

HARRODS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
52 WEEKS ENDED 29 JANUARY 2000



Registered Number: 30209

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HARRODS LIMITED

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Company for the 52 weeks ended 29 January 2000.

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
J Byrne (appointed 18.10.99)
X M Carr-Griffiths
J M Griffiths
J L Macnamara
A Maeder
L D J Mayer
W C Najdecki
D E Norman
A Pitcher
A Tanna (appointed 16.11.99)
C F Wardle (appointed 16.03.00)
A K Wiles

Other Directors who served during the year were:

I Bogdaneris (ceased 09.04.99)
C P de Boer (resigned 30.06.99)
J G Hawkins (resigned 16.11.99)
D R Parker (resigned 31.03.00)
M Rogers (resigned 21.05.99)
M E Zipp (resigned 15.04.99)

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 Limited (formerly Harrods Holdings plc) the ultimate parent company in the United Kingdom, no Director in office at 29 January 2000 held any beneficial interest in the shares of Harrods Holdings Limited (formerly Harrods Holdings plc) or any of its subsidiaries at 31 January 1999, at date of appointment or at 29 January 2000.

Except as stated in notes 9 and 21 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 52 weeks to 29 January 2000 amounted to £35.8 million (1999: £3.9 million loss). During the year no dividends were paid (1999: £nil). No final dividend has been proposed (1999: nil).

Review of the Business and Future Developments

The Directors consider that, after a difficult start to the year, sales strengthened to give a satisfactory full year performance.

The Directors continue to review the optimal mix between own bought departments and those run by concessions. A strategic decision to increase the weighting of concession departments improved the Store's presentation and range of Brands, but did, however, impact on the overall gross margins during this transitional phase.

Charitable and Political Donations

The charitable donations made by the Company and charged in the accounts were £177,703 (1999: £20,431). 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.

Year 2000

A Group-wide programme, designed to address the impact of the Year 2000 on the business, was commissioned by the Harrods Holdings Limited (formerly Harrods Holdings plc) Board during 1997. As a result of the work performed we successfully crossed the Century boundary without experiencing any significant system problems.

Although it is not possible for any organisation to guarantee that no Year 2000 problems will remain, we do not anticipate that any significant issues will arise at future Year 2000 sensitive dates as we move forward into the new Century.

Much of the cost of implementing the action plans has been absorbed into the recurring activities of the departments involved. The total cost of modifications to computer hardware and software is estimated at £3.2 million. This expenditure has been categorised into systems enhancements (£546,000) which has been capitalised, and the remainder being expensed through the profit and loss account (£2,629,000).

£1,021,000 of this expenditure was incurred in previous years.

HARRODS LIMITED
DIRECTORS' REPORT (Continued)

Economic and Monetary Union (EMU)

A Group-wide programme, designed to address the impact of EMU on the business, was commissioned by the Harrods Holdings Limited (formerly Harrods Holdings plc) Board during 1998.

The Company makes sales to European Union customers and also makes purchases in the EU. Consequently, the Company has had to cope with the potential handling of sales transactions and making payments in Euro from 1 January 1999.

The cost of achieving this has been negligible as all key systems treat the Euro as any other foreign currency.

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 "Harrodian Gazette" has been issued during the year and has been available to all employees.

Consultation 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. The Company takes on average 30 days to pay its creditors (1999: 28).

HARRODS LIMITED
DIRECTORS' REPORT (Continued)

Auditors

PricewaterhouseCoopers 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

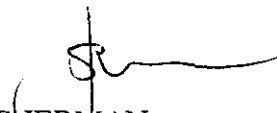
The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year.

