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HARRODS LIMITED

INDEX TO REPORT AND ACCOUNTS

52 WEEKS ENDED 28TH JANUARY 1978

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HARRODS LIMITED

DIRECTORS' REPORT

The directors have pleasure in presenting their Annual Report and Accounts for the 52 weeks ended 28th January 1978 to be submitted to the 88th Annual General Meeting of the members.

DIRECTORS

The present directors of the company are:

Robert Midgley (Chairman and Managing Director)

W.A. Craddock (Assistant Managing Director)

Sir Hugh Fraser Bt

R.J. Cannon

G. Wontner-Smith

W.G. Crossan

L.F. Drewitt

N. Hansen

H.B. Mason

D.K. Milligan (Secretary)

The Rt. Hon. Lord Redmayne, P.C., D.S.O., resigned on 28th January 1978. The directors wish to place on record their highest appreciation of his inestimable services to the company.

PRINCIPAL ACTIVITY

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

THE YEAR'S ACHIEVEMENTS

The results for the 52 weeks are shown in the annexed profit and loss account. The profit available for appropriation amounts to	£	£
		10,343,729
from which the directors have appropriated		
to capital reserve	15,360	
and paid a dividend of	10,000,000	
	<hr/>	<hr/>
		10,015,360
Leaving retained profits for the 52 weeks of		<hr/>
		£328,369

TAXATION

The directors have decided to discontinue provision for deferred taxation on stock relief. A statement showing the adjustment to retained profits is shown on page 4. Details of the taxation charge for the period are shown in note 4 of the accounts.

FIXED ASSETS

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

MARKET VALUE OF PROPERTIES

The directors consider that the aggregate market value of the company's properties assessed on the basis set out in the statement of accounting policies in note 1 on the accounts, is not less than the value at which these are shown in the balance sheet. They have taken into consideration a valuation of a sample of the company's properties dated 31st October 1977, made by a firm of Consultant Surveyors and Valuers.

HARRODS LIMITED

DIRECTORS' REPORT (CONTINUED)

EXPORTS

"Identifiable" exports included in turnover amounted to £14,719,509. A much greater volume of purchases made by overseas visitors to London cannot, unfortunately, be identified.

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:

	<u>At 28th January 1978</u>	<u>At 29th January 1977</u>
	<u>Ordinary stock units of 25p each</u>	
W.A. Craddock	1,000	200
G. Wontner-Smith	500	500

HEALTH AND SAFETY

In accordance with the provisions of the Health and Safety at Work Act 1974 the company has issued a written statement of its general policy with respect 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, Fays 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

D.K. MILLIGAN



Secretary.

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

13th March 1978.

HARRODS LIMITED

AUDITORS' REPORT

In our opinion the accounts set out on pages 4 to 13, which have been prepared under the historical cost convention including the revaluation of certain assets, give a true and fair view of the company's affairs at 28th January 1978 and of the profit and source and application of funds for the 52 weeks ended on that date and comply with the Companies Acts 1948 and 1967.

HAYS ALLAN

TOUCHE ROSS & CO.

Chartered Accountants.

Hays Allan
Touche Ross & Co.

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

TOUCHE ROSS & CO.
3 London Wall Buildings,
London, EC2M 5PH.

13th March 1978.

