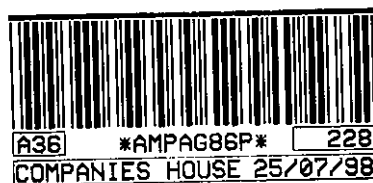


HARRODS (UK) PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
52 WEEKS ENDED 31 JANUARY 1998

Registered Number: 1889348



HARRODS (UK) PLC

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HARRODS (UK) PLC

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of Harrods (UK) plc ("the Company") for the 52 weeks ended 31 January 1998.

Principal Activity

The principal activity of the Company is the provision of management services to subsidiaries. It also holds fixed asset properties and investments. The principal subsidiaries of the Company continue to operate retail and media businesses.

Directors and their Interests

The present Directors of the Company are:

M Al Fayed
A Fayed (Chairman)
C P de Boer
J G Hawkins
G Janetzky (appointed 19.02.98)
M E Zipp

Other Directors who served during the year were:

M D Cole (resigned 28.02.98)

In accordance with the Articles of Association, G Janetzky will retire, and being eligible, will seek re-election at the forthcoming Annual General Meeting.

M Al Fayed and A Fayed are beneficially interested in the shares of Harrods Holdings plc, the ultimate parent company in the United Kingdom, as described in Note 17. No other Director in office at 31 January 1998 held any beneficial interest in the shares of Harrods Holdings plc or of any of its subsidiaries at 2 February 1997, at date of appointment if later, or at 31 January 1998.

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.

Results and Dividends

The profit after taxation for the 52 weeks to 31 January 1998 was £112.9 million (1997: £25.0 million).

The Directors have paid a dividend of £24.2 million (1997: £20.0 million) during the year.

HARRODS (UK) PLC

DIRECTORS' REPORT (Continued)

Review of the Business and Future Developments

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

An exceptional profit of £17.1 million arose in June 1997 following the disposal of the Barnes Depository landmark site located on the Thames. The site is being redeveloped for residential use.

A comprehensive Programme has been established to address all Year 2000 systems and compliance issues which face the business.

A similar project structure is also in place to address those issues associated with the introduction of Economic and Monetary Union.

The cost of both of the above cannot be quantified at this time.

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 7 to the financial statements.

Donations

The charitable donations made and charged in the accounts amounted to £1,003 (1997: £26,928). No political contributions were made.

Policy and Practice on Payment of Creditors

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

Creditor days have not been shown as the Company has no trade creditors.

HARRODS (UK) PLC

DIRECTORS' REPORT (Continued)

Auditors

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

Statement of Directors' Responsibilities

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

The Directors have prepared the financial statements on pages 5 to 21 on a going concern basis and consider that the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

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

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

By Order of the Board



J G Hawkins
Director
27 May 1998

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

HARRODS (UK) PLC

AUDITORS' REPORT TO THE MEMBERS OF HARRODS (UK) PLC

We have audited the financial statements on pages 5 to 21 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 8 and 9.

Respective Responsibilities of Directors and Auditors

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

Basis of Opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 January 1998 and of its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



Price Waterhouse
Chartered Accountants
and Registered Auditors
27 May 1998

Southwark Towers
32 London Bridge Street
London
SE1 9SY

HARRODS (UK) PLC

PROFIT AND LOSS ACCOUNT 52 WEEKS ENDED 31 JANUARY 1998

Note	52 weeks 31/1/98 £m	53 weeks 1/2/97 £m
2 Turnover	0.8	0.8
Cost of sales	<u>(0.8)</u>	<u>(0.8)</u>
Gross Profit	-	-
Administrative expenses	<u>(6.1)</u>	<u>(21.2)</u>
3 Operating Loss	(6.1)	(21.2)
Exceptional profit on sale of property	17.1	-
4 Other income	<u>100.5</u>	<u>45.3</u>
Profit before Interest and Taxation	111.5	24.1
5 Interest	<u>7.4</u>	<u>6.2</u>
Profit on Ordinary Activities before Taxation	118.9	30.3
6 Taxation on profit on ordinary activities	<u>(6.0)</u>	<u>(5.3)</u>
Profit on Ordinary Activities after Taxation	112.9	25.0
Dividends on equity shares	<u>(24.2)</u>	<u>(20.0)</u>
Retained Profit and Amounts Transferred to Reserves	<u>88.7</u>	<u>5.0</u>

All profits in the period arose from continuing operations.

