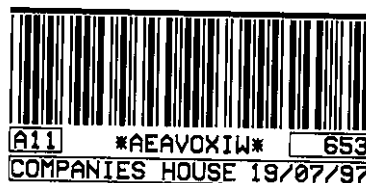


HARRODS LIMITED
REPORT AND FINANCIAL STATEMENTS
53 WEEKS ENDED 1 FEBRUARY 1997



Registered Number: 30209

HARRODS LIMITED

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HARRODS LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Company for the 53 weeks ended 1 February 1997.

Principal Activity

The Company continues to operate the world renowned department store in London.

Directors and their Interests

The present Directors of the Company are:

M Al Fayed - Chairman	
A Fayed	
R L Assanand	
C P de Boer	
X M Carr-Griffiths	(appointed 1 August 1996)
M D Cole	
C F Cotteleer	(appointed 27 April 1996)
J M Griffiths	(appointed 1 August 1996)
J G Hawkins	
M Jonckers	(appointed 1 August 1996)
J L Macnamara	(appointed 15 August 1996)
A Maeder	(appointed 1 August 1996)
D R Parker	(appointed 22 April 1996)
A Pitcher	(appointed 1 August 1996)
M Rogers	(appointed 5 July 1996)
M E Zipp	

Other Directors who served during the year were:

M A McInerney	(appointed 18 September 1996, resigned 8 October 1996)
D R Webb	(resigned 1 August 1996)

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

Apart from M Al Fayed and A Fayed, who are beneficially interested in the shares of Harrods Holdings plc (formerly Harrods Investments plc), the ultimate parent company in the United Kingdom, no Director in office at 1 February 1997 held any beneficial interest in the shares of Harrods Holdings plc (formerly Harrods Investments plc) or any of its subsidiaries at 28 January 1996, or date of appointment, or 1 February 1997.

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

HARRODS LIMITED

DIRECTORS' REPORT (Continued)

Results and Dividends

The profit after taxation for the 53 weeks to 1 February 1997 amounted to £50.6 million (1996: £49.4 million). The Directors paid a dividend of £19.9 million (1996: £39.3 million) and have proposed a final dividend of £20.0 million (1996: £nil).

Review of the Business and Future Developments

The Directors consider that the results for the year reflect a strong trading performance; turnover on a like for like basis increased by 5.9%. The Company continues to invest in capital projects and spectacular new escalators will become operational in the Spring of 1997 which should substantially enhance customer flow through the Store.

On 4 March 1997 the Company issued one new special rights redeemable preference share of £1 each to two of the partners in Alfayed Investment and Trust PVT LP. The Memorandum and Articles of Association of the Company have been amended accordingly.

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

Charitable and Political Donations

The charitable donations made by the Company and charged in the accounts were £69,667 (1996: £114,649). There were no political donations.

Disabled Persons

It is the policy of the Company to give full and fair consideration to applications for employment from disabled persons, to continue wherever possible the employment of members of staff who may become disabled and to ensure that suitable training, career development and promotion is afforded to such persons.

Employee Involvement

Information is provided regularly to employees by means of normal management communication channels using written materials, face to face meetings and video presentations. The Store magazine "The Harroddian Gazette" has been issued during the year and has been available to all employees.

HARRODS LIMITED

DIRECTORS' REPORT (Continued)

Employee Involvement (Continued)

Consultations with employees takes place through elected staff committees, health and safety committees and through normal recognised trade union channels. The Harrods Group Pension Plan has two member trustees amongst its trustee board. It also has a committee of staff and management representatives who are kept informed of the administration, performance and development of the Plan. Written information about the Plan is regularly circulated to both current and potential members.

A general awareness of the Company's performance is maintained through regular weekly training sessions for all staff and, through individual performance appraisals, employees are made aware of their individual contribution to the Company.

The Environment

The Company has continued to adopt policies and procedures which take account of the need to preserve and protect the environment. The Directors are committed to compliance with environmental best practice in all aspects of the business.

Policy on Payment of Creditors

It is the Company's policy to agree payment terms as part of any formal contract with a supplier and to make every endeavour to abide by the agreed terms. Where a purchase is not covered by a formal contract, and no agreement is reached in advance of raising an order, the policy is that any valid invoice will be paid in full. The Company is sympathetic to, and pays particular attention to, the cash flow needs of its smaller suppliers.

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.

