

HARRODS HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

52 WEEKS ENDED 27 JANUARY 2001



Registered Number: 1848143

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HARRODS HOLDINGS LIMITED

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements of Harrods Holdings Limited and its subsidiary companies ("the Group") for the 52 weeks ended 27 January 2001.

Principal Activity

The principal activity of the Company is that of an investment holding company, the principal subsidiaries of which continue to operate retail businesses.

Directors and their Interests

The present Directors of the Company are:

M Al Fayed
A Fayed (Chairman)
J Byrne (appointed 07.06.00)
W C Najdecki
A Tanna (appointed 07.06.00)
M Wikstrom (appointed 16.11.01)

Other Directors who served during the year were:

DE Norman (resigned 24.05.00)

J J Whitacre was appointed a Director on 1 April 2001 and resigned on 12 November 2001.

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

M Al Fayed and A Fayed are beneficially interested in the shares of the Company as described in Note 24. No other Director in office during the year held any beneficial interest in the shares of the Company or of any of its subsidiary undertakings at 30 January 2000, at date of appointment or at 27 January 2001.

Except as disclosed in Notes 13 and 25, no Director has had a material interest, directly or indirectly, at any time during the year in any contract significant to the business of the Company or the Group.

Results and Dividends

The Group's profit after taxation for the 52 weeks ended 27 January 2001 amounted to £3.0 million (2000: £31.4 million profit).

The Directors paid a dividend of £59.6 million (2000: £nil) in respect of the year.

Review of the Business and Future Developments

The Directors consider the trading performance of the Group to be satisfactory. The Group faced difficult trading conditions throughout the year due to external factors such as the foot and mouth epidemic and rail disruption, which all affected tourism and travel to London.

Turnover for the 52 weeks ended 27 January 2001 totalled £540.2 million (2000: £527.9 million), an increase of 2% compared with the 52 weeks ended 29 January 2000. The profit before tax was £5.6 million (2000: £31.5 million).

During the year the following acquisitions were made: Harrods Online (note 13) and Battersea Heliport (note 22).

The Directors expect market conditions to remain difficult throughout the coming year, mainly due to the impact of current world events, but they consider the business to be well placed to overcome these.

HARRODS HOLDINGS LIMITED

DIRECTORS' REPORT

Review of the Business and Future Developments (Continued)

The Group's bank loan facilities were refinanced during the year as shown in note 16.

A new company, Harrods Property Limited, was set up during the year. In November 2000, the company acquired at book value, the Harrods Store and certain other properties within the Group. This was funded partly in cash, through a bank loan, and by the issue of shares. The properties were leased back to Harrods Limited at an agreed rent. The Company entered into a swap arrangement to eliminate interest rate risk.

EMU

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

The Group makes sales to European Union customers and also makes purchases in the EU. Consequently, the Group has had to cope with the potential of handling 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 by means of normal management communication channels using written material, face-to-face meetings and video presentations.

Consultation with employees takes place through elected staff committees, health and safety committees and through normal recognised trade union channels. Employees are made aware of their contribution to the Group through individual performance appraisals.

Disabled Persons

It is the policy of the Group 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.

The Environment

The Group 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.

Events since the balance sheet date

Details of these can be found in note 23 to the accounts.

Pension Plan

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. Further details of the Plan are set out in Note 10 to the financial statements.

Donations

The charitable donations made and charged in the accounts amounted to £1.0 million (2000: £1.1 million). No political contributions were made.

HARRODS HOLDINGS LIMITED
DIRECTORS' REPORT (Continued)

Payment of Creditors

It is the Group'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 Group is sympathetic to, and pays particular attention to, the cash flow needs of its smaller suppliers. The Group takes on average 26 days to pay its creditors (2000: 27).

Creditor days for the Company have not been shown as there are no trade creditors.

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

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 the Group and of the profit or loss of the Group 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 Group will continue in business.

The Directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 10 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 period ended 27 January 2001 and that applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board


S JERMAN
Secretary
28 November 2001

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

HARRODS HOLDINGS LIMITED
AUDITORS' REPORT
TO THE MEMBERS OF HARRODS HOLDINGS LIMITED

We have audited the financial statements on pages 5 to 29 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 10 and 11.

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 and the Group'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 and the Group's affairs as at 27 January 2001 and of the profit and cash flows of the Group for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

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

HARRODS HOLDINGS LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT

Note		
	52 weeks 27/1/01 £m	52 weeks 29/1/00 £m
Gross Turnover	608.4	595.4
Value added tax	(68.2)	(67.5)
2 Turnover	<u>540.2</u>	<u>527.9</u>
Cost of sales	(316.3)	(300.0)
Gross Profit	<u>223.9</u>	<u>227.9</u>
Distribution and store costs	(166.1)	(154.1)
Administrative expenses	(28.7)	(31.7)
2/3 Operating Profit	<u>29.1</u>	<u>42.1</u>
13 Share of loss of associate including goodwill written off (£5.7m)	(8.2)	-
4 Profit on disposal of fixed assets	5.8	8.6
Income from other fixed asset investments	0.9	1.8
Profit before Interest and Taxation	<u>27.6</u>	<u>52.5</u>
5 Interest	(22.0)	(21.0)
Profit on Ordinary Activities before Taxation	<u>5.6</u>	<u>31.5</u>
6 Taxation	(2.6)	(0.1)
Profit on Ordinary Activities after Taxation	<u>3.0</u>	<u>31.4</u>
8 Dividends	(59.6)	-
Retained (Loss)/Profit Transferred (from) /to Reserves	<u>(56.6)</u>	<u>31.4</u>

The movements on reserves are shown in Note 19.

The Notes on pages 10 to 29 form part of these accounts.

All turnover and operating profit arise from continuing activities.

