

HARRODS (UK) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
52 WEEKS ENDED 1 FEBRUARY 2003



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Registered Number: 1889348

HARRODS (UK) LIMITED

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HARRODS (UK) LIMITED

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of Harrods (UK) Limited ("the Company") for the 52 weeks ended 1 February 2003.

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 are retail businesses.

Directors and their Interests

The present Directors of the Company are:

M Al Fayed
A Fayed (Chairman)
A Tanna
J Byrne
M Kessel
D R Parker (appointed 13.05.02)
R Simonin (appointed 14.07.03)

Other Directors who served during the period were:

J L Miller (appointed 01.08.02; resigned 06.06.03)
W C Najdecki (resigned 30.06.02)
M S Wikstrom (resigned 26.02.03)
S H Davie (appointed 30.09.02; resigned 12.11.03)

M Al Fayed and A Fayed are beneficially interested in the shares of Harrods Holdings Limited, the ultimate parent company in the United Kingdom, as described in Note 21. No other Director in office at 1 February 2003 held any beneficial interest in the shares of Harrods Holdings Limited or of any of its subsidiaries at 3 February 2002, at date of appointment or at 1 February 2003.

Except as stated in Note 22, 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 1 February 2003 was £23.8 million (2002: £38.7 million). The Directors have paid a dividend of £26.5 million (2002: £82.0 million) in respect of the period.

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.

HARRODS (UK) LIMITED

DIRECTORS' REPORT (Continued)

Auditors

Grant Thornton 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.

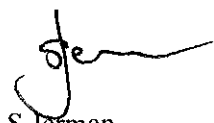
Statement of Directors' Responsibilities

Company law in the United Kingdom requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. The Directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 1 February 2003 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board



S Jerman
Secretary
25 November 2003

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

HARRODS (UK) LIMITED

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF HARRODS (UK) LIMITED

We have audited the financial statements of Harrods (UK) Limited for the period ended 1 February 2003 which comprise the profit and loss account, the note on historical cost profits and losses, the reconciliation of movement in shareholders' funds, the balance sheet and notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Directors' report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

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 Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, 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 with the Company is not disclosed.

We read other information contained in the Directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.


Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 1 February 2003 and of its result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

London
25 November 2003

HARRODS (UK) LIMITED
PROFIT AND LOSS ACCOUNT
52 WEEKS ENDED 1 FEBRUARY 2003

Note	52 weeks 1/2/03 £m	53 weeks 2/2/02 £m
2 Turnover	0.6	0.5
Cost of sales	<u>(0.6)</u>	<u>(0.5)</u>
Gross Profit	-	-
Administrative expenses	(0.2)	(0.3)
Release/(Provision) against amounts owed by group undertakings	<u>1.3</u>	<u>(2.5)</u>
3 Operating Profit/(Loss)	1.1	(2.8)
4 (Loss)/Profit on sale of fixed assets	(0.9)	7.7
5 Other income	<u>19.0</u>	<u>28.7</u>
Profit before Interest and Taxation	19.2	33.6
6 Net interest	<u>6.3</u>	<u>7.3</u>
Profit on Ordinary Activities before Taxation	25.5	40.9
7 Taxation on profit on ordinary activities	<u>(1.7)</u>	<u>(2.2)</u>
Profit on Ordinary Activities after Taxation	23.8	38.7
8 Dividends on equity shares	<u>(26.5)</u>	<u>(82.0)</u>
Retained Deficit and Amount Transferred from Reserves	<u><u>(2.7)</u></u>	<u><u>(43.3)</u></u>

All profits arise from continuing operations.

There are no recognised gains or losses in the period other than those reported above.

A statement of movements on reserves is shown in Note 18.

The accompanying notes form an integral part of these financial statements.