HARRODS LIMITEDPROFIT AND LOSS ACCOUNT52 WEEKS ENDED 26TH JANUARY 1978

	<u>Notes</u>	<u>1978</u> £	<u>1977</u> £
TOTAL TURNOVER	1	158,567,722	129,139,411
Value added tax		(10,664,082)	(9,083,142)
TURNOVER (excluding value added tax)		<u>£147,903,640</u>	<u>£120,056,269</u>
TRADING PROFIT	2	22,853,491	16,904,054
INTEREST RECEIVABLE		197	-
DIVIDENDS FROM SUBSIDIARY COMPANIES		-	74,930
		<u>22,853,688</u>	<u>16,978,984</u>
INTEREST PAYABLE			
Long term loans		135,383	137,735
Short term loans and other interest		938,852	929,832
		<u>1,074,235</u>	<u>1,067,567</u>
OPERATING PROFIT		21,779,453	15,911,417
GAIN ON SALES OF PROPERTIES		28,493	19,427
PROFIT BEFORE TAXATION		21,807,951	15,930,844
TAXATION	4	11,464,232	7,424,800
PROFIT AFTER TAXATION		10,343,729	8,506,044
TRANSFER TO CAPITAL RESERVE		15,360	15,116
		<u>10,328,369</u>	<u>8,490,928</u>
DIVIDENDS			
Interim		10,000,000	6,048,705
RETAINED PROFIT FOR THE 52 WEEKS		<u>£328,369</u>	<u>£2,442,223</u>
<u>STATEMENT OF RETAINED PROFITS</u>		£	£
RETAINED PROFITS		328,369	2,442,223
RETAINED PROFITS AT BEGINNING OF PERIOD AS PREVIOUSLY REPORTED		1,628,292	262,671
PRIOR YEAR ADJUSTMENT FOR DEFERRED TAXATION	4	1,039,687	(36,915)
AS RESTATED		<u>2,667,979</u>	<u>225,756</u>
RETAINED PROFITS AT END OF PERIOD		<u>£2,996,348</u>	<u>£2,667,979</u>

The notes on pages 7 to 13 form an integral part of these accounts.

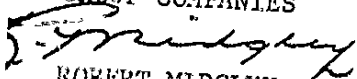

HARRODS LIMITED

BALANCE SHEET

28TH JANUARY 1978

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EMPLOYMENT OF FUNDS	Notes	1978 £	1977 £
FIXED ASSETS			
Freehold properties	8		
Leasehold properties - long term		45,180,711	45,153,058
- short term		4,654,775	4,691,112
Furniture, fixtures, fittings, plant and motor vehicles		103,770	107,605
		<u>5,315,564</u>	<u>4,770,367</u>
INVESTMENTS		<u>55,254,820</u>	<u>54,722,142</u>
Group companies	9	<u>11,659,097</u>	<u>15,871,801</u>
CURRENT ASSETS			
Stock			
Debtors	1	15,341,774	13,105,140
Amounts due from group companies	9	10,867,440	9,029,105
Cash at bankers and in hand		438,530	341,151
		<u>3,986,499</u>	<u>186,722</u>
CURRENT LIABILITIES		<u>30,634,243</u>	<u>22,662,118</u>
Bank overdrafts		-	824,775
Amounts due to group companies	9	3,804,972	2,834,991
Creditors	10	10,883,626	11,872,774
Taxation		<u>6,073,700</u>	<u>3,180,625</u>
		<u>20,762,298</u>	<u>18,713,165</u>
NET CURRENT ASSETS		<u>9,871,945</u>	<u>3,948,953</u>
FUNDS EMPLOYED		<u>£76,785,862</u>	<u>£74,542,896</u>
SHARE CAPITAL			
Authorised - ordinary stock		£8,000,000	£8,000,000
Issued - ordinary stock		<u>8,000,000</u>	<u>8,000,000</u>
RESERVES			
Share premium			
Capital	5	1,065,872	1,065,872
General		47,958,902	47,943,542
		<u>911,240</u>	<u>911,240</u>
PROFIT AND LOSS ACCOUNT		<u>49,936,014</u>	<u>49,920,654</u>
Balance undistributed		<u>2,996,348</u>	<u>1,628,292</u>
SHAREHOLDERS' FUNDS		<u>60,932,362</u>	<u>59,548,946</u>
DEFERRED TAXATION	6	12,103,400	12,593,850
LOAN CAPITAL	7	2,350,000	2,400,000
GROUP COMPANIES	9	<u>1,400,100</u>	<u>100</u>
		<u>£76,785,862</u>	<u>£74,542,896</u>


 ROBERT MIDGLEY

 HUGH FRASER

DIRECTORS

The notes on pages 7 to 13 form an integral part of these accounts.