HARRODS HOLDINGS LIMITED
52 WEEKS ENDED 27 JANUARY 2001

	52 weeks 27/1/01 £m	52 weeks 29/1/00 £m
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES		
Profit on ordinary activities after taxation	3.0	31.4
Unrealised surplus on revaluation of properties	-	24.4
Total recognised gains and losses for the year	<u>3.0</u>	<u>55.8</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

Reported profit on ordinary activities before taxation	5.6	31.5
Realisation of property revaluation gains of previous years	0.7	-
Difference between depreciation on historical cost and revalued basis	0.4	-
Historical cost profit for the year before taxation	<u>6.7</u>	<u>31.5</u>
Historical cost (loss)/profit for the year retained after taxation and dividends	<u>(55.5)</u>	<u>31.4</u>

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Profit on ordinary activities after taxation	3.0	31.4
Dividends	(59.6)	-
(Loss)/Profit in the financial year	<u>(56.6)</u>	<u>31.4</u>
Other recognised gains relating to the year	-	24.4
Net (reduction)/addition to shareholders' funds	<u>(56.6)</u>	<u>55.8</u>
Opening shareholders' funds	511.2	455.4
Closing shareholders' funds	<u>454.6</u>	<u>511.2</u>

HARRODS HOLDINGS LIMITED

BALANCE SHEETS AT 27 JANUARY 2001

Note	Consolidated		Company	
	27/1/01 £m	29/1/00 £m	27/1/01 £m	29/1/00 £m
Fixed Assets				
11 Intangible Assets	2.9	-	-	-
12 Tangible assets	729.4	741.8	0.1	0.2
13 Investments	36.7	12.7	613.4	661.5
	<u>769.0</u>	<u>754.5</u>	<u>613.5</u>	<u>661.7</u>
Current Assets				
14 Stocks	47.8	50.8	-	-
15 Debtors due within one year	30.0	27.8	8.1	7.8
15 Debtors due after more than one year	0.1	2.5	0.1	0.1
Cash and bank balances	18.0	45.1	37.3	136.2
	<u>95.9</u>	<u>126.2</u>	<u>45.5</u>	<u>144.1</u>
Creditors				
16 Amounts falling due within one year	(80.7)	(80.9)	(204.4)	(9.6)
Net Current Assets/(Liabilities)	<u>15.2</u>	<u>45.3</u>	<u>(158.9)</u>	<u>134.5</u>
Total Assets Less Current Liabilities	784.2	799.8	454.6	796.2
Creditors				
16 Amounts falling due after more than one year	(329.1)	(285.0)	-	(285.0)
17 Provisions for Liabilities and Charges	(0.5)	(3.6)	-	-
	<u>454.6</u>	<u>511.2</u>	<u>454.6</u>	<u>511.2</u>
Capital and Reserves				
18 Called up share capital	50.0	50.0	50.0	50.0
19 Revaluation reserve	305.4	306.1	389.2	437.3
19 Profit and loss account	99.2	155.1	15.4	23.9
Total Shareholders' Funds (inc. non-equity interests of £2)	<u>454.6</u>	<u>511.2</u>	<u>454.6</u>	<u>511.2</u>

The Notes on pages 10 to 29 form part of these accounts.

Approved by the Board on 28 November 2001



W C NAJDECKI
Director

HARRODS HOLDINGS LIMITED
CONSOLIDATED CASH FLOW STATEMENT

	52 weeks 27/1/01 £m	52 weeks 29/1/00 £m
Net Cash Inflow from Operating Activities	56.3	76.6
Returns on Investments and Servicing of Finance		
Interest received	1.2	0.6
Interest paid	(25.6)	(24.1)
Issue costs of new bank loan	(5.0)	-
Dividends received from fixed asset investments	0.5	1.5
Rent received from properties	0.5	0.3
	<u>(28.4)</u>	<u>(21.7)</u>
Taxation (paid)/received	<u>(1.7)</u>	<u>0.7</u>
Capital Expenditure		
Purchase of tangible fixed assets	(30.1)	(50.1)
4 Disposal of tangible fixed assets	25.9	-
Disposal of fixed asset investment	-	36.8
	<u>(4.2)</u>	<u>(13.3)</u>
Acquisitions and Disposals		
22 Purchase of a business	(10.5)	-
13 Purchase of associate undertaking	(32.3)	(5.0)
	<u>(42.8)</u>	<u>(5.0)</u>
8 Equity Dividends Paid	<u>(59.6)</u>	<u>-</u>
Net cash (outflow)/inflow before use of liquid resources and financing	(80.4)	37.3
(c) Financing		
Increase in borrowings	<u>53.3</u>	<u>10.0</u>
(c) (Decrease)/Increase in Cash	<u>(27.1)</u>	<u>47.3</u>

The Notes on pages 10 to 29 form part of these accounts.

HARRODS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

	52 weeks		52 weeks	
	27/1/01		29/1/00	
	£m		£m	
a) Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities				
Operating profit	29.1		42.1	
Depreciation charged	23.6		18.9	
Write down of freehold property	-		0.2	
Loss on disposal of tangible assets	0.2		0.1	
Write down of fixed asset investment	-		-	
Decrease in stocks	3.0		4.8	
Decrease in debtors	2.6		3.0	
(Decrease)/increase in creditors	(2.2)		7.5	
Net cash inflow from operating activities	56.3		76.6	
b) Reconciliation of Net Cash Flow to Movement in Net Debt				
	52 weeks		52 weeks	
	27/1/01		29/1/00	
	£m		£m	
(Decrease)/Increase in cash in the period	(27.1)		47.3	
Cash inflow from increase in debt	(48.4)		(10.0)	
Movement in net debt in the period	(75.5)		37.3	
Other non cash charges	(0.1)		-	
Net debt at 29 January 2000	(239.9)		(277.2)	
Net debt at 27 January 2001	(315.5)		(239.9)	
c) Analysis of Net Debt				
	29/1/00	Cash Flow	Other	27/1/01
	£m	£m	Non-cash charges	£m
Cash in hand and at bank	45.1	(27.1)	-	18.0
Bank loan	(285.0)	(48.4)	(0.1)	(333.5)
	(239.9)	(75.5)	(0.1)	(315.5)

Non-cash charges represent amortisation of issue costs relating to new bank loan.