HARRODS LIMITED

DIRECTORS' REPORT (Continued)

Statement of Directors' Responsibilities (Continued)

The Directors have prepared the financial statements on pages 6 to 22 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.

By order of the Board



S JERMAN
Secretary
21 April 1997

Registered Office
87-135 Brompton Road
Knightsbridge
London SW1X 7XL

HARRODS LIMITED

AUDITORS' REPORT TO THE MEMBERS OF HARRODS LIMITED

We have audited the financial statements on pages 6 to 22 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

Respective Responsibilities of Directors and Auditors

As described on pages 3 and 4 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 1 February 1997 and of its profit for the 53 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



Price Waterhouse
Chartered Accountants
and Registered Auditors
21 April 1997

Southwark Towers
32 London Bridge Street
London
SE1 9SY

HARRODS LIMITED

PROFIT AND LOSS ACCOUNT 53 WEEKS ENDED 1 FEBRUARY 1997

Note		53 weeks 1/2/97 £000	52 weeks 27/1/96 £000
	Gross turnover	495,111	461,509
	Value added tax	<u>(58,492)</u>	<u>(53,824)</u>
2	Turnover	436,619	407,685
	Cost of sales	<u>(260,784)</u>	<u>(249,266)</u>
	Gross Profit	175,835	158,419
3	Distribution and store costs	(108,055)	(92,891)
3	Administrative expenses	<u>(6,309)</u>	<u>(5,594)</u>
4	Operating Profit	61,471	59,934
	Income from shares in group undertakings	8,000	6,000
	Income from other fixed asset investments	390	1,250
	Other (expenses)/income	<u>(103)</u>	<u>311</u>
	Profit before Interest and Taxation	69,758	67,495
5	Interest	<u>(4,600)</u>	<u>(3,230)</u>
	Profit on Ordinary Activities before Taxation	65,158	64,265
6	Taxation	<u>(14,551)</u>	<u>(14,832)</u>
	Profit on Ordinary Activities after Taxation for the Financial Year	50,607	49,433
	Dividends		
	- paid	(19,855)	(39,300)
	- proposed	<u>(20,000)</u>	<u>-</u>
	Transfer to Reserves	<u>10,752</u>	<u>10,133</u>

All profits in the period arose from continuing operations.

A statement of movements on reserves is shown in Note 16.

HARRODS LIMITED

	53 weeks 1/2/97 £000	52 weeks 27/1/96 £000
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES		
Profit on ordinary activities after taxation	50,607	49,433
Unrealised (deficit)/surplus on revaluation of properties	(362)	8,421
	<hr/>	<hr/>
Total gains recognised since last financial statements	50,245	57,854
	<hr/>	<hr/>
NOTE OF HISTORICAL COST PROFITS AND LOSSES		
Reported profit on ordinary activities before taxation	65,158	64,265
Realisation of property revaluation gains of previous years on group property transfers	14,041	-
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	79,199	64,265
Historical cost profit for the year retained after taxation and dividends	24,793	10,133
	<hr/>	<hr/>
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS		
Total recognised gains	50,245	57,854
Dividends	(39,855)	(39,300)
	<hr/>	<hr/>
Net additions to shareholders' funds	10,390	18,554
Opening shareholders' funds	430,996	412,442
	<hr/>	<hr/>
Closing shareholders' funds	441,386	430,996
	<hr/>	<hr/>

HARRODS LIMITED

BALANCE SHEET AT 1 FEBRUARY 1997

Note		1/2/97 £000	27/1/96 £000
	Fixed Assets		
9	Tangible assets	508,229	516,791
10	Investments	2,250	2,250
		<u>510,479</u>	<u>519,041</u>
	Current Assets		
11	Stocks	31,952	28,510
12	Debtors due within one year	12,162	9,218
12	Debtors due after more than one year	4,285	4,863
	Cash at bank and in hand	21,557	10,168
		<u>69,956</u>	<u>52,759</u>
	Creditors		
13	Amounts falling due within one year	(138,852)	(140,607)
	Net Current Liabilities	<u>(68,896)</u>	<u>(87,848)</u>
	Total Assets less Current Liabilities	441,583	431,193
	Provisions for Liabilities and Charges		
14	Deferred taxation	(197)	(197)
		<u>441,386</u>	<u>430,996</u>
	Capital and Reserves		
15	Called up share capital	19,200	19,200
16	Revaluation reserve	312,772	327,175
16	Profit and loss account	109,414	84,621
	Equity Shareholders' Funds	<u>441,386</u>	<u>430,996</u>

Approved by the Board on 21 April 1997

C P de BOER
Director

J G HAWKINS
Director

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

Basis of Financial Statements

The financial statements have been prepared under the historical cost convention, modified to include revaluation of the Company's properties, and comply with applicable accounting standards.