HAARRODS LIMITEDSTATEMENT OF SOURCE AND APPLICATION OF FUNDS52 WEEKS ENDED 28TH JANUARY 1978

	<u>1978</u> £	<u>1977</u> £
SOURCE OF FUNDS		
Profit before taxation	21,807,951	15,930,844
Depreciation	1,047,870	858,844
Surplus on sale of fixed assets (net)	(23,456)	(777)
Total funds generated from trading operations	22,832,365	16,788,911
Proceeds of sales of fixed assets	437,624	59,790
Decrease in inter-group balances	6,485,306	-
TOTAL FUNDS GENERATED	<u>29,755,295</u>	<u>16,848,701</u>
APPLICATION OF FUNDS		
Tax paid including group transfers	8,021,910	6,129,627
Expenditure on fixed assets (including group transfers 1977)	1,994,716	2,565,744
Loan capital repaid	50,000	50,000
Increase in inter-group balances	-	2,941,034
Dividends paid	10,000,000	6,048,705
TOTAL FUNDS APPLIED	<u>20,066,626</u>	<u>17,735,110</u>
MOVEMENT IN WORKING CAPITAL	<u>£9,688,669</u>	<u>£(886,409)</u>
ANALYSIS		
Increase/(decrease) in net liquid funds	4,624,552	(1,522,017)
Increase in stocks	2,236,634	2,534,225
Increase in debtors	1,838,335	1,055,674
	8,699,521	2,067,882
Decrease/(increase) in creditors	989,148	(2,954,291)
	<u>£9,688,669</u>	<u>£(886,409)</u>

The notes on pages 7 to 13 form an integral part of these accounts.

HARRODS LIMITEDNOTES ON THE ACCOUNTS52 WEEKS ENDED 28TH JANUARY 1978

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 to write off the cost or valuation of the fixed assets over their estimated useful lives by equal annual instalments, mainly at the following rates:

Freehold and long leasehold land	Nil
Freehold and long leasehold buildings	Nil
Landlords plant included in above buildings	5%
Short leasehold land and buildings (under 50 years) over period of lease:	
Fixtures and fittings	10%
Electronic equipment	20%
Motor vehicles	20%

The cost of replacing landlords' plant is charged against the provision.

The company has not found it practicable to provide for depreciation in respect of its freehold and long leasehold buildings and therefore has not complied with International Accounting Standard No. 4 other than in respect of landlords' plant.

HARRODS LIMITED

NOTES ON THE ACCOUNTS (CONTINUED)

52 WEEKS ENDED 28TH JANUARY 1978

1. ACCOUNTING POLICIES (CONTINUED)

(e) PROPERTIES

Property holdings of the company are shown at valuations made in 1972 or at cost. The values are assessed on the basis of existing use and no value is placed on goodwill or fixtures, other than landlords plant. Short leaseholds are shown at historical book values less amortisation.

(f) DEFERRED TAXATION

Provision has been made at the current tax rate (liability method) for taxation deferred by the recognition of items in different periods for taxation and accounting purposes. The policy followed in accounting for deferred taxation in relation to stock relief was changed during the year and provision is not now made for stock relief. The provision existing at 29th January 1977 has been added to retained profits as a prior year adjustment.

(g) PENSIONS

Retirement and other benefits are provided for eligible employees of the company and its subsidiaries, and these costs are currently funded by payments to a trust which is separately managed and independent of the company's finances.

2. TRADING PROFIT

	<u>Notes</u>	<u>1978</u> £	<u>1977</u> £
Trading profit is arrived at after charging:			
Auditors' fees and expenses		50,500	42,000
Directors' remuneration	3	177,553	126,536
Depreciation		790,518	626,832
Provision for plant and machinery replacements		257,352	232,012
and after crediting:			
Rents receivable		280,333	259,397
Investment income - quoted		2	2

NOTES ON THE ACCOUNTS (CONTINUED)