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

A statement of movements on reserves are shown in Note 14.

The notes on pages 8 to 21 form part of these accounts.

HARRODS (UK) PLC

52 WEEKS ENDED 31 JANUARY 1998

	52 weeks 31/1/98 £m	53 weeks 1/2/97 £m
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES		
Profit on ordinary activities after taxation	112.9	25.0
Unrealised surplus on revaluation of properties	<u>5.3</u>	<u>-</u>
Total gains and losses recognised since last annual report	<u>118.2</u>	<u>25.0</u>
 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS		
Total recognised gains and losses	118.2	25.0
Dividends	<u>(24.2)</u>	<u>(20.0)</u>
Net addition to shareholders' funds	94.0	5.0
Opening shareholders' funds	<u>841.5</u>	<u>836.5</u>
Closing shareholders' funds	<u>935.5</u>	<u>841.5</u>

The notes on pages 8 to 21 form part of these accounts.

HARRODS (UK) PLC

BALANCE SHEET AT 31 JANUARY 1998

Note		31/1/98 £m	1/2/97 £m
	Fixed Assets		
8	Tangible assets	53.0	62.9
9	Investments	<u>766.1</u>	<u>766.1</u>
		<u>819.1</u>	<u>829.0</u>
	Current Assets		
10	Debtors	213.0	93.6
	Creditors		
11	Amounts falling due within one year	<u>(96.6)</u>	<u>(81.1)</u>
	Net Current Assets	<u>116.4</u>	<u>12.5</u>
	Total Assets less Current Liabilities	<u>935.5</u>	<u>841.5</u>
	Capital and Reserves		
12	Called up share capital	6.1	6.1
13	Share premium account	218.0	218.0
14	Merger reserve	576.0	576.0
14	Revaluation reserve	5.9	0.6
14	Profit and loss account	<u>129.5</u>	<u>40.8</u>
12	Total shareholders' funds (including non-equity)	<u>935.5</u>	<u>841.5</u>

The notes on pages 8 to 21 form part of these accounts.

Approved by the Board on 27 May 1998



J G HAWKINS
Director

HARRODS (UK) PLC

NOTES TO THE ACCOUNTS

1. Accounting Policies

Basis of Financial Statements

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

Harrods (UK) plc is a wholly owned subsidiary of Harrods Holdings plc which produces Group accounts in accordance with the Companies Act 1985. Consequently the Company has taken advantage of the exemption permitted by Section 228 of the Act from producing Group accounts.

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

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

Short leasehold properties	Over period of lease
Fixtures and fittings and equipment	5-10 years
Vehicles	4 years

It is the practice of the Company to maintain its properties in a continual state of repair. Accordingly, in general, for freehold and long leasehold properties the Directors consider that the lives of these assets are so long, and the residual values (based upon prices prevailing at the time of 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.

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

HARRODS (UK) PLC

NOTES TO THE ACCOUNTS (Continued)

1 Accounting Policies (Continued)

Fixed Asset Investment

The Company accounts for its fixed asset investments at cost less any provision required for permanent diminution in value.

Leased Assets

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

Deferred Taxation

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

In the opinion of the Directors the potential liability in respect of capital gains is unlikely to arise since capital losses would eliminate any liability which could otherwise arise from disposals.

Deferred taxation has not been provided for in respect of the pension prepayment as at 31 January 1998, as a tax liability will not crystallise as a result of any timing differences.

Pensions

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

Foreign Currency

Assets and liabilities in foreign currencies are translated into sterling at the rate 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.

Gains and losses on forward foreign exchange contracts used to manage foreign exchange exposure, relating to the activities of a subsidiary company, are carried forward and taken to the profit and loss on maturity to match the underlying transactions.