Group financial statements are not presented as the Company is a wholly owned subsidiary undertaking of Harrods Holdings plc (formerly Harrods Investments plc), a company registered in England.

Harrods Holdings plc produces a consolidated cash flow statement in accordance with Financial Reporting Standard 1 (FRS 1). Consequently the Company has taken advantage of the exemption in FRS 1 from producing a cash flow statement.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is computed on the basis of selling price less appropriate trading margin.

Depreciation of Tangible Fixed Assets

Depreciation is provided by the Company in order to write down to estimated residual value, if any, the cost or valuation of tangible fixed assets over their estimated useful lives by equal annual instalments, on the following basis:

Certain freehold assets	- 25 to 50 years
Short leasehold buildings	- period of lease
Fixtures, fittings, vehicles and equipment	- 3 to 20 years

It is the practice of the Company to maintain its properties in a continual state of repair. Accordingly, in general, for freehold and long leasehold properties the Directors consider that the lives of these assets are so long and the residual values (based upon prices prevailing at the time of acquisition or subsequent valuation) are so high that their depreciation is immaterial. Any permanent diminution in value of such properties is charged to the profit and loss account as appropriate.

Property Development

In the case of major property development projects the interest on the capital borrowed to finance the project is, where separately identifiable and to the extent that it accrues during the period of development, capitalised as part of the cost of the asset.

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

Leased Assets

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Deferred Taxation

Deferred taxation is provided in respect of differences arising from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Provision has been made where a tax liability is expected to crystallise.

Pensions

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

Turnover

Turnover is the amount receivable, excluding VAT, for goods and services supplied to customers and includes the sales of concession departments.

Foreign Currency

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Realised gains and losses are dealt with in the profit and loss account.

	53 weeks 1/2/97 £000	52 weeks 27/1/96 £000
2 Turnover		
Arising entirely within the United Kingdom	436,619	407,685

3 Distribution and Store Costs and Administrative Expenses

The Directors have reviewed the nature of distribution and store costs and, as a result, certain expenses have been reclassified as administrative expenses in the current year. Prior year amounts have been restated accordingly.

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	53 weeks 1/2/97 £000	52 weeks 27/1/96 £000
4 Operating Profit		
Operating profit is stated after charging:		
- Depreciation of tangible fixed assets	11,019	9,230
- Other amounts written off tangible fixed assets	-	137
- Amounts written back in respect of previously written down property	-	(92)
- Auditors' remuneration:		
- audit fees	85	90
- non-audit fees	19	5
- Hire of plant and machinery	615	136
	<u>11,738</u>	<u>9,506</u>
5 Interest		
Interest receivable		
From group undertakings	25	132
From third parties	-	78
	<u>25</u>	<u>210</u>
Interest payable		
Loans from group undertakings	(4,625)	(3,440)
	<u>(4,600)</u>	<u>(3,230)</u>
6 Taxation		
Taxation based on the profits for the year:		
Corporation tax	(9,161)	(16,332)
Group relief	(5,390)	-
Release of deferred tax provision	-	1,500
	<u>(14,551)</u>	<u>(14,832)</u>
7 Information regarding Directors and Employees		
Emoluments including pension contributions	1,508	634
Compensation for loss of office	-	95
	<u>1,508</u>	<u>729</u>
Emoluments of Chairman	-	-
Emoluments of highest paid Director	177	163
	<u>177</u>	<u>163</u>

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 Information regarding Directors and Employees (Continued)

53 weeks
1/2/97

52 weeks
27/1/96

The range of Directors' emoluments and the number in the range were:

	Number	Number
£0 - £5,000	3	4
£5,001 - £10,000	-	1
£20,001 - £25,000	-	1
£25,001 - £30,000	1	-
£35,001 - £40,000	1	-
£40,001 - £45,000	1	-
£50,001 - £55,000	2	-
£55,001 - £60,000	1	-
£65,001 - £70,000	2	-
£80,001 - £85,000	1	-
£100,001 - £105,000	1	1
£125,001 - £130,000	-	2
£135,001 - £140,000	1	-
£150,001 - £155,000	-	1
£160,001 - £165,000	-	1
£165,001 - £170,000	1	-
£170,001 - £175,000	1	-
£175,001 - £180,000	2	-
	<hr/>	<hr/>

	£000	£000
Staff Costs		
Wages and salaries	64,904	58,294
Social security costs	5,545	5,000
Other pension costs	1,655	798
	<hr/>	<hr/>
	72,104	64,092
	<hr/>	<hr/>

The average number of employees during the year was 3,708 (1996: 3,670).