Movement in borrowings		£m	£m
Debt due within one year:			
New bank loan		4.8	
Debt due after one year:			
New bank loan		333.5	
Repayment of old bank loan		(285.0)	
Increase in borrowings			53.3
Other non-cash charges			0.1
Issue costs of new bank loans			(5.0)
Cash inflow			48.4

HARRODS HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

Accounting Policies

Basis of Financial Statements

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

Basis of Consolidation

The consolidated financial statements include the results of the Company and its subsidiary undertakings.

The assets of subsidiary undertakings acquired are incorporated at their fair value at the date of acquisition. The premium arising on the acquisition of subsidiary undertakings was charged against reserves, as permitted at the time under SSAP 22.

FRS 15 'Tangible Fixed Assets' has been adopted in this year's financial statements. The adoption of which has resulted in Freehold and leasehold buildings being depreciated to their estimated residual value over their estimated remaining economic lives and the retention of previously revalued assets at their current book values as outlined below. The adoption of which has resulted in an increase in the depreciation charge of £1.6m.

FRS 16 'Current Tax' has been adopted in this year's financial statements. The adoption of which does not result in any adjustment to the financial statements.

Stock

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

Intangible fixed assets

Goodwill arising on acquisitions, representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is stated at cost less amortisation.

Goodwill is capitalised and treated as an asset on the balance sheet in the year in which it arises. It is amortised through the profit and loss account by equal instalments over its useful economic life, which does not exceed 20 years.

Tangible Fixed Assets

Freehold and long leasehold properties are stated at cost or professional or Directors' valuations less accumulated depreciation. All other fixed assets are stated at cost less accumulated depreciation. On adoption of FRS 15, the Company and the Group has followed the transitional provision to cease its previous policy of revaluing properties, instead retaining them at their current book values. These values are retained subject to the requirement to test assets for impairment in accordance with FRS11.

Depreciation is provided by the Group 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, as follows:

Land	Not depreciated
Certain freehold and long leasehold properties	16-50 years
Short leasehold property	Remaining period of lease
Fixtures and fittings	3-20 years
Vehicles and equipment	4-7 years

HARRODS HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)

Accounting Policies (Continued)

Tangible Fixed Assets (Continued)

It is the practice of the Group to maintain its properties in a continual state of repair. Accordingly, for the Harrods department store in Knightsbridge, the Directors consider that the life of this asset is so long, and the residual value (based upon prices prevailing at the time of the acquisition or subsequent valuation) is so high, that the depreciation is immaterial. Any permanent diminution in the value of this property is charged to the profit and loss account as appropriate.

Fixed Asset Investments

The Group accounts for its fixed asset investments at the lower of cost or Directors' valuation less any provision required for permanent diminution in value.

Fixed asset investments in subsidiary undertakings are stated in the balance sheet of the Company at the consolidated net asset value of those subsidiary undertakings. Net surpluses are transferred to a non-distributable revaluation reserve, and net deficits are transferred from this reserve where investments have previously been revalued upwards.

Leased Assets

Rentals payable under operating leases are charged on a straight-line basis to the profit and loss account 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, and where a tax liability is expected to crystallise in the foreseeable future.

Pensions

Retirement benefits are funded by contributions from the Group and employees. Payment is made to the pension trust, which is separate from the Group, 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 Plan.

Actuarial valuations are normally performed every three years and actuarial surpluses and deficits are amortised over the expected remaining service lives of current scheme employees. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

Foreign Currency

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

Gains and losses on forward foreign exchange contracts used to manage foreign exchange exposure are carried forward and taken to the profit and loss on maturity to match the underlying transactions.

HARRODS HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (Continued)

2 Turnover and Segmental Analysis

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

The Group conducts business in the following areas:

	52 weeks 27/1/01 £m	52 weeks 29/1/00 £m	52 weeks 27/1/01 £m	52 weeks 29/1/00 £m	27/1/01 £m	29/1/00 £m
Business Analysis	Turnover		Operating profit/(loss)		Operating Net Assets	
Retailing	524.3	511.1	32.2	42.7	723.9	764.8
Aviation Services	15.9	16.8	(3.1)	(0.6)	30.7	22.3
	<u>540.2</u>	<u>527.9</u>	<u>29.1</u>	<u>42.1</u>	<u>754.6</u>	<u>787.1</u>

Aviation Services includes the results of London Battersea Heliport acquired during the year. The post acquisition results of London Battersea Heliport have not been disclosed on materiality grounds.

	52 weeks 27/1/01 £m	52 weeks 29/1/00 £m
Geographical Analysis	Turnover	
United Kingdom	535.4	523.3
Rest of Europe	1.5	1.4
North America	1.6	1.7
Middle East	1.7	1.5
	<u>540.2</u>	<u>527.9</u>

All costs are incurred in the UK and all operating assets are held in the UK.

Exceptional operating profits/(losses) amounting to £nil million (2000: £4.2 million) have been attributed to the UK retailing segment and exceptional operating profits amounting to £nil million (2000: £2.6 million) have been attributed to the Aviation Services segment.

Net operating assets are stated excluding fixed asset investments, net debt and tax which amount to net liabilities of £300.0 million (2000: £275.9million). All of these items are included in net assets.