HARRODS (UK) PLC

NOTES TO THE ACCOUNTS (Continued)

	52 weeks 31/1/98 £m	53 weeks 1/2/97 £m
2 Turnover		
Represents the charge for management services provided to subsidiaries	<u>0.8</u>	<u>0.8</u>
3 Operating Loss	£000	£000
The operating loss is stated after charging:		
Depreciation on tangible fixed assets	76	88
Auditors remuneration:		
Audit fees and expenses	6	6
Non-audit services	79	40
Provision against amounts owed by group undertakings	<u>4,814</u>	<u>19,800</u>
	£m	£m
4 Other Income		
Investment income:		
Dividends receivable from group undertakings	100.2	45.5
Dividends receivable from associated undertaking	0.2	0.2
Net property income/(expenses)	<u>0.1</u>	<u>(0.4)</u>
	<u>100.5</u>	<u>45.3</u>

Rentals paid under operating leases in respect of property amounted to £0.3 million (1997: £0.5 million).

HARRODS (UK) PLC

NOTES TO THE ACCOUNTS (Continued)

	52 weeks 31/1/98 £m	53 weeks 1/2/97 £m
5 Interest		
Payable:		
Bank loans and overdrafts	-	(0.1)
Group undertakings	(0.2)	(0.2)
	<u>(0.2)</u>	<u>(0.3)</u>
Receivable:		
Cash and bank balances	-	0.1
Group undertakings	7.6	6.4
	<u>7.4</u>	<u>6.2</u>
 6 Taxation on Profit on Ordinary Activities		
Group relief payable	-	(0.3)
Irrecoverable Advance Corporation Tax	(5.4)	(0.8)
Tax credits on franked investment income	(0.7)	(4.2)
Prior year adjustment	0.1	-
	<u>(6.0)</u>	<u>(5.3)</u>

The exceptional profit on sale of property of £17.1 million created a capital gain on which no taxation was payable due to brought forward capital losses.

HARRODS (UK) PLC

NOTES TO THE ACCOUNTS (Continued)

	52 weeks 31/1/98 £000	53 weeks 1/2/97 £000
7 Information regarding Directors and Employees		
Emoluments excluding pension contributions	662	531
Emoluments of highest paid Director	175	177

The accrued pension of the highest paid Director at 31 January 1998 was £105,748.

There are 4 directors to which retirement benefits are accruing under a defined benefit pension scheme (1997: 4)

Transactions with Directors

During the year certain expenses were defrayed by the Company on behalf of Mr M Al Fayed. The expenses related to legal expenses incurred in relation to Mr Al Fayed's application for UK citizenship. Mr Al Fayed has subsequently reimbursed the Company in respect of these expenses and consequently during the period prior to the reimbursement, a quasi loan existed from the Company to Mr Al Fayed. The highest amount outstanding in the year was £12,830. The amount outstanding at 31 January 1998 was £12,830 (1997: £1,876).

	£000	£000
Staff Costs:		
Wages and salaries	(719)	(1,252)
Social security costs	(65)	(110)
Pension costs	(49)	(14)
	(833)	(1,376)
Average weekly number of employees during the year:	Number	Number
United Kingdom	24	25

HARRODS (UK) PLC

NOTES TO THE ACCOUNTS (Continued)

7 Information regarding Directors and Employees (Continued)

Pensions

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

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

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

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

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

Surpluses or deficiencies and associated interest are spread over the same average period as an adjustment to regular cost. The Company's pension charge for the 52 weeks to 31 January 1998 was as follows:

	52 weeks 31/1/98 £000	53 weeks 1/2/97 £000
Regular cost	(55)	(91)
Variation	5	77
Net pension charge	(50)	(14)

The pension prepayment is as follows:

Opening balance	104	27
Contributions paid	55	91
Charge to profit and loss account	(50)	(14)
Closing balance	109	104

HARRODS (UK) PLC

NOTES TO THE ACCOUNTS (Continued)

7 Information regarding Directors and Employees (Continued)

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

8 Fixed Assets - Tangible Assets

	Total £m	Freehold £m	Long Leasehold £m	Short Leasehold £m	Fixtures Fittings Vehicles & Equipment £m
Cost and Valuation					
At 2 February 1997	63.1	61.5	0.3	0.8	0.5
Additions	0.3	0.3	-	-	-
Disposals	(15.7)	(15.5)	-	-	(0.2)
Group transfers	0.2	-	0.2	-	-
Revaluations	5.3	5.1	0.2	-	-
At 31 January 1998	53.2	51.4	0.7	0.8	0.3
Accumulated Depreciation					
At 2 February 1997	(0.2)	-	-	-	(0.2)
Charge for year	(0.1)	-	-	-	(0.1)
Disposals	0.1	-	-	-	0.1
At 31 January 1998	(0.2)	-	-	-	(0.2)
Net Book Value					
At 31 January 1998	53.0	51.4	0.7	0.8	0.1
At 2 February 1997	62.9	61.5	0.3	0.8	0.3

