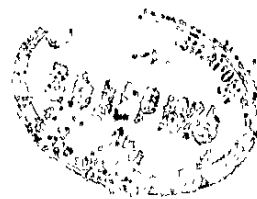


# Harrods

52 weeks ended 26th January 1985



305  
HARRODS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

26th January 1985



HARRODS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

52 weeks ended 26th January 1985

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HARRODS LIMITED

1.

DIRECTORS' REPORT

52 weeks ended 26th January 1985

The directors present their report and the audited financial statements of the company for the 52 weeks ended 26th January 1985, to be submitted to the 25th Annual General Meeting of the Members.

**DIRECTORS**

The present directors of the company are:

W.A. Craddock, LVO, Chairman  
I.F. Drewitt, BSc (Econ), FCA, Managing Director  
A. Clark, Assistant Managing Director  
W.G. Crossan  
R.J. Brimacombe  
G. McK. Brown  
D.C. Mair  
Professor R. Smith  
P.I. Taylor  
J.L. Coxwell  
G. Willoughby, CA (appointed 1st February 1985)  
C.P. de Boer (appointed 1st February 1985)  
R.B. Jakeman (appointed 1st February 1985)

Mr. W.A. Craddock, LVO, retired on 30th November 1984 but remains as Non-Executive Chairman of the Board.

**PRINCIPAL ACTIVITY**

The company continues to be responsible for the operation of world renowned department stores in London. No changes are expected in the immediate future.

**CHANGE OF ULTIMATE HOLDING COMPANY**

In March 1985, unconditional cash offers for the whole of the issued Ordinary and Preference Share Capital of House of Fraser plc were made by Alfayed Investment and Trust (UK) plc, (A.I.T. (UK)), a subsidiary of Al-Fayed Investment and Trust S.A., (A.I.T.S.A.). At the date of this report, A.I.T. (UK) owns in excess of fifty percent of the Ordinary Share Capital and therefore, A.I.T.S.A. has become the ultimate holding company of this company.

**REVIEW OF THE BUSINESS**

The company enjoyed an excellent year, turnover has increased by 18.8% to £273 million and profits by 19.7% to £14.7 million. The financial position of the company at the end of the period is set out in the Balance Sheet on page 5 and the notes on pages 10 to 17.

The company is expected to continue to perform satisfactorily during the forthcoming year.

**RESULTS AND DIVIDENDS**

The results and dividends for the 52 weeks ended 26th January 1985 are shown on page 5. As shown in note 2 to the financial statements, the profit before taxation is after a head office charge representing a proportion of the market rental of the company's properties payable to House of Fraser plc.

HARRODS LIMITEDDIRECTORS' REPORT

52 weeks ended 26th January 1985  
(continued)

**FIXED ASSETS**

Details of the movements in fixed assets are shown in note 9 to the financial statements.

**MARKET VALUE OF PROPERTIES**

The directors are of the opinion that the aggregate market value of the company's properties is not less than the amount at which these are included in the Balance Sheet.

**DIRECTORS' INTERESTS**

None of the directors held an interest in the company's shares during the period.

The interests of directors who were not also directors of the former ultimate holding company, House of Fraser plc, were:

	House of Fraser plc	
	Ordinary shares of 25p each	
	26th January 1985	28th January 1984
Beneficial interests		
L.F. Drewitt	2,143	1,785
A. Clark	2,047	1,717
R.J. Brimacombe	14,179	15,684
G. McK. Brown	1,903	1,608
P.I. Taylor	1,308	1,055
J.L. Coxwell	1,920	1,657
C.P. de Boer (appointed 1st February 1985)	1,473	-
R.B. Jakeman (appointed 1st February 1985)	1,583	-

**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.

**PROFIT LINKED SHARE PLAN**

There will be no allocation of ordinary shares to participants of the Profit Linked Share Plan in respect of the 52 weeks ended 26th January 1985 nor thereafter, as a result of the unconditional offer which has been made to acquire the whole share capital of House of Fraser plc. In lieu of this allocation the directors have decided to substitute a bonus to relevant employees.

FARRODS LIMITEDDIRECTORS' REPORT

52 weeks ended 26th January 1985  
(continued)

**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 quarterly house magazine "In Company" 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 fully 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**

Touche Ross & Co. have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the Annual General Meeting.

By order of the Board

  
Secretary

31st May 1985

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

AUDITORS' REPORT TO THE MEMBERS

of

HARRODS LIMITED

We have audited the financial statements on pages 5 to 17 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 at 26th January 1985 and of its profit and source and application of funds for the 52 weeks then ended and comply with the Companies Acts 1948 to 1981.

