

GENAVCO INSURANCE LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

53 WEEKS ENDED 2 FEBRUARY 2002



Company Number: 879931

GENAVCO INSURANCE LIMITED

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GENAVCO INSURANCE LIMITED

DIRECTORS' REPORT

The Directors have pleasure in submitting their annual report and the audited accounts of the Company for the 53 weeks ended 2 February 2002.

Principal Activity

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

Directors and their interests

The present Directors of the Company are:-

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

No Director in office at 2 February 2002 held any beneficial interest in the shares of Harrods Holdings Limited or any of its subsidiaries at 28 January 2001, at date of appointment, or at 2 February 2002.

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

Results & Dividends

The profit after tax for the 53 weeks to 2 February 2002 was £280,617 compared with £145,867 for the previous 52 week period.

A dividend has been paid for the period to 2 February 2002 amounting to £500,000 (2001 £1,000,000), and an amount of £219,383 has been transferred from reserves (2001 £854,133 was transferred from reserves).

Auditors

Grant Thornton were appointed auditors on 23 January 2002 to fill a casual vacancy in accordance with Section 388(1) of the Companies Act 1985.

Single Member Company

On 20 February 2001 the Company became a Single Member Company.

GENAVCO INSURANCE LIMITED
DIRECTORS' REPORT (continued)

Elective Resolutions

On 23 January 2002, the Company passed Elective Resolutions dispensing with the holding of Annual General Meetings; the laying of accounts in general meetings and the annual appointment of auditors, in accordance with Sections 366A, 252 and 386 (all as amended) of the Companies Act 1985, respectively.

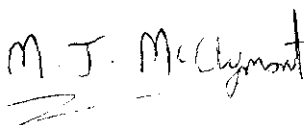
Statement of Directors' Responsibilities

Company law in the United Kingdom 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 and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 2 February 2002 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



M J McClymont
Company Secretary
27 June 2002

Registered Office

87-135 Brompton Road
London SW1X 7XL

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

We have audited the final statements of Genavco Insurance Limited for the period ended 2 February 2002 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

Respective Responsibilities of 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 evident 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.

GENAVCO INSURANCE LIMITED
REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF GENAVCO INSURANCE LIMITED (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 2 February 2002 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

London
27 June 2002

GENAVCO INSURANCE LIMITED
PROFIT AND LOSS ACCOUNT
53 WEEKS TO 2 FEBRUARY 2002

Note		53 weeks 2/2/02 £	52 Weeks 27/1/01 £
2	Turnover - continuing activities	1,036,372	753,022
	Administrative Expenses	<u>711,939</u>	<u>671,676</u>
3	Operating Profit/(Loss)	324,433	81,346
4	Interest	<u>77,205</u>	<u>131,390</u>
	Profit on Ordinary Activities before Taxation	401,638	212,736
5	Tax on profit on ordinary activities	<u>121,021</u>	<u>66,869</u>
	Profit on Ordinary Activities after Taxation	280,617	145,867
	Dividends	<u>500,000</u>	<u>1,000,000</u>
	Retained Loss transferred from Reserves	<u>(219,383)</u>	<u>(854,133)</u>

The movements on the profit and loss account are shown in Note 13.

All profits have arisen from continuing operations.

The Company has no recognised gains and losses other than those included in the profits above, therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between profit on ordinary activities before taxation and the retained profit for the period stated above, and their historical cost equivalents.

The notes on pages 7 to 15 form part of these accounts.

GENAVCO INSURANCE LIMITED
BALANCE SHEET
AT 2 FEBRUARY 2002

Note		2/2/02 £	27/1/01 £
	Fixed Assets		
7	Tangible assets	29,379	7,865
8	Investments	<u>1,000</u>	<u>1,000</u>
		30,379	8,865
	Current Assets		
9	Debtors	460,142	418,361
	Short term deposits	300,019	252,335
	Cash at bank and in hand	<u>822,712</u>	<u>1,051,848</u>
		1,582,873	1,722,544
	Current Liabilities		
10	Creditors: amounts falling due within one year	<u>845,476</u>	<u>743,818</u>
	Net Current Assets	<u>737,397</u>	<u>978,726</u>
	Total Assets Less Current Liabilities	767,776	987,591
11	Provisions for Liabilities and Charges	<u>20,000</u>	<u>20,487</u>
	Total Net Assets	<u><u>747,776</u></u>	<u><u>967,104</u></u>
	Capital and Reserves		
12	Called up share capital	500,000	500,000
13	Profit and loss account	<u>247,776</u>	<u>467,104</u>
14	Equity Shareholders' Funds	<u><u>747,776</u></u>	<u><u>967,104</u></u>

The notes on pages 7 to 15 form part of these accounts.

Approved by the Board on 27 June 2002

D Meur

D Meur
MANAGING DIRECTOR

GENAVCO INSURANCE LIMITED

NOTES TO THE ACCOUNTS

1 Accounting Policies

Basis of Financial Statements

The Company has adopted FRS 18 "Accounting Policies" in respect of these accounts. This has not resulted in any changes to the Company's accounting policies, which have been reviewed in light of FRS 18.

