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South Atlantis Investments Limited

REPORT AND FINANCIAL STATEMENTS

31 August 1996



Co No 104775

South Atlantis Investments Limited

DIRECTORS AND OFFICERS

DIRECTORS

CF Conti
GO Diaz

SECRETARY

GO Diaz

REGISTERED OFFICE

35 St Thomas Street
London
SE1 9SN

AUDITORS

Baker Tilly
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

South Atlantis Investments Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of South Atlantis Investments Limited for the year ended 31 August 1996.

PRINCIPAL ACTIVITIES

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 & Chaves Limited ceased trading and all the employees of Harrods (Buenos Aires) Limited, the parent undertaking, were transferred to Gath & Chaves Limited. This transfer took place by means of a private agreement entered into with the employees. Gath & 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 trading loss for the year after taxation was £10,425.

The directors do not recommend the payment of a dividend (1995: £Nil).

DIRECTORS

The following directors have held office since 1 September 1995:

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

In accordance with section 386, Companies Act 1985, the company has elected to dispense with the obligation to appoint auditors annually. Accordingly, Baker Tilly, Chartered Accountants are deemed to be re-appointed for the succeeding financial year.

By order of the board

GO DIAZ
Secretary

26 February 1998



South Atlantis Investments Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. 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 requirements of 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.

AUDITORS' REPORT TO THE MEMBERS OF SOUTH ATLANTIS INVESTMENTS LIMITED

We have audited the financial statements on pages 5 to 9.

Respective responsibilities of directors and auditors

As described on page 3 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. 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 and performed 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 validity of the financial statements being prepared on the going concern basis. The parent company, Harrods (Buenos Aires) Limited upon which the company relies on for financial support is encountering commercial and financial difficulties which it hopes to overcome by means of the method set out in note 10. The financial statements do not include any adjustments that would result from the company failing to recover its assets or from the liabilities which it would then face in the event that the parent company is not in a position to continue to trade.

Our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 August 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BAKER TILLY

Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

26 February 1998

South Atlantis Investments Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 August 1996

	Notes	1996 £	1995 £
Other operating expenses (net)	1	(10,425)	(12,250)
OPERATING LOSS		<u>(10,425)</u>	<u>(12,250)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(10,425)</u>	<u>(12,250)</u>
Taxation		-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION, RETAINED	8	<u>(10,425)</u>	<u>(12,250)</u>

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

South Atlantis Investments Limited

BALANCE SHEET

31 August 1996

	Notes	1996 £	1995 £
CURRENT ASSETS			
Debtors	4	1,084,388	1,084,388
TOTAL ASSETS LESS CURRENT LIABILITIES		1,084,388	1,084,388
PROVISIONS FOR LIABILITIES AND CHARGES	5	(110,119)	(103,805)
		<u>974,269</u>	<u>980,583</u>
CAPITAL AND RESERVES			
Called up share capital	6	2,330,000	2,330,000
Other reserves	7	70,152	70,152
Profit and loss account	8	(1,425,883)	(1,419,569)
SHAREHOLDERS' FUNDS		<u>974,269</u>	<u>980,583</u>

Approved by the board on 26 February 1998

CF CONTI



Director

South Atlantis Investments Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

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.

GOING CONCERN BASIS

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 the shareholders in a general meeting.

The directors of that company expect to satisfactorily meet their objectives in these negotiations. On this basis the directors believe it is appropriate for the financial statements to be prepared on a going concern basis.

SHARES IN SUBSIDIARY UNDERTAKINGS

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

South Atlantis Investments Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 1996

1	OTHER OPERATING EXPENSES (NET)	1996 £	1995 £
	Administration expenses	10,425	12,250
2	DIRECTORS AND EMPLOYEES		
	There were 2 directors during the period (1995: 2). No director received any emoluments in respect of their services to the company.		
3	TAXATION		
	There is no income tax liability.		
4	DEBTORS	1996 £	1995 £
	Due within one year:		
	Owed by parent undertaking - Harrods (Buenos Aires) Limited	1,083,725	1,083,725
	Owed by subsidiary undertaking - Gath & Chaves Ltd	663	663
		<u>1,084,388</u>	<u>1,084,388</u>
5	PROVISIONS FOR LIABILITIES AND CHARGES	1996 £	1995 £
	Balance at 1 September 1995 and 1 September 1994	(103,805)	(90,397)
	Charge for the year	(6,314)	(13,408)
	Balance at 31 August 1996 and 31 August 1995	<u>(110,119)</u>	<u>(103,805)</u>
6	SHARE CAPITAL	1996 £	1995 £
	Authorised:		
	2,330,000 ordinary shares of £1 each	2,330,000	2,330,000
	Allotted, issued and fully paid:		
	2,330,000 ordinary shares of £1 each	<u>2,330,000</u>	<u>2,330,000</u>

South Atlantis Investments Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 1996

7	OTHER RESERVES	1996 £	1995 £
	At 31 August 1995 and 31 August 1996	70,152	70,152
8	PROFIT AND LOSS ACCOUNT	1996 £	1995 £
	1 September 1995 and 1 September 1994	(1,419,569)	(1,406,161)
	Loss for the financial year	(10,425)	(12,250)
	Profit/(loss) arising from translation	4,111	(1,158)
	31 August 1996 and 31 August 1995	(1,425,833)	(1,419,569)
9	SHARES IN SUBSIDIARY UNDERTAKING	Country of incorporation	Percentage of equity share capital owned
	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 5) for the losses of the subsidiary companies because they exceeded the amount of the company's investments, and the results obtained since 1987 by the subsidiaries have not been sufficient to recover the full value of the investments.		
10	POST BALANCE SHEET 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 resulting legal actions have been taken against the company by creditors, lenders and suppliers.		
	The directors of Harrods (Buenos Aires) Limited are continuing to negotiate various 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		
	Intercomfinanz 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.		