The Directors have prepared the financial statements on pages 6 to 23 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 at any time 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


SJERMAN
Company Secretary
3 May 2000

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 23 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on pages 9 and 10.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report. As described on page 4, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Audit 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 at 29 January 2000 and of its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
3 May 2000

1 Embankment Place,
London WC2N 6NN

HARRODS LIMITED
PROFIT AND LOSS ACCOUNT
52 WEEKS ENDED 29 JANUARY 2000

Note	52 weeks 29/1/00 £'000	52 weeks 30/1/99 £'000
Gross Turnover	485,341	481,272
Value added tax	(58,583)	(56,870)
2 Turnover	<u>426,758</u>	<u>424,402</u>
Cost of sales	(256,099)	(249,755)
Gross Profit	<u>170,659</u>	<u>174,647</u>
Distribution and store costs	(118,570)	(116,038)
Administrative expenses (incl. exceptional items)	(9,847)	(38,577)
Operating Profit before exceptional items	44,467	50,100
Exceptional Items	(2,225)	(30,068)
3 Operating Profit	42,242	20,032
9 Profit on disposal of Fixed Assets	8,574	-
Income from fixed asset investments	3,492	3,562
4 Interest	<u>(15,360)</u>	<u>(18,372)</u>
Profit on Ordinary Activities before Taxation	38,948	5,222
5 Taxation	<u>(3,169)</u>	<u>(9,140)</u>
Profit/(Loss) on Ordinary Activities after Taxation	35,779	(3,918)
Retained Profit/(Loss) Transferred to/(from) Reserves	<u><u>35,779</u></u>	<u><u>(3,918)</u></u>

All profits in the period arose from continuing operations.

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

A statement of movements on reserves is shown in Note 15.

The notes on pages 9 to 23 form part of these accounts.

HARRODS LIMITED

	52 weeks 29/1/00 £'000	52 weeks 30/1/99 £'000
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES		
Profit/(Loss) on ordinary activities after taxation	35,779	(3,918)
Unrealised surplus/(deficit) on revaluation of properties	19,762	(1,711)
	<hr/>	<hr/>
Total gains/(losses) recognised since last financial statements	55,541	(5,629)
	<hr/>	<hr/>
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS		
Profit/(loss) in the financial year	35,779	(3,918)
Other recognised gains and losses relating to the year	19,762	(1,711)
	<hr/>	<hr/>
Net increase/(reduction) to shareholders' funds	55,541	(5,629)
Opening shareholders' funds	418,617	424,246
	<hr/>	<hr/>
Closing shareholders' funds	474,158	418,617
	<hr/>	<hr/>

The notes on pages 9 to 23 form part of these accounts.

HARRODS LIMITED

BALANCE SHEET AT 29 JANUARY 2000

Note		29/1/00 £'000	Restated 30/1/99 £'000
	Fixed Assets		
8	Tangible assets	663,615	622,437
9	Investments	7,266	30,453
		<hr/>	<hr/>
		670,881	652,890
	Current Assets		
10	Stocks	32,552	35,543
11	Debtors due within one year	13,601	13,006
11	Debtors due after more than one year	1,979	3,366
	Cash at bank and in hand	40,547	28,932
		<hr/>	<hr/>
		88,679	80,847
	Creditors		
12	Amounts falling due within one year	(282,073)	(312,160)
		<hr/>	<hr/>
	Net Current Liabilities	(193,394)	(231,313)
		<hr/>	<hr/>
	Total Assets less Current Liabilities	477,487	421,577
13	Provisions for Liabilities and Charges	(3,329)	(2,960)
		<hr/>	<hr/>
		474,158	418,617
		<hr/>	<hr/>
	Capital and Reserves		
14	Called up share capital	19,200	19,200
15	Revaluation reserve	369,881	350,119
15	Profit and loss account	85,077	49,298
		<hr/>	<hr/>
	Total Shareholders' Funds	474,158	418,617
		<hr/>	<hr/>

The notes on pages 9 to 23 form part of these accounts.

Approved by the Board on 3 May 2000



A TANNA
Director

HARRODS LIMITED
NOTES TO THE ACCOUNTS

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 Limited (formerly Harrods Holdings plc), a company registered in England.

Harrods Holdings Limited (formerly 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.

The Company has adopted Financial Reporting Standard 12 (FRS 12) for this financial year, resulting in a provisions balance of £3.3m, including deferred tax. There is no profit or loss impact as a result of adopting FRS12. Prior year balances have been reclassified as provisions accordingly (£2.7m).

