

30209

HARRODS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 29TH APRIL 1989

HARRODS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE 52 WEEKS ENDED 29TH APRIL 1989

<u>CONTENTS</u>	<u>PAGE</u>
Directors' Report	1- 3
Auditors' Report	4
Profit and Loss Account	5
Balance Sheet	6- 7
Statement of Source and Application of Funds	8
Accounting Basis and Policies	9-10
Notes to the Financial Statements	11-20

HARRODS LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Company for the 52 weeks ended 29th April 1989 to be submitted to the 99th Annual General Meeting of the Members.

DIRECTORS

The present Directors of the Company are:

M Al-Fayed	- Chairman
A Fayed	
S Fayed	
E M Fayed	- (appointed 1st February 1989)
Miss R P Thorne	
C P de Boer	
G W Jones	
R B Jakeman	
P I Taylor	
J S Nordberg	
G Willoughby	- (appointed 1st December 1988)
A N Glen	- (appointed 2nd May 1988)

Mr W A Craddock resigned from the Board on 1st December 1988.

Mr R D Mackie resigned from the Board on 9th March 1989.

In accordance with the Articles of Association no Director is required to seek re-election at the forthcoming Annual General Meeting.

PRINCIPAL ACTIVITY

The Company continues to be responsible for the operation of the world renowned department store in London.

## REVIEW OF BUSINESS

2

The turnover of the Company increased by 5.56% to £308.1 million, and profit after tax but before extraordinary items increased by £3.5 million to £13.7 million.

Extraordinary items net of tax amounted to £1.5 million which were predominately related to the re-organisation of the distribution operations.

During the year the Company acquired 25.9% of the issued ordinary share capital of Mallett plc., a leading dealer in high quality antique furniture and works of art.

The company is expected to perform satisfactorily during the coming year.

## RESULTS AND DIVIDENDS

The results and dividends for the year ended 29th April 1989 are shown on page 5.

	£'000
The profit available for distribution amounts to	12,148
from which the Directors have paid an interim dividend of	6,000
Leaving a retained profit for the year of	<u>£6,148</u>

## FIXED ASSETS

Details of the movements in fixed assets are shown in notes 8 and 9 to the financial statements.

## REVALUATION OF PROPERTIES

A revaluation of freehold and long leasehold properties was carried out as at 29th April 1989 by Healey & Baker and the Company's qualified surveyor and has been adopted by the Directors'. This revaluation showed a surplus of £16.0 million which has been added to the reserves and is shown in Note 15 in the accounts.

## EMPLOYEE SHARE OPTION SCHEME

On 1st May 1988 an Employee Share Option Plan was introduced which is related to the increased profitability and growth in value of the Company and the Directors consider that it will provide employees with a significant opportunity to participate in and benefit from the development and future success of the Company.

The Plan provides for options to be granted annually based on the results of the Company for each preceding financial year and the first options granted were related to the results for the year ended 30th April 1988.

## SHAREHOLDINGS AND OTHER INTERESTS OF DIRECTORS

By reason of their ownership and control of the ultimate holding company, Alfayed Investment and Trust S.A., Mr M Al-Fayed, Mr A Fayed and Mr S Fayed had an indirect interest in the whole of the Company's share capital during the period.

None of the other Directors in office at 29th April 1989 held any interest in the shares or debentures of House of Fraser Holdings plc., the ultimate holding company in the United Kingdom, or of any of its subsidiaries at 1st May 1988, or date of appointment if later, or at 29th April 1989 apart from Mr G Willoughby and Mr P I Taylor who hold non-beneficial qualification shareholdings as Directors of House of Fraser plc.

No Director has had a material interest directly or indirectly at any time during the year in any contract significant to the business of the Company.

## SHARE CAPITAL

3

To facilitate the introduction of the Company's Employee Share Option Plan the authorised share capital was increased on 14th September 1988 from £8,000,000 to £21,500,000 and an additional £11,200,000 was issued by way of capitalisation of reserves.

## CHARITABLE AND POLITICAL DONATIONS

The charitable donations made by the Company and charged in the accounts were £45,734. There were no political donations.

## 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 regard to 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.

