

**GENAVCO INSURANCE
LIMITED**

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

29 JANUARY 2005



GENAVCO INSURANCE LIMITED

FINANCIAL STATEMENTS

For the period ended 29 JANUARY 2005

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GENAVCO INSURANCE LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the 52 weeks ended 29 January 2005.

Principal activity

The company's principal activity continues to be that of insurance broking.

Business review

There was a profit for the period after taxation amounting to £567,067 (2004: £449,907). The directors paid a dividend during the year of £nil (2004: £600,000). An amount of £567,067 has been transferred to reserves (2004: transferred from reserves of £150,093).

Directors

The present membership of the Board is set out below. All served on the Board throughout the period.

Mr P K Winstone (Chairman)
Mr D Meur
Mr M J McClymont

The interests of the directors in the shares of the company were as follows:

	Ordinary shares of £1 each	
	29 January 2005	1 February 2004
	£	£
Mr P K Winstone	-	-
Mr D Meur	-	-
Mr M J McClymont	-	-

No director in office at 29 January 2005 held any beneficial interest in the shares of Harrods Holdings Limited, or any of its subsidiaries at 29 January 2005.

No director has had a material interest, directly or indirectly, at any time during the period in any contract significant to the business of the company.

GENAVCO INSURANCE LIMITED

REPORT OF THE DIRECTORS

Directors' responsibilities for the financial statements

United Kingdom company law requires the directors to prepare financial statements for each financial year which 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. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.


The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

Grant Thornton UK LLP, having offered themselves for reappointment as auditors, shall be deemed to be reappointed for the next financial year in accordance with section 386 of the Companies Act 1985.

BY ORDER OF THE BOARD



M J McClymont
Secretary

28 April 2005

87 - 135 Brompton Road
Knightsbridge
London
SW1X 7XL

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
GENAVCO INSURANCE LIMITED**

We have audited the financial statements of Genavco Insurance Limited for the period ended 29 January 2005 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

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 1985. 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 with the company is not disclosed.

We read other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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.

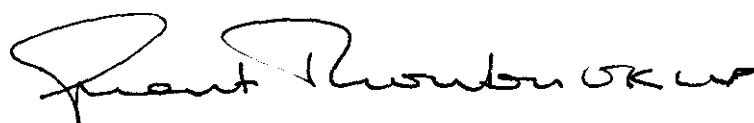
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

GENAVCO INSURANCE LIMITED

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 29 January 2005 and of its results for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

**LONDON
28 APRIL 2005**

GENAVCO INSURANCE LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

The principal accounting policies of the company which are set out below have remained unchanged from the previous period.

TURNOVER

Turnover represents the amount of broking commission earned by the company net of commission rebates, introductory commission and foreign exchange differences. Commission is recognised when a debit note is issued to the insured with appropriate adjustments made where performance of services relating to insurance policies are not yet complete.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The rates generally applicable are:

Plant and machinery	between 5 and 10 years
Fixtures and fittings	between 5 and 10 years
Computer equipment	between 4 and 5 years

INVESTMENTS

Investments are included at cost.

OPERATING LEASES

Rental costs under operating leases are charged to the profit and loss account in equal amounts over the period of the lease.

DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax on defined benefit pension scheme surpluses or deficits is adjusted against these surpluses. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

FOREIGN CURRENCY

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

GENAVCO INSURANCE LIMITED

PRINCIPAL ACCOUNTING POLICIES

RETIREMENT BENEFITS SCHEMES

Defined Contribution Scheme

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

Defined Benefit Scheme

The company is a member of the Harrods Holdings Group Pension Plan under which retirement benefits are funded by contributions from the company and employees. Payment is made to the pension trust, which is separate from the company and the Harrods Holdings Group, in accordance with calculations made periodically by consulting actuaries.

The amount charged to the profit and loss account in respect of the pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members.

The company has taken advantage of the transitional provisions of FRS 17 'Retirement Benefits'. Accordingly the pensions charge has been calculated under the existing policy which is in accordance with SSAP 24 'Pension Costs' and disclosure has been made of the assets and liabilities of the scheme under FRS 17.

GENAVCO INSURANCE LIMITED**PROFIT AND LOSS ACCOUNT**

For the period ended 29 JANUARY 2005

	Note	52 weeks ended 29 January 2005 £	52 weeks ended 31 January 2004 £
Turnover	1	1,631,256	1,398,905
Administrative expenses		<u>(1,112,370)</u>	<u>(822,746)</u>
Operating profit		518,886	576,159
Exceptional items	6	167,421	-
Interest		<u>54,094</u>	<u>67,430</u>
Profit on ordinary activities before taxation	1	740,401	643,589
Tax on profit on ordinary activities	4	<u>(173,334)</u>	<u>(193,682)</u>
Profit on ordinary activities after taxation		567,067	449,907
Dividends		-	(600,000)
Profit retained and transferred to/(from) reserves	12	<u>567,067</u>	<u>(150,093)</u>

All transactions arise from continuing operations.

