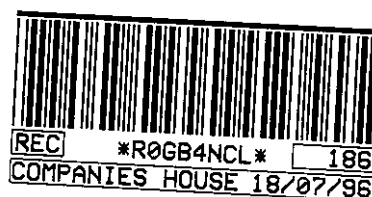


**HARRODS INVESTMENTS PLC
REPORT AND FINANCIAL STATEMENTS
52 WEEKS ENDED 27 JANUARY 1996**



Registered in England and Wales
Number: 1848143

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HARRODS INVESTMENTS PLC

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements of Harrods Investments plc and its subsidiary companies ("the Group") for the 52 weeks ended 27 January 1996.

Directors and Their Interests

The present Directors of the Company are:

M Al Fayed
A Fayed (Chairman)
M D Cole
D R Webb

The following Director also held office during the year:

O H Bayoumi (resigned on 30 June 1995)

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. 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 29 January 1995 or at 27 January 1996.

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, except as noted below.

On 21 December 1995, the Group disposed of its interest in Turnbull & Asser Limited and its subsidiaries to A Fayed. The consideration for the transaction amounted to its estimated market value of £15.0 million which was settled fully in cash on completion.

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.

Results and Dividends

The Group's profit before interest and exceptional items for the 52 weeks to 27 January 1996 amounted to £67.5 million (52 weeks to 28 January 1995 - £58.9 million). Exceptional profits for the 52 weeks to 27 January 1996 amounted to £0.4 million (52 weeks to 28 January 1995 - exceptional profits of £127.9 million). The exceptional profits were due to a profit on disposal of the interest in Turnbull & Asser Limited of £3.8 million which was offset by a loss on disposal of substantially all the assets and the business of DTSI Limited (formerly Retail & General Finance Limited) of £3.4 million (52 weeks to 28 January 1995 the exceptional profits were principally due to the profit on the disposal of House of Fraser plc).

The Directors have proposed and paid a dividend of £40.0 million during the year and an amount of £4.4 million has been transferred to reserves.

HARRODS INVESTMENTS PLC

DIRECTORS' REPORT.....Contd.

Review of the Business and Future Developments

The Group continues to perform exceptionally well and for the continuing operations the reported turnover was up 9.0% for the year. The resulting profit before interest, tax and exceptional items of £67.5m was an increase of £6.1 million or 9.9% over the previous year.

On 3 November 1995 the Group purchased Metro Business Aviation Limited (formerly Hunting Business Aviation Limited) for £1.3 million and on 21 December 1995 disposed of its interest in Turnbull & Asser Limited for £15.0 million. In addition, substantially all the assets and the business of DTSI Limited were sold for £4.5 million on 25 January 1996.

On 21 March 1996 the Group purchased shares in Liberty Publishing Limited (formerly Opencounty Limited).

Changes in Fixed Assets

Changes in fixed assets are set out in Notes 10 and 11 to the financial statements.

Revaluation of Properties

The freehold and long leasehold properties of Harrods Investments plc and its subsidiaries have been valued by the Directors as at 27 January 1996 based on sample valuations by Healey and Baker, International Real Estate Consultants on the basis of the Existing Use Value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

The Directors' valuations showed a surplus of £8.5 million which has been added to reserves and is shown in Note 20 to the financial statements.

Insurance

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

Health and Safety

In accordance with the provisions of the Health & Safety at Work etc. Act 1974, the Group has issued a written statement of its general policy with respect to the health, safety and welfare at work of its employees and the organisation and arrangements for carrying out that policy. This statement has been brought to the notice of all employees of the Group.

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.

HARRODS INVESTMENTS PLC

DIRECTORS' REPORT.....Contd.

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.

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 9 to the financial statements.

Donations

The charitable donations made and charged in the accounts amounted to £695,939. No political contributions were made.

Auditors

Price Waterhouse have expressed their willingness to continue in office as Auditors to the Company and a resolution proposing their re-appointment and authorising the Directors to fix their remuneration will be put to the Annual General Meeting.

Statement of Directors' Responsibilities

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group 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 7 to 29 on a going concern basis and consider that the Company and the Group have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

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

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

HARRODS INVESTMENTS PLC

DIRECTORS' REPORT.....Contd.

Close Company

As at 27 January 1996 the Company was a Close Company within the meaning of Part XI Chapter 1 of the Income and Corporation Taxes Act 1988.

By Order of the Board



S JERMAN
Secretary
18 April 1996

Registered Office
14 South Street
London
W1Y 5PJ

AUDITORS' REPORT TO THE MEMBERS OF HARRODS INVESTMENTS PLC

We have audited the financial statements on pages 7 to 29 which have been prepared under the historical cost convention, as modified by the revaluation of certain land and buildings, and the accounting policies set out on pages 14 and 15.

Respective Responsibilities of Directors and Auditors

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

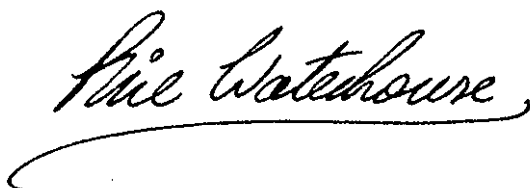
Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's 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 affairs of the Company and the Group as at 27 January 1996 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.