HARRODS (UK) LIMITED

52 WEEKS ENDED 1 FEBRUARY 2003

	52 weeks 1/2/03 £m	53 weeks 2/2/02 £m
NOTE OF HISTORICAL COST PROFITS AND LOSSES		
Reported profit on ordinary activities before taxation	25.5	40.9
Realisation of property revaluation gains of previous years	-	11.1
Difference between depreciation on historical cost and revalued basis	(0.1)	-
Historical cost profit for the period before taxation	25.4	52.0
Historical cost loss for the period retained after taxation and dividends	(2.8)	(32.2)

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Profit on ordinary activities after taxation	23.8	38.7
Dividends	(26.5)	(82.0)
Net reduction to shareholders' funds	(2.7)	(43.3)
Opening shareholders' funds	815.6	858.9
Closing shareholders' funds	812.9	815.6

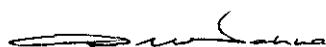
HARRODS (UK) LIMITED

BALANCE SHEET AT 1 FEBRUARY 2003

Note		1/2/03 £m	2/2/02 £m
	Fixed Assets		
11	Tangible assets	1.1	3.3
12	Investments	762.4	762.4
		<u>763.5</u>	<u>765.7</u>
	Current Assets		
13	Debtors due within one year	37.4	196.5
13	Debtors due after more than one year	173.9	-
14	Properties held for resale	5.8	-
		<u>217.1</u>	<u>196.5</u>
	Creditors		
15	Amounts falling due within one year	(29.8)	(146.6)
	Net Current Assets	<u>187.3</u>	<u>49.9</u>
	Total Assets less Current Liabilities	950.8	815.6
	Creditors		
15	Amounts falling due after more than one year	(137.9)	-
		<u>812.9</u>	<u>815.6</u>
	Capital and Reserves		
16	Called up share capital	6.1	6.1
17	Share premium account	218.0	218.0
18	Merger reserve	576.0	576.0
18	Revaluation reserve	0.3	0.3
18	Profit and loss account	12.5	15.2
	Total shareholders' funds (inc. non-equity interests of £2)	<u>812.9</u>	<u>815.6</u>

The accompanying notes form an integral part of these financial statements.

Approved by the Board on 25 November 2003.



A TANNA
Director

HARRODS (UK) LIMITED

NOTES TO THE ACCOUNTS

Accounting Policies

Basis of Preparation

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) Limited is a wholly owned subsidiary of Harrods Holdings Limited 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. These accounts therefore present information about the Company and not about its Group.

Harrods Holdings Limited 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.

The principal accounting policies of the Company are set out below. The policies have remained unchanged from the previous period.

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 Financial Reporting Standard 15 ('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 Financial Reporting Standard 11 ('FRS 11'). All additions thereafter are accounted for 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 economic lives by equal annual instalments, on the following basis:

Land	Not depreciated
Freehold and Long leasehold properties	35 years
Fixtures and fittings and equipment	5-10 years

Assets held for resale are classified within current assets.

Fixed Asset Investments

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.

HARRODS (UK) LIMITED

NOTES TO THE ACCOUNTS (Continued)

Accounting Policies (Continued)

Deferred Taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Defined Contribution Pension Scheme

The pension costs charged against operating profits are the contributions payable to the scheme in respect of the accounting period.

Defined Benefit Pension Scheme

The Company employees are members of the Harrods Holdings Group Pension Plan under which retirement benefits are funded by contributions from the Company and employees. Payment is made to the pension trust, which is separate from the Company and the Harrods Holdings Group, in accordance with calculations made periodically by consulting actuaries.

The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members.

The Company has taken advantage of the transitional provisions of FRS 17 'Retirement Benefits'. Accordingly the pensions charge has been calculated under the existing policy which is in accordance with SSAP 24 'Pension Costs' and disclosure has been made of the assets and liabilities of the scheme under FRS 17.

	52 weeks 1/2/03 £m	53 weeks 2/2/02 £m
Turnover		
Represents the charge for management services provided to subsidiaries	<u>0.6</u>	<u>0.5</u>
Operating Profit/(Loss)	£000	£000
The operating profit/(loss) is stated after charging/(crediting):		
Depreciation on tangible fixed assets	30	199
Auditors remuneration:		
Audit fees and expenses	8	8
Non-audit services	-	-
Exceptional items		
(Release)/Provision against amounts owed by group undertakings	<u>(1,316)</u>	<u>2,477</u>

HARRODS (UK) LIMITED

NOTES TO THE ACCOUNTS (Continued)

