

282

HARRODS LIMITED
DIRECTORS' REPORT AND ACCOUNTS
52 WEEKS ENDED 26th JANUARY 1980

CONTENTS

	Page
Directors' Report	1-2
Auditors' Report	3
Profit and Loss Account	4
Balance Sheet	5
Statement of Source and Application of Funds	6
Notes to Accounts	7-14



HARRODS LIMITED

DIRECTORS' REPORT

52 WEEKS ENDED 26th JANUARY 1980

The directors have pleasure in presenting their annual report and accounts for the 52 weeks ended 26th January 1980 to be submitted to the 90th Annual General Meeting of the members.

Directors

The present directors of the company are:-

Robert Midgley (Chairman)
W.A. Craddock (Managing Director)
Sir Hugh Fraser Bt.
G. Wontner-Smith
R.J. Cannon
W.G. Crossan
L.F. Drewitt (Secretary)
H.B. Mason
A.P. Humphries
R.J. Brimacombe (appointed 8th October 1979)
G. McK. Brown (appointed 28th January 1980)

Mr. D.K. Milligan resigned as a director on 19th November 1979. On 28th January 1980, Mr. R. Midgley relinquished his position as Managing Director and Mr. W.A. Craddock was appointed in his place.

Principal Activity

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

Results and Dividends

The results for the 52 weeks are as shown in the annexed profit and loss account.	£M
Profit available for appropriation amounts to	8.5
from which the directors have paid a dividend of	<u>8.0</u>
leaving retained profits for the 52 weeks of	0.5
	===

This amount has been transferred to general reserve.

Fixed Assets

Details of the movements in fixed assets are shown in note 7 to the accounts.

Subsidiary Company

During the period the investment in Wylie & Company Limited was transferred to House of Fraser Limited at its book value.

HARRODS LIMITED

DIRECTORS' REPORT

52 WEEKS ENDED 26th JANUARY 1980

(continued)

Market Value of Properties

The directors are of the opinion that the aggregate market value of the properties is not less than their book values which are mainly at a valuation made in 1972 with subsequent additions at cost. This view is supported by professional valuations of a proportion of the company's properties made in 1977, 1978 and 1979.

Exports

Identifiable exports included in turnover amounted to £14.7M (1979 £13.8M). A much greater value 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>Ordinary Shares of 25p each</u>	
	<u>26th January 1980</u>	<u>27th January 1979</u>
Beneficial Interests		
W.A. Craddock	1,573	1,000
G. Wontner-Smith	373	-
R.J. Cannon	373	-
L.F. Drewitt	373	-
H.B. Mason	373	-
		<u>Date of appointment</u>
R.J. Brimacombe	20,712	20,712
As Trustee		<u>27th January 1979</u>
W.A. Craddock	26,832	22,360

All eligible employees are entitled to participate in the House of Fraser Profit Linked Share Plan and this includes the directors of this company.

Health and Safety

In accordance with the provisions of the Health and Safety at Work etc. Act, 1974 the company has issued a written statement of its general policy with regard 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, Hays 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

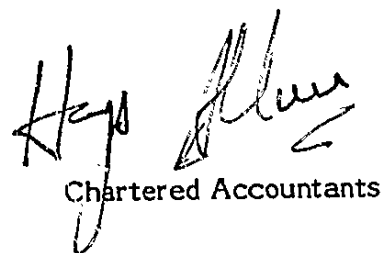
87-135 Brompton Road,
London, SW1X 7XL.
12th March, 1980


Secretary

AUDITORS' REPORT TO THE MEMBERS OF
HARRODS LIMITED

In our opinion, the accounts set out on pages 4 to 14, which have been prepared under the historical cost convention, including the revaluation of certain assets, give a true and fair view of the state of the company's affairs at 26th January 1980 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.




Chartered Accountants

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

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

12th March 1980.