*Touche Ross & Co.*

31st May 1985

Chartered Accountants

HARRODS LIMITEDPROFIT AND LOSS ACCOUNT52 weeks ended 26th January 1985

	Note	1985 £000	1984 £000
TOTAL TURNOVER		308,695	259,980
Less: Value added tax		<u>35,782</u>	<u>30,333</u>
Turnover	1	<u>272,913</u>	<u>229,647</u>
TRADING PROFIT	2	27,730	20,932
Other operating income	3	70	67
Interest receivable		8	22
Interest payable	4	(115)	(118)
Allocation to Profit Linked Share Plan	5	-	(441)
Bonuses in lieu of allocation to Profit Linked Share Plan	5	<u>(597)</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		27,096	20,462
Tax on profit on ordinary activities	6	<u>12,339</u>	<u>8,105</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		14,757	12,357
Extraordinary items	7	<u>8</u>	<u>(19)</u>
PROFIT FOR THE FINANCIAL PERIOD		14,765	12,338
Dividends		<u>13,000</u>	<u>11,000</u>
PROFIT RETAINED		<u>1,765</u>	<u>1,338</u>

STATEMENT OF RETAINED PROFITS

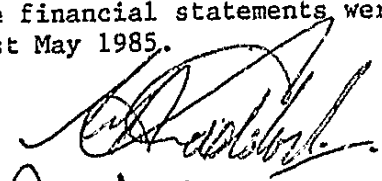
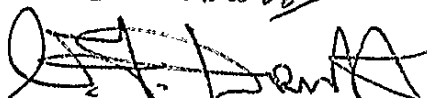
Balance at 28th January 1984		35,363	39,477
Profit retained for the period		1,765	1,338
Deferred taxation adjustment	14	-	(6,460)
Transfers from revaluation reserve:-			
Amount equivalent to depreciation on revaluation surplus		959	1,008
Revaluation surplus realised on disposal		<u>1</u>	<u>-</u>
Balance at 26th January 1985	17	<u>38,088</u>	<u>35,363</u>



HARRODS LIMITEDBALANCE SHEETAt 26 1/2 January 1985

	Note	1985 £000	1984 £000
<b>FIXED ASSETS</b>			
Tangible assets	9	135,584	132,928
Investments	10	<u>375</u>	<u>375</u>
		<u>135,959</u>	<u>133,303</u>
<b>CURRENT ASSETS</b>			
Stocks	11	25,330	25,811
Debtors	12	33,608	31,907
Cash at bank and in hand		<u>10,975</u>	<u>4,685</u>
		<u>69,913</u>	<u>62,403</u>
<b>CURRENT LIABILITIES - CREDITORS: amounts falling due within one year</b>			
Trade creditors		24,516	20,869
Other liabilities	13	<u>19,817</u>	<u>15,772</u>
		<u>44,333</u>	<u>36,641</u>
<b>NET CURRENT ASSETS</b>		<u>25,580</u>	<u>25,762</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		161,539	159,065
<b>CREDITORS: amounts falling due after more than one year</b>			
	13	1,950	2,000
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	14	<u>7,219</u>	<u>6,460</u>
		<u>9,169</u>	<u>8,460</u>
		<u>152,370</u>	<u>150,605</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	8,000	8,000
Share premium account	16	1,066	1,066
Revaluation reserve	17	105,216	106,176
Profit and loss account	17	<u>38,088</u>	<u>35,363</u>
		<u>152,370</u>	<u>150,605</u>

The financial statements were approved by the Board of Directors on 31st May 1985.

  
  
 )  
 ) Directors  
 )

HARRODS LIMITEDSTATEMENT OF SOURCE AND APPLICATION OF FUNDS52 weeks ended 26th January 1985

	1985 £000	1984 £000
<b>SOURCE OF FUNDS</b>		
Profit on ordinary activities before taxation	27,096	20,462
Adjustments for items not involving the movement of funds:		
Depreciation	<u>3,532</u>	<u>3,105</u>
<b>TOTAL GENERATED FROM OPERATIONS</b>	<b>30,628</b>	<b>23,567</b>
Proceeds of sale of tangible fixed assets	99	316
Decrease in inter-company balances	3,034	6,141
Decrease in stocks	481	-
Increase in trade and sundry creditors	<u>5,877</u>	<u>3,563</u>
	<u>40,119</u>	<u>33,587</u>
<b>APPLICATION OF FUNDS</b>		
Expenditure on tangible fixed assets	6,278	8,027
Tax paid	10,872	5,591
Dividends paid	13,000	11,000
Increase in stocks	-	4,089
Increase in debtors	3,629	3,175
Loan capital repaid	<u>50</u>	<u>50</u>
	<u>33,829</u>	<u>31,932</u>
<b>Increase in net liquid funds</b>	<b>6,290</b>	<b>1,655</b>
	<u>=====</u>	<u>=====</u>

Net liquid funds comprise cash at bank and in hand.

