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HARRODS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30TH APRIL 1988



HARRODS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE 52 WEEKS ENDED 30TH APRIL 1988

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HARRODS LIMITED

## DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Company for the 52 weeks ended 30th April 1988 to be submitted to the 98th Annual General Meeting of the Members.

## DIRECTORS

The present Directors of the Company are:

|                 |                                  |
|-----------------|----------------------------------|
| M Al-Fayed      | - Chairman                       |
| A Fayed         |                                  |
| S Fayed         |                                  |
| W A Craddock    |                                  |
| Miss R P Thorne |                                  |
| C P de Boer     |                                  |
| G W Jones       | - (appointed 18th November 1987) |
| R B Jakeman     |                                  |
| P I Taylor      | - (appointed 11th January 1988)  |
| R D Mackie      |                                  |
| J S Nordberg    | - (appointed 1st June 1987)      |

Mr D A Bradbury retired from the Board on 31st July 1987.

Mr D R McHolick and Mr F J Hampson resigned from the Board on 8th October 1987 and 12th October 1987 respectively.

Mr M J Ellis-Jones was appointed to the Board on 12th October 1987, and resigned on 8th April 1988.

Mr B L Walsh resigned from the Board on 1st February 1988.

## PRINCIPAL ACTIVITY

The Company continues to be responsible for the operation of the world renowned department store in London.

On 3rd May 1987, the operation and associated assets of the three stores trading as Dickins and Jones were transferred at net book value to a fellow subsidiary company.

## REVIEW OF BUSINESS

The turnover of the Company decreased by 9.82% to £291.7 million, as a result of the transfer of the business of the three Dickins and Jones stores (£42.0 million), offset by improved sales of £10.3 million (3.65%). Profit after tax reduced by £6.6 million to £10.2 million.

The company is expected to perform satisfactorily during the coming year.

## RESULTS AND DIVIDENDS

The results and dividends for the year ended 30th April 1988 are shown on page 5.

|  |                   |
|--|-------------------|
|  | £                 |
| The profit available for distribution amounts to | 10,026,801        |
| from which the Directors have paid a dividend of | <u>5,000,000</u>  |
| Leaving a retained profit for the year of        | <u>£5,026,801</u> |

## FIXED ASSETS

Details of the movements in fixed assets are shown in notes 8 and 9 to the financial statements.

## MARKET VALUE OF PROPERTIES

Freehold and long leasehold properties have been valued as at 30th April 1988 by Conrad Ritblat & Co, Consultant Surveyors and Valuers, and Savills Ltd, Commercial, Residential and Agricultural Surveys, on an open market existing use basis. The results of this valuation, which produced a surplus of £27.6 million, have been incorporated in the accounts.

## DIRECTORS' INTERESTS

By reason of their ownership and control of the ultimate holding company, Alfayed Investment and Trust SA, Mr M Al-Fayed, Mr A Fayed and Mr S Fayed had an indirect interest in the whole of the company's share capital during the period. None of the other Directors held an interest in the company's shares during the period or in the shares of the ultimate holding company at 3rd May 1987, or date of appointment if later, or at the end of the period.

## CHARITABLE AND POLITICAL DONATIONS

The charitable donations made by the Company and charged in the accounts were £41,488. There were no political donations.

## HEALTH AND SAFETY

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In accordance with the provisions of the Health and Safety at Work Acts, the Company has issued a written statement of its general policy with regard to the health, safety and welfare at work of its employees and the organisation and arrangements for carrying out that policy. The statement has been brought to the notice of all the Company's employees.

## EMPLOYEE INVOLVEMENT

Information is provided regularly to employees by means of normal management communication channels using written material, face to face meetings and video presentations. The store magazine "Harrods News" is issued 9 times a year and is available to all employees and pensioners.

Consultation with employees takes place through elected staff committees, health and safety committees and through normal recognised trade union channels. The management and staff pension funds both have committees of elected representatives who are kept informed and involved in the administration.

A general awareness of the Company's performance is maintained through regular weekly half-hour training sessions for all staff and, through individual performance appraisals, employees are made aware of their individual contribution to the Company.

## EMPLOYMENT OF DISABLED PERSONS

It is the policy of the company to give full and fair consideration to applications for employment from disabled persons, to continue wherever possible the employment of members of staff who may become disabled and to ensure that suitable training, career development and promotion is afforded to such persons.

