

GENAVCO INSURANCE LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

52 WEEKS ENDED 1 FEBRUARY 2003



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 52 Weeks ended 1 February 2003.

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 1 February 2003 held any beneficial interest in the shares of Harrods Holdings Limited or any of its subsidiaries at 3 February 2002, at date of appointment, or at 1 February 2003.

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 52 Weeks to 1 February 2003 was £415,934 compared with £280,617 for the previous 53 weeks period.

No dividend has been paid for the period to 1 February 2003 (2002 £500,000), and an amount of £415,934 has been transferred to reserves (2002 £219,383 was transferred from reserves).

GENAVCO INSURANCE LIMITED
DIRECTORS' REPORT (continued)

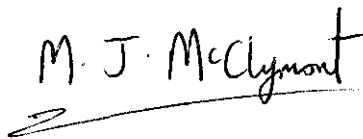
Statement of Directors' Responsibilities

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 1 February 2003 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
25 November 2003

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 1 February 2003 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.

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 auditor's 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 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.

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

Basis of Opinion (continued)

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 1 February 2003 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
25 November 2003

GENAVCO INSURANCE LIMITED
PROFIT AND LOSS ACCOUNT
53 WEEKS TO 1 FEBRUARY 2003

Note		52 weeks 1/2/03 £	53 Weeks 2/2/02 £
2	Turnover - continuing activities	1,426,077	1,036,372
	Administrative Expenses	<u>901,991</u>	<u>711,939</u>
3	Operating Profit/(Loss)	524,086	324,433
4	Interest	<u>70,935</u>	<u>77,205</u>
	Profit on Ordinary Activities before Taxation	595,021	401,638
5	Tax on profit on ordinary activities	<u>179,087</u>	<u>121,021</u>
	Profit on Ordinary Activities after Taxation	415,934	280,617
	Dividends	<u>-</u>	<u>500,000</u>
	Retained Profit/(Loss) transferred to/from Reserves	<u>415,934</u>	<u>(219,383)</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 16 form part of these accounts.

GENAVCO INSURANCE LIMITED
BALANCE SHEET
AT 1 FEBRUARY 2003

Note		1/2/03 £	2/2/02 £
	Fixed Assets		
7	Tangible assets	22,749	29,379
8	Investments	<u>1,000</u>	<u>1,000</u>
		23,749	30,379
	Current Assets		
9	Debtors	1,041,085	460,142
	Short term deposits	259,591	300,019
	Cash at bank and in hand	<u>1,224,555</u>	<u>822,712</u>
		2,525,231	1,582,873
	Current Liabilities		
10	Creditors: amounts falling due within one year	<u>1,358,270</u>	<u>845,476</u>
	Net Current Assets	<u>1,166,961</u>	<u>737,397</u>
	Total Assets Less Current Liabilities	1,190,710	767,776
11	Provisions for Liabilities and Charges	<u>27,000</u>	<u>20,000</u>
	Total Net Assets	<u>1,163,710</u>	<u>747,776</u>
	Capital and Reserves		
12	Called up share capital	500,000	500,000
13	Profit and loss account	<u>663,710</u>	<u>247,776</u>
14	Equity Shareholders' Funds	<u>1,163,710</u>	<u>747,776</u>

The notes on pages 7 to 16 form part of these accounts.

Approved by the Board on 25 November 2003

D Meur

D Meur
MANAGING DIRECTOR

GENAVCO INSURANCE LIMITED

NOTES TO THE ACCOUNTS

1 Accounting Policies

Basis of Financial Statements

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

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

Defined Contribution Pension Scheme

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

Defined Benefit Pension 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
NOTES TO THE ACCOUNTS (continued)

1 Accounting Policies (continued)

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.