A stylized, handwritten signature in cursive script that reads "Price Waterhouse". The signature is written in dark ink and has a long, sweeping underline that extends to the left.

Price Waterhouse
Chartered Accountants
and Registered Auditors
18 April 1996

Southwark Towers
32 London Bridge Street
London
SE1 9SY

HARRODS INVESTMENTS PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT 52 WEEKS ENDED 27 JANUARY 1996

Note	52 weeks 27/1/96 Total £m	52 weeks 28/1/95 Continuing Operations £m	52 weeks 28/1/95 Discontinued Operations £m	52 weeks 28/1/95 Total £m
GROSS TURNOVER	577.2	530.4	101.5	631.9
Value Added Tax	(61.6)	(57.5)	(14.8)	(72.3)
2 Turnover	515.6	472.9	86.7	559.6
Cost of sales	(295.1)	(270.8)	(56.8)	(327.6)
GROSS PROFIT	220.5	202.1	29.9	232.0
3 Distribution and store costs	(140.5)	(130.8)	(27.4)	(158.2)
3 Administrative expenses	(16.9)	(13.5)	(5.1)	(18.6)
Other operating income	3.1	3.0	-	3.0
3 OPERATING PROFIT	66.2	60.8	(2.6)	58.2
4 Other income	1.3	0.6	0.1	0.7
PROFIT/(LOSS) BEFORE EXCEPTIONAL ITEMS INTEREST AND TAXATION	67.5	61.4	(2.5)	58.9
5 Exceptional items				
Profit on disposal of businesses	0.4	-	125.4	125.4
Profit on disposal of fixed assets	-	2.5	-	2.5
PROFIT BEFORE INTEREST AND TAXATION	67.9	63.9	122.9	186.8
6 Interest	(9.2)			(8.1)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	58.7			178.7
7 Taxation	(14.3)			(18.4)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR	44.4			160.3
Dividends	(40.0)			(50.0)
RETAINED PROFIT TRANSFERRED TO RESERVES	4.4			110.3

All profits in the period arose from continuing operations.

The movements on reserves are shown in Note 20.

HARRODS INVESTMENTS PLC

	52 weeks 27/1/96 £m	52 weeks 28/1/95 £m
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES		
52 WEEKS ENDED 27 JANUARY 1996		
Profit on ordinary activities after taxation	44.4	160.3
Unrealised surplus on revaluation of properties	8.5	3.2
Share of unrealised surplus on revaluation of properties of associated undertaking	-	0.6
	<u>52.9</u>	<u>164.1</u>
Total gains and losses recognised since last annual report		
NOTE OF HISTORICAL COST PROFITS AND LOSSES		
52 WEEKS ENDED 27 JANUARY 1996		
Reported profit on ordinary activities before taxation	58.7	178.7
Realisation of property revaluation gains/(deficit) of previous years:		
on disposal of subsidiary	0.1	(0.7)
other	-	3.4
	<u>58.8</u>	<u>181.4</u>
Historical cost profit for the year before taxation		
Historical cost profit for the year after taxation and dividends	<u>4.5</u>	<u>113.0</u>
RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS		
52 WEEKS ENDED 27 JANUARY 1996		
Total recognised gains and losses	52.9	164.1
Dividends	(40.0)	(50.0)
Goodwill adjustment on disposal of subsidiary undertakings	6.6	25.7
Premiums on acquisition of subsidiaries written off	(1.1)	-
	<u>18.4</u>	<u>139.8</u>
Net addition to shareholders' funds		
Opening shareholders' funds	363.8	224.0
Closing shareholders' funds	<u>382.2</u>	<u>363.8</u>

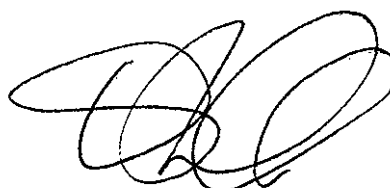
HARRODS INVESTMENTS PLC

BALANCE SHEETS AT 27 JANUARY 1996

Note	Consolidated		Company	
	1996	1995	1996	1995
	£m	£m	£m	£m
FIXED ASSETS				
10 Tangible Assets	538.9	478.6	0.5	0.6
11 Investments	<u>12.1</u>	<u>12.8</u>	<u>521.0</u>	<u>492.3</u>
	<u>551.0</u>	<u>491.4</u>	<u>521.5</u>	<u>492.9</u>
CURRENT ASSETS				
12 Stocks	50.9	55.9	-	-
13 Debtors due within one year	20.3	18.6	5.3	5.2
13 Debtors due after more than one year	5.8	14.4	0.1	0.1
14 Investments	-	1.6	-	-
15 Cash and bank balances	<u>5.4</u>	<u>48.3</u>	<u>32.1</u>	<u>47.0</u>
	<u>82.4</u>	<u>138.8</u>	<u>37.5</u>	<u>52.3</u>
CREDITORS				
Amounts falling due within one year				
16 Creditors	(75.5)	(94.2)	(1.8)	(10.1)
17 Amounts due to parent undertaking	<u>-</u>	<u>(40.9)</u>	<u>-</u>	<u>(40.9)</u>
NET CURRENT ASSETS	<u>6.9</u>	<u>3.7</u>	<u>35.7</u>	<u>1.3</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>557.9</u>	<u>495.1</u>	<u>557.2</u>	<u>494.2</u>
CREDITORS				
Amounts falling due after more than one year				
16 Other creditors	(175.4)	(130.4)	(175.0)	(130.4)
PROVISIONS FOR LIABILITIES AND CHARGES				
18 Deferred taxation	<u>(0.3)</u>	<u>(0.9)</u>	<u>-</u>	<u>-</u>
	<u>382.2</u>	<u>363.8</u>	<u>382.2</u>	<u>363.8</u>
CAPITAL AND RESERVES				
19 Called up share capital	50.0	50.0	50.0	50.0
20 Revaluation reserve	243.0	231.6	296.8	268.1
20 Profit and loss account	<u>89.2</u>	<u>82.2</u>	<u>35.4</u>	<u>45.7</u>
Equity shareholders' funds	<u>382.2</u>	<u>363.8</u>	<u>382.2</u>	<u>363.8</u>