## AUDITORS

Price Waterhouse have expressed their willingness to continue in office as Auditors and a resolution to re-appoint them and authorising the Directors to fix their remuneration will be proposed at the Annual General Meeting.

## CLOSE COMPANY

As at 30th April 1988 the company was a close company within the meaning of the Income and Corporation Taxes Act 1988.

By Order of the Board



R P Thorne  
Secretary

Southwark Towers  
32 London Bridge Street  
London SE1 9SY

Telephone: 01 407 8989  
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*Price Waterhouse*



AUDITORS' REPORT TO THE MEMBERS OF  
HARRODS LIMITED

We have audited the financial statements on pages 5 to 20 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 30th April 1988 and of its profit and source and application of funds for the 52 weeks then ended and comply with the Companies Act 1985.

*Price Waterhouse*

Price Waterhouse  
Chartered Accountants

13 July 1988

HARRODS LIMITED

## PROFIT AND LOSS ACCOUNT

|  | Note | 52 Weeks Ended<br>30th April 1988<br>£'000 | 52 Weeks Ended<br>2nd May 1987<br>£'000 |
|--|------|--|---|
| TOTAL TURNOVER                                   |      | 328,228                                    | 366,033                                 |
| Less: Value added tax                            |      | <u>36,488</u>                              | <u>42,521</u>                           |
| Turnover   | 1    | <u>291,740</u>                             | <u>323,512</u>                          |
| TRADING PROFIT                                   | 2    | 15,802                                     | 25,612                                  |
| Other operating income                           | 3    | 55   | 83                                      |
| Interest receivable                              |      | 6  | 8                                       |
| Interest payable                                 | 4    | (420)                                      | (108)                                   |
| Share of profits of related company              |      | <u>14</u>                                  | <u>(1)</u>                              |
| PROFIT ON ORDINARY ACTIVITIES<br>BEFORE TAXATION |      | 15,457                                     | 25,594                                  |
| Tax on profit on ordinary activities             | 5    | <u>(5,300)</u>                             | <u>(8,869)</u>                          |
| PROFIT ON ORDINARY ACTIVITIES<br>AFTER TAXATION  |      | 10,157                                     | 16,725                                  |
| Extraordinary items                              | 6    | <u>( 130)</u>                              | <u>(8)</u>                              |
| PROFIT FOR THE FINANCIAL<br>PERIOD               |      | 10,027                                     | 16,717                                  |
| Dividends  |      | <u>5,000</u>                               | <u>15,000</u>                           |
| PROFIT RETAINED                                  | 15   | <u>5,027</u>                               | <u>1,717</u>                            |

# HARRODS LIMITED

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## BALANCE SHEET

|   | Note | At 30th April<br>1988<br>£'000 | At 2nd May<br>1987<br>£'000 |
|---|------|--------------------------------|-----------------------------|
| <b>FIXED ASSETS</b>                                     |      |                                |                             |
| Tangible assets   | 8    | 292,125                        | 269,627                     |
| Investments   | 9    | <u>2,595</u>                   | <u>21,365</u>               |
|   |      | 294,720                        | 290,992                     |
| <b>CURRENT ASSETS</b>                                   |      |                                |                             |
| Stock   | 10   | 34,315                         | 38,638                      |
| Debtors   | 11   | 36,252                         | 36,386                      |
| Cash at bank and in hand                                |      | <u>436</u>                     | <u>409</u>                  |
|   |      | 71,003                         | 75,433                      |
| <b>CURRENT LIABILITIES</b>                              |      |                                |                             |
| CREDITORS: amounts falling due within one year          |      |                                |                             |
| Trade creditors   |      | 10,857                         | 16,413                      |
| Bank overdraft  |      | 1,988                          | 5,189                       |
| Other liabilities                                       | 12   | <u>33,702</u>                  | <u>49,858</u>               |
|   |      | 46,547                         | 71,460                      |
| <b>NET CURRENT ASSETS</b>                               |      |                                |                             |
|   |      | 24,456                         | 3,973                       |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>            |      |                                |                             |
|   |      | 319,176                        | 294,965                     |
| CREDITORS: amounts falling due after more than one year |      |                                |                             |
|   | 12   | 5,433                          | 1,800                       |
| <b>PROVISIONS FOR LIABILITIES</b>                       |      |                                |                             |
| Deferred taxation                                       | 13   | <u>1,457</u>                   | <u>3,017</u>                |
|   |      | 312,286                        | 290,148                     |



