

HARRODS LIMITED

A C C C U N T S

FOR THE 53 WEEKS ENDED

31ST JANUARY 1976

HARRODS LIMITED

REPORT OF THE DIRECTORS

The directors present their Annual Report and Accounts for the 53 weeks ended 31st January 1976 to be submitted to the eighty-sixth Annual General Meeting of the Members.

DIRECTORS:

Sir Hugh Fraser, Bt (Chairman)
The Hon. Lord Redmayne, P.C., D.S.O.,
(Deputy Chairman)
R. Midgley (Managing Director)
R.J. Cannon
W.A. Craddock
W.G. Crossan
D.C. Mair
D.K. Milligan, C.A., (Secretary)
A.I. Moffat (resigned 28th February 1976)
G. Wontner-Smith

Mr. D.J. Bowyer and Mr. G. McKBrown resigned on 13th June 1975 following re-organisation.

PRINCIPAL ACTIVITY

The Company's principal activity continues to be the operation of Department Stores.

RESULTS AND DIVIDENDS

The results for the 53 weeks ended are as shown in the annexed profit and loss account:-

Profit for the 53 weeks after charging extraordinary items:	£ 5,024,632
Retained profits at beginning of period as restated after prior year adjustment	(1,225,381)
Profits available for appropriation	3,799,251
To which the directors have appropriated a transfer from capital reserve	35,300
And from which they have paid dividends	3,834,451
Leaving a balance to be carried forward	3,571,780
	£262,671

GROUP TRANSFERS

On 25th January 1975 the business of Knightsbridge Computing Services, with its related assets and liabilities, was transferred to the Holding Company. Its trading results for the current period have accordingly been excluded from these accounts.

On 26th July 1975, the businesses of certain former Branch stores, with related assets and liabilities were transferred to a fellow-subsidiary company, House of Fraser (Midlands) Limited. The trading results of these stores up to the date of transfer have been included in these accounts.

FIXED ASSETS

Details of the movements in Fixed Assets, including those relating to the Group Transfers referred to above, are shown in the notes on the accounts.

HARRÔDS LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

TAXATION

The directors have decided to provide for deferred taxation and details of the taxation charge for the period are shown in note 3 on the accounts.

MARKET VALUE OF PROPERTIES

The directors are of the opinion that the market value, assessed on the basis set out in the Statement of Accounting Policies in note 1 of these accounts, is not less than their book value.

EXPORTS

The amount of identifiable exports included in the turnover was £5,099,916.

DIRECTORS' INTERESTS

The interests of Directors who were not also Directors of the Holding Company (House of Fraser Limited) in House of Fraser Limited were:-

Director	Class of Stock	31st January	25th January
		1976	1975
W.A. Craddock	Ordinary Stock Units of 25p each	200	200
G. Wontner-Smith	" "	500	500

AUDITORS

Messrs. Hays Allan and Touche Ross & Co., Joint Auditors, have indicated their willingness to continue in office.

BY ORDER OF THE BOARD,

D.K. MILLIGAN,

Secretary.

Registered office:
87/135 Brompton Road,
London, SW1X 7XL.

15th March 1976.

We certify that there is annexed hereto a true copy of every Balance Sheet laid before the Company in General Meeting during the period to which this return relates (including every document required by law to be annexed to the Balance Sheet) and a true copy of the report of the Auditors on and of the report of the Directors accompanying each such Balance Sheet.