	52 Weeks 1/2/03 £	53 Weeks 2/2/02 £
3 Operating profit/(loss)		
Operating profit/(loss) is stated after charging:		
Depreciation of fixed tangible assets	10,564	7,216
Auditors' fees and expenses	<u>11,750</u>	<u>16,803</u>

GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS (continued)

	52 weeks 1/2/03 £	53 Weeks 2/2/02 £
4 Interest		
Interest receivable from group undertakings	53,276	53,310
Interest receivable from short term deposits and cash at bank	<u>17,659</u>	<u>23,895</u>
	<u>70,935</u>	<u>77,205</u>
5 Taxation		
Taxation based on the profits of the period at 30% (2002 - 30%) comprises:		
Group relief	183,590	126,486
Deferred Tax	<u>(4,503)</u>	<u>(5,465)</u>
Taxation charge	<u>179,087</u>	<u>121,021</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% (2002: 30%)		
Profit on ordinary activities before tax for the year	<u>595,021</u>	<u>401,638</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%)	178,506	120,492
Effects of		
Expenses not deductible for tax purposes	442	459
Capital allowances less than depreciation	(69)	(1,731)
Income and expenses assessed/relieved on a cash basis	<u>4,711</u>	<u>7,266</u>
Current tax charge for period	<u>183,590</u>	<u>126,486</u>
6 Information Regarding Directors and Employees		
Directors' remuneration:		
Emoluments excluding pension contributions	<u>160,888</u>	<u>158,872</u>
Pension contributions	<u>13,502</u>	<u>12,678</u>
Emoluments of the highest paid Director	<u>98,568</u>	<u>96,962</u>
Accrued pension of highest paid Director	<u>6,684</u>	<u>5,064</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 1 February 2003.

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

	52 Weeks 1/2/03 £	53 Weeks 2/2/02 £
Employee costs (including directors)		
Wages and salaries	383,425	356,177
Social security costs	32,238	30,642
Other pension costs	<u>43,314</u>	<u>50,237</u>
	<u>458,977</u>	<u>437,056</u>
	2003 Number	2002 Number
The average weekly number of employees during the period was as follows:	<u>9</u>	<u>8</u>

Pensions

Pension schemes operated

Within the UK 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 Holding 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 Holding 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.

Regular pension costs under SSAP 24

Defined Contribution Pension Scheme

The pension cost under the defined contribution scheme amounted to £nil (2002: £nil). A pension accrual of £nil (2002: £nil) is included in the balance sheet in relation to this scheme.

GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS (continued)

6 Information Regarding Directors and Employees (continued)

Defined Benefit Pension Scheme

The Company's net pension charge for the Harrods Holdings Group Pension Plan for the 52 weeks to 1 February 2003 was £43,314 (2002: £50,237) comprising a regular cost of £28,846 plus a variation of £14,468. The variation arises in respect of the actuarial deficit, which is being spread over the average remaining working lives of employees who are member 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:

	1/2/03 £	2/2/02 £
The pension (accrual)/prepayment is as follows:		
Balance at beginning of period	(7,200)	17,020
Contributions paid	28,846	26,017
Charge to profit and loss account	<u>(43,314)</u>	<u>(50,237)</u>
Balance at end of period	<u>(21,668)</u>	<u>(7,200)</u>

An actuarial valuation of the Plan was carried out as at 6 April 2002 by qualified independent actuaries, Hewitt Bacon & Woodrow Limited. They assessed the Plan using the projected unit method and a marked 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 increase 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.

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. However, following the introduction of Financial Reporting Standard No 17 "Retirement Benefits", this note now also 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 ACCOUNTS (continued)

6 Information Regarding Directors and Employees (continued)

Financial Reporting Standard 17 Disclosures (continued)

An approximate actuarial assessment of the Plan was also carried out as at 1 February 2003 by the same qualified independent actuary as previously mentioned. The major assumptions used by the actuary were:

	% per annum	
	1/2/03	2/2/02
Discount Rate	5.4%	5.6%
Inflation Assumption	2.3%	2.3%
Rate of Increase in Salaries	3.8%	3.8%
Rate of Pension Increases	2.4%	2.4%

