000	Short Leasehold £'000	Fixtures, Fittings, Vehicles & Equipment £'000
Historical cost					
At 1 February 1997	264,163	139,079	100	455	124,529
Depreciation to 1 February 1997	<u>(68,706)</u>	<u>(1,093)</u>	<u>-</u>	<u>(122)</u>	<u>(67,491)</u>
Net historical cost					
At 1 February 1997	<u>195,457</u>	<u>137,986</u>	<u>100</u>	<u>333</u>	<u>57,038</u>
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>-</u>	<u>(232)</u>	<u>(55,777)</u>
Net historical cost					
At 31 January 1998	<u>228,944</u>	<u>141,117</u>	<u>-</u>	<u>223</u>	<u>87,604</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 and net book value:				
	At 1 February 1997	2,589	2,250	-	339
	Additions	58,271	-	58,271	-
	At 31 January 1998	60,860	2,250	58,271	339
	Provisions at 1 February 1997	(339)	-	-	(339)
	Provisions during year	-	-	-	-
	Provisions at 31 January 1998	(339)	-	-	(339)
	Net book value				
	At 31 January 1998	60,521	2,250	58,271	-
	At 1 February 1997	2,250	2,250	-	-

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

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

HARRODS LIMITED

NOTES TO THE ACCOUNTS (Continued)

Listed Investment (Continued)

The market prices of the ALPHA Shares were as follows:

On acquisition by Cylena SA	106p (average)
27 February 1997	106p
7 March 1997	106p
19 March 1997	102p
31 January 1998	75p
20 May 1998	113p

The Directors have considered the amount at which the Company's stake in ALPHA is carried in the balance sheet and are satisfied that the carrying value is not less than the long term realisable value of the shareholding.

On 29 December 1997 Cylena SA was liquidated.

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.

	31/1/98	1/2/97
	£'000	£'000
10 Stocks		
Finished goods and goods for resale	30,726	31,952

There was no significant difference between the replacement cost of stocks at 31 January 1998 and the amount at which they are stated in the financial statements.

HARRODS LIMITED
NOTES TO THE ACCOUNTS (Continued)

11 Debtors	31/1/98 £'000	1/2/97 £'000
Amounts due within one year:		
Trade debtors	5,751	5,268
Amounts owed by group undertakings	3,051	2,089
Other debtors	4,376	3,166
Prepayments and accrued income	2,065	1,639
	<u>15,243</u>	<u>12,162</u>
Amounts due after more than one year:		
Pension prepayment	3,341	3,025
ACT recoverable	-	1,260
	<u>3,341</u>	<u>4,285</u>
12 Creditors		
Amounts falling due within one year:		
Trade creditors	25,056	27,140
Amounts owing to group undertakings	244,490	78,828
Other creditors	4,136	4,073
Other taxation and social security	10,756	15,604
Accruals and deferred income	12,704	13,207
	<u>297,142</u>	<u>138,852</u>

HARRODS LIMITED

NOTES TO THE ACCOUNTS (Continued)

	31/1/98 £'000	1/2/97 £'000
13 Deferred Taxation		
Provided in respect of capital allowances:		
Balance brought forward (before ACT set-off)	500	500
ACT set-off	-	(303)
Balance carried forward	500	197

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

Capital allowances	7,924	3,700
Revaluation of properties	61,621	49,404
Corporation tax on capital gains	5,142	5,474
	74,687	58,578

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 31 January 1998 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	31/1/98 £	1/2/97 £
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 'B' Special Rights redeemable Preference share of £1	1	-
	<u>21,500,002</u>	<u>21,500,000</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 'B' Special Rights redeemable Preference Share of £1	1	-
	<u>19,200,002</u>	<u>19,200,000</u>

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

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

Included within total shareholders' funds of £424.2m 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 1 February 1997	312,772	109,414	422,186
Transfer from reserves	-	(54,155)	(54,155)
Revaluation surplus	37,015	-	37,015
Revaluation surplus realised on disposals	(114)	114	-
Balance at 31 January 1998	349,673	55,373	405,046
	<u>31/1/98</u> £'000	<u>1/2/97</u> £'000	
16 Capital Commitments			
Contracted for but not provided	22,750	16,518	
	<u>24</u>	<u>26</u>	
17 Obligations under operating leases which expire			
Within one year	708	187	
Between one and five years	4	398	
After five years	736	611	
	<u>736</u>	<u>611</u>	
18 Contingent Liabilities			

The Harrods Holdings Group has a loan facility agreement of £350 million 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 £89.9 million as at 31 January 1998.

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 traded with a number of companies, which are under the control of one or more of the Company's ultimate shareholders. These companies comprise Turnbull & Asser Limited, Hyde Park Residence Limited, Balnagown Castle Properties Limited, Barrow Green Farm Limited, Fulham Football Club (1987) Limited, Fulham Stadium Limited, Fayair (Jersey) Co. Limited and The Ritz Hotel Limited. The transactions with these companies are not material.

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 Notes 6 and 9 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.