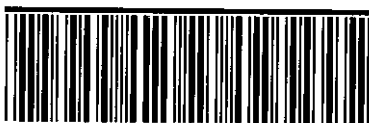


Company Number: 879931

GENAVCO INSURANCE LIMITED
DIRECTORS' REPORT AND ACCOUNTS
52 WEEKS ENDED 28 JANUARY 1995



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GENAVCO INSURANCE LIMITED
REPORT AND ACCOUNTS

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GENAVCO INSURANCE LIMITED

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited accounts of the Company for the 52 weeks ended 28 January 1995.

DIRECTORS

The present Directors of the Company are: -

Mr. P. K. Winstone (Appointed Chairman on 14 February 1995)
Mr. N. W. Towning
Mr. J. L. Cripps
Mr. M. J. McClymont

The following Director also held office during the year: -

Mr G Willoughby (resigned on 28th January 1995)

In accordance with the Articles of Association no Director is required to seek re-election at the forthcoming Annual General Meeting.

PRINCIPAL ACTIVITY

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

RESULTS & DIVIDENDS

The profit after tax for the 52 weeks to 28 January 1995 was £434,251 compared with £262,483 for the previous 52 week period.

A dividend has been paid for the period to 28 January 1995 amounting to £346,000 (1994: £255,000).

DIRECTORS' INTERESTS

No Director in office at 28 January 1995 held any beneficial interest in the shares of Harrods Investments plc or any of its subsidiaries at 30 January 1994 or at 28 January 1995.

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.

INSURANCE

The Group maintains insurance in respect of the Directors against any such liabilities as are referred to in Section 310 of the Companies Act 1985.

CHANGES IN FIXED ASSETS

The changes are set out in Note 7 to the accounts.

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 4 to 15 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.

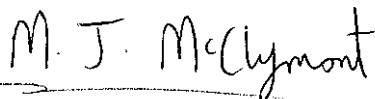
The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

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.

CLOSE COMPANY

As at 28 January 1995 the Company was a Close Company within the meaning of Part XI Chapter 1 of the Income and Corporation Taxes Act 1988.

By Order of the Board



M J McClymont
Company Secretary
7 April 1995

Registered Office

14 South Street
London W1Y 5PJ

AUDITORS' REPORT
TO THE MEMBERS OF GENAVCO INSURANCE LIMITED

We have audited the financial statements on pages 4 to 15 which have been prepared under the historical cost convention and in accordance with the accounting policies set out on pages 4 and 5.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 2 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 28 January 1995 and of its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse

Chartered Accountants
and Registered Auditors

Southwark Towers
32 London Bridge Street
London
SE1 9SY

7 April 1995

GENAVCO INSURANCE LIMITED
ACCOUNTING POLICIES
52 Weeks to 28 January 1995

ACCOUNTING POLICIES

(a) Basis of accounts

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

Consolidated accounts for Genavco Insurance Limited, incorporating its wholly owned subsidiary, Stag Insurance Company Limited, have not been prepared as permitted by Section 228 of the Companies Act 1985.

(b) 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.

(c) 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: -

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

(d) Pension costs

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

(e) Deferred taxation

Provisions are made for deferred taxation, using the liability method, for all material timing differences to the extent that it is probable that a liability will crystallise in the foreseeable future.

GENAVCO INSURANCE LIMITED
ACCOUNTING POLICIES (continued)
52 Weeks to 28 January 1995

(f) 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.

(g) Financial Reporting Standard Number 5

Financial Reporting Standard Number 5 (FRS 5) came into force during the year. This standard prohibits the offset of trading balances with an individual client or insurer, even if this is the normal method of market settlement. The Standard would have imposed a burden on insurance brokers in view of the necessary accounting system changes. After representations from the industry, the Accounting Standards Board has given insurance brokers an extra two years in which to apply the Standard.

