

HARRODS LIMITEDDIRECTORS' REPORT53 weeks ended 31st January 1981

The directors have pleasure in presenting their annual report and accounts for the 53 weeks ended 31st January 1981 to be submitted to the 91st Annual General Meeting of the members.

DIRECTORS

The present directors of the company are:

Sir Hugh Fraser Bt. (Chairman)
 W.A. Craddock (Managing Director)
 G. Wontner-Smith
 R.J. Cannon
 W.G. Crossan
 L.F. Drewitt (Secretary)
 H.B. Mason
 A.P. Humphries
 R.J. Brimacombe
 G. McK. Brown
 D.C. Mair (appointed 26 March 1981)

Mr. R. Midgley retired as a Director and Chairman on 31st January 1981. The Board wishes to place on record its appreciation of his outstanding contribution in leading the company forward both as Managing Director and then as Chairman.

PRINCIPAL ACTIVITY

The company continues to be responsible for the operation of world renowned department stores in London.

RESULTS AND DIVIDENDS

The results for the 53 weeks are as shown in the annexed profit and loss account.

	£M
The profit available for appropriation amounts to	37.6
from which the directors have paid a dividend of	<u>20.0</u>
leaving retained profits for the 53 weeks of	17.6
	<u>=====</u>

This amount has been transferred to distributable reserves.

GROUP TRANSFERS

On the 15th November 1980, the department store trade conducted at D.H. Evans, Oxford Street and at Wood Green was transferred as a going concern to a fellow subsidiary company. The trading results of these stores up to the date of transfer have been included in the accounts.

Certain properties were also transferred to fellow subsidiary companies on the same date.

HARRODS LIMITEDDIRECTORS' REPORT

53 weeks ended 31st January 1981
(continued)

FIXED ASSETS

Details of the movements in fixed assets are shown in note 8 to the accounts.

MARKET VALUE OF PROPERTIES

Freehold and leasehold properties were professionally valued at 31st January 1981 by Conrad Ritblat & Co., Consultant Surveyors and Valuers, on the basis of open market value for existing use. These properties showed a surplus over book value of £77M which has been credited to un-distributable reserves.

EXPORTS

Identifiable exports included in turnover amounted to £14.6M (1980 £14.7M). A much greater value of purchases made by overseas visitors to London cannot, unfortunately, be identified.

DIRECTORS' INTERESTS

The interests of directors who were also directors of the holding company (House of Fraser Limited) are shown in the accounts of that company.

The interests of the other Harrods' directors in House of Fraser Limited were:

	<u>Ordinary Shares of 25p each</u>	
	<u>31st January 1981</u>	<u>26th January 1980</u>
Beneficial Interests		
W.A. Craddock	1,943	1,573
G. Wontner-Smith	743	373
R.J. Cannon	743	373
L.F. Drewitt	743	373
H.B. Mason	743	373
R.J. Brimacombe	21,058	20,712
Date of appointment		
		<u>28th January 1980</u>
G. McK. Brown	715	373
As Trustee		
		<u>26th January 1980</u>
W.A. Craddock	Nil	26,832

All eligible employees are entitled to participate in the House of Fraser Profit Linked Share Plan and this includes the directors of this company.

HARRODS LIMITEDDIRECTORS' REPORT

53 weeks ended 31st January 1981
(continued)

HEALTH AND SAFETY

In accordance with the provisions of the Health and Safety at Work etc. Act, 1974 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.

AUDITORS

The joint auditors, Hays Allan and Touche Ross & Co., have expressed their willingness to continue in office, and a resolution to re-appoint them will be proposed at the Annual General Meeting.

By Order of the Board

87-135 Brompton Road,
London, SW1X 7XL.