The share of associate undertaking turnover is £0.1m and the share of operating loss is £2.5m

HARRODS HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)

Operating Profit and Exceptional items	52 weeks 27/1/01 £m	52 weeks 29/1/00 £m
Exceptional items		
Operating exceptional items within administrative expenses:		
Case specific legal costs	-	(4.2)
Profit on closure of Heathrow Hangar	-	2.6
	<u>-</u>	<u>(1.6)</u>

Exceptional legal costs related to one-off legal cases involving the Group (see note 17).

Operating Profit

Operating profit is stated after charging/(crediting):

Depreciation on tangible fixed assets	23.6	18.9
Auditors' remuneration:		
Audit fees and expenses	0.3	0.3
Non-audit services	0.4	0.2
Rentals paid under operating leases:		
Property	2.7	3.7
Plant and machinery	0.5	0.1
Loss on disposal of tangible fixed assets	0.2	0.1
Gains on foreign exchange	(0.9)	(0.9)
Royalty income	(2.3)	(2.6)
Year 2000 modification costs	-	1.7
Write down of freehold property	-	0.2

The audit fee of the Company was £6,500 (2000: £6,500).

The non-audit services fees relate to accounting and taxation advice.

Profit on disposal of fixed assets

Loss on sale of properties	(2.7)	-
Profit on sale of properties	8.5	-
Profit on sale of fixed asset investment	-	8.6
Net profit on sale of properties	<u>5.8</u>	<u>8.6</u>

Interest

Payable:

Bank loans and overdrafts	(23.1)	(21.6)
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Receivable:

Cash and bank balances	1.1	0.6
	<u>(22.0)</u>	<u>(21.0)</u>

The share of net interest payable of the associate is £0.2m (2000: £nil).

HARRODS HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)

	52 weeks 27/1/01 £m	52 weeks 29/1/00 £m
6 Taxation		
Taxation based on the profits for the year:		
Corporation tax at 30% (2000: 30%)	(2.5)	-
Other tax	(0.1)	(0.1)
	<u>(2.6)</u>	<u>(0.1)</u>

The taxation charge for the year is not equal to 30% due to the existence of differences in tax allowances and depreciation and other timing differences, the offset of capital losses against capital gains and the share of loss of associate including goodwill written off.

7 Company Profit and Loss Account

As permitted by Section 230 of the Companies Act 1985 the profit and loss account of Harrods Holdings Limited is not presented as part of these financial statements. Harrods Holdings Limited profit for the year after taxation amounted to £51.2 million (2000: £15.9 million loss).

	52 weeks 27/1/01 £m	52 weeks 29/1/00 £m
8 Dividends		
Equity – Ordinary		
Interim paid: 1192p (2000: nil) per £1 share	59.6	-
	<u>59.6</u>	<u>-</u>

9 Information Regarding Directors and Employees

Directors

	£000	£000
Emoluments excluding pension contributions	1,176	1,573
Payment to former Director	25	25
Compensation for loss of office	-	84
	<u>1,201</u>	<u>1,682</u>

Emoluments of highest paid Director	<u>773</u>	<u>774</u>
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Accrued pension of highest paid Director	<u>3</u>	<u>2</u>
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There are 3 Directors to whom retirement benefits are accruing under a defined benefit pension scheme (2000: 2).

HARRODS HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)

9 Information Regarding Directors and Employees (Continued)	52 weeks 27/1/01 £m	52 weeks 29/1/00 £m
Employees		
Wages and salaries	94.3	92.9
Social security costs	8.0	7.7
Pension costs	6.8	5.9
	109.1	106.5
	109.1	106.5
	Number	Number
Average weekly number of employees during the year:		
Production	536	418
Selling and Distribution	3,174	3,361
Administration	1,298	1,231
	5,008	5,010
	5,008	5,010

10 Pensions

During the year, the Group 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 Group's net pension charge for the 52 weeks to 27 January 2001 was £6.7 million (2000: £5.9 million).

HARRODS HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)

10 Pensions (Continued)

	27/1/01 £m	29/1/00 £m
The pension prepayment is as follows:		
Opening balance	2.5	4.3
Contributions paid	4.3	4.1
Charge to profit and loss account	(6.7)	(5.9)
Closing balance	<u>0.1</u>	<u>2.5</u>

11 Fixed Assets – Intangible Assets

	Goodwill £m
Cost/Valuation:	
At 30 January 2000	-
Additions	2.9
At 27 January 2001	<u>2.9</u>
Aggregate Amortisation	
At 30 January 2000	-
Charge for year	-
At 27 January 2001	<u>-</u>
Net book value:	
At 27 January 2001	<u>2.9</u>
At 29 January 2000	<u>-</u>

The goodwill arising on the acquisition of the Battersea Heliport, as set out in note 22, is being amortised on a straight-line basis over 20 years. This is the period over which the Directors estimate that the value of the business acquired is expected to exceed the value of the underlying assets.

HARRODS HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (Continued)