(h) Cash Flow Statement

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

GENAVCO INSURANCE LIMITED
 PROFIT AND LOSS ACCOUNT
 52 Weeks to 28 January 1995

	52 Weeks to 28/1/95 £	52 Weeks to 29/1/94 £
Note		
1 Turnover - continuing activities	<u>973,939</u>	<u>987,154</u>
2 OPERATING PROFIT	270,785	286,065
3 Interest receivable	79,466	94,418
4 Other operating income	<u>300,000</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	650,251	380,483
5 Taxation	<u>216,000</u>	<u>118,000</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	434,251	262,483
Dividends	<u>346,000</u>	<u>255,000</u>
TRANSFER TO RESERVES	<u>88,251</u>	<u>7,483</u>

The movements on reserves are shown in Note 13.

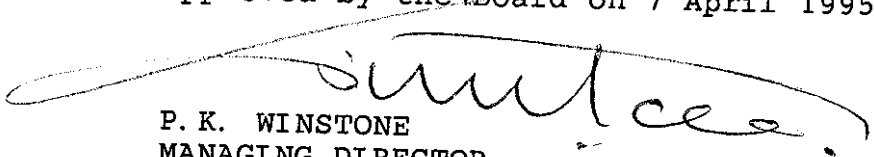
The Company has no recognised gains and losses other than those included in the profits above, therefore no separate statement of total recognised gains and losses has been presented.

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

GENAVCO INSURANCE LIMITED
BALANCE SHEET
At 28 January 1995

Note		28 January 1995 £	29 January 1994 £
	FIXED ASSETS		
7	Tangible assets	57,419	40,545
8	Investments	<u>151,484</u>	<u>151,484</u>
		<u>208,903</u>	<u>192,029</u>
	CURRENT ASSETS		
9	Debtors	416,505	500,334
	Short term deposits	50,000	-
	Cash and bank balances	<u>1,305,546</u>	<u>837,492</u>
		<u>1,772,051</u>	<u>1,337,826</u>
	CURRENT LIABILITIES-CREDITORS: Amounts falling due within one year		
	Trade creditors	633,070	350,621
10	Other liabilities	<u>233,223</u>	<u>152,824</u>
		<u>866,293</u>	<u>503,445</u>
	NET CURRENT ASSETS	<u>905,758</u>	<u>834,381</u>
	TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,114,661</u>	<u>1,026,410</u>
	PROVISION FOR LIABILITIES AND CHARGES		
11	Deferred taxation	<u>3,000</u>	<u>3,000</u>
	TOTAL NET ASSETS	<u>1,111,661</u>	<u>1,023,410</u>
	CAPITAL AND RESERVES		
12	Called up share capital	500,000	250,000
13	Profit and loss account	<u>611,661</u>	<u>773,410</u>
	TOTAL SHARE CAPITAL AND RESERVES	<u>1,111,661</u>	<u>1,023,410</u>

Approved by the Board on 7 April 1995


P. K. WINSTONE
MANAGING DIRECTOR

GENAVCO INSURANCE LIMITED
NOTES ON THE ACCOUNTS
52 WEEKS ENDED 28 JANUARY 1995

1. 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 to 28/1/95 £	52 Weeks to 29/1/94 £
-----------------------------	-----------------------------

2. OPERATING PROFIT is arrived at as follows:

Turnover	973,939	987,154
Administrative expenses	<u>703,154</u>	<u>701,089</u>
	<u>270,785</u>	<u>286,065</u>

Included in Administrative expenses are:

Depreciation of fixed tangible assets	17,552	24,616
Auditors' fees and expenses	12,925	12,925
Rentals paid under a property operating lease	<u>31,228</u>	<u>10,984</u>

3. INTEREST RECEIVABLE

Group undertakings	43,206	56,431
Third parties	<u>36,260</u>	<u>37,987</u>
	<u>79,466</u>	<u>94,418</u>

4. OTHER OPERATING INCOME

Income from shares in group undertakings	<u>300,000</u>	<u>-</u>
--	----------------	----------

5. TAXATION

Taxation based on the profits of the period at 33% (1994 - 33%) comprises:
Group relief
Corporation tax