27th March 1981



Secretary

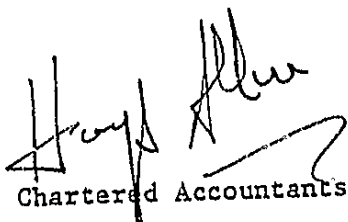
AUDITORS' REPORT TO THE MEMBERS

of

HARRODS LIMITED

We have audited the accounts on pages 5 to 14 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the affairs of the company at 31st January 1981 and of the profit and source and application of funds for the 53 weeks then ended and comply with the Companies Acts 1948 to 1980.


Chartered Accountants

HAYS ALLAN
Southampton House,
317 High Holborn,
London, WC1V 7NL.

31st March 1981



Chartered Accountants

TOUCHE ROSS & CO.,
Hill House,
1 Little New Street,
London, EC4A 3TR.

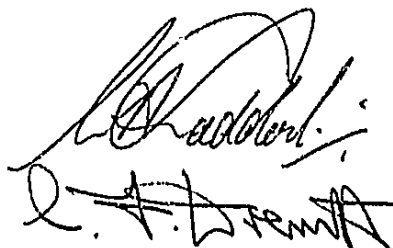
HARRODS LIMITEDPROFIT AND LOSS ACCOUNT53 weeks ended 31st January 1981

	Note	1981 £M	1980 £M
Total turnover	1b	203.8	191.8
Value added tax		(23.5)	(19.3)
Turnover (excluding value added tax)		180.3 =====	172.5 =====
Trading profit	2	17.1	18.6
Interest	3	(2.4)	(1.5)
Operating profit		14.7	17.1
Contribution to profit linked share plan		(0.4)	(0.4)
Profit before taxation		14.3	16.7
Taxation	5	(5.9)	(8.2)
Profit after taxation		8.4	8.5
Extraordinary items	6	29.2	-
Profit after extraordinary items		37.6	8.5
Dividends		(20.0)	(8.0)
Retained profit for the 53 weeks transferred to distributable reserves	7	17.6 =====	0.5 =====

The notes on pages 8 to 14 form an integral part of these accounts.

HARRODS LIMITEDBALANCE SHEET31st January 1981

	Note	1981	1980
		£M	£M
Employment of funds			
Fixed assets	8	121.6	57.3
Investments			
Group companies	9	49.2	3.5
Current assets			
Stock		19.3	20.4
Debtors		20.4	18.5
Amounts due from group companies	9	0.3	1.4
Cash at bankers and in hand		<u>5.5</u>	<u>3.4</u>
		<u>45.5</u>	<u>43.7</u>
Current liabilities			
Amounts due to group companies	9	0.1	0.8
Creditors		22.9	22.0
Taxation	11	<u>5.8</u>	<u>3.7</u>
		<u>28.8</u>	<u>26.5</u>
Net current assets		<u>16.7</u>	<u>17.2</u>
		<u>187.5</u>	<u>78.0</u>
Funds employed			
Shareholders' funds	7	169.6	74.1
Loan capital	10	2.1	2.2
Group companies' loans	9	<u>15.8</u>	<u>1.7</u>
		<u>187.5</u>	<u>78.0</u>



) Directors

The notes on pages 8 to 14 form an integral part of these accounts.

The accounts and notes were approved by the Directors on 27th March 1981.

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HARRODS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

53 weeks ended 31st January 1981

SOURCE OF FUNDS	1981		1980	
	£M	£M	£M	£M
Profit before taxation				
Depreciation	14.3		16.7	
	<u>1.7</u>		<u>1.6</u>	
Total funds generated from trading operations				
Extraordinary items - proceeds of sales		16.0		18.3
Proceeds of other sales of fixed assets		40.0		-
Decrease in inter-group balances		4.3		-
		<u>-</u>		<u>4.4</u>
TOTAL FUNDS GENERATED		60.3		22.7
APPLICATION OF FUNDS				
Tax paid (including group transfers)	3.8		9.5	
Expenditure on fixed assets (including landlord's plant)	3.2		4.0	
Dividends paid	20.0		8.0	
Increase in inter-group balances	31.2		-	
Loan capital repaid	<u>0.1</u>		<u>-</u>	
Total funds applied		(58.3)		(21.5)
MOVEMENT IN WORKING CAPITAL		2.0		1.2
		====		====
ANALYSIS				
Increase in net liquid funds (Decrease)/increase in stocks	(1.1)	2.1	2.5	2.5
Increase in debtors	<u>1.9</u>		<u>3.5</u>	
(Increase) in creditors	0.8		6.0	
	<u>(0.9)</u>	(0.1)	<u>(7.3)</u>	(1.3)
		2.0		1.2
		====		====