HARRODS LIMITED

## BALANCE SHEET

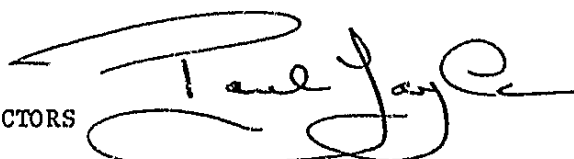
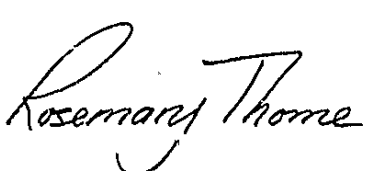
|                            | Note | At 30th April<br>1988<br>£'000 | At 2nd May<br>1987<br>£'000 |
|----------------------------|------|--------------------------------|-----------------------------|
| CAPITAL AND RESERVES       |      |                                |                             |
| Called up share capital    | 14   | 8,000                          | 8,000                       |
| Share premium account      |      | 1,066                          | 1,066                       |
| Revaluation reserve        | 15   | 227,950                        | 213,180                     |
| Profit and loss account    | 15   | 75,257                         | 67,903                      |
| Related companies reserves | 15   | 13                             | (1)                         |
|                            |      | 312,286                        | 290,148                     |

The financial statements were approved by the Board of Directors on 13th July 1988.

P I Taylor

DIRECTORS

Miss R P Thorne

HARRODS LIMITED

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

|   | 52 weeks ended<br>30th April 1988<br><u>£'000</u> | 52 weeks ended<br>2nd May 1987<br><u>£'000</u> |
|---|---|--|
| SOURCE OF FUNDS   |   |  |
| Profit on ordinary activities<br>before taxation              | 15,457  | 25,594   |
| Adjustments for items not involving<br>the movement of funds: |   |  |
| Depreciation  | 3,650   | 3,867  |
| Extraordinary items before taxation                           | ( 196)  | 9  |
| Loss on sale of fixed assets                                  | 121   | 610  |
| Profit retained in related<br>companies                       | ( 14)   | -  |
| TOTAL GENERATED FROM OPERATIONS                               | 19,018  | 30,080   |
| FUNDS FROM OTHER SOURCES                                      |   |  |
| Proceeds of sale of tangible<br>fixed assets                  | <u>5,265</u>                                      | <u>103</u>                                     |
|   | 24,283  | 30,183   |
| APPLICATION OF FUNDS  |   |  |
| Expenditure on tangible<br>fixed assets                       | (18,789)  | (11,612)                                       |
| Purchase of fixed asset investments                           | ( 2,255)  | ( 396)   |
| Tax paid (including group relief)                             | ( 5,212)  | ( 8,913)                                       |
| Dividends paid  | ( 5,000)  | (15,000)                                       |
| Loan capital repaid   | <u>( 50)</u>                                      | <u>( 50)</u>                                   |
|   | ( 7,023)  | ( 5,788)                                       |
| MOVEMENT IN WORKING CAPITAL                                   |   |  |
| Decrease in stocks  | ( 4,323)  | ( 772)   |
| (Decrease)/increase in debtors                                | ( 134)  | 5,692  |
| Increase in creditors   | <u>( 5,794)</u>                                   | <u>(15,647)</u>                                |
|   | (10,251)  | (10,727)                                       |
| Increase in net liquid funds                                  | <u>3,228</u>                                      | <u>4,939</u>                                   |
|   | ( 7,023)  | ( 5,788)                                       |

Net liquid funds comprise bank overdrafts and cash at bank  
and in hand.

ACCOUNTING BASIS AND POLICIES

1 BASIS OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention modified to include revaluation of the Company's properties.

Group financial statements are not presented as the Company is a wholly owned subsidiary of a Company incorporated in Great Britain.

2 STOCKS

Stocks are stated at the lower of cost and net realisable value. Cost is computed on the basis of selling price less the appropriate trading margin.