52 WEEKS ENDED 28TH JANUARY 1978

3. DIRECTORS' REMUNERATION

	<u>1978</u> £	<u>1977</u> £
Fees	11,000	10,750
Other emoluments including pension contributions	165,303	114,536
Pension to former director	1,250	1,250
	<u>£177,553</u>	<u>£126,536</u>
Chairman's emoluments	2,000	2,000
Highest paid director	<u>23,170</u>	<u>20,208</u>

All directors:

£Nil to £2,500	5	6
£2,501 to £5,000	-	1
£5,001 to £7,500	-	-
£7,501 to £10,000	-	-
£10,001 to £12,500	-	1
£12,501 to £15,000	-	1
£15,001 to £17,500	1	2
£17,501 to £20,000	2	1
£20,001 to £22,500	1	1
£22,501 to £25,000	2	-

Senior employees in the U.K.:

£10,001 to £12,500	18	11
£12,501 to £15,000	7	8
£15,001 to £17,500	5	6
£17,501 to £20,000	5	2
£20,001 to £22,500	2	3
£22,501 to £25,000	3	1
£25,001 to £27,500	2	2
£27,501 to £30,000	-	-
£30,001 to £32,500	2	-

4. TAXATION

	<u>1978</u> £	<u>1977</u> £
The taxation charge comprises:		
Corporation tax on profits	8,585,650	4,676,025
Group relief - payment to group companies	2,329,290	3,023,222
Deferred taxation	549,306	777,073
Tax credit on franked investment income	1	26,227
Stock relief payment to group company	-	797,388
Adjustment of provision for earlier periods:		
Current taxation	44	(1,164,860)
Deferred taxation	(69)	(710,275)
	<u>£11,464,222</u>	<u>£7,424,300</u>

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

NOTES ON THE ACCOUNTS (CONTINUED)52 WEEKS ENDED 28TH JANUARY 1978

4. TAXATION (CONTINUED)

As a result of the directors' decision to discontinue provision for deferred taxation on stock relief:

- (i) The taxation charge shown in the 1977 accounts has been reduced by £1,076,602 being the amount of the provision made for deferred tax on stock relief in respect of that year and prior years.
- (ii) In the statement of retained profits there is now debited, as a prior year adjustment in respect of the 1977 accounts, the sum of £36,915 being the amount of deferred tax on stock relief transferred to a group company during the year to 29th January 1977 less the balance of the provision for such deferred tax as at 31st January 1976.
- (iii) In the statement of retained profits for the current year there is credited the amount of £1,039,687 being the balance of the provision for deferred tax on stock relief as at 29th January 1977. If provision for deferred taxation on stock relief had been made at 28th January 1978 it would have been unchanged from the amount provided last year.

5. RESERVES

	£
Capital	
Balance at 29th January 1977	47,943,542
Transfer from profit and loss account	15,360
	<hr/>
Balance at 28th January 1978	£47,958,902
	<hr/> <hr/>

6. DEFERRED TAXATION

	1978 £	1977 £
Excess of capital allowances over depreciation	4,139,745	3,665,534
Provision for replacement of landlord's plant	(310,611)	(372,533)
Stock relief	-	1,039,687
Property revaluations	8,134,802	8,167,665
Other timing differences	139,464	93,497
	<hr/>	<hr/>
	£12,103,400	£12,593,850
	<hr/> <hr/>	<hr/> <hr/>

7. LOAN CAPITAL

SECURED

Long term mortgage at 5½% (annual repayments of £50,000 until 1990 when balance is repayable)	£2,350,000	£2,400,000
	<hr/>	<hr/>

NOTES ON THE ACCOUNTS (CONTINUED)