The notes on pages 8 to 14 form an integral part of these accounts.

HARRODS LIMITEDNOTES TO ACCOUNTS53 weeks ended 31st January 1981

1. ACCOUNTING POLICIES

(a) Basis of accounts

The accounts have been prepared under the historical cost convention including the revaluation of certain assets.

(b) Total turnover

Total turnover is the amount receivable for goods and services supplied to customers and includes the sales of leased departments, commission received and credit service charges. Value added tax is included in total turnover where applicable.

(c) Stock

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

(d) Depreciation

Depreciation is provided by the company in order to write off the cost or valuation of fixed assets over their estimated useful lives by equal annual instalments, mainly on the following bases:

Freehold and long leasehold buildings	Over 60 years
Short leaseholds	Over remaining period of lease
Vehicles and electronic equipment	Over 5 years
Fixtures and fittings	Over 10 years

In addition to the depreciation provided on the buildings a replacement provision is made for the related landlord's plant at the rate of 5% per annum.

The charge for depreciation of properties has continued to be calculated on their gross book values prior to the adoption of the 31st January 1981 valuation.

(e) Properties

Freehold and leasehold properties held on 31st January 1981 were professionally valued at that date by Conrad Ritblat & Co., Consultant Surveyors and Valuers, based on open market values for existing use. The valuation has been adopted in the accounts with effect from 31st January 1981.

(f) Deferred taxation

No provision has been made for deferred taxation as the directors are satisfied that no liability is likely to arise in the foreseeable future and that there are no material short term timing differences.

HARRODS LIMITEDNOTES TO ACCOUNTS

53 weeks ended 31st January 1981
(continued)

1. ACCOUNTING POLICIES (continued)

(g) Pensions

Retirement benefits to the present employees of the company and its subsidiaries 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.

2. TRADING PROFIT

	1981 £000	1980 £000
Trading profit is arrived at after charging:		
Auditors' fees and expenses	96	84
Directors' remuneration (note 4)	295	267
Depreciation	1,421	1,319
Provision for plant and machinery replacements	337	313
Amount written off shares in subsidiary company	-	54
Loan to subsidiary company waived	27	-
	=====	=====
and after crediting:		
Rents receivable	262	271
Rates refund	755	-
	=====	=====

3. INTEREST

	1981 £M	1980 £M
Loans not repayable within 5 years	0.1	0.1
Paid to group companies	<u>2.3</u>	<u>1.4</u>
	<u>2.4</u>	<u>1.5</u>

4. DIRECTORS' REMUNERATION

	1981 £000	1980 £000
Fees	11	10
Other emoluments including pension contributions	282	256
Pension to former director	<u>2</u>	<u>1</u>
	<u>295</u>	<u>267</u>
Chairman's emoluments	51	50
Highest paid director	<u>51</u>	<u>50</u>

HARRODS LIMITED

10.