3 DEPRECIATION OF TANGIBLE FIXED ASSETS

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

|                                       |  |
|---------------------------------------|--|
| Freehold and long leasehold buildings | - Over estimated useful life (24 - 99 years) |
| Short leaseholds                      | - Over remaining period of lease             |
| Fixtures and fittings                 | - Over 10 years                              |
| Vehicles and equipment                | - Over 5 years                               |

Depreciation on the revaluation surplus of properties is charged to the profit and loss account and then transferred to the revaluation reserve.

4 LEASED ASSETS

Assets acquired under finance leases are capitalised so as to reflect the fair value of the asset acquired, and depreciated at a rate which is appropriate given the terms of the lease and life of the asset. The interest element of the rental charge is taken to profit and loss account in proportion to the capital element outstanding.

5 PROPERTY DEVELOPMENT

In the case of 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 LIMITED

## ACCOUNTING BASIS AND POLICIES

## 6 PROPERTY TRANSFERS

Tangible fixed assets are transferred to other group companies at net book amount. Any associated revaluation surplus is transferred by way of a movement on reserves.

## 7 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 accounts, except where the tax reduction is expected to continue for the foreseeable future.

## 8 CREDIT SALES

Profit is taken on goods sold on credit when the sale is effected, except that a deferral is made in respect of the service charge on extended credit sales which are subject to an interest free option. The service charge on other credit sales is taken to trading profit as it accrues.

## 9 PENSIONS

Retirement benefits to the present employees of the Company are funded by contributions from the Company and employees. Payments are made to pension trusts, which are financially separate from the Company, in accordance with calculations made periodically by consulting actuaries. The cost of these contributions and of providing pensions to some former employees is charged against the profits of the period.

## 10 FOREIGN CURRENCY

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

HARRODS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

|   | <u>1988</u><br><u>£'000</u> | <u>1987</u><br><u>£'000</u> |
|---|-----------------------------|-----------------------------|
| 1 TURNOVER is the amount receivable for goods and services supplied to customers and includes the sales of concession departments arising entirely within the United Kingdom. | <u>291,740</u>              | <u>323,512</u>              |
| 2 TRADING PROFIT is arrived at as follows:  |                             |                             |
| Turnover  | 291,740                     | 323,512                     |
| Cost of sales   | <u>182,326</u>              | <u>205,605</u>              |
| Gross profit  | 109,414                     | 117,907                     |
| Distribution costs  | 81,047                      | 78,015                      |
| Administrative expenses   | <u>12,565</u>               | <u>14,280</u>               |
| Trading profit  | <u>15,802</u>               | <u>25,612</u>               |
| Included in the above are:  |                             |                             |
| Depreciation of tangible fixed assets   | 3,054                       | 3,867                       |
| Depreciation of assets held under finance leases  | 596                         | -                           |
| Auditors' fees and expenses   | 66                          | 144                         |
| Hire of plant and machinery   | 123                         | 100                         |
| Head office charge  | <u>12,540</u>               | <u>14,280</u>               |
| The head office charge is effectively a management charge levied by House of Fraser plc based on a percentage of the turnover of Harrods Limited.                             |                             |                             |
| 3 OTHER OPERATING INCOME  |                             |                             |
| Rental income   | <u>55</u>                   | <u>83</u>                   |
| 4 INTEREST PAYABLE  |                             |                             |
| On loans repayable within 5 years   | 105                         | 108                         |
| On finance leases   | <u>315</u>                  | <u>-</u>                    |
|   | <u>420</u>                  | <u>108</u>                  |