## 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 store magazine "Harrods News" is issued regularly during the year and 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 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

Price Waterhouse have expressed their willingness to continue in office as Auditors and a resolution to re-appoint them and authorising the Directors to fix their remuneration will be proposed at the Annual General Meeting.

## CLOSE COMPANY

As at 29th April 1989 the company was a close company within the meaning of the Income and Corporation Taxes Act 1988.

By Order of the Board

*Rosemary Thorne*

R P Thorne  
Secretary

12th July 1989

27-02-90

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF  
HARRODS LIMITED

We have audited the financial statements on pages 5 to 20 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 29 April 1989 and of its profit and source and application of funds for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

*Price Waterhouse*  
Chartered Accountants

12 July 1989

HARRODS LIMITED

## PROFIT AND LOSS ACCOUNT

	Note	52 Weeks Ended 29th April 1989 £'000	52 Weeks Ended 30th April 1988 £'000
TOTAL TURNOVER		346,740	328,228
Less: Value added tax		<u>38,673</u>	<u>36,488</u>
Turnover	1	308,067	291,740
TRADING PROFIT	2	21,479	15,802
Other operating income	3	44	55
Interest receivable		-	6
Interest payable	4	(418)	(420)
Share of profits of related company		<u>8</u>	<u>14</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		21,113	15,457
Tax on profit on ordinary activities	5	<u>(7,423)</u>	<u>(5,300)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		13,690	10,157
Extraordinary items	6	<u>(1,542)</u>	<u>(130)</u>
PROFIT FOR THE FINANCIAL PERIOD		12,148	10,027
Dividends		<u>(6,000)</u>	<u>(5,000)</u>
PROFIT RETAINED	15	<u>6,148</u>	<u>5,027</u>

# 27-02-90

## HARRODS LIMITED

6

### BALANCE SHEET

	Note	At 29th April 1989 £'000	At 30th April 1988 £'000
FIXED ASSETS			
Tangible assets	8	326,623	292,125
Investments	9	<u>8,050</u>	<u>2,595</u>
		334,673	294,720
CURRENT ASSETS			
Stock	10	37,059	34,315
Debtors	11	34,431	36,252
Cash at bank and in hand		<u>380</u>	<u>436</u>
		71,870	71,003
CURRENT LIABILITIES			
CREDITORS: amounts falling due within one year			
Trade creditors		14,631	10,857
Bank overdraft		7,261	1,988
Other liabilities	12	<u>44,812</u>	<u>33,702</u>
		66,704	46,547
NET CURRENT ASSETS		5,166	24,456
TOTAL ASSETS LESS CURRENT LIABILITIES		339,839	319,176
CREDITORS: amounts falling due after more than one year			
	12	2,830	5,433
PROVISIONS FOR LIABILITIES			
Deferred taxation	13	<u>2,582</u>	<u>1,457</u>
		<u>334,427</u>	<u>312,286</u>



HARRODS LIMITED

## BALANCE SHEET

	Note	At 29th April 1989 £'000	At 30th April 1988 £'000
CAPITAL AND RESERVES			
Called up share capital	14	19,200	8,000
Share premium account		-	1,066
Revaluation reserve	15	243,943	227,950
Profit and loss account	15	71,263	75,257
Related companies reserves	15	21	13
		<u>334,427</u>	<u>312,286</u>

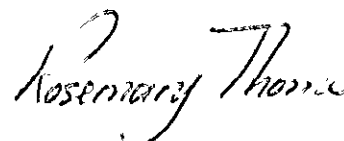
The financial statements were approved by the Board of Directors on