There were no recognised gains or losses other than the result for the financial period.

The accompanying accounting policies and notes form an integral part of these financial statements.

GENAVCO INSURANCE LIMITED

BALANCE SHEET AT 29 JANUARY 2005

	Note	At 29 January 2005 £	At 31 January 2004 £
Fixed assets			
Tangible assets	5	49,521	54,522
Investments	6	-	1,000
		<u>49,521</u>	<u>55,522</u>
Current assets			
Debtors	7	2,393,225	1,682,982
Short term deposits		-	309,423
Cash at bank and in hand		1,658,855	899,758
		<u>4,052,080</u>	<u>2,892,163</u>
Creditors: amounts falling due within one year	8	<u>(2,520,917)</u>	<u>(1,917,568)</u>
Net current assets		<u>1,531,163</u>	<u>974,595</u>
Total assets less current liabilities		<u>1,580,684</u>	<u>1,030,117</u>
Provisions for liabilities and charges	9	-	(16,500)
		<u>1,580,684</u>	<u>1,013,617</u>
Capital and reserves			
Called up share capital	11	500,000	500,000
Profit and loss account	12	1,080,684	513,617
Equity shareholders' funds	13	<u>1,580,684</u>	<u>1,013,617</u>

The financial statements were approved by the Board of Directors on 28 April 2005.

D Meur

D Meur - Managing Director

The accompanying accounting policies and notes form an integral part of these financial statements.

GENAVCO INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 29 JANUARY 2005

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover arises almost entirely from within the United Kingdom. A material proportion of turnover is generated from broking transactions with group companies.

The profit on ordinary activities before taxation is stated after:

	52 weeks ended 29 January 2005 £	52 weeks ended 31 January 2004 £
Auditors' remuneration: Audit services	13,078	12,925
Depreciation: Tangible fixed assets owned	19,929	10,370

2 INTEREST

	52 weeks ended 29 January 2005 £	52 weeks ended 31 January 2004 £
Net interest receivable from group undertakings	28,704	39,718
Interest on short term deposits	25,390	27,712
	54,094	67,430

3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	52 weeks ended 29 January 2005 £	52 weeks ended 31 January 2004 £
Wages and salaries	636,921	481,187
Social security costs	60,152	42,767
Other pension costs	62,710	51,527
	759,783	575,481

The average weekly number of employees of the company during the period was 15 (2004: 12).

GENAVCO INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 29 JANUARY 2005

DIRECTORS AND EMPLOYEES (CONTINUED)

Remuneration in respect of directors was as follows:

	52 weeks ended 29 January 2005 £	52 weeks ended 31 January 2004 £
Emoluments	178,083	165,301
Pension contributions	20,945	18,214
	<u>199,028</u>	<u>183,515</u>

None of the directors possessed any share options in any group company at 29 January 2005.

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

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is based on the profit for the year and represents:

	52 weeks ended 29 January 2005 £	52 weeks ended 31 January 2004 £
Corporation tax at 30% (2004: 30%) comprises:		
Group relief	175,353	193,757
Deferred tax	(2,019)	(75)
	<u>173,334</u>	<u>193,682</u>

Factors affecting the tax charge for the year

Profit on ordinary activities before tax	740,401	643,589
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Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30% (2004: 30%)	222,120	193,077
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Effect of:

Expenses not deductible for tax purposes	1,441	3,143
Capital allowances for the period in excess of depreciation	679	(2,463)
Income and expenses assessed relieved on a cash basis	(48,887)	
Current tax charge for period	<u>175,353</u>	<u>193,757</u>

GENAVCO INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 29 JANUARY 2005

5 TANGIBLE FIXED ASSETS

	Fixtures, fittings and equipment £
Cost	
At 1 February 2004	120,718
Additions	14,928
At 29 January 2005	<u>135,646</u>
Depreciation	
At 1 February 2004	66,196
Provided in the year	19,929
At 29 January 2005	<u>86,125</u>
Net book amount at 29 January 2005	<u>49,521</u>
Net book amount at 31 January 2004	<u>54,522</u>

6 FIXED ASSET INVESTMENTS

	At 29 January 2005 £	At 31 January 2004 £
Shares in an unlisted company	-	1,000

Genavco received £168,421 as part of a members' voluntary liquidation distribution relating to the unlisted investment, previously recognised at cost.

Recognised as an exceptional item within the profit and loss account is £167,421 being the difference between the distribution income and the £1,000 investment write-off.