-	118,000	
<u>216,000</u>	<u>-</u>	
<u>216,000</u>	<u>118,000</u>	

GENAVCO INSURANCE LIMITED
NOTES ON THE ACCOUNTS (continued)
52 WEEKS ENDED 28 JANUARY 1995

	52 Weeks to 28/1/95 £	52 Weeks to 29/1/94 £
6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES		
Directors' remuneration:		
Fees	7,500	7,500
Other emoluments including pension contributions	<u>183,990</u>	<u>152,934</u>
	<u>191,490</u>	<u>160,434</u>
Emoluments of the Chairman	<u>2,500</u>	<u>2,500</u>
Emoluments of the highest paid director	<u>101,889</u>	<u>78,954</u>
The range of the directors' emoluments and the number within each range were:		
	1995 Number	1994 Number
£ Nil - £ 5,000	2	2
£ 30,001 - £ 35,000	-	1
£ 35,001 - £ 40,000	1	1
£ 40,001 - £ 45,000	1	-
£ 75,001 - £ 80,000	-	1
£100,001 - £105,000	1	-
	52 Weeks to 28/1/95 £	52 Weeks to 29/1/94 £
Employee costs (including directors)		
Wages and salaries	325,093	303,006
Social security costs	30,226	27,177
Other pension costs	<u>20,000</u>	<u>4,200</u>
	<u>375,319</u>	<u>334,383</u>
	1995 Number	1994 Number
The average weekly number of employees during the period was as follows:	<u>11</u>	<u>12</u>

GENAVCO INSURANCE LIMITED
NOTES ON THE ACCOUNTS (continued)
52 WEEKS ENDED 28 JANUARY 1995

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

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 Company pays such contributions to the Plan as required in order to fund benefits for the members and pensioners. The assets of the Plan were held in trust separately from the Company.

The regular pension cost charged to the profit and loss account is based on figures calculated for the Harrods 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 1993 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 Investments 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.

The Company's pension charge for the 52 weeks to 28 January 1995 is based on its proportion of the total surplus as follows:

	52 Weeks to 28/1/95 £	52 Weeks to 29/1/94 £
Regular cost	33,000	33,000
Variation	<u>(13,000)</u>	<u>(28,800)</u>
Net pension charge	<u>20,000</u>	<u>4,200</u>

GENAVCO INSURANCE LIMITED
NOTES ON THE ACCOUNTS (continued)
52 WEEKS ENDED 28 JANUARY 1995

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)
PENSIONS (continued)

The pension prepayment is as follows:

	1995 £	1994 £
Opening balance	25,514	29,714
(Charge) to profit & loss	<u>(20,000)</u>	<u>(4,200)</u>
Closing balance	<u>5,514</u>	<u>25,514</u>

The market value of assets held within the pension plan as at 5 April 1993 was £271.8 million. At this date, the assets were sufficient to cover 114.5% 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 of 10 years on a straight line basis.

From 9 February 1994 a new pension scheme has been established for the employees and pensioners of the House of Fraser plc Group with independent trustees. The assets of the plan have been divided in a manner determined by Bacon & Woodrow, pro rata to the entitlements of the relevant employees and pensioners as at 5 April 1993 and the appropriate proportion of the surplus transferred into the new scheme. The remaining assets continue to reside within the Harrods Group Pension Plan.

GENAVCO INSURANCE LIMITED
 NOTES ON THE ACCOUNTS (continued)
 52 WEEKS ENDED 28 JANUARY 1995

	Fixtures, Fittings, Vehicles & Equipment £
FIXED TANGIBLE ASSETS	
Opening cost	202,521
Additions	34,426
Disposals	<u>30,383</u>
Closing cost	<u>206,564</u>
Opening aggregate depreciation	161,976
Charge for period	17,552
Disposals	<u>30,383</u>
Closing aggregate depreciation	<u>149,145</u>
Closing net book value	<u>57,419</u>
Opening net book value	<u>40,545</u>

	1995 £	1994 £
FIXED ASSET INVESTMENTS		
Investment in subsidiary; 150,000 shares at cost in Stag Insurance Company Limited, registered in Guernsey.	<u>151,484</u>	<u>151,484</u>