[Signature]
Director

Director

Secretary

PROFIT AND LOSS ACCOUNT53 WEEKS ENDED 31ST JANUARY 1976:

	Notes	1976 £	1975 £
Total Turnover	1	121,996,057	127,084,532
Less: Value Added Tax		8,773,559	9,185,880
Turnover (excluding Value Added Tax)		113,222,498	117,898,652
Trading Profit		11,908,654	13,067,408
Rents Receivable		456,620	239,492
Interest Receivable		-	135
Income from Investments - Quoted		3	-
Dividends from Subsidiary Companies		110,431	150,565
		12,475,708	13,457,600
Auditors' Fees and Expenses		35,200	37,300
Directors' Remuneration	2	92,863	110,192
Interest Payable - Long Term Loans		143,396	144,340
- Short Term Loans and other Interest		912,933	924,630
Depreciation - Short Leases		5,445	5,983
Furniture, Fixtures, Fittings, Plant and Motor Vehicles		594,508	726,077
Provision for Plant and Machinery		278,729	343,111
		2,063,074	2,291,633
Profit before taxation and extraordinary items		10,412,634	11,165,967
Taxation	3	5,352,802	5,837,715
Profit before extraordinary items		5,059,832	5,328,252
Extraordinary Items, less tax	4	35,200	(10,979)
Profit after charging extraordinary items		5,024,632	5,339,231
Amounts written off shares in Subsidiary Company		-	51,220
		5,024,632	5,288,011
Dividends:			
First Interim		71,780	70,402
Second Interim		3,500,000	5,500,000
		3,571,780	5,570,402
		1,452,852	(262,391)
Transfer from-Capital Reserve		35,200	24,601
-Staff Pension Fund Reserve		-	169,445
Retained Profits for the 53 weeks		£1,488,052	£(88,345)
<u>Statement of Retained Profits</u>			
Retained Profit for the 53 weeks		1,488,052	(88,345)
Retained Profits at beginning of period			
As previously reported		1,454,827	1,205,672
Prior year adjustment		(2,680,208)	(2,342,708)
		(1,225,381)	(1,137,036)
Retained Profits at end of period		£262,671	£(1,225,381)

The notes on pages 5 to 10 form an integral part of these accounts.

HARRODS LIMITED

BALANCE SHEET

31ST JANUARY 1976

	Notes	1976 £	1975 £
FUNDS EMPLOYED			
Share Capital			
Authorised Ordinary stock		<u>£8,000,000</u>	<u>£8,000,000</u>
Issued Ordinary Stock		<u>8,000,000</u>	<u>8,000,000</u>
Reserves	5		
Share Premium		1,065,872	1,065,872
Capital		47,928,426	56,465,246
General		<u>911,240</u>	<u>911,240</u>
		<u>49,905,538</u>	<u>58,442,358</u>
Profit and Loss Account			
Balance undistributed		<u>267,671</u>	<u>1,454,827</u>
Shareholders' Funds		<u>58,168,209</u>	<u>67,897,185</u>
Deferred Taxation	6	11,450,450	135,625
Loan Capital	7	<u>2,450,000</u>	<u>2,500,000</u>
		<u>£72,068,659</u>	<u>£70,532,810</u>
EMPLOYMENT OF FUNDS			
Fixed Assets	8		
Freehold Properties		44,995,848	45,888,445
Leasehold Properties - Long Term		4,300,223	5,140,013
- Short Term		145,030	150,891
Furniture, Fixtures, Fittings, Plant and Motor Vehicles		<u>3,633,154</u>	<u>5,094,096</u>
		<u>53,074,255</u>	<u>56,273,445</u>
Investments			
Group Companies	9	<u>10,095,676</u>	<u>3,600,222</u>
Current Assets			
Stock in Trade	1	10,570,915	13,500,117
Customers' Accounts		6,639,038	11,600,778
Hire Purchase Accounts less Provisions	1	195,855	832,775
Sundry Debtors, Payments in Advance and Income Accrued		1,479,689	2,143,724
Cash at Bankers, on Hand and at Call		<u>883,964</u>	<u>521,175</u>
		<u>19,769,461</u>	<u>28,598,569</u>
Current Liabilities			
Bank Overdrafts		-	507,654
Suppliers' Accounts, Charges accrued and Sundry Creditors		8,918,483	10,180,997
Taxation	10	<u>1,952,250</u>	<u>7,250,775</u>
		<u>10,870,733</u>	<u>17,939,426</u>
Net Current Assets		<u>8,898,728</u>	<u>10,659,143</u>
		<u>£72,068,659</u>	<u>£70,532,810</u>

HUGH FRASER)
) DIRECTORS
R. MIDGLEY)

The notes on pages 5 to 10 form an integral part of these accounts.