NOTES TO ACCOUNTS

53 weeks ended 31st January 1981
(continued)

4. DIRECTORS' REMUNERATION (continued)

All directors:			1981 Number	1980 Number
£Nil	-	£ 5,000		
£ 5,001	-	£10,000	3	3
£15,001	-	£20,000	-	1
£20,001	-	£25,000	-	1
£25,001	-	£30,000	3	1
£30,001	-	£35,000	2	3
£45,001	-	£50,000	2	1
£50,001	-	£55,000	-	1
			1	-
Senior employees in the U.K.:				
£20,001	-	£25,000		
£25,001	-	£30,000	10	7
£30,001	-	£35,000	1	3
£35,001	-	£40,000	2	1
£40,001	-	£45,000	1	1
£45,001	-	£50,000	1	1
£50,001	-	£55,000	-	1
£60,001	-	£65,000	1	-
			1	-

5. TAXATION

The taxation charge comprises:	1981 £M	1980 £M
Corporation tax on profits		
Group relief - payment to group companies:	6.1	6.5
Available for set off	-	1.7
Adjustment of provision for earlier periods	(0.2)	-
	5.9	8.2
	===	===
Corporation tax has been calculated at the rate of 52%		
The taxation charge for the period does not include deferred taxation on the following:		
Stock relief	1.1	0.1
Excess capital allowances	0.7	0.8
Revaluation of properties	(0.1)	(0.1)
	1.7	0.8
	===	===

HARRODS LIMITEDNOTES TO ACCOUNTS

53 weeks ended 31st January 1981
(continued)

6. EXTRAORDINARY ITEMS

	1981 £M	1980 £M
Surpluses on inter-group transfers of properties:		
Proceeds of sale	40.0	-
Net book values	(10.8)	-
Surpluses on disposals	29.2	-
	=====	===

7. SHAREHOLDERS' FUNDS

	1981 £M	1980 £M	1980 £M
Share capital - authorised, issued and fully paid ordinary stock		8.0	8.0
Share premium account	1.1		1.1
Undistributable reserves	111.6		42.6
Distributable reserves	<u>48.9</u>	<u>161.6</u>	<u>22.4</u>
			66.1
Total reserves		<u>169.6</u>	<u>74.1</u>
Movement on reserves			
Balance at 26th January 1980			
Capital reserve	56.2		
General reserve	<u>8.8</u>		
		65.0	
Transfer to undistributable reserves	(42.6)		
Transfer to distributable reserves	(<u>22.4</u>)		
		(<u>65.0</u>)	
		-	
		=====	
Undistributable reserves		42.6	
Transfer from capital and general reserves		77.0	
Revaluation surplus (note 8)			
Provision for depreciation on properties not required		0.7	
Landlord's plant provision not required		0.2	
Transfer to distributable reserves:			
Reversal of previous revaluation surplus relating to properties sold		(8.7)	
Depreciation charge on revaluation surplus		(<u>0.2</u>)	
Balance at 31st January 1981		<u>111.6</u>	

No deferred taxation has been provided against the revaluation surplus.

HARRODS LIMITEDNOTES TO ACCOUNTS

53 weeks ended 31st January 1981
(continued)

7. SHAREHOLDERS' FUNDS (continued)

	1981 £M
Distributable reserves	
Transfer from capital and general reserves	22.4
Retained profit for the period	17.6
Transfer from undistributable reserves:	
Reversal of previous revaluation surplus	8.7
relating to properties sold	0.2
Depreciation charge on revaluation surplus	<u>0.2</u>
Balance at 31st January 1981	<u>48.9</u>