	52 weeks 1/2/03 £m	53 weeks 2/2/02 £m
4 (Loss)/Profit on Sale of Fixed Assets		
(Loss)/Profit on sale of property	<u>(0.9)</u>	<u>7.7</u>
5 Other Income		
Investment income:		
Dividends receivable from group undertakings	19.0	28.5
Non-Trading Rental income	<u>-</u>	<u>0.2</u>
	<u>19.0</u>	<u>28.7</u>
6 Net Interest		
Payable:		
Group undertakings	(9.9)	(8.8)
External	<u>(0.3)</u>	<u>(0.6)</u>
	<u>(10.2)</u>	<u>(9.4)</u>
Receivable:		
Group undertakings	15.6	16.2
Other	<u>0.9</u>	<u>0.5</u>
	<u>16.5</u>	<u>16.7</u>
Net Interest Receivable	<u>6.3</u>	<u>7.3</u>
Taxation		
Current tax		
Group relief	1.7	2.0
Corporation Tax	<u>-</u>	<u>0.2</u>
Total current tax	<u>1.7</u>	<u>2.2</u>
Deferred tax		
Origination and reversal of timing differences	<u>-</u>	<u>-</u>
Total deferred tax	<u>-</u>	<u>-</u>
Total tax charge for the year	<u>1.7</u>	<u>2.2</u>

HARRODS (UK) LIMITED

NOTES TO THE ACCOUNTS (Continued)

Taxation (continued)	52 weeks 1/2/03 £m	53 weeks 2/2/02 £m
Factors affecting the tax charge for the period		
Tax assessed for the period is lower than the standard rate of corporation tax in the UK 30% (2002: 30%)		
Profit on ordinary activities before tax for the period	<u>25.5</u>	<u>40.9</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002:30%)	7.7	12.3
Effects of		
Capital allowances less than depreciation	-	0.1
Income and expenses assessed/relieved on a cash basis	<u>(6.0)</u>	<u>(10.2)</u>
Current tax charge for period	<u>1.7</u>	<u>2.2</u>
Dividends	52 weeks 1/2/03 £m	53 weeks 2/2/02 £m
Equity – Ordinary		
Interim paid: £4.34p (2002: £13.45p) per £1 share	<u>26.5</u>	<u>82.0</u>
Information regarding Directors and Employees	52 weeks 1/2/03 £000	53 weeks 2/2/02 £000
Emoluments excluding pension contributions	1,248	1,837
Compensation for loss of office	266	387
	<u>1,514</u>	<u>2,224</u>
Emoluments	91	520
Compensation for loss of office	266	387
Emoluments of highest paid Director	<u>357</u>	<u>907</u>
Accrued pension of highest paid Director	<u>-</u>	<u>-</u>

There are 4 Directors to whom retirement benefits are accruing under a defined benefit pension scheme (2002: 4).

HARRODS (UK) LIMITED

NOTES TO THE ACCOUNTS (Continued)

Information regarding Directors and Employees (continued)	52 weeks 1/2/03 £000	53 weeks 2/2/02 £000
Staff Costs:		
Wages and salaries	546	495
Social security costs	54	46
Pension costs	53	110
	<hr/> 653 <hr/>	<hr/> 651 <hr/>
Average weekly number of employees during the year:	Number	Number
United Kingdom	<hr/> 13 <hr/>	<hr/> 11 <hr/>

Pensions

Pension schemes operated

Within the UK the Company principally operates two schemes:

- (i) The Harrods Holdings Stakeholder Scheme (the Scheme), which is an approved defined contribution scheme; it was established with Scottish Equitable plc on 1 May 2002.
- (ii) The Harrods Holdings Group Pension Plan (the Plan), which is an approved defined benefit scheme.

Membership of the Plan is no longer available to new employees on the staff scale, who join the Group on or after 1 May 2002, during the first five years of employment. Those employees are eligible to join the Scheme and can then elect to transfer to the Plan after five years continuous service. Those employees commencing on the management scale are eligible to apply for either the Scheme or the Plan.

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

Regular pension costs under SSAP 24

Defined Contribution Pension Scheme

The pension cost under the defined contribution scheme amounted to £nil (2002: £nil). A pension accrual of £nil (2002: £nil) is included in the balance sheet in relation to this scheme.