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 Pensions

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

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

The regular pension cost charged to the profit and loss account is based on figures calculated for the Group as a whole which are such as to spread the expected pension costs over the average remaining working lives of employees who are members of the Plan. The regular cost is expressed as a level percentage of the current and expected future earnings using the projected unit method of calculation, having adopted the following actuarial assumptions:

Investment return	9.0 per cent per annum compound
General increase in pensionable earnings	6.5 per cent per annum compound
Dividend growth for asset valuation purposes	4.5 per cent per annum compound

The total surplus for the Group Pension Plan as at 5 April 1996 has been determined by qualified independent actuaries who are partners of Bacon & Woodrow, Consulting Actuaries. This total surplus has been allocated to the companies within the Group by the Directors of Harrods Holdings plc on a basis that is consistent with that adopted in prior years.

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

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 Pensions (Continued)

The Company's pension charge for the 53 weeks to 1 February 1997 was as follows:

	53 weeks 1/2/97 £000	52 weeks 27/1/96 £000
Regular cost	2,425	2,100
Variation	<u>(770)</u>	<u>(1,302)</u>
Net pension charge	<u>1,655</u>	<u>798</u>

The pension charge for the year ended 1 February 1997 was significantly higher than the previous year due to the change in the variation which reflects a lower actuarial surplus and the change to the assumed estimated service life of current employees to 13 years compared to the 10 years used previously.

	1/2/97 £000	27/1/96 £000
The pension prepayment is as follows:		
Opening balance	2,255	1,331
Contributions paid	2,425	1,722
Charge to profit and loss account	<u>(1,655)</u>	<u>(798)</u>
Closing balance	<u>3,025</u>	<u>2,255</u>

The market value of assets held within the Pension Plan, as at 5 April 1996 was £126.9 million. At this date, the actuarial value was sufficient to cover 119.0% of the benefits that had accrued to members, after allowing for the expected future increases in earnings. The actuarial surplus is being spread over the estimated remaining service life of current employees over 13 years on a straight line basis.

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 Fixed Assets - Tangible Assets

	Total £000	Freehold Land & Buildings £000	Long Leasehold £000	Short Leasehold £000	Fixtures, Fittings, Vehicles & Equipment £000
Cost and valuation					
At 27 January 1996	576,668	462,281	345	1,283	112,759
Additions	47,993	35,055	-	381	12,557
Disposals	(1,912)	(94)	-	-	(1,818)
Group transfers	(45,452)	(44,114)	(140)	(1,209)	11
Reclassifications	-	(1,020)	-	-	1,020
Revaluation	(1,135)	(1,145)	10	-	-
At 1 February 1997	<u>576,162</u>	<u>450,963</u>	<u>215</u>	<u>455</u>	<u>124,529</u>
Accumulated depreciation					
At 27 January 1996	(59,877)	(552)	-	(449)	(58,876)
Charge for year	(11,019)	(541)	-	(107)	(10,371)
Disposals	1,756	-	-	-	1,756
Group transfers	434	-	-	434	-
Revaluation	773	773	-	-	-
At 1 February 1997	<u>(67,933)</u>	<u>(320)</u>	<u>-</u>	<u>(122)</u>	<u>(67,491)</u>
Net book value					
At 1 February 1997	<u>508,229</u>	<u>450,643</u>	<u>215</u>	<u>333</u>	<u>57,038</u>
At 27 January 1996	<u>516,791</u>	<u>461,729</u>	<u>345</u>	<u>834</u>	<u>53,883</u>
Cost and valuation					
1997 Directors' valuation	418,343	418,128	215	-	-
Cost	<u>157,819</u>	<u>32,835</u>	<u>-</u>	<u>455</u>	<u>124,529</u>
	<u>576,162</u>	<u>450,963</u>	<u>215</u>	<u>455</u>	<u>124,529</u>

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 Fixed Assets - Tangible Assets (Continued)

The freehold and long leasehold properties have been professionally valued as at 27 July 1996 by Healey & Baker, International Real Estate Consultants and W.A.Ellis, Estate Agents and Surveyors on the basis of Existing Use Value or, where appropriate, on the basis of Open Market Value in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors. These valuations have been adopted by the Directors at 1 February 1997 and have been incorporated in the financial statements.