Approved by the Board on 18 April 1996


M AL FAYED
Director


D R WEBB
Director

HARRODS INVESTMENTS PLC

CONSOLIDATED CASH FLOW STATEMENT 52 WEEKS ENDED 27 JANUARY 1996

		52 weeks 27/1/96 £m	52 weeks 28/1/95 £m
Note			
1	Net cash inflow from operating activities	<u>80.0</u>	<u>52.0</u>
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
	Interest received	2.8	5.2
	Interest paid	(12.0)	(23.4)
	Dividends received from associated undertaking	1.4	0.4
	Dividends received from other investments	0.2	0.1
	Dividends paid	(40.0)	(50.0)
	Rent received from properties	0.9	1.9
	Other property costs	<u>(0.8)</u>	<u>(1.8)</u>
	Net cash outflow from returns on investments and servicing of finance	<u>(47.5)</u>	<u>(67.6)</u>
	TAXATION		
	UK tax (paid)/received	(25.4)	10.4
	Foreign tax paid	<u>(4.6)</u>	<u>(0.1)</u>
	Net cash (outflow)/inflow from taxation	<u>(30.0)</u>	<u>10.3</u>
	INVESTING ACTIVITIES		
	Purchase of tangible fixed assets	(61.9)	(34.6)
	Sale of tangible fixed assets	0.1	16.6
6	Purchase of a subsidiary undertaking	(1.5)	-
7	Sale of businesses - Turnbull & Asser Limited	11.8	-
	- DTSI Limited	4.0	-
	- House of Fraser plc	-	416.8
4	Cash collateral deposit	40.0	(40.0)
	Sales less purchases of current asset investments	<u>1.7</u>	<u>0.3</u>
	Net cash (outflow)/inflow from investing activities	<u>(5.8)</u>	<u>359.1</u>
	Net cash (outflow)/inflow before financing	<u>(3.3)</u>	<u>353.8</u>
	FINANCING		
	Repayment of amounts borrowed	40.9	586.1
	Increase/new long term loans - continuing business	(45.0)	(130.0)
	- discontinued business	-	(100.0)
5	Net cash (inflow)/outflow from financing	<u>(4.1)</u>	<u>356.1</u>
2/3	Increase/(decrease) in cash and cash equivalents	<u>0.8</u>	<u>(2.3)</u>
		<u>(3.3)</u>	<u>353.8</u>

HARRODS INVESTMENTS PLC

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT 52 WEEKS ENDED 27 JANUARY 1996

52 WEEKS ENDED 27 JANUARY 1996

			52 weeks 27/1/96 £m	52 weeks 28/1/95 £m
1	RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES			
	Operating profit		66.2	58.2
	Depreciation charged		11.0	11.1
	Loss on disposal of tangible assets		0.3	0.2
	Fixed assets written off		0.1	0.2
	Amounts written back on fixed assets		(0.1)	-
	Change in stocks		4.1	(19.6)
	Change in debtors		2.3	7.3
	Change in creditors		(3.9)	(5.4)
	Net cash inflow from operating activities		<u>80.0</u>	<u>52.0</u>
2	ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR			
			1996 £m	1995 £m
	Opening balance		(1.1)	1.2
	Net cash inflow/(outflow)		<u>0.8</u>	<u>(2.3)</u>
	Closing balance		<u>(0.3)</u>	<u>(1.1)</u>

On 3 April 1995 the cash collateral deposit of £40.0 million relating to the deferred consideration on the sale of House of Fraser plc was released.

HARRODS INVESTMENTS PLC

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT....Contd.

	Loans £m	Subordinated loan £m	Share capital £m
5 ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR			
Balance at 28 January 1995	(130.0)	(40.9)	(50.0)
Cash (inflow)/outflow from financing	(45.0)	40.9	-
Balance at 27 January 1996	<u>(175.0)</u>	<u>-</u>	<u>(50.0)</u>
6 PURCHASE OF A SUBSIDIARY UNDERTAKING			
On 3 November 1995, the Group acquired the whole of the issued share capital of Metro Business Aviation Limited (formerly Hunting Business Aviation Limited) for a cash consideration of £1.3 million.			
The assets and liabilities acquired at this date were as follows:			
	Net Book Value £m	Fair Value Adjustments (Provisions) £m	Fair Value £m
Fixed assets	0.4	-	0.4
Stock	1.1	-	1.1
Debtors	1.7	-	1.7
Cash in hand	0.3	-	0.3
Bank overdraft	(0.5)	-	(0.5)
Creditors	(2.1)	(0.7)	(2.8)
Net assets acquired	<u>0.9</u>	<u>(0.7)</u>	<u>0.2</u>
Goodwill arising on acquisition			1.1
			<u>1.3</u>
Satisfied by:			
Consideration			1.0
Acquisition costs			0.3
			<u>1.3</u>
Represented by:			
Cash consideration			1.3
Cash at bank and in hand acquired			(0.3)
Bank overdraft of acquired subsidiary undertaking			0.5
Net cash outflow of cash and cash equivalents in respect of the purchase of a subsidiary			<u>1.5</u>

HARRODS INVESTMENTS PLC

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT....Contd.

