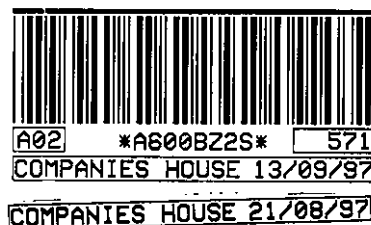


**SOUTH ATLANTIS INVESTMENTS LIMITED**  
**Registered Number: 104775**

**DIRECTORS' REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 1995**



**SOUTH ATLANTIS INVESTMENTS LIMITED**  
**Registered Number: 104775**

**DIRECTORS' REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED 31 AUGUST 1995**

## **SOUTH ATLANTIS INVESTMENTS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 1995**

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report for the year ended 31 August 1995.

#### **PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENTS**

The company is the parent undertaking of Gath & Chaves Limited which, until 1 April 1995, operated a men's hair styling establishment. As at 1 April 1995 Gath and Chaves Limited ceased trading and all the employees of Harrods (Buenos Aires) Limited, the parent undertaking, were transferred to Gath and Chaves Limited. This transfer took place by means of a private agreement entered into with the employees. Gath and Chaves Limited is reimbursed by Harrods Buenos Aires) Limited for all salary and related costs.

Harrods (Buenos Aires) Limited, has informed the company that it is its present intention to procure finance for its continued operations and for those of the subsidiary.

#### **RESULTS AND DIVIDENDS**

The company made a loss on ordinary activities after taxation for the financial year of £12,250 (1994: loss of £9,279). The accumulated balance on the profit and loss account amounts to a deficit of £1,419,569 (1994: deficit of £1,406,161) after transferring the loss on ordinary activities for the financial year.

The directors do not recommend the payment of a dividend (1994: £Nil).

#### **STATEMENT OF DIRECTOR'S RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **SOUTH ATLANTIS INVESTMENTS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 1995 (CONTINUED)**

#### **DIRECTORS AND THEIR INTERESTS**

The names of the directors, who served during the year, are as follows:

CF Conti	Resident in Argentina
GO Diaz	Resident in Argentina

No director had any beneficial interest in the shares of the company or any affiliated company at any time during the year, which requires notification to the company under Section 324 (2) of the Companies Act 1985, nor in any contracts made by the company.

#### **AUDITORS**

Price Waterhouse have decided not to seek re-appointment as auditors and a resolution concerning their replacement will be proposed at the Annual General Meeting.

By Order of the Board

Guillermo O Díaz  
Secretary

8 August 1997

*Price Waterhouse*



## **AUDITORS' REPORT TO THE SHAREHOLDERS OF SOUTH ATLANTIS INVESTMENTS LIMITED**

We have audited the financial statements on pages 5 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

### **Respective responsibilities of directors and auditors**

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board, except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

### **Fundamental Uncertainty**

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the possible consequences of the deteriorating financial position of the parent undertaking, Harrods (Buenos Aires) Limited upon which the company relies for financial support. If the outcome to the negotiations and proposals of the directors described in Note 10 were to be unsuccessful this could result in the recoverability of balances due from the parent undertaking shown in the balance sheet at £1,083,725 becoming uncertain. Details of the circumstances relating to this fundamental uncertainty are described in Note 10. Our opinion is not qualified in this respect.

**AUDITORS' REPORT TO THE SHAREHOLDERS OF  
SOUTH ATLANTIS INVESTMENTS LIMITED (CONTINUED)**



**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 August 1995 and have been properly prepared in accordance with the Companies Act 1985.

*Price Waterhouse*

PRICE WATERHOUSE  
Chartered Accountants  
and Registered Auditors  
London

8 August 1997

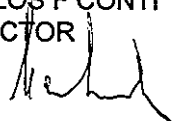
# **SOUTH ATLANTIS INVESTMENTS LIMITED**

## **BALANCE SHEET - 31 AUGUST 1995**

	<u>Notes</u>	<u>1994</u> £	<u>1993</u> £
<b>CURRENT ASSETS</b>			
Debtors	6	1,084,388	1,084,388
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,084,388	1,084,388
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	7	(103,805)	(90,397)
		<hr/>	<hr/>
		980,583	993,991
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital		2,330,000	2,330,000
Other reserves		70,152	70,152
Profit and loss account		(1,419,569)	(1,406,161)
		<hr/>	<hr/>
		980,583	993,991
		<hr/>	<hr/>

APPROVED BY THE BOARD  
ON 8 AUGUST 1997

CARLOS F CONTI  
DIRECTOR



The notes on pages 7 to 9 are an integral part of these accounts.

# **SOUTH ATLANTIS INVESTMENTS LIMITED**

## **PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 AUGUST 1995**

	<u>Notes</u>	<u>1995</u> £	<u>1994</u> £
Other operating expenses		(12,250)	(9,279)
		_____	_____
<b>OPERATING LOSS</b>	<b>2</b>	<b>(12,250)</b>	<b>(9,279)</b>
Taxation	<b>4</b>	_____ -	_____ -
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES</b>	<b>9</b>	<b>(12,250)</b>	<b>(9,279)</b>
		=====	=====

The company had no other recognised gains or losses.