HARRODS LIMITED
PROFIT AND LOSS ACCOUNT
52 WEEKS ENDED 26th JANUARY 1980

	Notes	1980 £M	1979 £M
Total turnover	1b	191.8	173.5
Value added tax		(19.3)	(11.8)
Turnover (excluding value added tax)		172.5 =====	161.7 =====
Trading profit	2	18.6	21.1
Interest	3	(1.5)	(1.1)
Operating profit		17.1	20.0
Contribution to profit linked share plan		(0.4)	(0.4)
Profit before taxation		16.7	19.6
Taxation	5	(8.2)	(9.6)
Profit after taxation		8.5	10.0
Dividends		(8.0)	(9.5)
Retained profit for the 52 weeks transferred to general reserve	6	0.5 =====	0.5 =====

The notes on pages 7 to 14 form an integral part of these accounts.

HARRODS LIMITEDBALANCE SHEET26th JANUARY 1980

	Notes	1980 £M	1979 £M	1979 £M
Employment of funds				
Fixed assets	7		57.3	54.9
Investments				
Group companies	8		3.5	8.1
Current assets		20.4		17.9
Stock		18.5		15.0
Debtors		1.4		1.4
Amounts due from group companies	8	3.4		0.9
Cash at bankers and in hand		<u>43.7</u>		<u>35.2</u>
Current liabilities				
Amounts due to group companies	8	0.8		1.7
Creditors		22.0		14.7
Taxation	10	<u>3.7</u>		<u>5.0</u>
		<u>26.5</u>		<u>21.4</u>
Net current assets			<u>17.2</u>	<u>13.8</u>
			78.0	76.8
			=====	=====
Funds employed				
Shareholders' funds	6		74.1	73.6
Loan capital	9		2.2	2.2
Group companies' loans	8		<u>1.7</u>	<u>1.0</u>
			78.0	76.8
			=====	=====



)
) Directors

The notes on pages 7 to 14 form an integral part of these accounts.

HARRODS LIMITED
STATEMENT OF SOURCE AND APPLICATION OF FUNDS

52 WEEKS ENDED 26th JANUARY 1980

	1980		1979	
	£M	£M	£M	£M
Source of funds				
Profit before taxation	16.7		19.6	
Depreciation and net surplus on sale of fixed assets	<u>1.6</u>		<u>1.4</u>	
Total funds generated from trading operations		18.3		21.0
Proceeds of sales of fixed assets		-		1.8
Decrease in inter-group balances		<u>4.4</u>		<u>0.1</u>
Total funds generated		22.7		22.9
Application of funds				
Tax paid (including group transfers)	9.5		10.6	
Expenditure on fixed assets (including landlord's plant)	4.0		2.9	
Dividends paid	<u>8.0</u>		<u>9.5</u>	
Total funds applied		(21.5)		(23.0)
Movement in working capital		1.2		(0.1)
		====		====
Analysis				
Increase (decrease) in net liquid funds		2.5		(3.1)
Increase in stocks	2.5		2.6	
Increase in debtors	<u>3.5</u>		<u>4.1</u>	
	6.0		6.7	
(Increase) in creditors	<u>(7.3)</u>		<u>(3.7)</u>	
		(1.3)		<u>3.0</u>
		1.2		(0.1)
		===		===

The notes on pages 7 to 14 form an integral part of these accounts.

HARRODS LIMITEDNOTES TO ACCOUNTS52 WEEKS ENDED 26th JANUARY 1980

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

During the last three years a substantial proportion of the company's properties have been independently valued and the existing book value of those properties has been divided between buildings, land and landlord's plant. The existing book values of other properties have been similarly divided in accordance with the average allocation disclosed by an independent sample valuation carried out on behalf of the holding company.

The properties are depreciated at the rate noted below which is based on the average estimated useful life disclosed by the valuations. The building element is estimated at one third of the total value of both the freeholds and long leaseholds.

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

Freehold and long leasehold buildings	Over 60 years
Short leaseholds	Over remaining period of lease
Vehicles and electronic equipment	Over 5 years
Fixtures and fittings	Over 10 years

In addition to the depreciation provided on the buildings a replacement provision is made for the related landlord's plant at the rate of 5% per annum.

