

HARRODS ESTATES LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 27 JANUARY 2001



Registered Number: 0835993

HARRODS ESTATES LIMITED

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HARRODS ESTATES LIMITED

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Company for the 52 weeks ended 27 January 2001.

Principal Activity

The principal activities of the Company are that of estate agents and property managers.

Directors and their Interests

The present Directors of the Company are:

M A E Collins
W C Najdecki
J Byrne
M S Wikstrom (appointed 01.04.01)

Other Directors who served during the year were:

J M Griffiths (resigned 19.06.01)
A Tanna (resigned 19.06.01)
J J Whitacre (appointed 01.04.01, resigned 19.06.01)

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

No Director in office at 27 January 2001 held any beneficial interest in the shares of Harrods Holdings Limited or any of its subsidiaries at 30 January 2000, at date of appointment, or at 27 January 2001.

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

Results and Dividend

The loss after taxation for the 52 weeks to 27 January 2001 amounted to £107,895 (2000: profit of £19,870). The Directors do not recommend the payment of a dividend (2000: £nil).

Review of Business and Future Developments

The Company has continued to develop its client base, and has ensured that the core business is now firmly established. The development at Harrods Village proved to be a resounding success and after the flagship developments to be launched in 2001, the financial performance of the business will be enhanced.

During the year a freehold property and related fixtures were sold for £2,017,500, see note 4.

The business moved to 82 Brompton Road in early March 2001.

HARRODS ESTATES LIMITED

DIRECTORS' REPORT (Continued)

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.

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 half-hour 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.

EMU

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

The Company is not affected by the Euro as all sales are conducted in sterling. The Company has had the potential to cope with 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.

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.

HARRODS ESTATES LIMITED

DIRECTORS' REPORT (Continued)

Statement of Directors' Responsibilities

Company law 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. These have been applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 7 under Note 1 'Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 27 January 2001 and that applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records that disclose 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



S Jerman
Secretary

6 September 2001

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

HARRODS ESTATES LIMITED

AUDITORS' REPORT

TO THE MEMBERS OF HARRODS ESTATES LIMITED

We have audited the financial statements on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report. As described on page 3, 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 as at 27 January 2001 and of its loss for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
1 Embankment Place, London WC2N 6RH
6 September 2001

HARRODS ESTATES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED 27 JANUARY 2001

| Note | 52 weeks 27/1/01 £ | 52 weeks 29/1/00 £ |
|---|--------------------------|--------------------------|
| 2 Turnover | 1,293,543 | 1,419,037 |
| Cost of Sales | (743,631) | (677,423) |
| Gross Profit | <u>549,912</u> | <u>741,614</u> |
| Administrative Expenses | (505,881) | (614,193) |
| Other Operating Income | 110,083 | 4,939 |
| Operating Profit before exceptional items | 154,114 | 363,360 |
| Exceptional Items | - | (231,000) |
| 3 Operating Profit | 154,114 | 132,360 |
| 4 Loss on Disposal of Fixed Assets | (67,762) | - |
| 5 Interest | <u>(162,247)</u> | <u>(31,490)</u> |
| (Loss) / Profit on ordinary Activities before Taxation | (75,895) | 100,870 |
| Taxation – Group relief | <u>(32,000)</u> | <u>(81,000)</u> |
| Retained (Loss) / Profit for the Financial Year and Amounts Transferred (from) / to Reserves | <u>(107,895)</u> | <u>19,870</u> |

All losses in the period arose from continuing operations.

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

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

The movements on reserves are shown in Note 12.

The notes on page 7 to 13 form part of these accounts.


HARRODS ESTATES LIMITED

BALANCE SHEET AT 27 JANUARY 2001

| Note | | 27/1/01 £ | 29/1/00 £ |
|------|--|------------------|--------------------|
| | Fixed Assets | | |
| 8 | Tangible assets | 20,295 | 2,196,989 |
| | Current Assets | | |
| 9 | Debtors | 2,216,742 | 438,514 |
| | Cash at bank and in hand | 122,420 | 81,837 |
| | | <u>2,339,162</u> | <u>520,351</u> |
| | Creditors | | |
| 10 | Amounts falling due within one year | (2,665,437) | (2,915,425) |
| | Net Current Liabilities | <u>(326,275)</u> | <u>(2,395,074)</u> |
| | Total Assets Less Current Liabilities | <u>(305,980)</u> | <u>(198,085)</u> |
| | Capital and Reserves | | |
| 11 | Called up share capital | 338,913 | 338,913 |
| 12 | Profit and loss account | (644,893) | (536,998) |
| 13 | Equity Shareholders' Funds | <u>(305,980)</u> | <u>(198,085)</u> |

The notes on pages 7 to 13 form part of these accounts.

Approved by the Board on 6 September 2001.