Defined Benefit Pension Scheme

The Company's net pension charge for the Harrods Holdings Group Pension Plan for the 52 weeks to 1 February 2003 was £0.1 million (2002: £0.1 million) comprising a regular cost of £45,000 plus a variation of £8,000. The variation arises in respect of the actuarial deficit, which is being spread over the average remaining working lives of employees who are members of the Plan. The pension charge for the year is greater than the actual contributions paid resulting in the following accrual in the balance sheet:

	1/2/03 £000	2/2/02 £000
The pension accrual is as follows:		
Balance at beginning of period	(27)	45
Contributions paid	45	38
Charge to profit and loss account	<hr/> (53) <hr/>	<hr/> (110) <hr/>
Balance at end of period	<hr/> (35) <hr/>	<hr/> (27) <hr/>

HARRODS (UK) LIMITED

NOTES TO THE ACCOUNTS (Continued)

Pensions (Continued)

An actuarial valuation of the Plan was carried out as at 6 April 2002 by qualified independent actuaries, Hewitt Bacon & Woodrow Limited. They assessed the Plan using the projected unit method and a market based valuation approach to ascertain its cost to the Group, having adopted the following financial assumptions:

Inflation Assumption	2.8%
Rate of Increase in Salaries	4.3%
Rate of Pension Increases	2.7%

Following the valuation, the Group agreed to increase contributions to the Plan from 10.0% of salaries to 13.9% of salaries with effect from 6 April 2003. From 6 April 2003, member contributions will increase from 3.5% to 5.0% of salaries for Staff Scale members and from 5.0% to 7.0% of salaries for Management Scale members.

At the date of the last actuarial valuation, the market value of the assets of the Plan was £177.7 million and the actuarial value of assets covered 98% of the benefits that had accrued to members, after allowing for expected increases in future earnings. The next scheduled actuarial valuation of the Harrods Holdings Group Pension Plan will be as at 6 April 2005.

Financial Reporting Standard 17 Disclosures

The financial statements have, as last year, been prepared in accordance with SSAP 24. However, this note now also includes the additional disclosures required in respect of defined benefit schemes under the transitional arrangements established by FRS 17. The information required in connection with FRS 17 and the defined benefit scheme is detailed below.

An approximate actuarial assessment of the Plan was also carried out as at 1 February 2003 by the same qualified independent actuary as previously mentioned. The major assumptions used by the actuary were:

	% per annum	
	1/2/03	2/2/02
Discount Rate	5.4%	5.6%
Inflation Assumption	2.3%	2.3%
Rate of Increase in Salaries	3.8%	3.8%
Rate of Pension Increases	2.4%	2.4%

At 1 February 2003 the market value of the assets in the Plan, the expected long-term rate of return from them and the present value of Plan liabilities, all as defined in accordance with FRS 17 and valued by the Harrods Holdings Group's actuary were as follows:

	As at 1 February 2003		As at 2 February 2002	
	Harrods Group Pension Plan £m	Expected long-term rate of return % per annum	Harrods Group Pension Plan £m	Expected long-term rate of return % per annum
Equities	101.0	7.4%	128.1	7.8%
Corporate Bonds	24.6	5.4%	22.8	5.6%
Government Bonds	11.4	4.4%	22.3	4.8%
Other	2.4	4.4%	0.8	4.8%
Total Market Value of Assets	139.4		174.0	
Present Value of Plan Liabilities	(225.9)		(192.5)	
Deficit in the Plan	(86.5)		(18.5)	

HARRODS (UK) LIMITED

NOTES TO THE ACCOUNTS (Continued)

Pensions (Continued)

The effect on the Harrods Holdings Group's net assets at 1 February 2003 had the Group adopted FRS 17 early, is shown in the accounts of Harrods Holdings Limited.

Further FRS 17 Disclosure

All other disclosures as required under FRS 17 are shown in the accounts of Harrods Holdings Limited.