Stocks

Stocks are stated at the lower of cost and net realisable value.

Depreciation of Tangible Fixed Assets

Freehold properties are stated at a professional valuation. All other fixed assets are stated at cost.

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	- 29 to 50 years
Short leasehold buildings	- period of lease
Fixtures, fittings, vehicles and equipment	- 2 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.

HARRODS LIMITED

NOTES TO THE ACCOUNTS (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 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. Transactions denominated in foreign currencies are translated at the exchange rates ruling at the transaction date. Realised gains and losses are dealt with in the profit and loss account.

HARRODS LIMITED
NOTES TO THE ACCOUNTS (Continued)

	52 weeks 29/1/00 £'000	52 weeks 30/1/99 £'000
2 Turnover		
Arising entirely within the United Kingdom	426,758	424,402
3 Operating Profit		
Operating profit is stated after charging:		
- Depreciation of tangible fixed assets		
- owned assets	15,896	13,852
- Auditors' remuneration:		
- audit fees	100	100
- non audit services	20	-
- Amounts paid under operating leases		
- Hire of plant and machinery	575	762
- Year 2000	1,787	723
- Write down of fixed asset investment	-	30,068
- Exceptional litigation costs (see Note 13)	2,225	-
4 Interest		
Interest receivable		
From third parties	67	13
From group undertakings	26	215
	93	228
Interest payable		
Loans from group undertakings	(15,450)	(18,600)
To third parties	(3)	-
	(15,360)	(18,372)
5 Taxation		
Taxation based on the profits for the year:		
Corporation tax	(1,131)	-
Group relief	(2,846)	(8,580)
Adjustments in respect of prior years	808	62
Tax credits on franked investment income	-	(622)
	(3,169)	(9,140)

HARRODS LIMITED
NOTES TO THE ACCOUNTS (Continued)

	52 weeks 29/1/00 £'000	52 weeks 30/1/99 £'000
6 Information regarding Directors and Employees		
Emoluments excluding pension contributions	3,094	1,957
Compensation for loss of office	115	-
	<u>3,209</u>	<u>1,957</u>
Emoluments of highest paid Director	<u>774</u>	<u>165</u>
Accrued pension of highest paid Director	<u>2</u>	<u>1</u>

There are 12 Directors to whom retirement benefits are accruing under a defined benefit pension scheme (1999:14).

Staff Costs

Wages and salaries	70,134	67,704
Social security costs	5,915	5,615
Other pension costs	4,607	2,739
	<u>80,656</u>	<u>76,058</u>

The average number of employees during the year was:

Production	418	382
Selling and Distribution	3,112	3,133
Administration	65	72
	<u>3,595</u>	<u>3,587</u>

HARRODS LIMITED

NOTES TO THE ACCOUNTS (Continued)

7 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 last formal actuarial valuation of the Group Pension Plan, as at 6 April 1999, was performed by qualified independent actuaries who are partners of Bacon & Woodrow, Consulting Actuaries. The valuation used the projected unit method, and 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
UK equity net dividend yield for asset valuation purposes	2.73 per cent per annum compound

These assumptions have been altered since the previous valuation to reflect the current long term economic situation. This, combined with a reduction in the plan surplus since the 1996 valuation, has resulted in an increase to the pension charge.

The market value of assets (excluding AVCs) 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 used to allow the Company to contribute at the rate of 7.9% of members' salaries to 5 April 2001 and 10% of members' salaries from 6 April 2001 to 31 December 2003.

The total surplus determined at the valuation date has been allocated to the companies within the Group by the Directors of Harrods Holdings Limited (formerly Harrods Holdings plc) on a basis that is consistent with that adopted in prior years.

The regular pension cost charged to the profit and loss account is based on figures calculated for the Group as a whole. Any variation is spread over the average remaining working lives of employees who are members of the Plan.