2 Fixed Assets – Tangible Assets

					Fixtures, Fittings Vehicles & Equipment
Consolidated	Total	Freehold	Long Leasehold	Short Leasehold	
Cost and valuation:	£m	£m	£m	£m	£m
At 29 January 2000	821.1	577.1	0.8	5.0	238.2
Additions	33.9	11.9	-	0.2	21.8
Disposals	(32.6)	(21.5)	-	(0.4)	(10.7)
Reclassifications	-	43.5	-	(0.1)	(43.4)
At 27 January 2001	<u>822.4</u>	<u>611.0</u>	<u>0.8</u>	<u>4.7</u>	<u>205.9</u>
Accumulated depreciation:					
At 29 January 2000	79.3	0.3	-	1.7	77.3
Charge for year	23.6	3.5	-	0.4	19.7
Disposals	(9.9)	-	-	(0.2)	(9.7)
Reclassifications	-	-	-	(0.1)	0.1
At 27 January 2001	<u>93.0</u>	<u>3.8</u>	<u>-</u>	<u>1.8</u>	<u>87.4</u>
Net book value:					
At 27 January 2001	<u>729.4</u>	<u>607.2</u>	<u>0.8</u>	<u>2.9</u>	<u>118.5</u>
At 29 January 2000	<u>741.8</u>	<u>576.8</u>	<u>0.8</u>	<u>3.3</u>	<u>160.9</u>
Cost and valuation:					
1999 Directors' valuation	535.3	534.5	0.8	-	-
Cost	287.1	76.5	-	4.7	205.9
	<u>822.4</u>	<u>611.0</u>	<u>0.8</u>	<u>4.7</u>	<u>205.9</u>
Historical cost at 29 January 2000	515.0	271.3	0.5	5.0	238.2
Depreciation on historical cost at 29 January 2000	(79.3)	(0.3)	-	(1.7)	(77.3)
Net historical cost at 29 January 2000	<u>435.7</u>	<u>271.0</u>	<u>0.5</u>	<u>3.3</u>	<u>160.9</u>
Historical cost at 27 January 2001	517.0	305.9	0.5	4.7	205.9
Depreciation on historical cost at 27 January 2001	(92.6)	(3.4)	-	(1.8)	(87.4)
Net historical cost at 27 January 2001	<u>424.4</u>	<u>302.5</u>	<u>0.5</u>	<u>2.9</u>	<u>118.5</u>

HARRODS HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (Continued)

12 Fixed Assets – Tangible Assets (Continued)

Freehold properties are stated at cost or professional or Directors' valuation. All other fixed assets are stated at cost. On adoption of FRS 15, the Group has followed the transitional provision to cease its previous policy of revaluing its properties, instead retaining them at their current book values.

Some of the freehold and long leasehold properties of the Group were valued independently as at 31 December 1999. Those properties primarily occupied by the Group were valued on the basis of Existing Use Value and the remainder (principally residential and development properties) on the basis of Open Market Value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. The Group's principal valuers are: Healey & Baker, International Real Estate Consultants, and W.A. Ellis, Estate Agents and Surveyors. The remainder of the freehold and long leasehold properties were revalued by the Directors as at 31 December 1999. These valuations were adopted by the Directors and incorporated in the financial statements at 29 January 2000.

Included in the cost element above is £47.3 million representing the cost of unfinished projects at the year end (2000: £62.4 million).

	Total £m	Short Leasehold £m	Fixtures Fittings Vehicles & Equipment £m
Company			
Cost:			
At 29 January 2000	0.8	0.3	0.5
Disposals	(0.2)	-	(0.2)
At 27 January 2001	0.6	0.3	0.3
Accumulated depreciation:			
At 29 January 2000	(0.6)	(0.2)	(0.4)
Charge for year	(0.1)	(0.1)	-
Disposals	0.2	-	0.2
At 27 January 2001	(0.5)	(0.3)	(0.2)
Net book value:			
At 27 January 2001	0.1	-	0.1
At 29 January 2000	0.2	0.1	0.1

HARRODS HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (Continued)

13 Fixed Assets – Investments

Consolidated	Total £m	Unlisted Investments £m	Associated Investments £m
Cost/Valuation:			
At 29 January 2000			
Goodwill	-	-	-
Other	7.3	7.3	-
	<u>7.3</u>	<u>7.3</u>	<u>-</u>
Additions:			
Net Liabilities	(2.2)		(2.2)
Goodwill	34.5		34.5
Reclassifications	-	(5.0)	5.0
Share of retained loss	(2.6)	-	(2.6)
	<u>(2.6)</u>	<u>-</u>	<u>(2.6)</u>
At 27 January 2001			
Goodwill	39.5	-	39.5
Other	(2.5)	2.3	(4.8)
	<u>37.0</u>	<u>2.3</u>	<u>34.7</u>
Amounts Written off			
At 29 January 2000			
Goodwill	-	-	-
Other	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Amortisation of Goodwill	(5.7)	-	(5.7)
	<u>(5.7)</u>	<u>-</u>	<u>(5.7)</u>
At 27 January 2001			
Goodwill	(5.7)	-	(5.7)
Other	-	-	-
	<u>(5.7)</u>	<u>-</u>	<u>(5.7)</u>
Share of post-acquisition reserves			
At 27 January 2001	5.4	5.4	-
	<u>5.4</u>	<u>5.4</u>	<u>-</u>
At 29 January 2000	5.4	5.4	-
	<u>5.4</u>	<u>5.4</u>	<u>-</u>
Net book value:			
At 27 January 2001			
Goodwill	33.8	-	33.8
Other	2.9	7.7	(4.8)
	<u>36.7</u>	<u>7.7</u>	<u>29.0</u>
At 29 January 2000			
Goodwill	-	-	-
Other	12.7	12.7	-
	<u>12.7</u>	<u>12.7</u>	<u>-</u>

HARRODS HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)

Fixed Assets – Investments (Continued)

Unlisted investments

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 Online Limited

On 10 December 1999, Harrods Limited purchased 350,000 shares (3.5 per cent of the ordinary share capital) in Harrods Online Limited ('HOL'), a private limited company formed under the laws of Ireland, from Danamon Enterprises BV, for a consideration of US \$8.050 million, which, in the opinion of the Directors, approximated to market value.

The initial purchase price paid by the Company for the shares was arrived at by the Directors by comparing projected revenue multiples of similar companies in the e-commerce retail sector with those for HOL. This valuation was applied for all share acquisitions throughout the period.