The notes on pages 7 to 9 are an integral part of these accounts.



## **SOUTH ATLANTIS INVESTMENTS LIMITED**

### **NOTES TO THE ACCOUNTS - 31 AUGUST 1995**

#### **1 ACCOUNTING POLICIES**

A summary of the principal accounting policies is set out below.

##### **(1) Basis of accounting**

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention.

The company did not prepare consolidated financial statements as it is a majority-owned subsidiary undertaking and meets all the conditions for exemption as a wholly-owned subsidiary undertaking set out in Section 228 of the Companies Act 1985.

##### **(2) Going concern**

The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future and will be able to realise its asset values and settle its liabilities in the normal course of its operation. The validity of this assumption depends on the successful conclusion of the negotiations undertaken by the directors of Harrods (Buenos Aires) Limited as described in Note 10. Certain arrangements will require the approval of shareholders in a general meeting.

Whilst the directors are presently uncertain as to the outcome of the matters mentioned above, they believe that it is appropriate for the financial statements to be prepared on a going concern basis.

##### **(3) Shares in subsidiary undertakings**

The shares in subsidiary undertakings are stated at cost less any permanent diminution in value.

#### **2 OPERATING LOSS**

This is stated after accounting for other operating expenses amounting to £12,250 (1994: £9,279).

#### **3 DIRECTORS AND EMPLOYEES**

The average number of employees during the period, all of whom were directors based in Argentina, was two (1994 - two). No directors received any emoluments in respect of their services to the company.

#### **4 TAXATION**

There is no income tax liability.

# **SOUTH ATLANTIS INVESTMENTS LIMITED**

## **NOTES TO THE ACCOUNTS - 31 AUGUST 1995 (CONTINUED)**

### **5 SHARES IN SUBSIDIARY UNDERTAKINGS**

The company has two subsidiary undertakings as follows:

	<u>Country of incorporation</u>	<u>Percentage of equity share capital owned</u>
Gath & Chaves Limited	England	99.8%
Argentine Northern Finance Company Limited (non-trading subsidiary of Gath & Chaves Limited)	England	99.8%

During 1987 the Company set aside a provision for liabilities and charges (Note 7) for the losses of the subsidiary companies because they exceeded the amount of the company's investment, and the results obtained since 1987 by the subsidiaries have not been sufficient to recover the full value of the investment.

### **6 DEBTORS (Amounts falling due within one year)**

	<u>1995</u> £	<u>1994</u> £
Owed by parent undertaking - Harrods (Buenos Aires) Limited	1,083,725	1,083,725
Owed by subsidiary undertaking - Gath & Chaves Limited	663	663
	<u>1,084,388</u>	<u>1,084,388</u>

### **7 PROVISIONS FOR LIABILITIES AND CHARGES**

	<u>1995</u> £	<u>1994</u> £
Balance at 1 September	(90,397)	(87,269)
Charge for the year	(13,408)	(3,128)
Balance at 31 August	<u>(103,805)</u>	<u>(90,397)</u>

### **8 CALLED-UP SHARE CAPITAL**

	<u>1995</u> £	<u>1994</u> £
Authorised, issued and fully paid 2,330,000 ordinary shares of £1 each	2,330,000	2,330,000

# **SOUTH ATLANTIS INVESTMENTS LIMITED**

## **NOTES TO THE ACCOUNTS - 31 AUGUST 1995 (CONTINUED)**

### **9 PROFIT AND LOSS ACCOUNT AND MOVEMENTS IN SHAREHOLDERS FUNDS**

	<u>1995</u> £	<u>1994</u> £
At 1 September	(1,406,161)	(1,403,033)
Loss for the financial year	(12,250)	(9,279)
(Loss)/profit arising on translation accounting	(1,158)	6,151
	<u>          </u>	<u>          </u>
At 31 August	<u>(1,419,569)</u>	<u>(1,406,161)</u>

### **10 SUBSEQUENT EVENTS**

In 1993 Harrods (Buenos Aires) Limited (the parent undertaking) terminated its retail subcontractor system to revert to a centralised retail organisation and to explore the possibilities of association with international companies.

The Buenos Aires store has continued to experience significant decline in its sales and deterioration of its financial situation and legal actions against the company by creditors, lenders and suppliers.

In view of this and other factors including the failure to provide information about the group's cash flows limitations on audit scope in respect of certain long term debtor balances and the going concern basis, the absence of adequate disclosures relating to the lawsuits taken against the company and relating to the going concern basis, the auditor's report of Harrods (Buenos Aires) Limited for the year ended 31 August 1995 included an abstention of opinion.

The directors of Harrods (Buenos Aires) Limited continue to negotiate alternatives with major international department store chains with the aim of setting up a joint venture in order to carry on with the current principal activities of the company.

### **11 ULTIMATE PARENT UNDERTAKING**

Intercomfiman SA, incorporated in Switzerland, is the ultimate parent undertaking. This is the holding company of the largest group of which the company is a member. The parent undertaking of the largest and smallest group for which group accounts are prepared is Harrods (Buenos Aires) Limited, incorporated in England.