HARRODS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

|  | 1988<br>£'000 | 1987<br>£'000 |
|--|---------------|---------------|
| <b>5 TAXATION</b>  |               |               |
| Taxation based on profits of the period:   |               |               |
| Corporation tax  | 298           | (17)          |
| Group relief - payment to parent company<br>in respect of amounts under the group<br>relief provisions | 4,980         | 8,913         |
| Deferred taxation  | 59            | (27)          |
| Adjustment of provisions for earlier periods:  |               |               |
| Deferred taxation  | (37)          | -             |
|  | <u>5,300</u>  | <u>8,869</u>  |
| Corporation tax is provided at an effective<br>rate of 35%.  |               |               |
| <b>6 EXTRAORDINARY ITEMS</b>   |               |               |
| Re-organisation and office closure costs   | 191           | -             |
| Loss/(Surplus) on disposal of properties   | 5             | (9)           |
| Tax thereon  | (66)          | 17            |
|  | <u>130</u>    | <u>8</u>      |
| <b>7 INFORMATION REGARDING DIRECTORS AND EMPLOYEES</b>   |               |               |
| <u>Directors</u>   |               |               |
| Directors' remuneration:   |               |               |
| Other emoluments including pension contributions   | 480           | 601           |
| Compensation paid to former Directors for loss<br>of office  | 41            | 362           |
|  | <u>521</u>    | <u>963</u>    |
| Emoluments of Chairman   | -             | -             |
| Emoluments of highest paid Director  | <u>88</u>     | <u>75</u>     |

HARRODS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

|  | <u>1988</u> | <u>1987</u> |
|--|-------------|-------------|
|--|-------------|-------------|

## 7 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The range of Directors' emoluments and the number of Directors within each range was.

|                   |   |   |
|-------------------|---|---|
| £0 - £5,000       | 5 | 8 |
| £5,001 - £10,000  | 1 | - |
| £10,001 - £15,000 | - | 1 |
| £15,001 - £20,000 | - | 2 |
| £20,001 - £25,000 | 2 | - |
| £25,001 - £30,000 | 1 | - |
| £30,001 - £35,000 | 1 | 1 |
| £35,001 - £40,000 | 1 | 3 |
| £40,001 - £45,000 | - | 1 |
| £45,001 - £50,000 | 2 | 2 |
| £50,001 - £55,000 | 1 | - |
| £55,001 - £60,000 | - | 1 |
| £60,001 - £65,000 | - | 1 |
| £70,001 - £75,000 | 1 | - |
| £75,001 - £80,000 | - | 1 |
| £85,001 - £90,000 | 1 | - |

Employees

|                       | <u>1988</u>   | <u>1987</u>   |
|-----------------------|---------------|---------------|
|                       | £'000         | £'000         |
| Employment costs:     |               |               |
| Wages and salaries    | 43,961        | 46,784        |
| Social security costs | 3,588         | 3,626         |
| Other pension costs   | (76)          | 110           |
|                       | <u>47,473</u> | <u>50,520</u> |

Based on the consulting actuaries advice, the Directors have improved benefits and suspended the Company's contributions to two of the pension funds. The position will be reviewed again when the actuarial valuation at April 1988 is received.

The number of employees other than Directors whose emoluments exceed £30,000 within the range shown was:

|                   |    |    |
|-------------------|----|----|
| £30,001 - £35,000 | 12 | 14 |
| £35,001 - £40,000 | 9  | 9  |
| £40,001 - £45,000 | 4  | -  |
| £45,001 - £50,000 | -  | 2  |
| £50,001 - £55,000 | 1  | -  |
| £55,001 - £60,000 | 1  | -  |
| £60,001 - £65,000 | -  | 2  |

The average weekly number of employees during the year was:-

|      |      |
|------|------|
| 4237 | 5211 |
|------|------|

HARRODS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 FIXED ASSETS -- Tangible assets  
(a)