HARRODS LIMITEDACCOUNTING POLICIES**BASIS OF FINANCIAL STATEMENTS**

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

**STOCKS**

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

**DEPRECIATION OF TANGIBLE FIXED ASSETS**

Depreciation is provided by the company in order to write down to estimated residual value (if any), the cost or valuation of fixed assets over their estimated useful lives.

Depreciation, in equal annual instalments, is provided on the following bases:

Freehold and long leasehold buildings	-	Over estimated useful life (24 - 99 years)
Landlords' plant	-	Over estimated useful life (16 - 40 years)
Short leaseholds	-	Over remaining period of lease
Fixtures and fittings	-	Over 10 years
Vehicles and equipment	-	Over 5 years

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

**PROPERTY SALES**

Surpluses realized on the sale of properties and fixed asset investments, less the reorganisation and closure costs which precede and relate directly to the sale of properties, and similar costs incurred in preparing a property for development, are reported as extraordinary items as these transactions are not considered to be part of the ordinary activities of the company.

**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 future.

**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 10 months extended credit sales which are not subject to interest. The service charge on other credit sales is taken to trading profit as it accrues.

HARRODS LIMITEDACCOUNTING POLICIES  
(continued)**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.

HARRODS LIMITEDNOTES TO THE FINANCIAL STATEMENTS

	1985 £000	1984 £000
1. TURNOVER is the amount receivable for goods and services supplied to customers and includes the sales of concession departments.	<u>272,913</u>	<u>229,647</u>
2. TRADING PROFIT is arrived at as follows:		
Turnover	272,913	229,647
Cost of sales	<u>173,366</u>	<u>145,352</u>
Gross profit	99,547	84,188
Distribution costs	69,417	61,178
Administrative expenses	<u>2,400</u>	<u>2,078</u>
Trading profit	<u>27,730</u>	<u>20,932</u>
Included in the above are:		
Depreciation of tangible fixed assets	3,532	3,105
Auditors' fees and expenses	98	98
Hire of plant and machinery	81	226
Head office charge	<u>5,053</u>	<u>4,135</u>
3. OTHER OPERATING INCOME		
Rental income	<u>70</u>	<u>67</u>
4. INTEREST PAYABLE		
Loans not repayable within 5 years	<u>115</u>	<u>118</u>
5. PROVISION FOR PROFIT SHARING		
The directors have provided £596,881 for bonus in lieu of allocation to the Profit Linked Share Plan.		
In 1984, £441,378 was allocated to the Trustees of the House of Fraser Profit Linked Share Plan for employees, to subscribe for new shares in House of Fraser plc.		

HARRODS LIMITEDNOTES TO THE FINANCIAL STATEMENTS  
(continued)

	1985 £000	1984 £000
<b>6. TAXATION</b>		
Taxation based on profits of the period:		
Corporation tax	11,699	8,027
Deferred taxation	759	-
Adjustment of provisions for earlier periods:		
Corporation tax	(119)	78
Deferred taxation	-	-
	<u>12,339</u>	<u>8,105</u>
	=====	=====
The taxation charge for the period has been (increased)/ reduced by the following:		
Stock relief	171	611
Other items	(211)	(140)
	<u>(40)</u>	<u>471</u>
	=====	=====

Corporation tax is provided at an effective rate of 45.83% (50.32%) following a change in legislation in the Finance Act 1984. The tax charge this year has been increased by the inclusion of an amount for deferred taxation.