During the year, the Company acquired additional shares in HOL from Danamon Enterprises BV, a company in which a Director, Mr M Al Fayed, has an indirect material interest and payment for the shares was made to Karimco SA, an associate company of Danamon in which Mr M Al Fayed has a similar indirect material interest (see also note 24). As a result of these transactions, the Company owned 25% of the share capital of HOL, for which it has paid an aggregate sum of £37.263 million. Subsequent to the year end in October 2001, the Company sold its entire shareholding in HOL to Danamon Enterprises BV for an aggregate consideration of £37.275 million which was almost identical to its aggregate purchase price.

Details of the particular transactions referred to above are as follows: on 3 February 2000, 3.5% of the share capital was acquired for US \$8.050 million; on 29 March 2000, 8.0% of the share capital was acquired for US \$18.400 million; on 5 May 2000, 1.5% of the share capital was acquired for US \$3.450 million; on 9 June 2000, 3.0% of the share capital was acquired for US \$6.900 million; on 30 June 2000, 0.5% of the share capital was acquired for US \$1.150 million; on 10 July 2000, 1.5% of the share capital was acquired for US \$3.450 million; on 20 July 2000, 1.5% of the share capital was acquired for US \$3.450 million; on 18 August 2000, 1.0% of the share capital was acquired for US \$2.300 million; on 4 October 2000, 1.0% of the share capital was acquired for US \$2.300 million.

In October 2001, the purchase price paid in respect of each of the above transactions was reviewed (to arrive at a market value) by comparing the original price paid per share against an index of movements in the share price of similar internet retailing companies during the period. The index used is issued monthly by a leading independent equity research and investment bank. Applying this index the values attributable to each of the transactions were: 3 February 2000, US \$7.044 million; 29 March 2000, US \$15.934 million; 5 May 2000, US \$2.156 million; 9 June 2000, US \$3.195 million; 30 June 2000, US \$0.532 million; 10 July 2000, US \$1.314 million; 20 July 2000, US \$1.314 million; 18 August 2000, US \$1.182 million; 4 October 2000, US \$0.971 million.

The Directors estimate that the value of the shares on disposal, using the above index, was approximately £4.722 million.

As it was the intention of the Directors to hold the investment in HOL for the long term it has been accounted for as an associate undertaking for the whole year.

Consequently the group share of losses in equity accounting for the investment, and any amounts of goodwill amortised in the year, will be recouped and a gain on sale will be reported in the 2002 financial statements.

HARRODS HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (Continued)

13	Fixed Assets – Investments (Continued)	Total £m
	Company	
	Investments in subsidiaries at 29 January 2000	661.5
	Share of net deficit for the year	(48.1)
		<hr/>
	Investments in subsidiaries at 27 January 2001	613.4
		<hr/>
	Representing:	
	Cost of investment at 27 January 2001	224.2
	Share of post acquisition reserves	389.2
		<hr/>
		613.4
		<hr/>

	Consolidated	
	27/1/01	29/1/00
	£m	£m
14	Stocks	
	Raw materials and consumables	0.6
	Work in progress	0.8
	Finished goods for resale	46.4
		<hr/>
		47.8
		<hr/>
		50.8
		<hr/>

There were no significant differences between the replacement cost of stocks at 27 January 2001 and the amounts at which they are stated in the accounts. There is no stock held by the Company (2000: £nil).

	Consolidated		Company	
	27/1/01	29/1/00	27/1/01	29/1/00
	£m	£m	£m	£m
15	Debtors			
	Amounts due within one year:			
	Trade debtors	9.7	13.6	-
	Amounts owed by group undertakings	-	-	7.5
	Other debtors	9.9	10.5	0.6
	Prepayments and accrued income	10.4	3.7	-
		<hr/>	<hr/>	<hr/>
		30.0	27.8	8.1
		<hr/>	<hr/>	<hr/>
				7.8
		<hr/>	<hr/>	<hr/>
	Amounts due after more than one year:			
	Pension prepayment	0.1	2.5	0.1
		<hr/>	<hr/>	<hr/>
		0.1	2.5	0.1
		<hr/>	<hr/>	<hr/>
16	Creditors			
	Amounts falling due within one year:			
	Bank loans	4.4	-	-
	Trade creditors	33.8	36.8	-
	Amounts owed to group undertakings	-	-	203.1
	Other creditors	6.6	5.6	0.3
	Taxation and social security	10.8	10.6	-
	Accruals and deferred income	25.1	27.9	1.0
		<hr/>	<hr/>	<hr/>
		80.7	80.9	204.4
		<hr/>	<hr/>	<hr/>
				9.6
		<hr/>	<hr/>	<hr/>

HARRODS HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)

	Consolidated		Company	
	27/1/01	29/1/00	27/1/01	29/1/00
	£m	£m	£m	£m
16 Creditors (Continued)				
Amounts falling due after more than one year:				
Bank loan	<u>329.1</u>	<u>285.0</u>	<u>-</u>	<u>285.0</u>
Bank loan with repayment dates:				
In one year or less	4.8	-	-	-
between one and two years	4.0	-	-	-
between two and five years	12.8	285.0	-	285.0
beyond five years	<u>316.8</u>	<u>-</u>	<u>-</u>	<u>-</u>
	338.4	285.0	-	285.0
Issue costs	(5.0)			
Amortisation costs	<u>0.1</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>333.5</u>	<u>285.0</u>	<u>-</u>	<u>285.0</u>
Comprises:				
Within one year	4.4			
More than one year	<u>329.1</u>			
	<u>333.5</u>			

The Group's bank loan facilities were refinanced during the year. The bank loan, which is repayable quarterly in arrears over 20 years, is secured by way of fixed and floating charges over the Group's assets. Interest is linked to LIBOR. The Group entered into a swap arrangement to eliminate interest rate risk.