|                                  | <u>Total</u><br><u>£'000</u> | <u>Freeholds</u><br><u>£'000</u> | <u>Long</u><br><u>leaseholds</u><br><u>£'000</u> | <u>Short</u><br><u>leaseholds</u><br><u>£'000</u> | <u>Fixtures,</u><br><u>fittings,</u><br><u>vehicles</u><br><u>&amp; equipment</u><br><u>£'000</u> |
|----------------------------------|------------------------------|----------------------------------|--|---|---|
| Cost & valuation at              |                              |                                  |  |   |   |
| 2nd May 1987                     | 281,094                      | 232,196                          | 16,140   | 15  | 32,743  |
| Additions                        | 18,789                       | 11,008                           | -  | -   | 7,781   |
| Disposals                        | (737)                        | -                                | -  | (15)  | (722)   |
| Group transfers                  | (21,965)                     | (450)                            | (15,040)   | -   | (6,475)   |
| Revaluation<br>surplus/(deficit) | <u>27,606</u>                | <u>27,696</u>                    | <u>(90)</u>                                      | <u>-</u>  | <u>-</u>  |
| Cost & valuation at              |                              |                                  |  |   |   |
| 30th April 1988                  | <u>304,787</u>               | <u>270,450</u>                   | <u>1,010</u>                                     | <u>-</u>  | <u>33,327</u>   |
| Aggregate depreciation to        |                              |                                  |  |   |   |
| 2nd May 1987                     | 11,467                       | -                                | -  | 9   | 11,458  |
| Charge for period                | 3,650                        | -                                | -  | 1   | 3,649   |
| Disposals                        | (601)                        | -                                | -  | (10)  | (591)   |
| Group transfers                  | <u>(1,854)</u>               | <u>-</u>                         | <u>-</u>   | <u>-</u>  | <u>(1,854)</u>  |
| Aggregate depreciation to        |                              |                                  |  |   |   |
| 30th April 1988                  | <u>12,662</u>                | <u>-</u>                         | <u>-</u>   | <u>-</u>  | <u>12,662</u>   |
| Net book value at                |                              |                                  |  |   |   |
| 30th April 1988                  | <u>292,125</u>               | <u>270,450</u>                   | <u>1,010</u>                                     | <u>-</u>  | <u>20,665</u>   |
| Net book value at 2nd May 1987   | <u>269,627</u>               | <u>232,196</u>                   | <u>16,140</u>                                    | <u>6</u>  | <u>21,285</u>   |
| Cost & valuation:                |                              |                                  |  |   |   |
| 1988 Valuation                   | 271,460                      | 270,450                          | 1,010  | -   | -   |
| Cost                             | <u>33,327</u>                | <u>-</u>                         | <u>-</u>   | <u>-</u>  | <u>33,327</u>   |
|                                  | <u>304,787</u>               | <u>270,450</u>                   | <u>1,010</u>                                     | <u>-</u>  | <u>33,327</u>   |

Freehold and long leasehold properties have been professionally valued on 30th April 1988 mainly by Conrad Ritblat & Co, Consultant Surveyors and Valuers on an open market existing use basis. This valuation has been incorporated in the accounts with effect from 30th April 1988.

The net book value of fixed tangible assets includes an amount of £4,653,745 (1987 - Nil) in respect of assets held under finance leases.

Included in the cost of fixed tangible assets is £1,366,270 of capitalised interest of which £430,005 was incurred during the period. The taxation charge has not been reduced in respect of this interest.



HARRODS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 FIXED ASSETS - Tangible assets (continued)  
market existing use basis.

(b)

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

|   | <u>Total</u><br><u>£'000</u> | <u>Freeholds</u><br><u>£'000</u> | <u>Long</u><br><u>leaseholds</u><br><u>£'000</u> | <u>Short</u><br><u>leaseholds</u><br><u>£'000</u> | <u>Fixtures</u><br><u>fittings,</u><br><u>vehicles</u><br><u>&amp; equipment</u><br><u>£'000</u> |
|---|------------------------------|----------------------------------|--|---|--|
| Cost at 2nd May 1987                      | 70,240                       | 32,538                           | 4,959  | -   | 32,743   |
| Depreciation to 2nd May 1987              | (11,458)                     | -                                | -  | -   | (11,458)   |
| Net historical cost<br>2nd May 1987       | <u>58,782</u>                | <u>32,538</u>                    | <u>4,959</u>                                     | <u>-</u>  | <u>21,285</u>  |
| Cost at 30th April 1988                   | 76,837                       | 43,439                           | 71   | -   | 33,327   |
| Depreciation to<br>30th April 1988        | (12,662)                     | -                                | -  | -   | (12,662)   |
| Net historical cost at<br>30th April 1988 | <u>64,175</u>                | <u>43,439</u>                    | <u>71</u>  | <u>-</u>  | <u>20,665</u>  |

HARRODS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 9 FIXED ASSETS - Investments