HARRODS LIMITEDNOTES TO ACCOUNTS52 WEEKS ENDED 26th JANUARY 1980

(continued)

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 landlord's plant. Short leaseholds are shown at historical book values less amortisation.

(f) Deferred taxation

No provision has been made for deferred taxation as the directors are satisfied that no liability is likely to arise in the foreseeable future and that there are no material short term timing differences.

(g) Pensions

Retirement and other benefits are provided for present employees of the company and its subsidiaries, and these costs are currently funded by payments to trusts, which are separately managed and independent of the company's finances, in accordance with calculations made periodically by consulting actuaries.

2. Trading Profit

	1980 £000	1979 £000
Trading profit is arrived at after charging:		
Auditors' fees and expenses	84	61
Directors' remuneration (note 4)	267	218
Depreciation	1,319	1,150
Provision for plant and machinery replacements	313	295
Amount written off shares in subsidiary company	54	72
	=====	=====
and after crediting:		
Rents receivable	271	258
	=====	=====

HARRODS LIMITEDNOTES TO ACCOUNTS52 WEEKS ENDED 26th JANUARY 1980

(continued)

		1980 £M	1979 £M
3. Interest			
Loans not repayable within 5 years		0.1	0.1
Paid to group companies		<u>1.4</u>	<u>1.0</u>
		1.5	1.1
		===	===
		£000	£000
4. Directors' remuneration			
Fees		10	11
Other emoluments including pension contributions		256	206
Pension to former director		<u>1</u>	<u>1</u>
		267	218
		===	===
Chairman's emoluments		50	4
Highest paid director		50	27
		===	===
All directors:		Number	Number
£Nil	-	3	5
£ 5,001	-	1	-
£15,001	-	1	-
£20,001	-	1	3
£25,001	-	3	3
£30,001	-	1	-
£45,001	-	1	-
Senior employees in the U.K.:			
£20,001	-	7	8
£25,001	-	3	2
£30,001	-	1	2
£35,001	-	1	1
£40,001	-	1	-
£45,001	-	1	-

HARRODS LIMITED

NOTES TO ACCOUNTS

52 WEEKS ENDED 26th JANUARY 1980

(continued)

	1980		1979	
	£M	£M	£M	£M
5. Taxation				
The taxation charge comprises:				
Corporation tax on profits		6.5		8.2
Group relief - payment to group companies:				
Available for set off		1.7		1.6
Other payments		-		0.2
Adjustment of provision for earlier periods		-		(0.4)
		8.2		9.6
		===		===
Corporation tax has been calculated at the rate of 52%.				
The taxation charge for the period does not include deferred taxation on the following:				
Stock appreciation relief		0.1		0.1
Excess capital allowances		0.8		0.6
Provision for replacement of landlord's plant		-		0.1
Revaluation of properties		(0.1)		(0.1)
		0.8		0.7
		===		===
6. Shareholders' funds				
Share capital - authorised, issued and fully paid ordinary stock		8.0		8.0
Share premium account	1.1		1.1	
Capital reserve	56.2		56.2	
General reserve	<u>8.8</u>		<u>8.3</u>	
Total reserves		<u>66.1</u>		<u>63.6</u>
		74.1		73.6
		====		====
Movement on general reserve				
Balance at 27th January 1979		8.3		
Transfer from profit & loss account		<u>0.5</u>		
Balance at 26th January 1980		8.8		
		===		

HARRODS LIMITED

NOTES TO ACCOUNTS

52 WEEKS ENDED 26th JANUARY 1980

(continued)