7 SALE OF BUSINESSES

	Turnbull & Asser Limited £m	DTSI Limited £m
Net assets disposed of:		
Fixed assets	0.6	-
Stock	2.0	-
Debtors	1.0	7.9
Cash at bank and in hand	3.2	-
Creditors	(2.1)	-
	4.7	7.9
Property revaluation reserve released	(0.1)	-
Goodwill	6.6	-
	11.2	7.9
Profit/(loss) on disposal	3.8	(3.4)
	<u>15.0</u>	<u>4.5</u>
Satisfied by:		
Cash	15.0	4.0
Deferred consideration	-	0.5
	<u>15.0</u>	<u>4.5</u>
Represented by:		
Consideration	15.0	4.5
Cash and cash equivalents disposed of	(3.2)	-
Debtors	-	(0.5)
Net cash inflow of cash and cash equivalents in respect of the sale of businesses	<u>11.8</u>	<u>4.0</u>

HARRODS INVESTMENTS PLC

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Basis of Accounts

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of the Group's properties, and comply with the disclosure requirements of the Companies Act 1985 and applicable accounting standards.

Basis of Consolidation

The consolidated financial statements include the results of the Company and its subsidiary undertakings and the Group's share of the results and the post acquisition reserves of its associated 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 is charged against reserves.

The investment in the associated undertakings is stated at cost, less goodwill (which is written off against reserves) plus the Group's share of post acquisition results.

Harrods Bank Limited is accounted for as an associated undertaking, although the Group continues to retain a full economic interest in the company through 100% ownership of the non-voting shares.

Stock

Stock is stated at the lower of cost and net realisable value, which is generally computed on the basis of selling price less the appropriate trading margin.

Tangible Fixed Assets

Freehold and long leasehold properties are stated at either professional or Directors' valuation. All other fixed assets are stated at cost.

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:

Short leasehold property	remaining period of lease
Fixtures and fittings	3-20 years
Vehicles and equipment	4-7 years

It is the practice of the Group 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 the 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 INVESTMENTS PLC

NOTES TO THE ACCOUNTS.....Contd.

1. ACCOUNTING POLICIES.....Contd.

Tangible Fixed Assets.....Contd.

During the year the Directors have reviewed the appropriateness of their estimates of the useful economic lives and residual values of the Group's properties. As a result of that review, for certain freehold assets depreciation is provided over 25 to 50 years.

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

Surpluses and deficits on the disposal of such assets are determined by reference to their net book value.

Fixed Asset Investments

The Group accounts for its fixed asset investments at cost 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 or deficits are transferred to a non-distributable revaluation reserve.

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 financially 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.

Foreign Currency

All amounts in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences arising from the translation of the opening net investment in a subsidiary to the closing rate are recorded as a movement on reserves. Realised gains and losses are dealt with in the profit and loss account.

HARRODS INVESTMENTS PLC

NOTES TO THE ACCOUNTS.....Contd.

52 weeks	52 weeks
27/1/96	28/1/95
£m	£m

2. TURNOVER

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

United Kingdom

<u>515.6</u>	<u>559.6</u>
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In the opinion of the Directors, the Group conducts only one significant class of business in one geographical area. Any further segmental analysis of this information would be immaterial.

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

Depreciation on tangible fixed assets	11.0	11.1
Auditors' remuneration:		
Audit fees and expenses	0.2	0.2
Non-audit services	0.1	0.2
Rentals paid under operating leases:		
Property	2.7	4.6
Plant and machinery	0.6	-
Fixed assets written off	0.1	0.2
Amounts written back on fixed assets	(0.1)	-
Royalty income	<u>(3.0)</u>	<u>(3.0)</u>

Certain operating expenses amounting to £0.8 million have been reclassified as administrative expenses in the current year, and prior year amounts of £0.7 million have been restated accordingly.

4. OTHER INCOME

Investment income:

Share of profits of associated undertakings	1.0	0.7
Income from current asset investment - unlisted	0.2	0.1
Net rental income	0.8	1.5
Non trading property expenses	<u>(0.7)</u>	<u>(1.6)</u>
	<u>1.3</u>	<u>0.7</u>

HARRODS INVESTMENTS PLC

NOTES TO THE ACCOUNTS.....Contd.