HARRODS HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)

17 Provisions for Liabilities and Charges

Consolidated

	Deferred Tax £m	Litigation, Settlement & Associated Costs £m	Vacant Properties £m	Total £m
Balance at 29 January 2000	0.5	2.8	0.3	3.6
Transfer (from)/to profit and loss account	-	(2.8)	(0.3)	(3.1)
Balance at 27 January 2001	<u>0.5</u>	<u>-</u>	<u>-</u>	<u>0.5</u>

Deferred Taxation

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

	27/1/01 £m	29/1/00 £m
Capital allowances	18.2	12.9
Corporation tax on capital gains	5.1	5.1
Other	69.1	55.3
	<u>92.4</u>	<u>73.3</u>

Other relates to tax of £69.1 million which would arise if properties were disposed of at the current carrying value.

There is no deferred taxation liability provided or otherwise for the Company (2000: £nil).

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

Provision for Litigation, Settlement & Associated Costs

The opening provision of £2.8 million, related to the anticipated costs required to resolve specific legal disputes brought both against and by the Harrods Group. These disputes were resolved in the year. £4.2 million was charged to the profit and loss account as exceptional litigation costs as a result of this in the prior year.

HARRODS HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (Continued)

	Consolidated		Company	
	27/1/01 £	29/1/00 £	27/1/01 £	29/1/00 £
18 Called up Share Capital				
Authorised, allotted and fully paid:				
50,000,000 ordinary shares of £1 each	50,000,000	50,000,000	50,000,000	50,000,000
1 "A" special rights redeemable preference share of £1	1	1	1	1
1 "B" special rights redeemable preference share of £1	1	1	1	1
	<u>50,000,002</u>	<u>50,000,002</u>	<u>50,000,002</u>	<u>50,000,002</u>

The A and B Special Shares have certain special control rights over the Company, rank in priority, at par, over the ordinary shares on winding-up, have reduced voting rights, and are redeemable at the option of the shareholders.

Included within the shareholders' funds of £454.6 million is an amount in respect of non-equity interests of £2. All other amounts are attributable to the equity shareholders.

	Consolidated		Company	
	Revaluation Reserve £m	Profit & Loss Account £m	Revaluation Reserve £m	Profit & Loss Account £m
19 Reserves				
Balance at 29 January 2000	306.1	155.1	437.3	23.9
Profit/(Loss) retained for the year		(56.6)		(8.5)
Revaluation surplus on tangible fixed assets	(0.7)	0.7	-	-
Revaluation deficit on investment in subsidiaries			(48.1)	-
Balance at 27 January 2001	<u>305.4</u>	<u>99.2</u>	<u>389.2</u>	<u>15.4</u>

At 27 January 2001, the cumulative amount of goodwill written off to reserves amounted to £39.1 (2000: £39.1 million).

HARRODS HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)

	Consolidated	
	27/1/01 £m	29/1/00 £m
20 Commitments		
Capital Commitments		
Contracted for but not provided	27.5	51.5

There were no capital commitments in the Company (2000: £nil).

	Consolidated		Company	
	27/1/01 £m	29/1/00 £m	27/1/01 £m	29/1/00 £m
Leasing Commitments				
Leasing commitments during the year commencing 28 January 2001 in respect of operating leases are:				
Land and buildings leases expiring:				
Within one year	-	-	-	-
Between one and five years	0.1	0.1	-	-
Over five years	11.5	2.9	0.2	0.2
	<u>11.6</u>	<u>3.0</u>	<u>0.2</u>	<u>0.2</u>
Other assets leases expiring:				
Within one year	0.1	0.1	-	-
Between one and five years	0.6	0.5	-	-
	<u>0.7</u>	<u>0.6</u>	<u>-</u>	<u>-</u>

In addition to the above, the Group has commitments under concession agreements payable within one year amounting to £14.4 million (2001: £14.3 million).

21 Contingent Liabilities

The Group enters into forward exchange contracts and options all maturing within one year, solely to manage its foreign exchange exposure to certain currencies. These contracts relate to the trading activities of a subsidiary undertaking. The Group has hedged approximately 80% of these future transactions. Through its hedging activities the Group seeks to minimise the risk that eventual cash flows required to settle related liabilities will be affected by changes in exchange rates.

The exposure on outstanding contracts at each period end was as follows:

	Consolidated		Company	
	27/1/01 £m	29/1/00 £m	27/1/01 £m	29/1/00 £m
Forward exchange contracts	11.2	13.7	-	-

The Company has in place an interest rate swap arrangement that matures in October 2003. This is on a notional principal amount of £100 million based on a previous loan facility held by the Company, and is activated if LIBOR falls below a certain level.

HARRODS HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)

22 Acquisitions

Acquisition of Battersea Heliport

In December 2000, the company acquired the trade, assets and liabilities of the London Battersea Heliport, for an aggregate consideration of £10,540,000.

The fair value of the assets and liabilities purchased at the date of acquisition were as follows:

	Book value £	Revaluations £	Fair value £
Tangible fixed assets	1,061,000	6,503,000	7,564,000
Debtors and prepayments	187,000	-	187,000
Trade creditors and accruals	(72,000)	-	(72,000)
Net assets acquired	1,176,000	6,503,000	7,679,000
Goodwill arising (note 11)			2,861,000
Consideration			10,540,000
Consideration satisfied by:			
Cash (including acquisition costs)			10,540,000

The purchase of Battersea Heliport has been incorporated into the Group financial statements using acquisition accounting.

The fair value adjustments contain some provisional amounts, which will be finalised in the January 2002 financial statements when the detailed acquisition investigation has been completed.

The revaluation adjustment in respect of tangible fixed assets comprises the valuation of freehold land and buildings.

In the last full financial year to 31 December 1999, the Battersea Heliport recorded a profit before tax of £511,273. For the period from 1 January 2000 to the date of acquisition by the company, the Battersea Heliport unaudited management accounts show: turnover of £1,256,742, and operating profit of £576,256. There was no difference between net profit and total recognised gains and losses for the period.