52 WEEKS ENDED 28TH JANUARY 1978

8. FIXED ASSETS

	Cost or valuation £	Landlord's plant replacement provision £	Per balance sheet £
(a) FREEHOLD PROPERTIES			
Balance at 29th January 1977	45,590,509	(437,451)	£45,153,058
Expenditure during period	253,215	376,434	
Book value of disposals during period	(395,841)	-	
Transfer from profit and loss account	-	(206,155)	
Balance at 28th January 1978	<u>£45,447,883</u>	<u>£(267,172)</u>	<u>£45,180,711</u>
of which stated at:			
1972 independent professional valuation	44,862,462		
Cost	<u>585,421</u>		
(b) LONG LEASEHOLDS			
Balance at 29th January 1977	4,970,072	(278,960)	£4,691,112
Expenditure during period	14,860	-	
Transfer from profit and loss account	-	(51,197)	
Balance at 28th January 1978	<u>£4,984,932</u>	<u>£(330,157)</u>	<u>£4,654,775</u>
of which stated at:			
1972 independent professional valuation	4,225,000		
Cost	<u>759,932</u>		
(c) SHORT LEASEHOLDS			
Net book value at 29th January 1977			107,605
Depreciation charged during period			(3,835)
Net book value at 28th January 1978			<u>£103,770</u>
of which stated at:			
1967 valuation (book value at that date)			134,450
Accumulated depreciation			<u>(30,680)</u>

NOTES ON THE ACCOUNTS (CONTINUED)

52 WEEKS ENDED 28TH JANUARY 1978

8. FIXED ASSETS (CONTINUED)

(d) FURNITURE, FIXTURES, FITTINGS,
PLANT AND MOTOR VEHICLES

£

Net book value at 29th January 1977	4,770,367
Expenditure during period	1,350,207
Book value of disposals	(18,327)
Depreciation charged during period	(786,683)
Net book value at 28th January 1978	<u>£5,315,564</u>

of which stated at:

1967 valuation (book value at that date)	327,951
Cost	8,325,815
Accumulated depreciation	<u>(3,338,202)</u>

9. GROUP COMPANIES

	<u>1978</u>	<u>Debit</u>	<u>1977</u>	<u>Credit</u>	<u>1977</u>
	<u>£</u>		<u>£</u>		<u>£</u>
(i) Shares in subsidiaries at cost less capital distributions received and amounts written off	407,319		407,319	-	-
Subsidiaries (loan accounts)	2,141,500		3,041,500	1,400,100	100
Holding company and fellow subsidiaries (loan accounts)	9,110,278		12,422,982	-	-
	<u>£11,659,097</u>		<u>£15,871,801</u>	<u>£1,400,100</u>	<u>£100</u>

(ii) Trading accounts:

Subsidiaries	100	-	120,062	145,648
Holding company and fellow subsidiaries	438,430	341,151	3,684,910	2,689,343
	<u>£438,530</u>	<u>£341,151</u>	<u>£3,804,972</u>	<u>£2,834,991</u>

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

<u>Name</u>	<u>Country of registration</u>
Wylie and Company Limited	England & Wales
Harrods Estate Offices	"
Harrods (Insurance) Limited	"
Harrods (Knightsbridge) 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 at which they are stated in the balance sheet.

NOTES ON THE ACCOUNTS (CONTINUED)52 WEEKS ENDED 28TH JANUARY 1978

10. TAXATION

	<u>1978</u> £	<u>1977</u> £
Corporation tax due 1st January 1979	8,585,650	4,676,025
<u>Less: Payment to holding company for</u> advance corporation tax surrendered	<u>2,700,000</u>	<u>4,577,504</u>
	5,885,650	2,098,521
Current taxation	<u>188,050</u>	<u>1,082,104</u>
	<u>£6,073,700</u>	<u>£3,180,625</u>

The taxation liability for corporation tax due 1st January 1979 has been reduced by £2,264,410 (1977: £2,845,600) being 52% of the amounts surrendered by the holding company, subsidiaries and fellow subsidiaries under the group relief provisions.

11. CAPITAL COMMITMENTS

	<u>1978</u> £	<u>1977</u> £
Aggregate amount of contracted capital expenditure not provided for in the accounts	407,023	863,851
Additional capital expenditure authorised by the directors but not contracted for	<u>1,948,167</u>	<u>1,021,320</u>
	<u>£2,355,190</u>	<u>£1,885,171</u>

12. GUARANTEES

The company has given guarantees to Midland Bank Limited in respect of loan facilities granted by that bank to House of Fraser Limited amounting to £34,000,000.

13. ULTIMATE HOLDING COMPANY

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