## Shares

|   | <u>Total</u>  | <u>Group</u>     | <u>Related</u>   |
|---|---------------|------------------|------------------|
|   | <u>£'000</u>  | <u>Companies</u> | <u>Companies</u> |
| Cost at 2nd May 1987                    | 21,364        | 21,314           | 50               |
| Additions                               | 2,000         | 2,000            | -                |
| Transfers from group companies          | 6             | 6                | -                |
| Transfers to group companies            | (21,039)      | (21,039)         | -                |
| Cost at 30th April 1988                 | <u>2,331</u>  | <u>2,281</u>     | <u>50</u>        |
| Loans                                   |               |                  |                  |
| At 2nd May 1987                         | 2             | -                | 2                |
| Additions                               | 249           | -                | 249              |
| At 30th April 1988                      | <u>251</u>    | <u>-</u>         | <u>251</u>       |
| Share of Post Acquisition Reserves      |               |                  |                  |
| At 2nd May 1987                         | (1)           |                  | (1)              |
| Share of profits for the period         | 14            |                  | 14               |
| At 30th April 1988                      | <u>13</u>     |                  | <u>13</u>        |
| Total net book value at 30th April 1988 | <u>2,595</u>  | <u>2,281</u>     | <u>314</u>       |
| Total net book value at 2nd May 1987    | <u>21,365</u> | <u>21,314</u>    | <u>51</u>        |

## Shares in subsidiaries

The company has the following wholly owned trading and dormant subsidiary companies:

| <u>Name</u>   | <u>Registered</u> |
|---|-------------------|
| Harrods Estate Office                                 | England & Wales   |
| Harrods Bank Limited (formerly Harrods Trust Limited) | " "               |
| Harroddian Trustees Limited*                          | " "               |
| Harrods (Continental) Limited*                        | " "               |
| Harrods International Limited*                        | " "               |
| Harrods (Management) Limited*                         | " "               |
| Wyllie & Company Limited*                             | " "               |

\*denotes dormant subsidiary companies.

During the year, the shares of Wyllie & Company Limited were transferred from a group company, and those of Kurt Geiger Holdings Limited Turnbull & Asser(Holdings)Limited, and Harrods(Insurance)Limited were transferred at cost to group companies.

In the opinion of the Directors, the value of the company's investments in its subsidiaries is not less than the amount stated in the balance sheet.

HARRODS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 9 FIXED ASSETS - Investments (Continued)

The related company is Harrods Heinemann Limited, an unlisted company in which the Company holds 50% of the paid up ordinary share capital.

## 10 STOCKS

|  | <u>1988</u> | <u>1987</u> |
|--|-------------|-------------|
|  | £'000       | £'000       |

The main categories of stocks are:

|                                     |               |               |
|-------------------------------------|---------------|---------------|
| Work in progress                    | 29            | 29            |
| Finished goods and goods for resale | <u>34,286</u> | <u>38,609</u> |
|                                     | <u>34,315</u> | <u>38,638</u> |

There was no significant difference between the replacement cost of stocks at 30th April 1988 and the amount at which they are stated in the accounts.

## 11 DEBTORS

Amounts due within one year:

|                                       |              |              |
|---------------------------------------|--------------|--------------|
| Trade debtors                         | 21,385       | 17,882       |
| Amounts owed by subsidiaries          | 1,143        | 715          |
| Amounts owed by other group companies | 885          | 1,073        |
| Other taxes and social security       | -            | 476          |
| Other debtors                         | 762          | 675          |
| Prepayments and accrued income        | <u>1,012</u> | <u>1,033</u> |
|                                       | 25,187       | 21,854       |

Amounts due after more than one year:

|               |               |               |
|---------------|---------------|---------------|
| Trade debtors | <u>11,065</u> | <u>14,532</u> |
|               | <u>36,252</u> | <u>36,386</u> |

HARRODS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 12 CREDITORS

|                                      | 1988<br>£'000 | 1987<br>£'000 |
|--------------------------------------|---------------|---------------|
| Amounts falling due within one year: |               |               |
| Loan (secured)                       | 50            | 50            |
| Amounts due to subsidiaries          | -             | 557           |
| Amounts due to group companies       | 27,247        | 45,212        |
| Other taxes and social security      | 1,319         | 1,214         |
| Other creditors                      | 2,148         | 255           |
| Accruals and deferred income         | 2,938         | 2,570         |
|                                      | <u>33,702</u> | <u>49,858</u> |

## Amounts falling due after more than one year:

|                 |              |              |
|-----------------|--------------|--------------|
| Loan (secured)  | 1,750        | 1,800        |
| Other creditors | 3,683        | -            |
|                 | <u>5,433</u> | <u>1,800</u> |