HARRODS (UK) PLC

NOTES TO THE ACCOUNTS (Continued)

8 Fixed Assets - Tangible Assets (Continued)

	Total £m	Freehold £m	Long Leasehold £m	Short Leasehold £m	Fixtures Fittings Vehicles & Equipment £m
Cost and Valuation					
1998 Directors' valuation	49.9	49.2	0.7	-	-
Cost	3.3	2.2	-	0.8	0.3
	<u>53.2</u>	<u>51.4</u>	<u>0.7</u>	<u>0.8</u>	<u>0.3</u>
Historical cost at 31 January 1998	47.5	45.9	0.5	0.8	0.3
Depreciation on historical cost	(0.2)	-	-	-	(0.2)
Net historical cost at 31 January 1998	<u>47.3</u>	<u>45.9</u>	<u>0.5</u>	<u>0.8</u>	<u>0.1</u>
Historical cost at 2 February 1997	62.7	61.1	0.3	0.8	0.5
Depreciation on historical cost	(0.2)	-	-	-	(0.2)
Net historical cost at 2 February 1997	<u>62.5</u>	<u>61.1</u>	<u>0.3</u>	<u>0.8</u>	<u>0.3</u>

The freehold and long leasehold properties have been professionally valued as at 31 December 1997 by Healey & Baker, (International Real Estate Consultants), and W A Ellis, (Estate Agents and Surveyors), on the basis of Existing Use Value or, where appropriate, on the basis of Open Market Value in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors. These valuations have been adopted by the Directors at 31 January 1998 and have been incorporated in the financial statements. The surplus on revaluation was £5,348,938 (1997: £19,900).

Included in the cost element of freehold land and buildings are costs incurred on unfinished projects at the year end amounting to £2.2 million (1997: £2.6 million).

Included in the cost of tangible fixed assets is £160,855 (1997: £52,771) of capitalised interest (net of tax) of which £108,084 was incurred during the year (1997: £52,771).

HARRODS (UK) PLC

NOTES TO THE ACCOUNTS (Continued)

9 Fixed Assets - Investments

	Total £m	Shares in Group Undertakings £m	Associated Undertaking £m
Shares			
Cost			
At 31 January 1998 and at 2 February 1997	<u>765.9</u>	<u>762.4</u>	<u>3.5</u>
Revaluation at 31 January 1998 and at 2 February 1997	<u>0.2</u>	<u>-</u>	<u>0.2</u>
Net Book Value			
At 31 January 1998 and at 2 February 1997	<u>766.1</u>	<u>762.4</u>	<u>3.7</u>

The above includes investments listed on a recognised stock exchange at the following market value:

At 2 February 1997	<u>3.3</u>	<u>-</u>	<u>3.3</u>
At 31 January 1998	<u>4.1</u>	<u>-</u>	<u>4.1</u>

HARRODS (UK) PLC

NOTES TO THE ACCOUNTS (Continued)

	31/1/98 £m	1/2/97 £m
10 Debtors		
Amounts due within one year:		
Amounts owed by group undertakings	200.1	93.2
Other debtors	5.2	0.2
Prepayments and accrued income	0.1	0.1
	<hr/>	<hr/>
	205.4	93.5
Amounts due after one year:		
Pension prepayment	0.1	0.1
Other debtors	7.5	-
	<hr/>	<hr/>
	213.0	93.6
	<hr/>	<hr/>

There are no amounts outstanding from the Company's associated undertaking at 31 January 1998 (1997: £nil).