**7. EXTRAORDINARY ITEMS**

Surplus/(loss) on sale of properties	10	( 19)
Tax thereon	<u>2</u>	<u>-</u>
	8	( 19)
	=====	=====

**8. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**Directors

## Directors' remuneration:

Fees	10	8
Other emoluments including pension contributions	381	281
Ex gratia payment to former director on retirement	<u>-</u>	<u>5</u>
	391	294
	=====	=====
Emoluments of chairman and highest paid director	<u>75</u>	<u>51</u>
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

## 8. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	1985	1984
The range of directors' emoluments and the number of directors within each range was:		
£ 0 - £ 5,000	3	3
£15,001 - £20,000	1	1
£25,001 - £30,000	1	1
£30,001 - £35,000	1	2
£35,001 - £40,000	1	1
£40,001 - £45,000	3	1
£45,001 - £50,000	1	-
£50,001 - £55,000	1	1
£75,001 - £80,000	1	-
	=====	=====
<u>Employees</u>	£000	£000
Employment costs:		
Wages and salaries	38,494	34,188
Social security costs	3,217	3,069
Other pension costs	<u>1,460</u>	<u>1,591</u>
	43,171	38,848
	=====	=====

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

£30,001 - £35,000	8	7
£35,001 - £40,000	3	3
£40,001 - £45,000	2	-
£45,001 - £50,000	2	-
£50,001 - £55,000	-	1
£55,001 - £60,000	1	-
£60,001 - £65,000	1	-
	=====	=====

The average weekly number of employees during the year was

5,710      5,645  
=====

## 9. FIXED ASSETS - Tangible assets

(a)	Total £000	Freeholds £000	Long leaseholds £000	Short leaseholds £000	Fixtures, fittings, vehicles and equipment £000
Cost and valuation at 28th January 1984	143,843	108,591	18,110	15	17,127
Additions	6,278	2,491	4	-	3,783
Disposals	(2,796)	(65)	-	-	(2,731)
Group transfers	<u>(11)</u>	-	-	-	<u>(11)</u>
Cost and valuation at 26th January 1985	<u>147,314</u>	<u>111,017</u>	<u>18,114</u>	<u>15</u>	<u>18,168</u>
	=====	=====	=====	=====	=====

HARRODS LIMITEDNOTES TO THE FINANCIAL STATEMENTS  
(continued)9. FIXED ASSETS - Tangible assets (continued)

	Total £000	Freeholds £000	Long leaseholds £000	Short leaseholds £000	Fixtures, fittings, vehicles and equipment £000
Aggregate depreciation to 28th January 1984	10,915	2,809	714	4	7,388
Charge for period	3,532	1,068	253	2	2,209
Disposals	(2,706)	(1)	-	-	(2,705)
Group transfers	(11)	-	-	-	(11)
Aggregate depreciation to 26th January 1985	<u>11,730</u>	<u>3,876</u>	<u>967</u>	<u>6</u>	<u>6,881</u>
Net book value at 26th January 1985	<u>135,584</u>	<u>107,141</u>	<u>17,147</u>	<u>9</u>	<u>11,287</u>
Net book value at 28th January 1984	<u>132,928</u>	<u>105,782</u>	<u>17,396</u>	<u>11</u>	<u>9,739</u>
Cost and valuation: 1981 independent professional valuation	115,677	100,892	14,770	15	-
Cost	<u>31,637</u>	<u>10,125</u>	<u>3,344</u>	<u>-</u>	<u>18,168</u>
	<u>147,314</u>	<u>111,017</u>	<u>18,114</u>	<u>15</u>	<u>18,168</u>
(b)					
Historical cost to 28th January 1984	35,464	13,979	4,358	-	17,127
Depreciation on historical cost to 28th January 1984	<u>8,038</u>	<u>168</u>	<u>183</u>	<u>-</u>	<u>7,387</u>
Net historical cost value at 28th January 1984	<u>27,426</u>	<u>13,511</u>	<u>4,175</u>	<u>-</u>	<u>9,740</u>
Historical cost to 26th January 1985	33,936	15,406	4,362	-	18,168
Depreciation on historical cost to 26th January 1985	<u>7,894</u>	<u>755</u>	<u>258</u>	<u>-</u>	<u>6,881</u>
Net historical cost value at 26th January 1985	<u>31,042</u>	<u>15,651</u>	<u>4,104</u>	<u>-</u>	<u>11,287</u>



HARRODS LIMITEDNOTES TO THE FINANCIAL STATEMENTS  
(continued)

## 10. FIXED ASSETS - Investments

	1985 £000	1984 £000
Shares in subsidiaries at cost	375 ===	375 ===

The company has the following wholly owned trading subsidiary companies:

<u>Name</u>	<u>Registered</u>
Harrods Estate Offices	England & Wales
Harrods (Insurance) Limited	"
Harrods Trust Limited	"

Group financial statements 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.