5. EXCEPTIONAL ITEMS

	52 weeks 27/1/96 £m	52 weeks 28/1/95 £m
Continuing activities:		
Profit on disposal of shareholding in Turnbull & Asser Limited and subsidiaries	3.8	-
Loss on disposal of the assets and the business of DTSI Limited	(3.4)	
Profit on sale of properties	-	2.0
Profit on sale of fixed asset investment	-	0.5
	<u>0.4</u>	<u>2.5</u>
Discontinued activities:		
Profit on disposal of shareholding in House of Fraser plc and subsidiaries	-	125.4
	<u>0.4</u>	<u>127.9</u>

On 21 December 1995, the Group disposed of its interest in Turnbull & Asser Limited and its subsidiaries to A Fayed. The consideration for the transaction amounted to its estimated market value of £15.0 million which was settled fully in cash on completion. After adjustment for goodwill realised on disposal of £6.6 million, the transaction generated a profit on disposal of £3.8 million.

On 25 January 1996, following a significant review of the loan book of the Company, substantially all of the assets of the business together with the business, its employees and the company name of DTSI Limited (formerly Retail & General Finance Limited) were sold to Standhigh Limited (now known as Retail & General Finance Limited). Proceeds of the sale were £4.5 million realising a loss against book values and after expenses of sale of £3.4 million.

6. INTEREST

Payable:

Bank loans and overdrafts	(11.9)	(13.3)
Other interest payable	-	(0.2)
	<u>(11.9)</u>	<u>(13.5)</u>

Receivable:

Cash and bank balances	0.9	0.9
Other interest receivable	1.8	4.5
	<u>(9.2)</u>	<u>(8.1)</u>

7. TAXATION

Taxation based on the profits of the year:

Corporation Tax at 33%	(15.2)	(18.2)
Deferred tax released in the year	1.5	-
Associated undertakings	(0.1)	(0.1)
Other tax	(0.2)	(0.1)
	<u>(14.0)</u>	<u>(18.4)</u>
Adjustment for earlier years	(0.3)	-
	<u>(14.3)</u>	<u>(18.4)</u>

HARRODS INVESTMENTS PLC

NOTES TO THE ACCOUNTS.....Contd.

8. PROFIT FOR THE FINANCIAL YEAR

Company profit and loss account

As permitted by Section 230 of the Companies Act 1985 the profit and loss account of Harrods Investments plc is not presented as part of these financial statements. Harrods Investments plc profit for the year after taxation amounted to £29.7 million (52 weeks to 28 January 1995 - £210.6 million).

Contributions from acquisitions and disposals

Turnbull & Asser Limited contributed £0.8 million to the Group's profit after tax in the period from 29 January 1995 to the date of disposal. The effect of the acquisition and other disposal mentioned in the directors' report was not material to the Group accounts.

The results from Metro Business Aviation Limited for the period prior to acquisition were as follows:

	Profit after tax £m
Period from 1 January 1995 to 3 November	0.7
Year ended 31 December 1994 (as restated)	<u>0.7</u>

9. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

52 weeks 27/1/96 £'000	52 weeks 28/1/95 £'000
------------------------------	------------------------------

Directors' emoluments

Emoluments including pension contributions	468	566
Compensation for loss of office	189	Nil
Payments to a former director	117	Nil
Emoluments of the Chairman	Nil	Nil
Emoluments of highest paid Director	<u>258</u>	<u>218</u>

The range of Directors' emoluments and the number within each range were:

	Number	Number
£ 0 - £5,000	2	2
£ 80,001 - £85,000	-	1
£ 110,001 - £115,000	-	1
£ 150,001 - £155,000	-	1
£ 155,001 - £160,000	1	-
£ 210,001 - £215,000	1	-
£ 215,001 - £220,000	-	1
£ 255,001 - £260,000	<u>1</u>	<u>-</u>

HARRODS INVESTMENTS PLC

NOTES TO THE ACCOUNTS.....Contd.

9. INFORMATION REGARDING DIRECTORS AND EMPLOYEES.....Contd.

Staff costs	52 weeks 27/1/96 £m	52 weeks 28/1/95 £m
Wages and salaries	77.8	82.8
Social security costs	6.6	7.2
Pension costs	1.0	1.1
	<u>85.4</u>	<u>91.1</u>
	Number	Number
Average weekly number of employees during the year:		
United Kingdom	<u>5,041</u>	<u>6,137</u>

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

Investment return	9.0 per cent per annum compound
General increase in pensionable earnings	6.5 per cent per annum compound
Dividend increase in pensionable earnings	4.5 per cent per annum compound

The total surplus for the Group Pension Plan as at 5 April 1993 has been determined by qualified independent actuaries who are partners of Bacon and Woodrow, Consulting Actuaries. This total surplus has been allocated to the companies within the Group by the Directors of Harrods Investments plc on a basis that is consistent with that adopted in prior years.

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

HARRODS INVESTMENTS PLC

NOTES TO THE ACCOUNTS.....Contd.

9. INFORMATION REGARDING DIRECTORS AND EMPLOYEES.....Contd.

Pensions.....Contd.

The Group's pension charge for the 52 weeks to 27 January 1996 is based on the total surplus as follows:	52 weeks 27/1/96	52 weeks 28/1/95
	£m	£m
Regular cost	2.6	3.3
Variation	(1.6)	(2.2)
Net pension charge	<u>1.0</u>	<u>1.1</u>

The pension prepayment is as follows:	1996	1995
	£m	£m
Opening balance	1.6	9.5
Contributions paid	2.1	-
Charge to profit and loss account	(1.0)	(1.1)
Disposal on sale of House of Fraser plc	-	(6.8)
Closing balance	<u>2.7</u>	<u>1.6</u>

The market value of assets held within the pension plan, as at 5 April 1993 was £290.3 million. At this date, the actuarial value was sufficient to cover 114.5% of the benefits that had accrued to members, after allowing for the expected future increases in earnings. The actuarial surplus is being spread over the estimated remaining service life of current employees over 10 years on a straight line basis.