NOTES ON THE ACCOUNTS

53 WEEKS ENDED 31ST JANUARY 1976

1. ACCOUNTING POLICIES

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.

HIRE PURCHASE AND INSTALMENT CREDIT ACCOUNTS

The profit on Hire Purchase sales is brought in as the instalments are received. The interest on Hire Purchase and Instalment Credit Accounts is taken into income on a straight line basis as the instalments are received. The service charge on Monthly Charge, Option and Budget Accounts is taken into income when it is charged to customers.

STOCK IN TRADE

Stock in departments controlled at cost is stated at the lower of cost or at realisable value less the appropriate trading margin. In departments controlled at selling price, stock is stated at anticipated selling price less the appropriate trading margin.

PROPERTIES

Property holdings (other than Short Leaseholds) are shown at a valuation made in 1972 or at cost. The values are assessed on the basis of existing use and no value is placed on fixtures and fittings other than those generally designated Landlord's Plant. Leaseholds with over five hundred years to run and with infrequent or no rent reviews are classed as Freehold. Short Leaseholds are shown at historical book values, less amortisation.

DEPRECIATION

It has not been Company policy to provide for amortisation of Freehold or Long Leasehold Properties as past experience has shown that current values are normally in excess of earlier valuations. Provision is made for the replacement of Landlord's Plant in these Properties by equal instalments over twenty years and the cost of replacing this Plant is charged against the provision. Short Leaseholds and other Fixed Assets are written off over the estimated life of each class of asset on a straight line basis.

TAXATION

Corporation Tax is provided on the assessable profits of the Company at the appropriate rate. In accordance with the recent Statement of Standard Accounting Practice, deferred taxation has been provided at the current tax rate (liability method) on estimated differences arising from the recognition of items in different periods for taxation purposes than for accounting purposes. The Directors' decision to provide for deferred taxation is reflected in these accounts for the first time. The opening balance on deferred taxation account, in respect of past timing differences, has been calculated and the amount required shown as a prior year adjustment. The stock relief provisions of the Finance (No.2) Act 1975 relate to periods ending in the years to 31st March 1974 and 1975; on the assumption that relief for periods ending in the year to 31st March 1976, will be given on the same basis, transfers to deferred taxation have been made based on increases in stock values in the three years ended 31st January 1976.

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NOTES ON THE ACCOUNTS (CONTINUED)

53 WEEKS ENDED 31ST JANUARY 1976

1. ACCOUNTING POLICIES (CONTINUED)

RESERVES

In accordance with current accounting practice Gains or Losses on Properties and Investments realised are entered in the Profit and Loss Account less any estimated tax liabilities attributable thereto. These Gains or Losses are shown as Extraordinary Items and an amount equivalent to the net adjustment of such Gains or Losses is then appropriated to Capital Reserve as it is the Company's practice to deal with such items through Capital Reserve. Surpluses arising on Revaluation of Properties are credited to Capital Reserve and provision is now made for the estimated amount of the taxation liability for Capital Gains.

PENSIONS

Retirement benefits are provided for employees of the Company by Approved Contributory Occupational Pension Funds administered by Harroddian Trustees Limited. These funds are reviewed actuarially at intervals not exceeding four years and contributions by the Company and its employees determined in accordance with the recommendations of the Actuary. The Rules of the Funds preclude investment by the Trustees in the Company. All contributions by the Company are charged in arriving at Trading Profits.