GENAVCO INSURANCE LIMITED
NOTES ON THE ACCOUNTS (continued)
52 WEEKS ENDED 28 JANUARY 1995

	1995 £	1994 £
9. DEBTORS		
Trade debtors	342,214	431,693
Amounts owed by group undertakings	26,660	240
Other debtors	-	37
Prepayments	<u>47,631</u>	<u>68,364</u>
	<u>416,505</u>	<u>500,334</u>
10. CREDITORS: Amounts falling due within one year		
Other liabilities		
Amounts due to group undertakings	-	136,566
Tax and social security	216,000	-
Accruals	<u>17,223</u>	<u>16,258</u>
	<u>233,223</u>	<u>152,824</u>
11. DEFERRED TAXATION		
Provided in respect of capital allowances		
Opening and closing balance	<u>3,000</u>	<u>3,000</u>
There is no unprovided deferred tax.		
12. CALLED UP SHARE CAPITAL		
Authorised, issued and fully paid:		
Ordinary shares of £1 each	<u>500,000</u>	<u>250,000</u>

On 17 January 1995, the authorised share capital of the Company was increased from £250,000 to £500,000 and 250,000 ordinary shares of £1 each were issued at par. These were allotted and distributed as fully paid up to members by way of a bonus issue in the proportion of one new ordinary share of £1 each for every ordinary share of £1 each held.

GENAVCO INSURANCE LIMITED
NOTES TO THE ACCOUNTS (continued)
52 WEEKS ENDED 28 JANUARY 1995

	52 Weeks to 28/1/94 £	52 Weeks to 29/1/94 £
13. PROFIT AND LOSS ACCOUNT		
At 29 January 1994	773,410	765,927
Profit retained for period	88,251	7,483
Capitalisation of reserves	<u>(250,000)</u>	<u>-</u>
Balance at 28 January 1995	<u>611,661</u>	<u>773,410</u>
14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS		
Profit for the financial year	434,251	262,483
Dividends	<u>(346,000)</u>	<u>(255,000)</u>
Net addition to shareholders' funds	88,251	7,483
Opening shareholders' funds	<u>1,023,410</u>	<u>1,015,927</u>
Closing shareholders' funds	<u>1,111,661</u>	<u>1,023,410</u>
15. LEASING COMMITMENTS		
Commitments during the year commencing 29 January 1995 in respect of operating leases of land and buildings are:		
Lease expiring between one and five years	<u>31,228</u>	<u>31,228</u>
16. FLOATING CHARGE OVER CERTAIN ASSETS		
As required by Lloyds Brokers Byelaw (No. 5 of 1988) the Company has entered into a trust deed under which all insurance broking account assets are subject to a floating charge held on trust by the Society of Lloyd's for the benefit of the insurance creditors, which at 28 January 1995 amounted to £633,070 (1993/94 £350,621). The charge only becomes enforceable under certain circumstance as set out in the deed. The assets subject to this charge were: -		
	28 January 1995 £	29 January 1994 £
Bank balances	644,576	227,324
Insurance debtors	<u>342,214</u>	<u>431,933</u>
	<u>986,790</u>	<u>659,257</u>

GENAVCO INSURANCE LIMITED
NOTES ON THE ACCOUNTS (continued)
52 WEEKS ENDED 28 JANUARY 1995

17. CONTINGENT LIABILITIES

The Harrods Investments plc group's working capital facility from Midland Bank plc is guaranteed by Genavco Insurance Limited and other group companies. The guarantee extends to Genavco Insurance Limited's non trust bank account only.

18. PARENT UNDERTAKINGS

The company's immediate parent undertaking is Genavco Holdings Limited. Genavco Holdings Limited's immediate parent undertaking is Harrods Holdings plc, a company registered in England and Wales. The immediate parent undertaking of Harrods Holdings plc is Harrods Investments plc, a company registered in England and Wales which is the parent undertaking of the Harrods Investments 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 Limited, a company incorporated in Bermuda (previously known as Alfayed Investment and Trust S.A. and incorporated in Liechtenstein). The registered and beneficial owners of the whole of the issued share capital of that company are the Fayed family.