HARRODS LIMITED
NOTES TO THE ACCOUNTS (Continued)

7 Pensions (continued)

The Company's net pension charge for the 52 weeks to 29 January 2000 was as follows:

	52 weeks 29/1/00 £'000	52 weeks 30/1/99 £'000
Regular cost	3,220	2,764
Variation	<u>1,387</u>	<u>(25)</u>
Net pension charge	<u><u>4,607</u></u>	<u><u>2,739</u></u>

	29/1/00 £'000	30/1/99 £'000
The pension prepayment is as follows:		
Opening balance	3,366	3,341
Contributions paid	3,220	2,764
Charge to profit and loss account	<u>(4,607)</u>	<u>(2,739)</u>
Closing balance	<u><u>1,979</u></u>	<u><u>3,366</u></u>

HARRODS LIMITED

NOTES TO THE ACCOUNTS (Continued)

8 Fixed Assets - Tangible Assets

	Total £'000	Freehold Land & Buildings £'000	Short Leasehold £'000	Fixtures, Fittings, Vehicles & Equipment £'000
Cost and valuation				
At 30 January 1999	682,031	496,339	452	185,240
Additions	37,346	1,435	-	35,911
Disposals	(9,920)	-	-	(9,920)
Reclassifications	-	220	-	(220)
Revaluation	18,835	18,835	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 29 January 2000	728,292	516,829	452	211,011
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation				
At 30 January 1999	(59,594)	(398)	(339)	(58,857)
Charge for year	(15,896)	(835)	(108)	(14,953)
Disposals	9,886	-	-	9,886
Revaluation	927	927	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 29 January 2000	(64,677)	(306)	(447)	(63,924)
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 29 January 2000	663,615	516,523	5	147,087
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 January 1999	622,437	495,941	113	126,383
	<hr/>	<hr/>	<hr/>	<hr/>
Cost and valuation				
Valuation	482,557	482,557	-	-
Cost	245,735	34,272	452	211,011
	<hr/>	<hr/>	<hr/>	<hr/>
	728,292	516,829	452	211,011
	<hr/>	<hr/>	<hr/>	<hr/>

HARRODS LIMITED

NOTES TO THE ACCOUNTS (Continued)

8 Fixed Assets - Tangible Assets (Continued)

Some of the freehold properties have been professionally valued as at 31 December 1999 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. The remainder of the freehold properties have been revalued by the Directors as at 31 December 1999. These valuations have been adopted by the Directors at 29 January 2000 and have been incorporated in the financial statements.

Included in the cost element of Fixtures, Fittings, Vehicles and Equipment are costs incurred on unfinished projects at the year end amounting to £60.3 million, (1999 £47.4 million).

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

	Total £'000	Freehold £'000	Short Leasehold £'000	Fixtures, Fittings, Vehicles & Equipment £'000
Historical cost				
At 30 January 1999	336,407	150,715	452	185,240
Depreciation to 30 January 1999	<u>(61,590)</u>	<u>(2,394)</u>	<u>(339)</u>	<u>(58,857)</u>
Net historical cost				
At 30 January 1999	<u>274,817</u>	<u>148,321</u>	<u>113</u>	<u>126,383</u>
Historical cost				
At 29 January 2000	363,833	152,370	452	211,011
Depreciation to 29 January 2000	<u>(67,299)</u>	<u>(2,928)</u>	<u>(447)</u>	<u>(63,924)</u>
Net historical cost				
At 29 January 2000	<u>296,534</u>	<u>149,442</u>	<u>5</u>	<u>147,087</u>

HARRODS LIMITED
NOTES TO THE ACCOUNTS (Continued)

9 Fixed Assets – Investments	Total £'000	Unlisted Investment £'000	Listed Investment £'000	Shares in Group Under- Takings £'000
Shares at cost:				
At 30 January 1999	30,792	2,250	28,203	339
Additions	5,016	5,016	-	-
Disposals	(28,203)	-	(28,203)	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 29 January 2000	7,605	7,266	-	339
	<hr/>	<hr/>	<hr/>	<hr/>
Provisions at 30 January 1999 and 29 January 2000	(339)	-	-	(339)
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 29 January 2000	7,266	7,266	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 January 1999	30,453	2,250	28,203	-
	<hr/>	<hr/>	<hr/>	<hr/>

Unlisted Investment :

Harrods Bank Limited

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.