2. DIRECTORS' REMUNERATION

	1976	1975
	£	£
Fees	10,728	12,000
Other emoluments including pension contributions.	80,865	96,817
Pension to former director	1,250	1,375
	<u>£92,863</u>	<u>£110,192</u>
Chairman's emoluments	1,000	1,000
Highest Paid Director	15,869	16,038
All Directors	7	6
£0 to £2,500	1	-
£2,501 to £5,000	-	-
£5,001 to £7,500	-	-
£7,501 to £10,000	-	3
£10,001 to £12,500	2	2
£12,501 to £15,000	2	1
£15,001 to £17,500		
Senior Employees	7	4
£10,001 to £12,500	4	3
£12,501 to £15,000	2	-
£15,001 to £17,500		

NOTES ON THE ACCOUNTS (CONTINUED)

53 WEEKS ENDED 31ST JANUARY 1976

3. TAXATION

	1976	1975
	£	£
The Taxation charge comprises:		
Corporation Tax on Profits	4,518,000	5,592,759
Tax Credits on Franked Investment Income	38,651	34,676
Group Relief - payment to Fellow Subsidiaries in respect of amount under the Group Relief provisions	150,921	-
Adjustment of Provisions for earlier periods	(281,660)	-
Transfer to Deferred Taxation	926,890	(127,220)
	<u>£5,352,802</u>	<u>£5,500,215</u>

Corporation Tax has been calculated at the rate of 52%.

4. EXTRAORDINARY ITEMS

Loss (Gain in 1975) on sale of Properties	11,282	(10,979)
Adjustment of Taxation Provisions (Capital Gains) for earlier periods	(2,785)	-
Taxation (Capital Gains) on sale of property in 1966	26,703	-
	<u>£35,200</u>	<u>£(10,979)</u>

The above items are stated net of related taxation.

5. RESERVES

a. SHARE PREMIUM

Balance at 25th January 1975	1,065,872
Balance at 31st January 1976	<u>£1,065,872</u>

b. CAPITAL

Balance at 25th January 1975	56,465,246
Less: Prior year adjustment for Deferred Taxation	8,501,620
Balance at 25th January 1975 as re-stated	47,963,626
Transfer to Profit and Loss Account	(35,200)
Balance at 31st January 1976	<u>£47,928,426</u>

c. GENERAL

Balance at 25th January 1975	911,240
Balance at 31st January 1976	<u>£911,240</u>

6. DEFERRED TAXATION

	1976	1975
	£	£
Excess of Capital Allowances over Depreciation	2,822,269	-
Provision for Replacement of Landlord's Plant	(393,454)	-
Stock Relief	760,473	135,625
Property Revaluations	8,167,665	-
Other Timing Differences	93,497	-
	<u>£11,450,450</u>	<u>£135,625</u>

HARRODS LIMITED

NOTES ON THE ACCOUNTS (CONTINUED)

53 WEEKS ENDED 31ST JANUARY 1976

7. LOAN CAPITAL

SECURED

LONG TERM

Mortgage at 5½%

(Annual Repayments of £50,000 until
1990 when balance is repayable)