These financial statements comply with the new standard FRS 17 "Retirement Benefits". The Company has adopted the transitional arrangements set out in Paragraph 94 of the Standard. The pension charge has been calculated in accordance with SSAP 24, and, as in previous years, corresponds to the contributions paid by the Company during the period.

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

Change in Accounting Policy

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted. The above amounts to a change in accounting policy. The previous policy was to provide deferred tax only to the extent that it was probable that liabilities would crystallise in the foreseeable future. This change in accounting policy arises from the implementation of FRS 19 "Deferred Tax".

Turnover

Turnover represents the amount of broking commission earned by the Company. Commission is normally recognised when a debit note is issued to the Insured.

Depreciation of Tangible Fixed Assets

Depreciation is provided by the Company in order to write down to estimated residual value (if any), the cost of fixed assets over their estimated useful lives by equal annual instalments as follows:-

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

Pensions

Retirement benefits are funded by contributions from the Company and employees. Payment is made to a pension trust, which is separate from the Company, in accordance with calculations made periodically by consulting actuaries. Contributions are charged to the profit and loss account on a basis that spreads the expected cost of providing pensions over the average remaining service lives of employees in the scheme.

GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS (continued)

1 Accounting Policies (continued)

Pensions (continued)

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.

Deferred Taxation

Deferred taxation is recognised on all timing differences where the transactions or events that give the company 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

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Exchange differences arising, together with those arising on transactions in the period, are dealt with in the profit and loss account.

Cash Flow Statement

The ultimate United Kingdom holding company Harrods Holdings Limited, produces a consolidated Cash Flow Statement in accordance with Financial Reporting Standard One (FRS 1 revised 1996). Consequently the Company has taken advantage of the exemption in FRS 1 from producing a Cash Flow Statement.

Operating Leases

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

2 Turnover

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

	53 Weeks 2/2/02 £	52 Weeks 27/1/01 £
3 Operating profit/(loss)		
Operating profit/(loss) is stated after charging:		
Depreciation of fixed tangible assets	7,216	11,177
Auditors' fees and expenses	16,803	15,275
Rentals paid under a property operating lease	<u>NIL</u>	<u>47,332</u>

GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS (continued)

	53 weeks 2/2/02 £	52 weeks 27/1/01 £
4 Interest		
Interest receivable from group undertakings	53,310	96,612
Interest receivable from short term deposits and cash at bank	<u>23,895</u>	<u>34,778</u>
	<u>77,205</u>	<u>131,390</u>
5 Taxation		
Taxation based on the profits of the period at 30% (2001 - 30%) comprises:		
Group relief	126,486	69,382
Deferred Tax	<u>(5,465)</u>	<u>(2,513)</u>
Taxation charge	<u>121,021</u>	<u>66,869</u>
Factors affecting the tax charge for the year		
Tax assessed for the period is higher than the standard rate of corporation tax in the UK 30% (2001: 30%)		
Profit on ordinary activities before tax for the year	<u>401,638</u>	<u>212,736</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001: 30%)	120,492	63,821
Effects of		
Expenses not deductible for tax purposes	459	1,613
Capital allowances less than depreciation	(1,731)	1,032
Income and expenses assessed/relieved on a cash basis	7,266	2,931
Under/(Over) provision	<u>-</u>	<u>(15)</u>
Current tax charge for period	<u>126,486</u>	<u>69,382</u>
6 Information Regarding Directors and Employees		
Directors' remuneration:		
Emoluments excluding pension contributions	<u>158,872</u>	<u>171,895</u>
Pension contributions	<u>12,678</u>	<u>10,831</u>
Emoluments of the highest paid Director	<u>96,962</u>	<u>93,575</u>
Accrued pension of highest paid Director	<u>5,064</u>	<u>3,490</u>

GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS (continued)

6 Information Regarding Directors and Employees (continued)

None of the Directors possessed any share options in any group company at 2 February 2002.

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

	53 Weeks 2/2/02 £	52 Weeks 27/1/01 £
Employee costs (including directors)		
Wages and salaries	356,177	328,353
Social security costs	30,642	30,357
Other pension costs	<u>50,237</u>	<u>27,958</u>
	<u>437,056</u>	<u>386,668</u>
	2002 Number	2001 Number
The average weekly number of employees during the period was as follows:	<u>8</u>	<u>8</u>

Pensions

During the year, the Company participated in the Harrods Group Pension Plan, which operated as a defined benefit group pension scheme in the United Kingdom.

The Group pays such contributions to the Plan as required in order to fund benefits for the members and pensioners. The assets of the Plan are held in trust separately from the Group. 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 of percentage of the current and expected future earnings using the projected unit method of calculation, having 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
Dividend growth for asset valuation purposes	2.73 per cent per annum compound

The total surplus for the Group Pension Plan as at 2 February 2002 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 Limited on a basis that is consistent with that adopted in prior years.

GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS (continued)

6 Information Regarding Directors and Employees (continued)

Surpluses or deficiencies and associated interest are spread over the same average period as an adjustment to regular cost.

The Company's net pension charge for the 53 weeks to 2 February 2002 was £50,237 (2001: £27,958).