Included in the cost element of freehold land and buildings above are costs incurred on unfinished projects at the year end amounting to £32.3 million (1996: £11.1 million).

Included in the cost of fixed tangible assets is £2.2 million (net of tax) of capitalised interest (1996: £2.7 million) of which £0.1 million (1996: £0.1 million) was incurred during the year.

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

	Total £000	Freehold £000	Long Leasehold £000	Short Leasehold £000	Fixtures, Fittings, Vehicles & Equipment £000
Historical cost					
At 27 January 1996	249,493	135,221	230	1,283	112,759
Depreciation to 27 January 1996	<u>(59,877)</u>	<u>(552)</u>	<u>-</u>	<u>(449)</u>	<u>(58,876)</u>
Net historical cost					
At 27 January 1996	189,616	134,669	230	834	53,883
Historical cost					
At 1 February 1997	264,163	139,079	100	455	124,529
Depreciation to 1 February 1997	<u>(68,706)</u>	<u>(1,093)</u>	<u>-</u>	<u>(122)</u>	<u>(67,491)</u>
Net historical cost					
At 1 February 1997	195,457	137,986	100	333	57,038

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Total £000	Unlisted Investment £000	Shares in Group Undertakings £000
10 Fixed Assets - Investments			
Shares at cost and net book value:			
At 27 January 1996	2,275	2,250	25
Additions	<u>314</u>	<u>-</u>	<u>314</u>
At 1 February 1997	<u>2,589</u>	<u>2,250</u>	<u>339</u>
Provisions at 27 January 1996	(25)	-	(25)
Provisions during year	<u>(314)</u>	<u>-</u>	<u>(314)</u>
Provisions at 1 February 1997	<u>(339)</u>	<u>-</u>	<u>(339)</u>
Net book value			
1 At February 1997	<u>2,250</u>	<u>2,250</u>	<u>-</u>
At 27 January 1996	<u>2,250</u>	<u>2,250</u>	<u>-</u>

Harrods Bank Limited, a company registered in England, has been accounted for as an unlisted investment, although the Company continues to retain a full economic interest through 100% ownership of the non-voting shares.

The Company has the following wholly owned (100% of equity) trading and non-trading subsidiary undertakings which, except for Harrods (Canada) Limited which is incorporated in Canada, are registered and operate in the United Kingdom:

Name	Nature of Business
Harrods International Limited	International retailer & wholesaler
Harrods (Continental) Limited	Shipping & freight agency
Harrods Estates Limited	Estate agency
Harrods (Management) Limited	Non-trading
Wylie and Company Limited	Non-trading
Harrods (Canada) Limited	Non-trading

The whole of the share capital of Wylie and Company Limited is held by Harrods International Limited.

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 Fixed Asset Investments (Continued)

On 21 February 1996 the Company acquired an additional 313,913 ordinary shares of £1 at par in Harrods Estates Limited in consideration for the cancellation of the intercompany balance of £0.3 million held with Harrods Estates Limited. Full provision had been made against the intercompany balance and consequently full provision has been made against the investment.

During the year the whole of the share capital of Harrods Group Trustees Limited and Harrods Publishing Limited were transferred to other group undertakings.

	1/2/97 £000	27/1/96 £000
11 Stocks		
Finished goods and goods for resale	<u>31,952</u>	<u>28,510</u>

There was no significant difference between the replacement cost of stocks at 1 February 1997 and the amount at which they are stated in the financial statements.