7 DEBTORS

	At 29 January 2005 £	At 31 January 2004 £
Trade debtors	2,264,760	1,630,443
Prepayments and accrued income	112,732	40,088
Deferred tax asset	11,630	9,611
Other	4,103	2,840
	<u>2,393,225</u>	<u>1,682,982</u>

GENAVCO INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 29 JANUARY 2005

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	At 29 January 2005 £	At 31 January 2004 £
Trade creditors	2,216,254	1,508,527
Amounts owed to group undertakings	-	193,757
Accruals and deferred income	122,143	215,284
Tax creditor	175,353	-
Other creditors	7,167	-
	<u>2,520,917</u>	<u>1,917,568</u>

9 PROVISIONS FOR LIABILITIES AND CHARGES

	Other £
At 1 February 2004	16,500
Movement in year	<u>(16,500)</u>
At 29 January 2005	<u>-</u>

The prior year provision was in respect of a potential claim under the company's professional indemnity insurance policy. Under the terms of the policy, the company would have been liable for the first £20,000 of the claim. The provision was released during the year.

10 DEFERRED TAXATION

Deferred taxation provided for in the financial statements is set out below. There were no unprovided amounts of deferred taxation at 29 January 2005 or 31 January 2004.

	Amount provided £
Balance at 1 February 2004	9,611
Transfer to profit and loss account	<u>2,019</u>
Balance at 29 January 2005	<u>11,630</u>

11 CALLED UP SHARE CAPITAL

	2005 £	2004 £
Authorised 500,000 ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>
Allotted, called up and fully paid 500,000 ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>

GENAVCO INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 29 JANUARY 2005

12 RESERVES

	Profit and loss account £
At 1 February 2004	513,617
Profit for the year	567,067
At 29 January 2005	<u>1,080,684</u>

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £	2004 £
Profit for the financial period	567,067	449,907
Dividends	-	(600,000)
Net addition/(reduction) to shareholders' funds	<u>567,067</u>	<u>(150,093)</u>
Shareholders' funds at 1 February 2004	<u>1,013,617</u>	<u>1,163,710</u>
Shareholders' funds at 29 January 2005	<u>1,580,684</u>	<u>1,013,617</u>

14 CAPITAL COMMITMENTS

The company had no capital commitments at 29 January 2005 or 31 January 2004.

15 CONTINGENT ASSETS/LIABILITIES

The Harrods Holdings Group's loan facility is guaranteed by Genavco Insurance Limited and other group companies. The guarantee extends to Genavco Insurance Limited's non-client bank account only.

There were no other contingent liabilities at 29 January 2005 or 31 January 2004.

16 RETIREMENT BENEFIT SCHEMES

Pension schemes operated

Within the United Kingdom the company principally operates two schemes:

- (i) The Harrods Holdings Stakeholder Scheme (the Scheme), which is an approved defined contribution scheme; it was established with Scottish Equitable plc on 1 May 2002.
- (ii) The Harrods Holdings Group Pension Plan (the Plan), which is an approved defined benefit scheme.

Membership of the Plan is no longer available to new employees on the staff scale, who join the group on or after 1 May 2002, during the first five years of employment. Those employees are eligible to join the Scheme and can then elect to transfer to the Plan after five years continuous service. Those employees commencing on the management scale are eligible to apply for either the Scheme or the Plan.

The Harrods Holdings Group pays such contributions to the Scheme and the Plan as required in order to fund benefits for the members and pensioners. The assets of the Scheme and Plan are held in trust separately from the Harrods Holdings Group.

GENAVCO INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 29 JANUARY 2005

RETIREMENT BENEFIT SCHEMES (CONTINUED)

Regular pension costs under SSAP 24

Defined Contribution Scheme

The pension cost under the defined contribution scheme amounted to £nil (2004: £nil). A pension accrual of £nil (2004: £nil) is included in the balance sheet in relation to this scheme.

Defined Benefit Scheme

The company's net pension charge for the Harrods Holdings Group Pension Plan for the 52 weeks to 29 January 2005 was £62,710 (2004: £51,527) comprising a regular cost of £58,244 plus a variation of £4,466. The variation arises in respect of the actuarial deficit, which is being spread over the average remaining working lives of employees who are members of the Plan. The pension charge for the year is greater than the actual contributions paid resulting in the following accrual in the balance sheet:

	2005 £	2004 £
The pension accrual is as follows:		
Balance at 1 February 2004	(30,057)	(21,668)
Contributions paid	58,244	43,138
Charge to profit and loss account	(62,710)	(51,527)
	<u>(34,523)</u>	<u>(30,057)</u>

Pension costs are assessed in accordance with the advice of qualified independent actuaries, Hymans Robertson, based on the results of an actuarial valuation undertaken by Hewitt Bacon & Woodrow Limited as at 6 April 2002. The actuarial valuation assessed the Plan using the projected unit method and a market based valuation approach to ascertain its cost to the group, having adopted the following financial assumptions:

Inflation assumption	2.8%
Rate of increase in salaries	4.3%
Rate of pension increases	2.7%

Following the valuation, the group agreed to increase contributions to the plan from 10.0% of salaries to 13.9% of salaries with effect from 6 April 2003. From 6 April 2003, member contributions will increased from 3.5% to 5.0% of salaries for Staff Scale members and from 5.0% to 7.0% of salaries for Management Scale members.