P L Taylor

DIRECTORS



Miss R P Thorne



12 July 1989

HARRODS LIMITED

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	52 weeks ended 29th April 1989 £'000	52 weeks ended 30th April 1988 £'000
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	21,113	15,457
Extraordinary items before taxation	( 2,192)	( 196)
Adjustments for items not involving the movement of funds:		
Depreciation	4,335	3,650
Loss on sale of fixed assets	283	121
Profit retained in related companies	( 8)	( 14)
TOTAL GENERATED FROM OPERATIONS	23,531	19,018
FUNDS FROM OTHER SOURCES		
Proceeds of sale of tangible fixed assets	83	5,265
	23,614	24,283
APPLICATION OF FUNDS		
Expenditure on tangible fixed assets	(23,206)	(18,789)
Purchase of fixed asset investments	( 5,447)	( 2,255)
Tax paid (including group relief)	( 5,648)	( 5,212)
Dividends paid	( 6,000)	( 5,000)
Loan capital repaid	( 50)	( 50)
MOVEMENT IN WORKING CAPITAL	(16,737)	( 7,023)
ANALYSIS OF MOVEMENT IN WORKING CAPITAL		
Increase (Decrease) in stocks	2,744	( 4,323)
Decrease in debtors	( 1,821)	( 134)
Increase in creditors	(12,331)	( 5,794)
	(11,408)	(10,251)
(Decrease) Increase in net liquid funds	( 5,329)	3,228
	(16,737)	( 7,023)

Net liquid funds comprises bank overdrafts, cash at bank and  
in hand.

HARRODS LIMITED

## ACCOUNTING BASIS AND POLICIES

## 1 BASIS OF FINANCIAL STATEMENTS

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

Group financial statements are not presented as the Company is a wholly owned subsidiary of a Company incorporated in Great Britain.

## 2 STOCKS

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

## 3 DEPRECIATION OF TANGIBLE FIXED ASSETS

Depreciation is provided by the Company in order to write down to estimated residual value, the cost or valuation of fixed assets over their estimated useful lives by equal annual instalments, on the following basis:

Freehold land and buildings are not depreciated.

Long leasehold buildings	- Over estimated useful life
Fixtures and fittings	- Over 10 years
Vehicles and equipment	- Over 5 years

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

## 4 LEASED ASSETS

Assets acquired under finance leases are capitalised so as to reflect the fair value of the asset acquired, and depreciated at a rate which is appropriate given the terms of the lease and life of the asset. The interest element of the rental charge is taken to profit and loss account in proportion to the capital element outstanding.

## 5 PROPERTY DEVELOPMENT

In the case of property development projects the interest on the capital borrowed to finance the project is, where separately identifiable and to the extent that it accrues during the period of development, capitalised, as part of the cost of the asset.

HARRODS LIMITED

## ACCOUNTING BASIS AND POLICIES

## 6 PROPERTY TRANSFERS

Tangible fixed assets are transferred to other group companies at net book amount. Any associated revaluation surplus is transferred by way of a movement on reserves.

## 7 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 foreseeable future.

## 8 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 service charge on extended credit sales which are subject to an interest free option. The service charge on other credit sales is taken to trading profit as it accrues.

## 9 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.

## 10 FOREIGN CURRENCY

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Realised gains and losses are dealt with in the profit and loss account.

HARRODS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

	<u>1989</u> <u>£'000</u>	<u>1988</u> <u>£'000</u>
1 TURNOVER is the amount receivable for goods and services supplied to customers and includes the sales of concession departments arising entirely within the United Kingdom.	<u>308,067</u>	<u>291,740</u>
2 TRADING PROFIT is arrived at as follows:		
Turnover	308,067	291,740
Cost of sales	(189,044)	(182,326)
Gross profit	119,023	109,414
Distribution costs	(86,365)	(81,047)
Administrative expenses	(11,179)	(12,565)
Trading profit	<u>21,479</u>	<u>15,802</u>
Included in the above are:		
Depreciation of tangible fixed assets	3,738	3,054
Depreciation of assets held under finance leases	596	596
Auditors' fees and expenses	77	66
Hire of plant and machinery	211	123
Head office charge	<u>11,162</u>	<u>12,540</u>
The head office charge is effectively a management charge levied by House of Fraser plc based on a percentage of the turnover of Harrods Limited.		
3 OTHER OPERATING INCOME		
Rental income	<u>44</u>	<u>55</u>
4 INTEREST PAYABLE		
On loans repayable within 5 years	103	105
On finance leases	<u>315</u>	<u>315</u>
	<u>418</u>	<u>420</u>