The loan, which is secured on the property of a fellow subsidiary, carries interest at 5.75% and is repayable by annual instalments of £50,000 until 1990 when the balance is payable, as follows:

|  |              |              |
|--|--------------|--------------|
| Repayable within one year or on demand | 50           | 50           |
| Repayable between one & two years      | 1,750        | 50           |
| Repayable between two & five years     | -            | 1,750        |
|  | <u>1,800</u> | <u>1,850</u> |

## 13 PROVISIONS FOR LIABILITIES AND CHARGES

## Deferred taxation:

|                                |              |              |
|--------------------------------|--------------|--------------|
| Balance at 2nd May 1987        | 3,017        | 3,044        |
| Charged/(Credited) to taxation | 22           | ( 27)        |
| Transferred to group companies | (1,582)      | -            |
| Balance at 30th April 1988     | <u>1,457</u> | <u>3,017</u> |

Deferred taxation is in respect of accelerated capital allowances.

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

|                                  | 1988<br>£'000 | 1987<br>£'000 |
|----------------------------------|---------------|---------------|
| Capital allowances               | 6,000         | 6,000         |
| Corporation tax on capital gains | 3,481         | 3,208         |
| Revaluation of properties        | 65,217        | 50,552        |
|                                  | <u>74,698</u> | <u>59,760</u> |

HARRODS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 14 CALLED UP SHARE CAPITAL

|                                    | <u>1988</u><br><u>£'000</u> | <u>1987</u><br><u>£'000</u> |
|------------------------------------|-----------------------------|-----------------------------|
| Authorised, issued and fully paid: |                             |                             |
| Ordinary shares of £1              | <u>8,000</u>                | <u>8,000</u>                |

## 15 RESERVES

|   | <u>Revaluation<br/>reserve</u> | <u>Profit &amp; loss<br/>account</u> | <u>Related<br/>companies<br/>reserves</u> | <u>Total</u>    |
|---|--------------------------------|--------------------------------------|---|-----------------|
|   | £'000                          | £'000                                | £'000                                     | £'000           |
| Balance at 2nd May 1987   | 213,180                        | 67,903                               | (1)                                       | 281,082         |
| Profit retained for the period  | -                              | 5,013                                | 14  | 5,027           |
| Net revaluation surplus   | 27,606                         | -                                    | -   | 27,606          |
| Transfers (from)/to profit & loss account:  |                                |                                      |   |                 |
| Revaluation surplus realised on disposal  | ( 13)                          | 13                                   | -   | -               |
| Depreciation of property in prior years   | ( 2,328)                       | 2,328                                | -   | -               |
| Revaluation surplus on properties transferred to group companies at net book amount under the historical cost basis | <u>(10,495)</u>                | <u>-</u>                             | <u>-</u>                                  | <u>(10,495)</u> |
| Balance at 30th April 1988  | <u>227,950</u>                 | <u>75,257</u>                        | <u>13</u>                                 | <u>303,220</u>  |

## 16 CAPITAL COMMITMENTS

|  | <u>1988</u><br><u>£'000</u> | <u>1987</u><br><u>£'000</u> |
|--|-----------------------------|-----------------------------|
| Contracted for but not yet provided                | 14,407                      | 2,555                       |
| Authorised by Directors but not yet contracted for | <u>1,269</u>                | <u>1,410</u>                |
|  | <u>15,676</u>               | <u>3,965</u>                |

HARRODS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 17 CONTINGENT LIABILITIES

The company has given guarantees to various banks in respect of loan and overdraft facilities granted to other group companies amounting to £37 million. At 30th April 1988, the amount of those facilities utilised was £9,687,500.

## 18 LEASING COMMITMENTS

|  | 1988<br>£'000 | 1987<br>£'000 |
|--|---------------|---------------|
| Obligations under finance leases are - |               |               |
| Payable within one year                | 773           | -             |
| between one and five years             | 2,879         | -             |
| after five years                       | 804           | -             |
|  | <u>4,456</u>  | <u>-</u>      |

## 19 ULTIMATE HOLDING COMPANY

The ultimate holding company is Alfayed Investment and Trust S.A., a company incorporated in Liechtenstein. The registered and beneficial owners of the whole of the issued share capital of that company are Messrs M Al-Fayed, A Fayed and S Fayed.