The group will make an additional contribution to the Plan of £1.2million (2004: £nil) during the twelve months from April 2005. The group will also increase it's contributions to the Plan from 13.9% of salaries to 15.0% of salaries with effect from 6 April 2005.

At the date of the last actuarial valuation, the market value of the assets of the Plan was £177.7 million and the actuarial value of assets covered 98% of the benefits that had accrued to members, after allowing for expected increases in future earnings. The next scheduled actuarial valuation of the Harrods Holdings Group Pension Plan will be as at 6 April 2005.

Financial Reporting Standard 17 Disclosures

The financial statements have, as last year, been prepared in accordance with SSAP 24. This note includes the additional disclosures required in respect of defined benefit schemes under the transitional arrangements established by FRS 17. The information required in connection with FRS 17 and the defined benefit scheme is detailed below.

GENAVCO INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 29 JANUARY 2005

RETIREMENT BENEFIT SCHEMES (CONTINUED)

An approximate actuarial assessment of the Plan was also carried out as at 29 January 2005 by qualified independent actuary, Hymans Robertson. The major assumptions used by the actuary were:

	29 January 2005	% per annum 31 January 2004	1 February 2003
Discount rate	5.3%	5.5%	5.4%
Inflation assumption	2.9%	2.8%	2.3%
Rate of increase in salaries	4.4%	4.3%	3.8%
Rate of pension increases	2.8%	2.7%	2.4%

At 29 January 2005 the market value of the assets in the Plan, the expected long-term rate of return from them and the present value of Plan liabilities, all as defined in accordance with FRS 17 and valued by the Harrods Holdings Group's actuary were as follows:

	As at 29 January 2005		As at 31 January 2004		As at 1 February 2003	
	Harrods Group Pension Plan £m	Expected long-term rate of return % per annum	Harrods Group Pension Plan £m	Expected long-term rate of return % per annum	Harrods Group Pension Plan £m	Expected long-term rate of return % per annum
Equities	142.00	7.6%	127.5	7.9%	101.0	7.4%
Corporate bonds	30.10	5.7%	28.0	5.5%	24.6	5.4%
Government bonds	14.30	4.6%	13.2	4.9%	11.4	4.4%
Other	2.90	4.6%	2.3	4.9%	2.4	4.4%
Total market value of assets	189.30		171.0		139.4	
Present value of plan liabilities	(287.60)		(255.8)		(225.9)	
Deficit of the plan	(98.30)		(84.8)		(86.5)	
Related deferred tax asset	29.5		25.4		26.0	
Net pension liability under FRS 17	(68.8)		(59.2)		(60.5)	

Further FRS 17 Disclosure

All other disclosures as required under FRS 17 are shown in the accounts of Harrods Holdings Limited.

17 OPERATING LEASE COMMITMENTS

	2005 £	2004 £
Annual commitments under operating leases for occupied premises expire as follows:		
In the second to fifth year	46,980	24,532

GENAVCO INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 29 JANUARY 2005

18 TRANSACTIONS WITH RELATED PARTIES

The company is a wholly owned subsidiary of Harrods Holdings Limited and, as permitted by Financial Reporting Standard No 8 "Related party disclosures" transactions with other entities in the Harrods Holdings Group are not disclosed.

Insurance broking transactions have also been undertaken with parties related to the beneficial owners of the ultimate parent undertaking. These transactions generated turnover of £85,382 in the 52 weeks ended 29 January 2005 (2004: £144,850). Trade debtors include £444,968 (2004: £441,835) of insurance premiums due from the above related parties.

There are no other related party transactions.

19 ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is Genavco Holdings Limited. The ultimate United Kingdom holding company of Genavco Holdings Limited is Harrods Holdings Limited, a company registered in England and Wales, which is the parent undertaking of the Harrods Holdings Group and which is both the smallest and the largest group which consolidates the results of the company. The group accounts will be filed with the Registrar of Companies in due course.

The ultimate parent undertaking is Alfayed Investment and Trust PVT LP, a partnership based in Bermuda. All interests in the Partnership continue to be under the control and held for the benefit of the Fayed family, the ultimate controlling party.