<u>1976</u>	<u>1975</u>
£	£
<u>£2,450,000</u>	<u>£2,500,000</u>

8. FIXED ASSETS

	<u>Cost or Valuation</u>	<u>Landlord's Plant Replacement Provision</u>	<u>Per Balance Sheet</u>
	£	£	£
a. FREEHOLD PROPERTIES			
Balance at 25th January 1975	46,178,915	(290,470)	<u>£45,888,445</u>
Expenditure during period	36,810	40,421	
Group Transfers	(774,489)	6,104	
Book Value of disposals during period	(25,000)	-	
Transfer from Profit and Loss Account	-	(176,443)	
Balance at 31st January 1976	<u>£45,416,236</u>	<u>(£420,388)</u>	<u>£44,995,848</u>
of which stated at:			
1972 Valuation	45,254,000		
Cost	162,236		
b. LONG LEASEHOLDS			
Balance at 25th January 1975	6,530,403	(1,390,390)	<u>£5,140,013</u>
Expenditure during period	287,895	78,805	
Group Transfers	(2,181,815)	1,077,611	
Transfer from Profit and Loss Account	-	(102,286)	
Balance at 31st January 1976	<u>£4,636,483</u>	<u>(£336,260)</u>	<u>£4,300,223</u>
of which stated at:			
1972 Valuation	4,225,000		
Cost	411,483		
c. SHORT LEASEHOLDS			
Net Book Value at 25th January 1975			<u>£</u>
Group Transfers			150,891
Depreciation charged during period			(416)
Net Book Value at 31st January 1976			<u>(5,445)</u>
of which stated at:			<u>£145,030</u>
1967 Valuation (book value at that date)			134,450
Cost			42,019
Accumulated Depreciation			(31,439)

HARRODS LIMITED

NOTES ON THE ACCOUNTS (CONTINUED)

53 WEEKS ENDED 31ST JANUARY 1976

8. FIXED ASSETS (CONTINUED)

d. FURNITURE, FIXTURES, FITTINGS, PLANT AND MOTOR VEHICLES

	<u>1975</u> £
Net Book Value at 25th January 1975	5,094,096
Expenditure during period	1,030,015
Group Transfers	(1,879,587)
Book Value of Disposals	(16,862)
Depreciation charged during period	(594,508)
Net Book Value at 31st January 1976	<u>£3,633,154</u>
of which stated at:	
1967 Valuation (book value at that date)	379,282
Cost	5,413,792
Accumulated Depreciation	(2,159,920)

9. GROUP COMPANIES

Shares in Subsidiaries at Cost less
Capital Distributions received and
amounts written off
Inter-Group Indebtedness

	<u>1976</u> £	<u>1975</u> £
Shares in Subsidiaries at Cost less Capital Distributions received and amounts written off	407,395 <u>9,688,281</u>	407,395 <u>3,192,827</u>
Inter-Group Indebtedness	<u>£10,095,676</u>	<u>£3,600,222</u>

The Company has the following wholly-owned subsidiary Companies:

<u>Name</u>	<u>Country of Registration</u>
Wylie and Company Limited	England
Harrods Estate Offices	"
Harrods (Insurance) Limited	"
Harrods (Knightsbridge) Limited	"
Anne Gerrard Limited	"
Nora Bradley (London) Limited	"

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 at which they are stated in the Balance Sheet.

10. TAXATION

Corporation Tax due 1st January 1977
Current Taxation

	<u>1976</u> £	<u>1975</u> £
Corporation Tax due 1st January 1977	1,442,440	2,853,620
Current Taxation	<u>509,810</u>	<u>4,397,155</u>
	<u>£1,952,250</u>	<u>£7,250,775</u>

The taxation liability for Corporation Tax due 1st January 1977 has been reduced by £585,300 being the amount surrendered by Fellow Subsidiaries under the Group Relief provisions.

HARRODS LIMITEDNOTES ON THE ACCOUNTS (CONTINUED)53 WEEKS ENDED 31ST JANUARY 1976

11. CAPITAL COMMITMENTS

	<u>1976</u>	<u>1975</u>
	£	£
Aggregate amount of contracted capital expenditure not provided for in Accounts	1,070,072	329,422
Additional capital expenditure authorised by the Directors but not contracted for	<u>1,041,300</u>	<u>1,136,939</u>
	<u>£2,111,372</u>	<u>£1,466,361</u>

12. GUARANTEES

The Company has given an unlimited guarantee to Midland Bank Limited in respect of a loan granted by that Bank to House of Fraser Limited amounting to £15,000,000.

13. ULTIMATE HOLDING COMPANY

The Company is a wholly-owned subsidiary of House of Fraser Limited, a company incorporated in Great Britain.