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

HARRODS INVESTMENTS PLC

NOTES TO THE ACCOUNTS.....Contd.

	Total £m	Freeholds £m	Long Leaseholds £m	Short Leaseholds £m	Fixtures Fittings Vehicles & Equipment £m
10. FIXED ASSETS - Tangible Assets					
CONSOLIDATED					
Cost and valuation:					
At 28 January 1995	537.5	426.7	0.5	2.3	108.0
Additions - subsidiary acquired	0.4	-	-	0.1	0.3
- other	63.3	43.2	-	0.1	20.0
Disposals - subsidiary disposed	(1.7)	(0.3)	-	-	(1.4)
- other	(2.2)	-	-	(0.1)	(2.1)
Reclassification	-	0.8	-	-	(0.8)
Revaluation surplus	8.5	8.5	-	-	-
At 27 January 1996	<u>605.8</u>	<u>478.9</u>	<u>0.5</u>	<u>2.4</u>	<u>124.0</u>
Accumulated depreciation:					
At 28 January 1995	58.9	-	-	1.1	57.8
Charge for year	11.0	0.6	-	-	10.4
Subsidiary disposed	(1.1)	-	-	-	(1.1)
Disposals	(1.9)	-	-	(0.1)	(1.8)
At 27 January 1996	<u>66.9</u>	<u>0.6</u>	<u>-</u>	<u>1.0</u>	<u>65.3</u>
Net book value at 27 January 1996	<u>538.9</u>	<u>478.3</u>	<u>0.5</u>	<u>1.4</u>	<u>58.7</u>
Net book value at 28 January 1995	<u>478.6</u>	<u>426.7</u>	<u>0.5</u>	<u>1.2</u>	<u>50.2</u>
Cost and valuation:					
1996 Directors' valuation	468.3	467.8	0.5	-	-
Cost	137.5	11.1	-	2.4	124.0
	<u>605.8</u>	<u>478.9</u>	<u>0.5</u>	<u>2.4</u>	<u>124.0</u>
Historical cost at 28 January 1995	306.5	195.8	0.4	2.3	108.0
Depreciation on historical cost at 28 January 1995	(58.9)	-	-	(1.1)	(57.8)
Net historical cost at 28 January 1995	<u>247.6</u>	<u>195.8</u>	<u>0.4</u>	<u>1.2</u>	<u>50.2</u>
Historical cost at 27 January 1996	363.4	236.6	0.4	2.4	124.0
Depreciation on historical cost at 27 January 1996	(66.9)	(0.6)	-	(1.0)	(65.3)
Net historical cost at 27 January 1996	<u>296.5</u>	<u>236.0</u>	<u>0.4</u>	<u>1.4</u>	<u>58.7</u>

HARRODS INVESTMENTS PLC

NOTES TO THE ACCOUNTS.....Contd.

10. FIXED ASSETS - Tangible Assets.....Contd.

The residential freehold properties have been valued by the Directors at 27 January 1996 by reference to advice from W.A. Ellis, Estate Agents and Property consultants on 14 March 1996.

The other freehold and long leasehold properties of Harrods Investments plc and its subsidiaries have been valued by the Directors as at 27 January 1996 based on sample valuations by Healey & Baker, International Real Estate Consultants on the basis of the Existing Use Value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

Included in the cost of fixed tangible assets is £2.7 million (28 January 1995 - £2.6 million) of capitalised interest (net of tax) of which £0.1 million was incurred during the year (1994/95 - £0.1 million).

COMPANY	Total £m	Short Leaseholds £m	Fixtures Fittings Vehicles & Equipment £m
Cost at 28 January 1995	1.1	0.4	0.7
Additions	0.1	-	0.1
Disposals	(0.2)	-	(0.2)
Cost at 27 January 1996	<u>1.0</u>	<u>0.4</u>	<u>0.6</u>
Aggregate depreciation at 28 January 1995	0.5	0.1	0.4
Charge for year	0.1	-	0.1
Disposals	(0.1)	-	(0.1)
Aggregate depreciation at 27 January 1996	<u>0.5</u>	<u>0.1</u>	<u>0.4</u>
Net book value at 27 January 1996	<u>0.5</u>	<u>0.3</u>	<u>0.2</u>
Net book value at 28 January 1995	<u>0.6</u>	<u>0.3</u>	<u>0.3</u>

HARRODS INVESTMENTS PLC

NOTES TO THE ACCOUNTS.....Contd.