W C Najdecki
DIRECTOR

HARRODS ESTATES LIMITED

NOTES TO THE ACCOUNTS **52 Weeks ended 27 January 2001**

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.

FRS 15 'Tangible Fixed Assets' has been adopted in this year's financial statements. The adoption of which resulted in Freehold and leasehold buildings being depreciated to their estimated residual value over their estimated remaining economic lives.

The Company has net current liabilities at 27 January 2001. In order that the financial statements be prepared on a going concern basis, the Company's parent undertaking has indicated that it will finance the Company so as to enable it both to meet its liabilities as they fall due and to carry on its business operations.

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 tangible fixed assets over their estimated useful lives by equal annual instalments, on the following basis:

| | |
|----------------------------------|--------------|
| Freehold | 70 years |
| Fixtures, fittings and equipment | 3 to 5 years |

Pensions

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

Turnover

Agency fees on property sales are recognised on exchange of contract.

HARRODS ESTATES LIMITED

NOTES TO THE ACCOUNTS (Continued) 52 Weeks ended 27 January 2001

| | 52 weeks 27/1/01 £ | 52 weeks 29/1/00 £ |
|--|--------------------------|--------------------------|
| 2 Turnover | | |
| Turnover excluding VAT arises from operations in the United Kingdom | 1,293,543 | 1,419,037 |
| 3 Operating Profit | | |
| Operating profit is stated after charging/ (crediting): | | |
| Depreciation on tangible fixed assets | 92,692 | 23,789 |
| Auditors' remuneration: | | |
| - audit fees including expenses | 6,000 | 3,000 |
| Rental Income | (110,083) | (4,939) |
| Exceptional write down on fixed assets | - | 231,000 |
| 4 Loss on Disposal of Fixed Assets | | |
| On 26 January 2001 the Company disposed of a freehold property and its related fixtures for £2,017,500. This resulted in an exceptional loss of £67,762 in the year (2000: £nil). | | |
| This property was purchased in the previous year from Prestige Properties S.A., a company under the control of the Group's ultimate controlling party. The property was recorded in the books of the Company at an arms length transaction value resulting in a write off of £231,000 to the profit and loss in the previous year. | | |
| 5 Interest | | |
| Interest receivable from group undertakings | 1,113 | 3,419 |
| Interest payable to group undertakings | (163,360) | (34,909) |
| | (162,247) | (31,490) |
| 6 Information regarding Directors and Employees | | |
| Directors' emoluments: | | |
| Emoluments excluding pension contributions | 112,873 | 100,245 |
| Staff costs: | | |
| Wages and salaries | 636,837 | 618,252 |
| Social security costs | 61,811 | 52,129 |
| Other pension costs | 44,983 | 7,042 |
| | 743,631 | 677,423 |

The average number of employees during the year was 15 (2000:14)

HARRODS ESTATES LIMITED

NOTES TO THE ACCOUNTS (Continued)

52 Weeks ended 27 January 2001

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 |

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 spread over the estimated service life of current employees of 15 years on a straight line basis.

The total surplus determined at the valuation date has been allocated to the companies within the Group by the Directors of Harrods Holdings Limited based on pensionable salaries as a percentage of the total pensionable salaries for the whole Harrods Group.

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.

The Company's net pension charge for the 52 weeks to 27 January 2001 was as follows:

| | 52 weeks 27/1/01 £ | 52 weeks 29/1/00 £ |
|--------------------|--------------------------|--------------------------|
| Regular cost | 28,583 | 24,642 |
| Variation | <u>16,400</u> | <u>(17,600)</u> |
| Net pension charge | <u>44,983</u> | <u>7,042</u> |

HARRODS ESTATES LIMITED

NOTES TO THE ACCOUNTS (Continued) 52 Weeks ended 27 January 2001

7 Pensions (Continued)

| | | |
|---------------------------------------|----------------|----------------|
| The pension prepayment is as follows: | 27/1/01 | 29/1/00 |
| | £ | £ |
| Opening balance | 17,600 | - |
| Contributions paid | 28,583 | 24,642 |
| Charge to profit and loss account | (44,983) | (7,042) |
| Closing balance | <u>1,200</u> | <u>17,600</u> |

8 Fixed Assets - tangible assets and exceptional item

| | Total | Freehold | Fixtures, Fittings and equipment |
|-----------------------------------|------------------|------------------|---|
| | £ | £ | £ |
| Cost: | | | |
| At 29 January 2000 | 2,267,717 | 1,923,635 | 344,082 |
| Additions | 1,260 | - | 1,260 |
| Disposals | (2,157,364) | (1,923,635) | (233,729) |
| At 27 January 2001 | <u>111,613</u> | <u>-</u> | <u>111,613</u> |
| Accumulated depreciation: | | | |
| At 29 January 2000 | (70,728) | - | (70,728) |
| Charge for the year | (92,692) | (14,623) | (78,069) |
| Disposals | 72,102 | 14,623 | 57,479 |
| At 27 January 2001 | <u>(91,318)</u> | <u>-</u> | <u>(91,318)</u> |
| Net book value at 27 January 2001 | <u>20,295</u> | <u>-</u> | <u>20,295</u> |
| Net book value at 29 January 2000 | <u>2,196,989</u> | <u>1,923,635</u> | <u>273,354</u> |

The disposal relates to the sale of a freehold property and related fixtures and fittings see note 4 for further details.