	31/1/98 £m	1/2/97 £m
11 Creditors		
Amounts falling due within one year:		
Bank overdrafts	89.9	77.0
Amounts owed to group undertakings	0.4	0.7
Other creditors	0.5	0.9
ACT payable	5.4	0.8
Accruals and deferred income	0.4	1.7
	<hr/>	<hr/>
	96.6	81.1
	<hr/>	<hr/>
Bank Loans and Overdrafts:		
Repayable within one year or on demand	89.9	77.0
	<hr/>	<hr/>

HARRODS (UK) PLC

NOTES TO THE ACCOUNTS (Continued)

	31/1/98 £	1/2/97 £
12 Called up Share Capital		
Authorised:		
10,000,000 ordinary shares of £1 each	10,000,000	10,000,000
1 "A" special rights redeemable preference share of £1	1	-
1 "B" special rights redeemable preference share of £1	1	-
	<u>10,000,002</u>	<u>10,000,000</u>
Allotted and fully paid:		
6,098,118 ordinary shares of £1 each	6,098,118	6,098,118
1 "A" special rights redeemable preference share of £1	1	-
1 "B" special rights redeemable preference share of £1	1	-
	<u>6,098,120</u>	<u>6,098,118</u>

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

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

Included within total shareholders' funds of £935.5m is an amount in respect of non-equity interests of £2. All other amounts are attributable to the equity shareholders.

13 Share Premium Account

The Company has elected to adopt S132 of the Companies Act 1985, which limits the premium arising on the issue of shares in group reorganisations to a "minimum premium value". Under this section, the excess over the minimum premium value may be credited to a merger reserve.

HARRODS (UK) PLC

NOTES TO THE ACCOUNTS (Continued)

14 Reserves

	Merger Reserve £m	Revaluation Reserve £m	Profit and Loss Account £m
Balance at 2 February 1997	576.0	0.6	40.8
Profit for the year	-	-	88.7
Revaluation surplus on tangible fixed assets	-	5.3	-
Balance at 31 January 1998	576.0	5.9	129.5

15 Leasing Commitments

Commitments during the year commencing 1 February 1998 in respect of operating leases of land and buildings are:

	31/1/98 £m	1/2/97 £m
Leases expiring:		
Over five years	0.3	0.3

16 Contingent Liabilities

The Harrods Holdings Group has a loan facility agreement of £350 million which Harrods (UK) plc and other Group companies are guarantors. In addition, the Harrods Holdings Group's working capital facility from Midland Bank plc is also guaranteed by Harrods (UK) plc and other Group companies, which amounted to £89.9 million as at 31 January 1998.

Guarantees were also in existence on behalf of Liberty Radio Limited (formerly 963 Liberty Radio Limited), and Punch Limited for £0.5 million and £28,000 respectively.

The Company did not participate in derivative financial instruments during the year except in respect of the following: The Company enters into forward exchange contracts and options all maturing within eighteen months, solely to manage its foreign exchange exposure to certain currencies. These contracts relate to the trading activities of a subsidiary undertaking. The Company has hedged approximately 90% of these future transactions. Through its hedging activities the Company seeks to minimise the risk that eventual cash flows required to settle related liabilities will be affected by changes in exchange rates.

HARRODS (UK) PLC

NOTES TO THE ACCOUNTS (Continued)

16 Contingent Liabilities (Continued)

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

	31/1/98 £m	1/2/97 £m
Forward exchange contracts	19.5	4.3
Options	-	2.3
	<hr/>	<hr/>
Total	19.5	6.6
	<hr/>	<hr/>

17 Parent Undertakings

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

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

18 Related Party Transactions

During the year the Company traded with a number of companies, which are under the control of one or more of the Company's ultimate shareholders. These companies comprise Turnbull & Asser Limited, Hyde Park Residence Limited, Barrow Green Farm Limited, Balnagown Castle Properties Limited, Fulham Football Leisure Limited and Fulham Football Club (1987) Limited. The transactions with these companies are not material.

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

HARRODS (UK) PLC

NOTES TO THE ACCOUNTS (Continued)

19 Principal Subsidiary Undertakings

Operating at 31 January 1998

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

Principal Activity

* 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 retailers
Genavco Insurance Limited	Insurance brokers
Metro Business Aviation Limited	Executive jet handling company
Punch Limited	Magazine publisher
Liberty Radio Limited (formerly 963 Liberty Radio Limited)	Radio station operator
Brompton Press Limited	Publisher
Air Harrods Limited	Helicopter Operator

* The whole of the issued share capital in these companies is owned directly by Harrods (UK) plc. The whole of the share capital in the other companies is held by intermediate holding companies.

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.

Associated Undertaking

At 31 January 1998

The following company is registered in England and Wales and operates 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)