11. FIXED ASSETS - Investments	Total £m	Associated Undertakings £m	Unlisted Investments £m
CONSOLIDATED			
Shares			
Cost at 28 January 1995	9.0	8.8	0.2
Disposals	(0.2)	-	(0.2)
Cost at 27 January 1996	<u>8.8</u>	<u>8.8</u>	<u>-</u>
Written off at 28 January 1995	3.9	3.8	0.1
Disposals	(0.1)	-	(0.1)
Written off at 27 January 1996	<u>3.8</u>	<u>3.8</u>	<u>-</u>
Net book value at 27 January 1996	<u>5.0</u>	<u>5.0</u>	<u>-</u>
Net book value at 28 January 1995	<u>5.1</u>	<u>5.0</u>	<u>0.1</u>
Share of post-acquisition reserves			
At 28 January 1995	7.7	7.7	-
Movement in the year	(0.6)	(0.6)	-
At 27 January 1996	<u>7.1</u>	<u>7.1</u>	<u>-</u>
Totals			
Net book value at 27 January 1996	<u>12.1</u>	<u>12.1</u>	<u>-</u>
Net book value at 28 January 1995	<u>12.8</u>	<u>12.7</u>	<u>0.1</u>

Associated undertakings

29.93% interest in the ordinary share capital of Mallett plc. The market value of this listed investment at 27 January 1996, which was quoted on the London Stock Exchange, was £3.3 million (28 January 1995 - £3.5 million).

As noted in the accounting policies on page 14, Harrods Bank Limited has been accounted for as an associated undertaking.

COMPANY	Total £m
Cost of investment at 28 January 1995	224.1
Share of post acquisition reserves	268.2
Investments in subsidiaries at 28 January 1995	<u>492.3</u>
Surplus for the year	28.7
Investments in subsidiaries at 27 January 1996	<u>521.0</u>
Representing:	
Cost of investment at 27 January 1996	224.1
Share of post acquisition reserves	296.9
	<u>521.0</u>

HARRODS INVESTMENTS PLC

NOTES TO THE ACCOUNTS.....Contd.

	Consolidated		Company	
	1996 £m	1995 £m	1996 £m	1995 £m
12. STOCKS				
The main categories of stock are:				
Raw materials and consumables	0.4	1.1	-	-
Work in progress	0.5	0.1	-	-
Finished goods for resale	50.0	54.7	-	-
	<u>50.9</u>	<u>55.9</u>	<u>-</u>	<u>-</u>
There was no significant difference between the replacement cost of stocks at 27 January 1996 and the amount at which they are stated in the accounts.				
13. DEBTORS				
AMOUNTS DUE WITHIN ONE YEAR				
Trade debtors	13.0	11.3	-	-
Amounts owed by subsidiary undertakings	-	-	5.2	4.8
Other debtors	4.6	4.7	-	0.3
Prepayments and accrued income	2.7	2.6	0.1	0.1
	<u>20.3</u>	<u>18.6</u>	<u>5.3</u>	<u>5.2</u>
AMOUNTS DUE AFTER MORE THAN ONE YEAR				
Other debtors	0.5	12.0	-	-
Advance corporation tax	2.6	0.8	-	0.1
Pension prepayment	2.7	1.6	0.1	-
	<u>5.8</u>	<u>14.4</u>	<u>0.1</u>	<u>0.1</u>
14. INVESTMENTS				
UNLISTED				
Cost at 28 January 1995	1.6	1.9	-	-
Additions	-	0.3	-	-
Disposals	(1.6)	(0.5)	-	-
Revaluation	-	(0.1)	-	-
Cost at 27 January 1996	<u>-</u>	<u>1.6</u>	<u>-</u>	<u>-</u>
Total Investments	<u>-</u>	<u>1.6</u>	<u>-</u>	<u>-</u>

HARRODS INVESTMENTS PLC

NOTES TO THE ACCOUNTSContd.

15. CASH AND BANK BALANCES	Consolidated		Company	
	1996	1995	1996	1995
	£m	£m	£m	£m
Cash and bank balances	3.8	0.9	-	-
Deposits and funds held at call and short notice	1.6	7.4	32.1	7.0
Cash collateral deposit accounts	-	40.0	-	40.0
	<u>5.4</u>	<u>48.3</u>	<u>32.1</u>	<u>47.0</u>

The cash collateral deposit accounts were released on 3 April 1995.

16. CREDITORS

AMOUNTS FALLING DUE WITHIN ONE YEAR

Bank overdrafts	5.7	9.4	0.2	7.4
Trade creditors	32.7	34.0	-	-
Amounts due to subsidiary undertaking	-	-	-	1.1
Other creditors	4.6	7.2	0.4	0.9
Taxation and social security	13.9	29.6	-	-
Accruals and deferred income	18.6	14.0	1.2	0.7
	<u>75.5</u>	<u>94.2</u>	<u>1.8</u>	<u>10.1</u>

AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Bank loans	175.0	130.0	175.0	130.0
Accruals and deferred income	0.4	0.4	-	0.4
	<u>175.4</u>	<u>130.4</u>	<u>175.0</u>	<u>130.4</u>

UNSECURED BANK LOANS AND OVERDRAFTS

Repayable within one year or on demand	5.7	9.4	0.2	7.4
Repayable between one and five years	175.0	130.0	175.0	130.0
	<u>180.7</u>	<u>139.4</u>	<u>175.2</u>	<u>137.4</u>

On 24 January 1996 the unsecured facility negotiated on 6 April 1994 was increased to £225.0 million.

HARRODS INVESTMENTS PLC

NOTES TO THE ACCOUNTSContd.