12 Debtors

Amounts due within one year:

Trade debtors	5,268	5,190
Amounts owed by group undertakings	2,089	984
Other debtors	3,166	1,982
Prepayments and accrued income	<u>1,639</u>	<u>1,062</u>
	<u>12,162</u>	<u>9,218</u>

Amounts due after more than one year:

Pension prepayment	3,025	2,255
ACT recoverable	<u>1,260</u>	<u>2,608</u>
	<u>4,285</u>	<u>4,863</u>

13 Creditors

Amounts falling due within one year:

Trade creditors	27,140	26,140
Amounts owing to group undertakings	78,828	84,262
Other creditors	4,073	3,817
Other taxation and social security	15,604	14,028
Accruals and deferred income	<u>13,207</u>	<u>12,360</u>
	<u>138,852</u>	<u>140,607</u>

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	1/2/97 £000	27/1/96 £000
14 Deferred Taxation		
Provided in respect of capital allowances:		
Balance brought forward (before ACT set-off)	500	2,000
Credit for the year	<u>-</u>	<u>(1,500)</u>
	500	500
ACT set-off	<u>(303)</u>	<u>(303)</u>
Balance carried forward	<u>197</u>	<u>197</u>

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

Capital allowances	3,700	2,500
Revaluation of properties	49,404	54,054
Corporation tax on capital gains	<u>5,474</u>	<u>5,474</u>
	<u>58,578</u>	<u>62,028</u>

In the opinion of the Directors the potential liabilities in respect of capital gains are unlikely to arise since the majority of the properties will be retained for use in the business. The availability of replacement of business assets relief would eliminate any liability which could otherwise result from disposals.

Deferred taxation has not been provided in respect of the pension prepayment as at 1 February 1997 as a tax liability will not crystallise as a result of any timing difference.

15 Called Up Share Capital

Authorised:

215,000,000 ordinary shares of 10p each	<u>21,500</u>	<u>21,500</u>
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Allotted and fully paid:

192,000,000 ordinary shares of 10p each	<u>19,200</u>	<u>19,200</u>
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Changes to the Company's share capital after the year end are shown in Note 22.

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Revaluation reserve £000	Profit and loss account £000	Total £000
16 Reserves			
Balance at 27 January 1996	327,175	84,621	411,796
Profit for the year	-	10,752	10,752
Revaluation deficit	(362)	-	(362)
Revaluation surplus realised on disposals	<u>(14,041)</u>	<u>14,041</u>	<u>-</u>
Balance at 1 February 1997	<u>312,772</u>	<u>109,414</u>	<u>422,186</u>
17 Capital Commitments		1/2/97 £000	27/1/96 £000
Contracted for but not provided		<u>16,518</u>	<u>19,537</u>
18 Obligations under operating leases which expire			
Within one year		611	55
Between one and five years		1,827	63
After five years		<u>362</u>	<u>18</u>
		<u>2,800</u>	<u>136</u>

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 Contingent Liabilities

On 27 February 1997, the Harrods Holdings (formerly Harrods Investments) Group refinanced its existing loan facility with a new facility of up to £370.0 million, under which Harrods Limited and other Group companies are guarantors. In addition, the Harrods Holdings Group's working capital facility from Midland Bank plc is also guaranteed by Harrods Limited and other Group companies.

20 Parent Undertakings

The Company's immediate parent undertaking is Harrods (UK) plc (formerly Harrods Holdings plc). The immediate parent undertaking of Harrods (UK) plc is Harrods Holdings plc (formerly Harrods Investments plc), which is the parent undertaking of the Harrods Holdings Group and which is both the smallest and the largest Group which consolidates the results of the Company. The Group accounts will be filed with the Registrar of Companies in due course.

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

21 Related Party Transactions

During the year the Company traded with a number of companies, which are under the common control of the Company's ultimate controlling party. These companies comprise Turnbull & Asser Limited, Hyde Park Residence Limited, Balnagown Castle Properties Limited, Barrow Green Court Limited and The Ritz Hotel Limited. The transactions with these companies are not material.

As part of their employment, Directors and senior employees of the Company can purchase goods from the Harrods Store using a staff account card. The amounts of goods purchased by the Directors are not considered to be material either to the Company or the individuals. There are no other transactions between these individuals and the Company, other than as shown in Notes 7 and 22 to the financial statements.

The Company is a wholly owned subsidiary of Harrods Holdings plc and, as permitted by Financial Reporting Standard 8 "Related Party Disclosures" transactions with other entities in the Harrods Holdings Group are not disclosed.

22 Events Subsequent to the Year End

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

HARRODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 Events Subsequent to the Year End (Continued)

The market prices of the ALPHA Shares were as follows:

On acquisition by Cylena SA	106p (average)
27 February 1997	106p
7 March 1997	106p
19 March 1997	102p

The Company's interest in the ALPHA Shares represents 27.8% of the total share capital of ALPHA Airports Group plc.

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

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