	Total £M	Free- holds £M	Long lease- holds £M	Short lease- holds £M	Plant, fixtures & motor vehicles £M
7. Fixed assets					
Cost and valuation at 27th January 1979	59.6	46.1	3.5	0.1	9.9
Additions	3.7	0.3	1.6	-	1.8
Disposals	(0.2)	-	-	-	(0.2)
Cost and valuation at 26th January 1980	<u>63.1</u>	<u>46.4</u>	<u>5.1</u>	<u>0.1</u>	<u>11.5</u>
Less: Aggregate depreciation	5.5	0.5	0.1	-	4.9
Provision for replacement of landlord's plant	<u>0.3</u>	-	<u>0.3</u>	-	-
	<u>5.8</u>	<u>0.5</u>	<u>0.4</u>	-	<u>4.9</u>
Net book value					
26th January 1980	57.3 =====	45.9 =====	4.7 =====	0.1 =====	6.6 =====
27th January 1979	54.9 =====	45.9 =====	3.0 =====	0.1 =====	5.9 =====
Cost and valuation at 26th January 1980					
1967 Valuation	0.4	-	-	0.1	0.3
1972 Independent professional valuation	47.5	44.9	2.6	-	-
Cost	<u>15.2</u>	<u>1.5</u>	<u>2.5</u>	-	<u>11.2</u>
	<u>63.1</u> =====	<u>46.4</u> =====	<u>5.1</u> =====	<u>0.1</u> =====	<u>11.5</u> =====

HARRODS LIMITEDNOTES TO ACCOUNTS52 WEEKS ENDED 26th JANUARY 1980

(continued)

8. Group Companies

	Assets		Liabilities	
	1980 £M	1979 £M	1980 £M	1979 £M
(i) Shares in subsidiaries at cost less capital distributions received and amounts written off	0.4	0.4	-	-
Loan accounts:				
Subsidiaries	-	2.7	-	1.0
Holding company and fellow subsidiaries	<u>3.1</u>	<u>5.0</u>	<u>1.7</u>	<u>-</u>
	3.5	8.1	1.7	1.0
	===	===	===	===
(ii) Trading accounts:				
Subsidiaries	-	-	-	0.5
Holding company and fellow subsidiaries	<u>1.4</u>	<u>1.4</u>	<u>0.8</u>	<u>1.2</u>
	1.4	1.4	0.8	1.7
	===	===	===	===

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

<u>Name</u>	<u>Registered</u>
Harrods Estate Offices	England & Wales
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 stated in the balance sheet.

HARRODS LIMITED
NOTES TO ACCOUNTS
52 WEEKS ENDED 26th JANUARY 1980
(continued)

	1980 £M	1979 £M
9. Loan capital		
Secured		
Long term mortgage at 5.75%		
(annual repayments of £50,000 until 1990		
when balance is repayable)	2.2	2.2
	===	===
10. Taxation		
Corporation tax due 1st January 1981	6.5	8.2
Payment to holding company for advance		
corporation tax surrendered	(3.0)	(2.9)
	3.5	5.3
Current taxation	0.2	(0.3)
	3.7	5.0
	===	===
The taxation liability for corporation tax due 1st		
January 1981 has been reduced by £1.7M (1979 £1.6M)		
being 52% of the amounts surrendered by the holding		
company, subsidiaries and fellow subsidiaries under the		
group relief provisions.		
11. Capital commitments		
Contracted for but not yet provided	2.4	2.3
Authorised by directors, but not contracted for	2.6	4.5
	5.0	6.8
	===	===
12. Ultimate holding company		

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

HARRODS LIMITEDNOTES TO ACCOUNTS52 WEEKS ENDED 26th JANUARY 1980

(continued)

13. Contingent liabilities

1980	1979
£M	£M

(a) Deferred taxation

The cumulative potential amount of deferred taxation is:

Stock appreciation relief	1.4	1.3
Excess capital allowances	5.5	4.7
Provision for replacement of landlord's plant	(0.2)	(0.2)
Revaluation of properties	7.8	7.9
Other timing differences	<u>0.1</u>	<u>0.1</u>
	14.6	13.8
	=====	=====

- (b) The company has given guarantees to various banks in respect of loan and overdraft facilities granted to House of Fraser Limited amounting to £79.7M. At 26th January 1980 the amount of those facilities utilised was £48.4M. The directors consider that no liability is expected to arise.