8. FIXED ASSETS

	Total £M	Freeholds £M	Long leaseholds £M	Short leaseholds £M	Plant, fixtures & motor vehicles £M
Cost and valuation at 26th January 1980	63.1	46.4	5.1	0.1	11.5
Additions	3.0	0.7	0.8	-	1.5
Disposals	(0.4)	-	-	-	(0.4)
Group transfers	(16.4)	(10.4)	(2.6)	-	(3.4)
Revaluation surplus (note 7)	<u>77.0</u>	<u>64.6</u>	<u>11.5</u>	<u>0.9</u>	<u>-</u>
Cost and valuation at 31st January 1981	<u>126.3</u>	<u>101.3</u>	<u>14.8</u>	<u>1.0</u>	<u>9.2</u>
Less: Aggregate depreciation	(<u>4.7</u>)	<u>-</u>	<u>-</u>	<u>-</u>	(<u>4.7</u>)
Net book value 31st January 1981	<u>121.6</u>	<u>101.3</u>	<u>14.8</u>	<u>1.0</u>	<u>4.5</u>
26th January 1980	<u>57.3</u>	<u>45.9</u>	<u>4.7</u>	<u>0.1</u>	<u>6.6</u>
Cost and valuation at 31st January 1981:					
Cost	9.2	-	-	-	9.2
1981 independent professional valuation	<u>117.1</u>	<u>101.3</u>	<u>14.8</u>	<u>1.0</u>	<u>-</u>
	<u>126.3</u>	<u>101.3</u>	<u>14.8</u>	<u>1.0</u>	<u>9.2</u>

Following the revaluation of the company's properties the provisions for depreciation and replacement of landlord's plant have been written back to reserves.

HARRODS LIMITEDNOTES TO ACCOUNTS

53 weeks ended 31st January 1981
(continued)

9. GROUP COMPANIES

	Assets		Liabilities	
	1981 £M	1980 £M	1981 £M	1980 £M
(i) Shares in subsidiaries at cost less capital distributions received and amounts written off	0.4	0.4	-	-
Loan accounts:				
Holding company and fellow subsidiaries	<u>48.8</u>	<u>3.1</u>	<u>15.8</u>	<u>1.7</u>
	<u>49.2</u>	<u>3.5</u>	<u>15.8</u>	<u>1.7</u>
(ii) Trading accounts:				
Holding company and fellow subsidiaries	<u>0.3</u>	<u>1.4</u>	<u>0.1</u>	<u>0.8</u>

(iii) The company has the following wholly owned subsidiary companies:

<u>Name</u>	<u>Registered</u>
Harrods Estate Offices	England & Wales
Harrods (Insurance) Limited	"
Harrods Trust Limited	"
Anne Gerrard Limited	"
Nora Bradley (London) Limited	"

(iv) Group accounts are not required as the company is a wholly owned subsidiary of a company incorporated in Great Britain. 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.

10. LOAN CAPITAL

	1981 £M	1980 £M
Long term loan at 5.75% (annual repayments of £50,000 until 1990 when balance is repayable)	<u>2.1</u>	<u>2.2</u>

The loan is partially secured on a deposit of £1.8M made by the parent company (1980 loan fully secured).

HARRODS LIMITEDNOTES TO ACCOUNTS

53 weeks ended 31st January 1981
(continued)

11. TAXATION	1981 £M	1980 £M
Corporation tax due 1st January 1982	6.1	6.5
Payment to holding company for advance corporation tax surrendered	-	(3.0)
	6.1	3.5
Current taxation	(0.3)	0.2
	5.8	3.7
	===	===

12. CAPITAL COMMITMENTS	1981 £M	1980 £M
Contracted for but not yet provided	4.9	2.4
Authorised by directors, but not contracted for	3.7	2.6
	8.6	5.0
	===	===

13. ULTIMATE HOLDING COMPANY

The company is a wholly owned subsidiary of House of Fraser Limited, a company registered in Scotland.

14. CONTINGENT LIABILITIES

	1981 £M	1980 £M
(i) Deferred taxation		
The cumulative potential amount of deferred taxation is:		
Stock relief	2.0	1.4
Excess capital allowances	3.4	5.5
Provision for replacement of landlord's plant	-	(0.2)
Revaluation of properties	29.1	7.8
Other timing differences	0.1	0.1
	34.6	14.6
	=====	=====

Of the contingent liability at 26th January 1980, £3M has been transferred to a fellow subsidiary.

(ii) Guarantees

The company has given guarantees to various banks in respect of loan and overdraft facilities granted to House of Fraser Limited amounting to £71.7M. At 31st January 1981 the amount of those facilities utilised was £30.4M. The directors consider that no liability is expected to arise.