HARRODS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

	1989 £'000	1988 £'000
5 TAXATION		
Taxation based on profits of the period:		
Group relief - payment to parent company in respect of amounts under the group relief provisions	6,296	5,278
Deferred taxation	1,125	59
Adjustment of provisions for earlier periods:		
Deferred taxation	<u>2</u>	<u>(37)</u>
	7,423	5,300
	<u><u>      </u></u>	<u><u>      </u></u>
Corporation tax is provided at an effective rate of 35%.		
6 EXTRAORDINARY ITEMS		
Re-organisation and closure costs	2,192	191
Loss on disposal of properties	-	5
Tax thereon	(650)	(66)
	<u>      </u>	<u>      </u>
	1,542	130
	<u><u>      </u></u>	<u><u>      </u></u>
7 INFORMATION REGARDING DIRECTORS AND EMPLOYEES		
<u>Directors</u>		
Directors' remuneration:		
Other emoluments including pension contributions	547	480
Compensation paid to former Directors for loss of office	<u>72</u>	<u>41</u>
	619	521
	<u><u>      </u></u>	<u><u>      </u></u>
Emoluments of Chairman	-	-
Emoluments of highest paid Director	<u>103</u>	<u>88</u>

# 27-02-90

## HARRODS LIMITED

13

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 7 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

1989      1988

The range of Directors' emoluments and the number of Directors within each range was:

£0 - £5,000		
£5,001 - £10,000	7	5
£10,001 - £15,000	-	1
£15,001 - £20,000	-	-
£20,001 - £25,000	-	-
£25,001 - £30,000	-	2
£30,001 - £35,000	-	1
£35,001 - £40,000	-	1
£40,001 - £45,000	-	1
£45,001 - £50,000	-	-
£50,001 - £55,000	-	2
£55,001 - £60,000	-	1
£60,001 - £65,000	-	-
£65,001 - £70,000	1	-
£70,001 - £75,000	1	-
£75,001 - £80,000	2	1
£80,001 - £85,000	1	-
£85,001 - £90,000	-	-
£90,001 - £95,000	-	1
£95,001 - £100,000	-	-
£100,001 - £105,000	1	-
	1	-

#### Employees

	<u>1989</u>	<u>1988</u>
	£'000	£'000
Employment costs:		
Wages and salaries	45,817	43,961
Social security costs	4,013	3,588
Other pension costs	-	(76)
	<u>49,830</u>	<u>47,473</u>

Based on Consulting Actuaries advice the Company's contribution to the pension funds continue to be suspended and benefits have again been improved. It is intended to re-introduce Company contributions with effect from 1st April 1990.

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

£30,001 - £35,000	20	12
£35,001 - £40,000	13	9
£40,001 - £45,000	7	4
£45,001 - £50,000	-	-
£50,001 - £55,000	2	1
£55,001 - £60,000	1	1
£60,001 - £65,000	4	-
£65,001 - £70,000	1	-
£70,001 - £75,000	1	-

The average weekly number of employees during the year was:-

4204      4237

HARRODS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 FIXED ASSETS - Tangible assets  
(a)

	<u>Total</u> <u>£'000</u>	<u>Freeholds</u> <u>£'000</u>	<u>Long</u> <u>leaseholds</u> <u>£'000</u>	<u>Fixtures,</u> <u>fittings,</u> <u>vehicles</u> <u>&amp; equipment</u> <u>£'000</u>
Cost & valuation at 1st May 1988	304,787	270,450	1,010	33,327
Additions	22,658	13,345	29	9,284
Disposals	(1,917)	-	-	(1,917)
Group transfers	569	516	-	53
Revaluation surplus	15,993	15,993	-	-
Cost & valuation at 29th April 1989	<u>342,090</u>	<u>300,304</u>	<u>1,039</u>	<u>40,747</u>
Aggregate depreciation to 1st May 1988	12,662	-	-	12,662
Charge for period	4,335	-	-	4,335
Disposals	(1,551)	-	-	(1,551)
Group transfers	21	-	-	21
Aggregate depreciation to 29th April 1989	<u>15,467</u>	<u>-</u>	<u>-</u>	<u>15,467</u>
Net book value at 29th April 1989	<u>326,623</u>	<u>300,304</u>	<u>1,039</u>	<u>25,280</u>
Net book value at 1st May 1988	<u>292,125</u>	<u>270,450</u>	<u>1,010</u>	<u>20,665</u>
Cost & valuation:				
1989 Valuation	301,343	300,304	1,039	-
Cost	40,747	-	-	40,747
	<u>342,090</u>	<u>300,304</u>	<u>1,039</u>	<u>40,747</u>

Freehold and long leasehold properties have been revalued on 29th April 1989 by the Directors having taken appropriate independent professional advice on an open market existing use basis.