HARRODS LIMITED

NOTES TO THE ACCOUNTS (Continued)

9 Fixed Assets – Unlisted Investments (Continued)

HOT Online Limited

On 10 December 1999, Harrods Limited purchased 350,000 shares (3.5 per cent of the ordinary share capital) in HOT Online Limited, a private limited company formed under the laws of Ireland, from Danamon Enterprises BV, a Company under the control of the Company's ultimate controlling party, for a consideration of US\$8,050,000, plus stamp duty. This was an initial investment in a company established to develop e-commerce trade through the Harrods.com website.

Further investments in HOT Online Limited have been made since the year end:

3 February 2000: Payment of US\$8,050,000 for 3.5 per cent of the ordinary share capital in HOT Online Limited from Danamon Enterprises BV.

29 March 2000: Payment of US\$18,400,000 for 8.0 per cent of the ordinary share capital in HOT Online Limited from Danamon Enterprises BV.

Listed Investment and exceptional item

On 28 January 2000, Harrods Limited sold its entire share holding in Alpha Airports Group plc (46,616,666 £0.10 ordinary shares) to Service Auxiliaires Aeriens for 79 pence per share, resulting in a profit of £8,574,000 after deducting costs on disposal of £50,000.

Shares in Group Undertakings

The Company has the following wholly owned (100% of equity) trading and non-trading subsidiary undertakings which 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

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

HARRODS LIMITED
NOTES TO THE ACCOUNTS (Continued)

	29/1/00 £'000	30/1/99 £'000
10 Stocks		
Finished goods and goods for resale	32,552	35,543

There was no significant difference between the replacement cost of stocks at 29 January 2000 and the amount at which they are stated in the financial statements.

11 Debtors

Amounts due within one year:

Trade debtors	5,204	3,949
Amounts owed by group undertakings	1,942	1,759
Other debtors	4,399	4,854
Corporation Tax	157	304
Prepayments and accrued income	1,899	2,140
	<u>13,601</u>	<u>13,006</u>

Amounts due after more than one year:

Pension prepayment	<u>1,979</u>	<u>3,366</u>
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12 Creditors

Amounts falling due within one year:

		Restated
Trade creditors	30,389	27,208
Amounts owed to group undertakings	222,255	258,781
Other creditors	4,657	5,246
Other taxation and social security	9,927	7,436
Accruals and deferred income	14,845	13,489
	<u>282,073</u>	<u>312,160</u>

HARRODS LIMITED
NOTES TO THE ACCOUNTS (Continued)

13 Provisions for Liabilities and Charges

	Deferred Tax £'000	Litigation, Settlement & Associated Costs £'000	Total £'000
Balance at 30 January 1999 (restated)	239	2,721	2,960
Transfer to/(from) profit and loss account	-	1,513	1,513
Utilised in the year	-	(1,405)	(1,405)
ACT recovered	261	-	261
Balance at 29 January 2000	<u>500</u>	<u>2,829</u>	<u>3,329</u>

(A) Deferred Tax

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

	29/1/00 £'000	30/1/99 £'000
Capital allowances	12,905	9,911
Revaluation of properties	55,347	59,400
Corporation tax on capital gains	<u>5,142</u>	<u>5,142</u>
	<u>73,394</u>	<u>74,453</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 rollover 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 29 January 2000 as a tax liability will not crystallise as a result of any timing difference.

(B) Provisions for Litigation, Settlement & Associated Costs

The year end provision of £2,829,000, relates to the anticipated costs required to resolve specific legal disputes brought both against and by Harrods Limited. The Directors believe that each dispute will be resolved in the near future.

HARRODS LIMITED
NOTES TO THE ACCOUNTS (Continued)

14	Called Up Share Capital	29/1/00 £	30/1/99 £
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Authorised:

215,000,000 ordinary shares of 10p each	21,500,000	21,500,000
1 'A' Special Rights redeemable Preference share of £1	1	1
1 'B' Special Rights redeemable Preference share of £1	1	1
	<u>21,500,002</u>	<u>21,500,002</u>

Allotted and fully paid:

192,000,000 ordinary shares of 10p each	19,200,000	19,200,000
1 'A' Special Rights redeemable Preference Share of £1	1	1
1 'B' Special Rights redeemable Preference Share of £1	1	1
	<u>19,200,002</u>	<u>19,200,002</u>

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.