17. AMOUNTS DUE TO PARENT UNDERTAKING

Amounts due to the Company's parent undertaking were repaid in full on 3 April 1995.

18. DEFERRED TAXATION

	Consolidated	
	1996 £m	1995 £m
Provided in respect of capital allowances:		
Balance at 28 January 1995 (before ACT offset)	2.2	4.3
Amounts released in the year	(1.5)	-
Disposal on sale of HOF plc	-	(2.1)
	<u>0.7</u>	<u>2.2</u>
ACT recoverable	(0.4)	(1.3)
	<u>0.3</u>	<u>0.9</u>
Balance at 27 January 1996		

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

Capital allowances	2.5	-
Corporation tax on capital gains	5.5	5.5
Revaluation of properties	54.0	53.3
	<u>62.0</u>	<u>58.8</u>

There is no deferred taxation liability provided or unprovided for the Company (1995-£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 roll over relief would eliminate any liability which could otherwise result from disposals.

Deferred taxation has not been provided for in respect of the pension prepayment as at 27 January 1996 as a tax liability will not crystallise as a result of any timing difference.

19. CALLED UP SHARE CAPITAL

	Consolidated		Company	
	1996 £m	1995 £m	1996 £m	1995 £m
Authorised, allotted and fully paid 50,000,000 ordinary shares of £1 each.	<u>50.0</u>	<u>50.0</u>	<u>50.0</u>	<u>50.0</u>

HARRODS INVESTMENTS PLC

NOTES TO THE ACCOUNTSContd.

20. RESERVES

	Consolidated		Company	
	Revaluation Reserve £m	Profit & Loss Account £m	Revaluation Reserve £m	Profit & Loss Account £m
Balance at 28 January 1995	231.6	82.2	268.1	45.7
Retained for year	-	4.4	-	(10.3)
Goodwill adjustment on disposal of subsidiary	-	6.6	-	-
Revaluation surplus on tangible fixed assets	8.5	-	-	-
Goodwill written off on acquisition	-	(1.1)	-	-
Revaluation surplus on investment in subsidiaries	-	-	28.7	-
Revaluation surplus/(deficit) realised				
- on disposal of subsidiary	(0.1)	0.1	-	-
- other	3.0	(3.0)	-	-
Balance at 27 January 1996	<u>243.0</u>	<u>89.2</u>	<u>296.8</u>	<u>35.4</u>

At 27 January 1996, the cumulative amount of goodwill written off to reserves, net of goodwill in relation to subsidiary undertakings disposed of, amounted to £42.9 million.

21. COMMITMENTS

	Consolidated	
	1996 £m	1995 £m
Capital Commitments		
Contracted for but not yet provided	19.6	0.5
Authorised but not yet contracted	<u>3.1</u>	<u>17.9</u>
	<u>22.7</u>	<u>18.4</u>

There were no capital commitments in the Company (1995-£nil).

Leasing Commitments

Leasing commitments during the year commencing 28 January 1996 in respect of operating leases of land buildings are:

	Consolidated		Company	
	1996 £m	1995 £m	1996 £m	1995 £m
Leases expiring:				
Between one and five years	0.8	0.7	0.1	0.1
Over five years	<u>3.4</u>	<u>1.7</u>	<u>0.2</u>	<u>0.2</u>
	<u>4.2</u>	<u>2.4</u>	<u>0.3</u>	<u>0.3</u>

In addition to the above, the Group has commitments under certain concession agreements amounting to £16.4 million (1995: £16.5 million).

HARRODS INVESTMENTS PLC

NOTES TO THE ACCOUNTS.....Contd.

22. CONTINGENT LIABILITIES

At 27 January 1996 the Group had entered into forward foreign exchange contracts totalling £4.0 million, all maturing within one year, in respect of its trading activities.

23. PARENT UNDERTAKINGS

Harrods Investments plc, a company registered in England and Wales is the parent undertaking of the Harrods Investments 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 (formerly Alfayed Investment and Trust PVT Limited, a company incorporated in Bermuda). All interests in the Partnership continue to be under the control and held for the benefit of the Fayed family.

HARRODS INVESTMENTS PLC

PRINCIPAL SUBSIDIARY UNDERTAKINGS

Operating at 27 January 1996

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

Harrods Holdings plc ⁽¹⁾
 Harrods Limited
 Harrods International Limited
 Harrods (Continental) Limited
 Kurt Geiger Limited
 Genavco Insurance Limited
 Metro Business Aviation Limited

Principal Activity

Holding company
 Department store
 Tax free retailer and wholesaler
 Exporter
 Footwear retailers
 Insurance brokers
 Executive Jet handling company

The following company is registered and operates in Guernsey:

Stag Insurance Company Limited

Insurance underwriters

The following companies are registered in Scotland and operate in the United Kingdom:

DTSI (formerly Retail & General Finance Ltd)
 DTSF Limited

Finance Company
 Finance Company

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

ASSOCIATED UNDERTAKINGS

at 27 January 1996

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

	<u>Accounting Date</u>	<u>Share Capital</u>	<u>% held by Company</u>
Mallett plc (Antique Dealers)	31 December	13,800,060 Ordinary shares of 5p	29.93 (indirect)
Harrods Bank Limited	27 January	5,000,000	
		100 Non-voting shares of £1	100 (indirect)
		100 Ordinary voting shares of £1	nil