23 Post Balance Sheet Events

The Group disposed of one of its freehold properties for £52.5 in August 2001.

In October 2001 the Group sold all of its shareholding in Harrods Online Limited for £37.275m (See note 13).

In October the Group paid a dividend of £39.5m to the ultimate parent undertaking.

HARRODS HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (Continued)

24 Parent Undertakings

Harrods Holdings Limited, a Company registered in England and Wales, is the parent undertaking of the Harrods Holdings Group which is both the smallest and largest group which consolidates the results of the Company.

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.

25 Related Party Transactions

The Group has taken advantage of the exemption under FRS8 not to disclose related party transactions between wholly owned Group undertakings.

During the year the Group traded with a number of companies, which are under the control of the Group's ultimate shareholders. These companies comprise Turnbull & Asser Limited (and subsidiaries), AIT Services (UK) Limited, Balnagown Castle Properties Limited, The Ritz Hotel Limited, Fayair (Jersey) Co. Limited, Prestige Properties S.A., Hyde Park Residence Limited, Barrow Green Farm Limited, Fulham Football Leisure Limited, Fulham Stadium Limited, Fulham Football Club (1987) Limited, FL Property Management Limited, Harrods Natural Resources Inc, Harrods Finance Trust Co SA, Harrods Minerals Limited, Harrods Minerals Mongolia Limited, Harrods Natural Resources Limited, Harrods Energy Limited, Harrods Petroleum Corporation Limited, Harrods Trading International Limited, Alfayed Charitable Foundation, Westheath 2000 Limited, ACF Sevenoaks, Harrods Staff Benevolent Fund, Harrods Energy (Thailand) Limited, Harrods Online Limited, Mohafa, Bocardo Societe Anonyme and Liberty Holdings Limited (and subsidiaries). The transactions and balances with these companies are not considered to be material except as described below and as set out in Note 13.

During the year, the Group made charges for rent, rates and service charges to Liberty Publishing and Media Limited, amounting to £0.2m (2000: £0.3m). £nil was outstanding at the year end (2000: £nil).

During the year, the Group recharged payroll and made charges for professional fees to Fulham Football Club (1987) Limited, amounting to £0.6m (2000: £0.7m). £nil was outstanding at the year end (2000: £nil).

During the year, the Group recharged payroll and made charges for professional fees to Harrods Online Limited, amounting to £0.1m (2000: £nil). £nil was outstanding at the year end (2000: £nil).

The Group made charges, for management fees, charter fees, contract work and engineering services to Fayair (Jersey) Co. Limited, amounting to £1.5 m (2000: £1.1m). The balance outstanding relating to these transactions as at 27 January 2001 totalled £0.6m (2000: £0.2m).

Royalties are paid by Harrods Online Limited, on commercial terms, to the Group for the use of the Harrods name. Royalty income of £0.1m (2000: £nil) was charged during the year and remains outstanding at the year end (2000: £nil).

The Group made a charitable donation of £0.1m (2000: £0.1m) to Harrods Energy (Thailand) Limited which has been used towards the building of a school in Thailand. The Group also paid expenses on behalf of Harrods Energy (Thailand) Limited of less than £0.1m. This balance was outstanding at the year end (2000: £nil).

HARRODS HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (Continued)

25 Related Party Transactions (Continued)

The Group charged trademark fees for the use of the Harrods name to Harrods Natural Resources Inc., Harrods Energy (Thailand) Limited, Harrods Finance Trust Co SA, Harrods Minerals Limited, Harrods Minerals Mongolia Limited, Harrods Natural Resources Limited, Harrods Energy Limited, Harrods Petroleum Corporation Limited, Harrods Trading International Limited of £0.4m, some of this charge related to the prior year. £nil was outstanding at the year end (2000: £nil).

The Group incurred expenses of £5m (2000: £0.7m) during the year, which were recharged back to Harrods Online Limited. The debtor outstanding at the year end was £nil (2000: £0.2m). The Group also purchased merchandise for resale from Harrods Online Limited to a value of £0.3m (2000: £nil).

The Group paid salary and professional fees totalling £0.1m (including VAT) on behalf of Harrods Natural Resources Inc during the year (2000:£0.1m) These were recharged to Harrods Natural Resources Inc. The debtor outstanding at the year end was £nil (2000: £0.1m).

The Group charged Turnbull & Asser £0.3m (2000: £0.3m) under commercial terms for the concession it operates in the Store.

Fees in respect of marketing and advisory services, received from Hyde Park Residence Limited during the year amounted to £0.1m (2000: £nil). Trade debtors due from Hyde Park Residence Limited at 27 January 2001 amounted to £nil (29 January 2000: £nil).

HARRODS HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (Continued)

Principal Subsidiaries

Operating at 27 January 2001

The following trading companies are registered in England and Wales and operate in the United Kingdom:

	<u>Principal Activity</u>
Harrods (UK) Limited (1)	Holding company
Harrods Limited	Department store
Harrods International Limited	Tax free retailer and wholesaler
Harrods (Continental) Limited	Exporter
Harrods Estates Limited	Estate Agents
Kurt Geiger Limited	Footwear retailer
Genavco Insurance Limited	Insurance broker
Metro Business Aviation Limited	Executive jet handling company
Air Harrods Limited	Helicopter operator
Harrods Property Limited	Property management

- (1) The whole of the issued share capital in this company is owned directly by Harrods Holdings Limited. The whole of the share capital in the other companies is held by intermediate holding companies.

All subsidiary undertakings are wholly owned (100% voting rights) and are included within the consolidated financial statements.

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

In addition to the companies shown in the above list, the Group also holds investments in other subsidiary undertakings. Details of all Group companies will be annexed to the Company's next annual return in compliance with Section 231 of the Companies Act 1985.