The net book value of fixed tangible assets includes an amount of £3,938,243 (1988 - £4,653,745) in respect of assets held under finance leases.

Included in the cost of fixed tangible assets is £1,915,543 of capitalised interest of which £549,273 was incurred during the period. The taxation charge has not been reduced in respect of this interest.



HARRODS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 8 FIXED ASSETS - Tangible assets (continued)

(b)

The value of fixed assets if determined according to the historical cost accounting rules is as follows:

	<u>Total</u> <u>£'000</u>	<u>Freeholds</u> <u>£'000</u>	<u>Long</u> <u>leaseholds</u> <u>£'000</u>	<u>Fixtures</u> <u>fittings,</u> <u>vehicles</u> <u>&amp; equipment</u> <u>£'000</u>
Cost at 1st May 1988	76,837	43,439	71	33,327
Depreciation to 1st May 1988	(12,662)	-	-	(12,662)
Net historical cost 1st May 1988	<u>64,175</u>	<u>43,439</u>	<u>71</u>	<u>20,665</u>
Cost at 29th April 1989	98,146	57,299	100	40,747
Depreciation to 29th April 1989	(15,467)	-	-	(15,467)
Net historical cost at 29th April 1989	<u>82,679</u>	<u>57,299</u>	<u>100</u>	<u>25,280</u>

HARRODS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 9 FIXED ASSETS - Investments

<u>Shares</u>	<u>Total</u> £'000	<u>Group</u> <u>Companies</u> £'000	<u>Related</u> <u>Companies</u> £'000
Cost at 1st May 1988	2,331	2,281	50
Additions	5,447	-	5,447
Cost at 29th April 1989	<u>7,778</u>	<u>2,281</u>	<u>5,497</u>
<u>Loans</u>			
At 1st May 1988	251	-	251
Additions	-	-	-
At 29th April 1989	<u>251</u>	<u>-</u>	<u>251</u>
<u>Share of Post Acquisition Reserves</u>			
At 1st May 1988	13	-	13
Share of profits for the period	8	-	8
At 29th April 1989	<u>21</u>	<u>-</u>	<u>21</u>
<u>Total Net Book Value</u>			
At 29th April 1989	<u>8,050</u>	<u>2,281</u>	<u>5,769</u>
At 1st May 1988	<u>2,595</u>	<u>2,281</u>	<u>314</u>

Shares in Subsidiaries

The company has the following wholly owned trading and dormant subsidiary companies:

<u>Name</u>	<u>Registered</u>
Harrods Estate Office	England & Wales
Harrods Bank Limited	" "
Harroddian Trustees Limited*	" "
Harrods (Continental) Limited*	" "
Harrods International Limited*	" "
Harrods (Management) Limited*	" "
Wylie & Company Limited*	" "

\*denotes dormant subsidiary companies.

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.

HARRODS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 9 FIXED ASSETS - Investments (Continued)

The related company at 1st May 1988 was Harrods Heinemann Limited, an unlisted company in which the Company holds 50% of the paid up ordinary share capital. During the year the Company acquired 25.9% of the issued ordinary share capital of Mallett PLC a company listed on the International Stock Exchange for a total cost of £5,446,850, the market value of this investment at the 29th April 1989 was £5,907,000.

10 STOCKS	<u>1989</u> <u>£'000</u>	<u>1988</u> <u>£'000</u>
The main categories of stocks are:		
Raw materials and consumables	124	-
Work in progress	-	29
Finished goods and goods for resale	<u>36,935</u>	<u>34,286</u>
	37,059	34,315
	<u>          </u>	<u>          </u>

There was no significant difference between the replacement cost of stocks at 29th April 1989 and the amount at which they are stated in the accounts.