HARRODS (UK) LIMITED

NOTES TO THE ACCOUNTS (Continued)

Fixed Assets - Tangible Assets

	Total £m	Freehold £m	Long Leasehold £m	Fixtures Fittings & Equipment £m
Cost or Valuation				
At 2 February 2002	3.4	0.6	2.6	0.2
Additions	3.6	-	3.6	-
Properties held for resale transferred to current assets	(5.8)	-	(5.8)	-
At 1 February 2003	<u>1.2</u>	<u>0.6</u>	<u>0.4</u>	<u>0.2</u>
Accumulated Depreciation				
At 2 February 2002	(0.1)	-	-	(0.1)
Charge for period	-	-	-	-
At 1 February 2003	<u>(0.1)</u>	<u>-</u>	<u>-</u>	<u>(0.1)</u>
Net Book Value				
At 1 February 2003	<u>1.1</u>	<u>0.6</u>	<u>0.4</u>	<u>0.1</u>
At 2 February 2002	<u>3.3</u>	<u>0.6</u>	<u>2.6</u>	<u>0.1</u>
Cost or Valuation				
Valuation	0.8	0.4	0.4	-
Cost	0.4	0.2	-	0.2
	<u>1.2</u>	<u>0.6</u>	<u>0.4</u>	<u>0.2</u>

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

Historical cost

At 1 February 2003	0.9	0.5	0.2	0.2
Depreciation on historical cost	(0.1)	-	-	(0.1)
Net book value at 1 February 2003	<u>0.8</u>	<u>0.5</u>	<u>0.2</u>	<u>0.1</u>
At 2 February 2002	0.8	0.5	0.2	0.1
Depreciation on historical cost	(0.1)	-	-	(0.1)
Net book value at 2 February 2002	<u>0.7</u>	<u>0.5</u>	<u>0.2</u>	<u>-</u>

HARRODS (UK) LIMITED

NOTES TO THE ACCOUNTS (Continued)

Fixed Assets - Tangible Assets (continued)

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

Freehold and long leasehold properties were revalued by the Directors as at 31 December 1999 on an Existing Use Basis after taking into account a report prepared by independent property advisers.

All other fixed assets are stated at cost.

There are no costs incurred on unfinished projects at the year end included in the cost element of freehold land and buildings (2002: £0.2 million).

Fixed Assets – Investments

	Total £m	Shares in Group Undertakings £m
Cost		
At 1 February 2003 and at 2 February 2002	762.4	762.4
Net Book Value		
At 1 February 2003 and at 2 February 2002	762.4	762.4
Debtors	1/2/03 £m	2/2/02 £m
Amounts due within one year:		
Amounts owed by group undertakings	10.4	192.1
Other debtors	26.9	4.3
Prepayments and accrued income	0.1	0.1
	37.4	196.5
Amounts due after more than one year:		
Amounts owed by group undertakings	173.9	-
	211.3	196.5
Properties held for resale		
Properties held for resale	5.8	-

Properties held for resale have been transferred from tangible fixed assets at their carrying value.

HARRODS (UK) LIMITED

NOTES TO THE ACCOUNTS (Continued)

Creditors	1/2/03 £m	2/2/02 £m
Amounts falling due within one year:		
Bank overdrafts	26.9	20.5
Amounts owed to group undertakings	2.1	125.6
Other creditors	0.4	0.1
Corporation tax	0.2	0.2
Accruals and deferred income	0.2	0.2
	<u>29.8</u>	<u>146.6</u>
Bank Loans and Overdrafts:		
Repayable within one year or on demand	<u>26.9</u>	<u>20.5</u>
Amounts falling due after more than one year:		
Amounts owed to group undertakings	<u>137.9</u>	<u>-</u>
Called up Share Capital	1/2/03 £	2/2/02 £
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
1 "B" special rights redeemable preference share of £1	1	1
	<u>10,000,002</u>	<u>10,000,002</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
1 "B" special rights redeemable preference share of £1	1	1
	<u>6,098,120</u>	<u>6,098,120</u>

Included within total shareholders' funds of £812.9 million is an amount in respect of non-equity interests of £2. All other amounts are attributable to the equity shareholders.

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 shareholder.