At 1 February 2003 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 1 February 2003		As at 2 February 2002	
	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	101.0	7.4%	128.1	7.8%
Corporate Bonds	24.6	5.4%	22.8	5.6%
Government Bonds	11.4	4.4%	22.3	4.8%
Other	<u>2.4</u>	4.4%	<u>0.8</u>	4.8%
Total Market Value of Assets	139.4		174.0	
Present Value of Plan Liabilities	<u>(225.9)</u>		<u>(192.5)</u>	
Surplus/(Deficit) in the Plan	<u>(86.5)</u>		<u>(18.5)</u>	

The effect on the Harrods Holdings Group's net assets at 1 February 2003 had the Group adopted FRS 17 early, is shown in the accounts of Harrods Holdings Limited.

Further FRS 17 Disclosure

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

GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS (continued)

		Fixtures, Fittings, & Equipment £	
7	Tangible Fixed Assets		
	Cost:		
	At 2 February 2002	77,263	
	Additions	3,934	
	Disposals	<u>(2,140)</u>	
	At 1 February 2003	<u>79,057</u>	
	Accumulated depreciation:		
	At 2 February 2002	47,884	
	Charge for period	10,564	
	Disposals	<u>(2,140)</u>	
	At 1 February 2003	<u>56,308</u>	
	Net book value:		
	At 1 February 2003	<u>22,749</u>	
	At 2 February 2002	<u>29,379</u>	
		1/2/03	2/2/02
		£	£
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.			
9	Debtors		
		1/2/03	2/2/02
		£	£
	Trade debtors	975,802	405,598
	Amounts owed by group undertakings	1,845	-
	Prepayments and accrued income	29,149	49,511
	Deferred tax	9,536	5,033
	Other	<u>24,753</u>	<u>-</u>
		<u>1,041,085</u>	<u>460,142</u>

GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS (continued)

9 Debtors (continued)

Deferred tax debtor

Balance at 2 February 2002	5,033
Transfer to Profit and Loss Account	<u>4,503</u>
Balance at 1 February 2003	<u>9,536</u>

10 Creditors: Amounts falling due within one year

	1/2/03 £	2/2/02 £
Trade creditors	1,075,971	644,570
Amounts due to group undertakings	183,590	126,486
Accruals	<u>98,709</u>	<u>74,420</u>
	<u>1,358,270</u>	<u>845,476</u>

11 Provisions for Liabilities and Charges

	Deferred Tax	Other	Total
Balance at 2 February 2002	NIL	20,000	20,000
Provisions during year	<u>NIL</u>	<u>7,000</u>	<u>7,000</u>
Balance as at 1 February 2003	<u>NIL</u>	<u>27,000</u>	<u>27,000</u>

This provision is in respect of two potential claims 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 each claim.

	1/2/03 £	2/2/02 £
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)

	52 Weeks 1/2/03 £	53 Weeks 2/2/02 £
13 Profit and Loss Account		
At 2 February 2002	247,776	467,104
Deferred tax prior year adjustment	-	55
Profit/(Loss) retained for the period	<u>415,934</u>	<u>(219,383)</u>
Balance at 1 February 2003	<u>663,710</u>	<u>247,776</u>
14 Reconciliation of Movement in Shareholders' Funds		
Profit for the financial year	415,934	280,617
Dividends	<u>-</u>	<u>(500,000)</u>
Net addition/(reduction) to shareholders' funds	415,934	(219,383)
Opening shareholders' funds	747,776	967,104
Deferred tax prior year adjustment	<u>-</u>	<u>55</u>
Closing shareholders' funds	<u>1,163,710</u>	<u>747,776</u>
15 Leasing Commitments		
Commitments during the year commencing 1 February 2003 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's loan facility 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 £147,132 in the 52 weeks ended 1 February 2003 (2002 £130,373). Trade debtors include £300,566 (2002 £142,033) of insurance premiums due from the above related parties.