## 11 DEBTORS

## Amounts due within one year:

Trade debtors	30,739	21,385
Amounts owed by subsidiaries	929	1,143
Amounts owed by other group companies	1,069	885
Other taxes and social security	152	-
Other debtors	798	762
Prepayments and accrued income	<u>423</u>	<u>1,012</u>
	34,110	25,187

## Amounts due after more than one year:

Trade debtors	<u>321</u>	<u>11,065</u>
	34,431	36,252
	<u>          </u>	<u>          </u>

HARRODS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 12 CREDITORS

	1989 £'000	1988 £'000
Amounts falling due within one year:		
Loan (secured)	1,750	50
Amounts due to group companies	34,474	27,247
Other taxes and social security	1,250	1,319
Other creditors	4,525	2,148
Accruals and deferred income	2,813	2,938
	<u>44,812</u>	<u>33,702</u>

## Amounts falling due after more than one year:

Loan (secured)	-	1,750
Other creditors	2,830	3,683
	<u>2,830</u>	<u>5,433</u>

The loan, which is secured on the property of a fellow subsidiary, carries interest at 5.75% and is repayable by annual instalments of £50,000 until 1990 when the balance is payable, as follows:

Repayable within one year or on demand	1,750	50
Repayable between one & two years	-	1,750
	<u>1,750</u>	<u>1,800</u>

## 13 PROVISIONS FOR LIABILITIES AND CHARGES

## Deferred taxation:

Balance at 1st May 1988	1,457	3,017
Charged/(Credited) to taxation	1,127	22
Transferred to group companies	(2)	(1,582)
Balance at 29th April 1989	<u>2,582</u>	<u>1,457</u>

Deferred taxation is in respect of accelerated capital allowances.

In addition to the amount provided for deferred taxation above, there are potential liabilities in respect of deferred taxation in relation to:

	1989 £'000	1988 £'000
Capital allowances	6,000	6,000
Corporation tax on capital gains	-	3,481
Revaluation of properties	36,928	65,217
	<u>41,928</u>	<u>74,698</u>

HARRODS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 14 CALLED UP SHARE CAPITAL

	<u>1989</u> <u>£'000</u>	<u>1988</u> <u>£'000</u>
Ordinary shares of £1 each:		
Authorised.	<u>21,500</u>	<u>8,000</u>
Issued and fully paid.	<u>19,200</u>	<u>8,000</u>

The increase in issued Ordinary shares of £1 amounting to £11,200,000 was paid for by means of capitalising reserves as follows:-

	<u>£'000</u>
Profit and loss account	10,134
Share Premium account	<u>1,066</u>
	<u>£11,200</u>

## 15 RESERVES

	<u>Revaluation reserve</u>	<u>Profit &amp; loss account</u>	<u>Related companies reserves</u>	<u>Total</u>
	£'000	£'000	£'000	£'000
Balance at 1st May 1988	227,950	75,257	13	303,220
Profit retained for the period	-	6,140	8	6,148
Net revaluation surplus	15,993	-	-	15,993
Transfers to share capital (see note 14)	-	(10,134)	-	(10,134)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Balance at 29th April 1989	<u>243,943</u>	<u>71,263</u>	<u>21</u>	<u>315,227</u>

## 16 CAPITAL COMMITMENTS

	<u>1989</u> <u>£'000</u>	<u>1988</u> <u>£'000</u>
Contracted for but not yet provided	4,267	14,407
Authorised by Directors but not yet contracted for	<u>8,032</u>	<u>1,269</u>
	<u>12,299</u>	<u>15,676</u>

HARRODS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 17 CONTINGENT LIABILITIES

The company has given guarantees to various banks in respect of loan and overdraft facilities granted to other group companies amounting to £37 million. At 29th April 1989, the amount of those facilities utilised was £16,816,970.

## 18 LEASING COMMITMENTS

	<u>1989</u>	<u>1988</u>
	£'000	£'000
Obligations under finance leases are -		
Payable within one year	825	773
between one and five years	2,830	2,879
after five years	~	804
	<u>3,655</u>	<u>4,456</u>

## 19 ULTIMATE HOLDING COMPANY

The ultimate holding company is Alfayed Investment and Trust S.A., a company incorporated in Liechtenstein. The registered and beneficial owners of the whole of the issued share capital of that company are Messrs M Al-Fayed, A Fayed and S Fayed.