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) LIMITED

NOTES TO THE ACCOUNTS (Continued)

Reserves	Merger Reserve	Revaluation Reserve	Profit and Loss Account
	£m	£m	£m
Balance at beginning of the period	576.0	0.3	15.2
Loss for the period	-	-	(2.7)
Balance at end of the period	576.0	0.3	12.5

Commitments

Commitments during the year commencing 2 February 2003 in respect of operating leases of land and buildings are:

	1/2/03 £m	2/2/02 £m
Leases expiring: Over five years	0.2	0.2

There were no Capital commitments as at 1 February 2003 (2002: £0.7m).

Contingent Liabilities

The Harrods Holdings Group's loan facility is guaranteed by Harrods (UK) Limited and other Group companies.

Parent Undertakings

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

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

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 Balnagown Castle Properties Limited, Bocardo Societe Anonyme, Fulham Football Club (1987) Limited, Fulham Football Leisure Limited, Fulham Stadium Limited, Scintilla Limited (formerly Harrods Online Limited), Gallant Minerals Services Limited, Liberty Holdings Limited (and Subsidiaries), Metro Natural Resources Participations Limited (formerly Harrods Natural resources Limited), The Map Factory Inc, The Ritz Hotel Ltd, Turnbull & Asser Limited and West Heath 2000 Limited. The transactions with these companies are not material except as described below:

During the year, the Company recharged payroll and made administration charges to Liberty Publishing and Media Limited, amounting to £0.6 million (2002: £0.7 million). The debtor outstanding at the year end was £0.5 million (2002: £nil). The maximum debtor balance during the year was £0.5m.

During the year, the Company recharged payroll and made administration charges to Fulham Football Club (1987) Limited, amounting to £12.7 million (2002: £20.4 million). The debtor outstanding at the year end was £12.7 million (2002: £nil). The maximum debtor balance during the year was £12.7m.

HARRODS (UK) LIMITED

NOTES TO THE ACCOUNTS (Continued)

Related Party Transactions (continued)

During the year, the Company recharged payroll and made administration charges to Fulham Football Leisure Limited, amounting to £20.2 million (2002: £0.1 million). The debtor outstanding at the year end was £12.9 million (2002: £nil). The maximum debtor balance during the year was £12.9m.

During the year, the Company recharged payroll and made administration charges to Fulham Stadium Limited, amounting to £0.1 million (2002: £nil). The debtor outstanding at the year end was £0.1 million (2002: £nil). The maximum debtor balance during the year was £0.1m.

During the year, the Company recharged payroll and made administration charges to Scintilla Limited (formerly Harrods Online Limited), amounting to £0.2 million (2002: £0.9 million). The debtor outstanding at the year end was £0.1 million (2002: £nil). The maximum debtor balance during the year was £0.2m.

During the year, the Company recharged payroll and made administration charges to Gallant Minerals Services Limited, amounting to £0.1 million (2002: £nil). The debtor outstanding at the year end was £0.1 million (2002: £nil). The maximum debtor balance during the year was £0.1m.

During the year, the Company recharged payroll and made administration charges to Metro Natural Resources Participations Limited (formerly Harrods Natural Resources Limited), amounting to £0.3 million (2002: £nil). The debtor outstanding at the year end was £0.3 million (2002: £nil). The maximum debtor balance during the year was £0.3m.

All balances due to the Group from related parties were repaid in full after the year end.

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

Principal Subsidiary Undertakings

The principal subsidiary undertakings operating at 1 February 2003 are:

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

	<u>Principal Activity</u>
Harrods Limited*	Department store
Harrods International Limited	Tax free retailer and wholesaler
Harrods (Continental) Limited	Exporter
Harrods Estates Limited	Estate agents
Harrods Property Holdings Limited	Holding Company
Harrods Property Limited	Property Management
Kurt Geiger Limited*	Footwear retailers
Genavco Insurance Limited	Insurance brokers
Harrods Aviation Limited (formerly Metro Business Aviation Limited)	Executive jet handling company
Air Harrods Limited	Helicopter Operator

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

HARRODS (UK) LIMITED

NOTES TO THE ACCOUNTS (Continued)

Principal Subsidiary Undertakings (continued)

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 Company also holds investments in other subsidiary undertakings which are not material. Details of all subsidiary undertakings will be annexed to the Company's next annual return in compliance with Section 231 of the Companies Act 1985.