	2/2/02	27/1/01
	£	£
Opening balance	17,020	26,900
Contributions paid	26,017	18,078
Charge to profit and loss account	<u>(50,237)</u>	<u>(27,958)</u>
Closing balance	<u><u>(7,200)</u></u>	<u><u>17,020</u></u>

The market value of assets 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 remaining service life of current employees over 15 years on a straight line basis.

SSAP 24 and Financial Reporting Standard 17

The financial statements have, as last year, been prepared in accordance with SSAP 24. However, following the introduction of Financial Reporting Standard No. 17 (Retired Benefits) additional disclosures required in respect of defined benefit schemes under the transitional arrangements established by Financial Reporting Standard No 17 are contained within the financial statements of Harrods Holdings Limited.

GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS (continued)

	Fixtures, Fittings, & Equipment £
7 Tangible Fixed Assets	
Cost:	
At 27 January 2001	91,686
Additions	28,730
Disposals	<u>(43,153)</u>
At 2 February 2002	<u>77,263</u>
Accumulated depreciation:	
At 27 January 2001	83,821
Charge for period	7,216
Disposals	<u>(43,153)</u>
At 2 February 2002	<u>47,884</u>
Net book value:	
At 2 February 2002	<u>29,379</u>
At 27 January 2001	<u>7,865</u>

	2/2/02 £	27/1/01 £
8 Fixed Asset Investments		
Shares in an unlisted Company	<u>1,000</u>	<u>1,000</u>

The Directors consider the value of the unlisted investment to be not less than its book value.

	2/2/02 £	27/1/01 £
9 Debtors		
Trade debtors	405,598	349,220
Amounts owed by group undertakings	-	12,378
Prepayments and accrued income	49,511	56,763
Deferred tax	<u>5,033</u>	<u>-</u>
	<u>460,142</u>	<u>418,361</u>

Included in Prepayments and accrued income of £49,511 is an amount of £NIL (2001 £17,020) in respect of pension contributions repayable in more than one year.

GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS (continued)

9 Debtors (continued)

Deferred tax debtor

Balance at 27 January 2001	NIL
Transfer from Provisions	(487)
Transfer to Profit and Loss Account	5,465
Prior year adjustment	<u>55</u>
Balance at 2 February 2002	<u>5,033</u>

10 Creditors: Amounts falling due within one year

	2/2/02	27/1/01
	£	£
Trade creditors	644,570	645,997
Amounts due to group undertakings	126,486	69,382
Accruals	<u>74,420</u>	<u>28,439</u>
	<u>845,476</u>	<u>743,818</u>

11 Provisions for Liabilities and Charges

	Deferred Tax	Other	Total
Balance at 27 January 2001	487	20,000	20,487
Transfer to Debtors	<u>(487)</u>	<u>-</u>	<u>(487)</u>
Balance as at 2 February 2002	<u>NIL</u>	<u>20,000</u>	<u>20,000</u>

This provision is in respect of a potential claim under the Company's Professional Indemnity insurance policy. Under the terms of the policy, the Company would be liable for the first £20,000 of the claim.

	2/2/02	27/1/01
	£	£
12 Called up Share Capital		
Authorised, issued and fully paid:		
500,000 ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>

GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS (continued)

	53 Weeks 2/2/02 £	52 Weeks 27/1/01 £
13 Profit and Loss Account		
At 27 January 2001	467,104	1,321,237
Deferred tax prior year adjustment	55	-
Loss retained for the period	<u>(219,383)</u>	<u>(854,133)</u>
Balance at 2 February 2002	<u>247,776</u>	<u>467,104</u>
14 Reconciliation of Movement in Shareholders' Funds		
Profit for the financial year	280,617	145,867
Dividends	<u>(500,000)</u>	<u>(1,000,000)</u>
Net (reduction)/addition to shareholders' funds	(219,383)	(854,133)
Opening shareholders' funds	967,104	1,821,237
Deferred tax prior year adjustment	<u>55</u>	<u>-</u>
Closing shareholders' funds	<u>747,776</u>	<u>967,104</u>
15 Leasing Commitments		
Commitments during the year commencing 2 February 2002 in respect of operating leases of land and buildings are:		
Lease expiring in more than five years	<u>NIL</u>	<u>NIL</u>

16 Contingent Liabilities

The Harrods Holdings Group has a loan facility agreement of £350.0 million with Natwest Bank plc. This is guaranteed by Genavco Insurance Limited and other Group companies. The guarantee extends to Genavco Insurance Limited's non insurance bank account only.

GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS (continued)

17 Parent Undertakings

The Company's immediate parent undertaking is Genavco Holdings Limited. The ultimate UK holding company of Genavco Holdings Limited is Harrods Holdings Limited, 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.

18 Related Party Transactions

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.

Insurance broking transactions have also been undertaken with parties related to the beneficial owners of the ultimate parent undertaking. These transactions generated turnover of £130,373 in the 53 weeks ended 2 February 2002 (2001 £112,585). Trade debtors include £142,033 (2001 £120,014) of insurance premiums due from the above related parties.