## 11. STOCKS

	1985 £000	1984 £000
The main categories of stocks are:		
Work in progress	29	26
Finished goods for resale	<u>25,301</u>	<u>25,785</u>
	<u>25,330</u>	<u>25,811</u>
	=====	=====

## 12. DEBTORS

Amounts due within one year:

Trade debtors	27,805	24,187
Amounts owed by subsidiaries	200	200
Amounts owed by group companies	1,060	2,988
Other taxes and social security	2	-
Other debtors	656	996
Prepayments	<u>307</u>	<u>245</u>
	<u>30,030</u>	<u>28,616</u>
Amounts due after more than one year:		
Trade debtors	<u>3,578</u>	<u>3,291</u>
	<u>33,608</u>	<u>31,907</u>
	=====	=====

HARRODS LIMITEDNOTES TO THE FINANCIAL STATEMENTS  
(continued)

	1985 £000	1984 £000
<b>13. CREDITORS</b>		
Amounts falling due within one year:		
Loan	50	50
Amounts due to group companies	1,214	108
Current corporation tax	5,982	5,273
Other taxes and social security	4,351	4,462
Other creditors	2,494	1,189
Accruals	<u>5,526</u>	<u>4,690</u>
	15,717	15,772
Amounts falling due after more than one year:		
Loan	1,250	2,000
	<u>2,000</u>	<u>2,050</u>
The loan, which is secured on the property of a fellow subsidiary, carries interest at 5% and is repayable by annual instalments of £50,000 until 1990 when the balance is payable.		
Whereof:		
Repayable within one year or on demand	50	50
Repayable between one and two years	50	50
Repayable between two and five years	150	150
Repayable in five or more years	<u>1,750</u>	<u>1,800</u>
	<u>2,000</u>	<u>2,050</u>
<b>14. PROVISIONS FOR LIABILITIES AND CHARGES</b>		
Deferred taxation:		
Balance at 28th January 1984	6,460	-
Charged to retained profits	-	6,460
Charged to current year taxation	<u>759</u>	-
Balance at 26th January 1985	<u>7,219</u>	<u>6,460</u>

# HARRODS LIMITED

16.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

15. CALLED UP SHARE CAPITAL	1985 £000	1984 £000
Allotted and fully paid:		
Ordinary shares of £1	8,000	8,000
Unissued capital	—	—
Authorised capital	8,000	8,000
	=====	=====
16. SHARE PREMIUM ACCOUNT		
Balance at 26th January 1985	1,066	1,066
	=====	=====
17. RESERVES		
	Revaluation reserve £000	Profit and loss account £000
Balance at 28th January 1984	106,176	35,363
Profit retained for the period	—	1,765
Transfers (from)/to profit and loss account:		
Amount equivalent to depreciation on revaluation surplus	(959)	959
Revaluation surplus realised on disposal	(1)	1
	=====	=====
Balance at 26th January 1985	105,216	38,088
	=====	=====
18. CAPITAL COMMITMENTS	1985 £000	1984 £000
Contracted for but not yet provided	5,203	2,675
Authorised by directors but not yet contracted for	21,492	5,154
	26,695	7,829
	=====	=====
19. CONTINGENT LIABILITIES		
(i) Deferred taxation		
In addition to the amount provided for deferred taxation in note 14 there are potential liabilities in respect of taxation deferred in relation to:		
Corporation tax on capital gains	108	108
Revaluation of properties	24,646	25,042
	24,754	25,150
	=====	=====

In the opinion of the directors these liabilities are unlikely to arise since the majority of the properties will be retained for use in the business and the availability of roll-over relief would eliminate any liability which could otherwise result from disposals.

HARRODS LIMITEDNOTES TO THE FINANCIAL STATEMENTS  
(continued)

## 19. CONTINGENT LIABILITIES (continued)

## (ii) Guarantees

The company has given guarantees to various banks in respect of loan and overdraft facilities granted to other group companies amounting to £81,150,000. At 26th January 1985 the amount of those facilities utilised was £34,014,480. The directors consider that no liability is expected to arise.

## (iii) Litigation

Harrods Limited is in receipt of a legal claim in the United States of America for US \$19,000,000. The directors are strenuously resisting the claim and believe that it will be disposed of without material effect on the net asset position as shown in these financial statements.

## 20. ULTIMATE HOLDING COMPANY

The ultimate holding company has become Al-Fayed Investment and Trust S.A., a private company which is wholly and beneficially owned and controlled by Mohamed, Salah and Ali Al-Fayed, and is incorporated in Liechtenstein.