Included within total shareholders' funds of £474.2 million is an amount in respect of non-equity interests of £2. All other amounts are attributable to equity shareholders.

15	Reserves	Revaluation Reserve £'000	Profit and loss account £'000	Total £'000
	Balance at 30 January 1999	350,119	49,298	399,417
	Profit for year	-	35,779	35,779
	Revaluation movement	19,762	-	19,762
	Balance at 29 January 2000	<u>369,881</u>	<u>85,077</u>	<u>454,958</u>

HARRODS LIMITED
NOTES TO THE ACCOUNTS (Continued)

	29/1/00 £'000	30/1/99 £'000
16 Capital Commitments		
Contracted for but not provided	51,370	23,232
	<hr/>	<hr/>
17 Obligations under operating leases which expire		
Within one year	76	13
Between one and five years	384	704
After five years	43	13
	<hr/>	<hr/>
	503	730
	<hr/>	<hr/>

18 Post Balance Sheet Events

Subsequent to the year end Harrods Limited increased its investment in HOT Online Limited, see note 9.

On 2 February 2000 the Company made an interest bearing loan of US\$105,000 to HOT Online Limited.

19 Contingent Liabilities

The Harrods Holdings Group has a loan facility agreement of £340.0 million of which Harrods Limited and other group companies are guarantors. In addition, the Harrods Holdings Group's working capital facility from HSBC Bank plc is guaranteed by Harrods Limited and other Group companies which amounted to £144.3 million as at 29 January 2000.

20 Parent Undertakings

The Company's immediate parent undertaking is Harrods (UK) Limited (formerly Harrods (UK) plc). The immediate parent undertaking of Harrods (UK) Limited (formerly Harrods (UK) plc) is Harrods Holdings Limited (formerly Harrods Holdings 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.

HARRODS LIMITED

NOTES TO THE ACCOUNTS (Continued)

21 Related Party Transactions

During the year the Company entered into transactions with a number of companies, which are under the control of the Company's ultimate controlling party. These companies comprise ACF Sevenoaks, Balnagown Castle Properties Limited, Barrow Green Farm Limited, Fulham Football Leisure Limited, Harrods Natural Resources Inc., Harrods Staff Benevolent Fund, Harrods Energy (Thailand) Limited, HOT Online Limited, Hyde Park Residence Limited, Liberty Holdings Limited (and subsidiaries), Mohafa, Prestige Properties SA, The Jermyn Street Tie Company Limited, The Ritz Hotel Limited and Turnbull & Asser Limited.

Except as noted below the value of these transactions with these companies are not considered to be material.

Harrods Limited paid salary bonuses totalling £129,485 (including VAT) on behalf of Harrods Natural Resources during the year. These were recharged to Harrods Natural Resources. The debtor outstanding at the year end was £129,485 (1999: £nil).

Harrods Limited has invested in a company (HOT Online Limited) established to develop e-commerce trade through the Harrods.com website. See note 9.

Harrods Limited incurred development expenses of £736,709 (1999: £nil) during the year, which were recharged back to HOT Online Limited. The debtor outstanding at the year end was £186,544 (1999: £nil).

Royalties are paid by HOT Online Limited to the Company for the use of the Harrods name. Royalty income of £38,533 (1999: £nil) was charged during the year and remains outstanding at the year end (1999: £nil).

The Company purchased items for resale from Mohafa to the value of £72,718 (1999: £nil). There were no amounts outstanding at the year end (1999: £nil).

The Company made a charitable donation of £115,000 to Harrods Energy (Thailand) Limited which has been used towards the building of a school in Thailand (1999: £nil).

The Company is a wholly owned subsidiary of Harrods Holdings Limited (formerly 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.