HARRODS ESTATES LIMITED

NOTES TO THE ACCOUNTS (Continued)

52 Weeks ended 27 January 2001

| | 27/1/01 £ | 29/1/00 £ |
|--|------------------|------------------|
| 9 Debtors | | |
| Amounts due within one year: | | |
| Trade debtors | 127,596 | 404,823 |
| Prepayments and other debtors | 2,087,946 | 16,091 |
| | <u>2,215,542</u> | <u>420,914</u> |
| Amounts due after more than one year: | | |
| Pension prepayment | 1,200 | 17,600 |
| | <u>2,216,742</u> | <u>438,514</u> |
| 10 Creditors | | |
| Amounts falling due within one year: | | |
| Trade Creditors | 1,971 | 135 |
| Amounts owed to group undertakings | 2,479,009 | 2,667,105 |
| Other creditors and accruals | 152,457 | 167,185 |
| Group relief | 32,000 | 81,000 |
| | <u>2,665,437</u> | <u>2,915,425</u> |
| 11 Called up Share Capital | | |
| Authorised: | | |
| 350,000 ordinary shares of £1 each | <u>350,000</u> | <u>350,000</u> |
| Issued and fully paid: | | |
| 338,913 ordinary shares of £1 each | <u>338,913</u> | <u>338,913</u> |
| 12 Profit and Loss Account | | |
| Balance at 29 January 2000 | (536,998) | |
| Loss for the year | <u>(107,895)</u> | |
| Balance at 27 January 2001 | <u>(644,893)</u> | |
| 13 Reconciliation of Movements in Shareholders' Funds | | |
| (Loss)/Profit for the Financial Year | (107,895) | 19,870 |
| Opening shareholders' funds | <u>(198,085)</u> | <u>(217,955)</u> |
| Closing shareholders' funds | <u>(305,980)</u> | <u>(198,085)</u> |

HARRODS ESTATES LIMITED

NOTES TO THE ACCOUNTS (Continued) 52 Weeks ended 27 January 2001

14 Contingent Liabilities

The Harrods Holdings Group's loan capital facility from NatWest Bank plc, which amounted to £338.5 million as at 27 January 2001, is guaranteed by Harrods Estates Limited and other Group companies.

15 Parent Undertakings

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

16 Related Parties

The Company has entered into agreements, in the ordinary course of business, with the following companies which are under the control of the Group's ultimate controlling party: Hyde Park Residence Limited, Turnbull & Asser Limited, Fulham Football Club (1987) Limited, Balnagown Castle Properties Limited, Bocardo SA, ACF Sevenoaks, Fulham Football Leisure Limited.

Except as noted below and in note 4, the value of these transactions is not considered to be material.

Fees in respect of marketing and advisory services, received from Hyde Park Residence Limited during the year amounted to £78,016 (2000: £34,433). Trade debtors due from Hyde Park Residence Limited at 27 January 2001 amounted to £6,985 (29 January 2000: £2,947).

Fees in respect of marketing and advisory services, received from Fulham Football Club (1987) Limited during the year amounted to £33,895. (2000: £26,140). There were no trade debtors due from Fulham Football Club (1987) Limited at 27 January 2001 (2000: £2,350).

Fees in respect of marketing and advisory services, received from Balnagown Castle Properties Limited during the year amounted to £2,350 (2000: £2,000). Trade debtors due from Balnagown Castle Properties Limited at 27 January 2001 amounted to £1,175 (2000: £1,175).

Fees in respect of marketing and advisory services, received from Bocardo SA during the year amounted to £1,380 (2000: £1,376). Trade debtors due from Bocardo SA at 27 January 2001 amounted to £5,906 (2000: £5,870).

HARRODS ESTATES LIMITED

NOTES TO THE ACCOUNTS (Continued)

52 Weeks ended 27 January 2001

16 Related Parties (Continued)

Fees in respect of marketing and advisory services, received from ACF Sevenoaks during the year amounted to £56,400 (2000: £24,000). There were no trade debtors due from ACF Sevenoaks at 27 January 2001 (2000: £nil).

Fees in respect of marketing and advisory services, received from Fulham Football Leisure Limited during the year amounted to £nil (2000: £7,500).

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.