TURNBULL & ASSER LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 31 JANUARY 2004



Registered Number: 1066321

**TURNBULL & ASSER LIMITED**
**DIRECTORS' REPORT**

The Directors present their annual report and the audited consolidated financial statements of Turnbull & Asser Limited ("the Company") and its subsidiaries ("the Group") for the 52 weeks ended 31 January 2004.

## PRINCIPAL ACTIVITY

The principal activity of the company is the retailing of menswear clothing.

## DIRECTORS AND THEIR INTERESTS

The present Directors of the Company are:

Mr A Fayed
Mr K Williams
Mr S Quin
Mr S Rees-Boughton

The following Directors also held office during the year:

Mrs H Mountford (resigned 31 July 2004)
Mr S Hill (resigned 9 December 2003)

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

Mr A. Fayed has beneficial interest in the shares of the Company, comprising the entire issued share capital as at 31 January 2004 and at 1 February 2003. No other Directors in office during the year held any beneficial interest in the shares of the Company or of any of its subsidiary undertakings at 31 January 2004 or at 1 February 2003.

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 or the Group.

## REVIEW OF THE BUSINESS

Trading conditions in London were challenging during the 52 weeks ended 31 January 2004. The combined effects of the war in Iraq and the introduction of congestion charging meant that the traditional visitors were missing from the capital. During the year there were also significant internal changes in the Company, principally the opening of a new purpose built shirt factory in Gloucester and the ongoing review of stockholding throughout the business. The directors are confident that the investments made during 2003 will mean that the business will be able to take full advantage of the increase in trade already seen in the first quarter of 2004 which hopefully will continue for the rest of the year.

## RESULTS AND DIVIDENDS

The Group loss on ordinary activities before taxation for the 52 weeks ended 31 January 2004 amounted to £(0.30) million (52 weeks ended 1 February 2003: profit of £0.43 million). No dividend was paid for the year (2003: £nil). No final dividend is proposed and the loss has been transferred to reserves.

**TURNBULL & ASSER LIMITED**
**DIRECTORS' REPORT (continued)**

## THE ENVIRONMENT

The Company has continued to adopt policies and procedures that take account of the need to preserve and protect the environment. The Directors are committed to compliance with environmental best practice in all aspects of the business.

## CHARITABLE AND POLITICAL DONATIONS

During the year £413 was spent on donations to charitable organisations. No contributions were made to any political party.

## AUDITORS

Following the conversion of the auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 6 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently as explained on page 7 under Note 1 'Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the 52 weeks ended 31 January 2004 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board.

**S. Dean**
**Secretary**

16th September 2004

Registered Office
14 South Street
London
W1K 1DF

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TURNBULL & ASSER LIMITED

We have audited the financial statements which comprise the consolidated profit and loss account, the balance sheets, the cash flow statement and the related notes.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the directors' report.

## BASIS OF AUDIT 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 judgments 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.

## OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 January 2004 and of its loss and cash flows of the Group for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

16th September 2004

**TURNBULL & ASSER LIMITED**
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**
**FOR THE 52 WEEKS ENDED 31 JANUARY 2004**

| Note | | 52 Weeks 2004 £000 | 52 Weeks 2003 £000 Restated |
|---|---|---|---|
| | Gross turnover | 8,971 | 10,574 |
| | Value added tax | (985) | (1,070) |
| 2 | TURNOVER | 7,986 | 9,504 |
| | Cost of sales | (4,250) | (4,749) |
| | Gross profit | 3,736 | 4,755 |
| | Distribution costs | (162) | (211) |
| | Administrative expenses | (3,921) | (4,140) |
| 3 | Other operating income | 87 | 68 |
| 4 | OPERATING (LOSS)/ PROFIT | (260) | 472 |
| | Profit on disposal of fixed asset | 20 | - |
| | (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST | (240) | 472 |
| 5 | Net interest | (58) | (46) |
| | (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | (298) | 426 |
| 6 | Taxation on (loss)/profit on ordinary activities | 8 | (247) |
| | (LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | (290) | 179 |
| | Dividends paid | - | - |
| 19 | Retained (loss)/profit for the financial year | (290) | 179 |

The Group has no recognised gains or losses other than the results shown above. Therefore no statement of recognised gains and losses has been presented.

There is no material difference between the results on ordinary activities before taxation and the retained results for the year stated above, and the historical costs equivalents.

All results in the period arose from continuing operations.

The notes on pages 7 to 19 form part of these accounts.

**TURNBULL & ASSER LIMITED**
**BALANCE SHEETS**
**AS AT 31 JANUARY 2004**

| Note | | GROUP 2004 £000 | GROUP 2003 £000 | COMPANY 2004 £000 | COMPANY 2003 £000 |
|---|---|---|---|---|---|
| | FIXED ASSETS | | | | |
| 8 | Tangible assets | 3,553 | 2,729 | 3,553 | 2,729 |
| 9 | Investments | - | - | 12 | 12 |
| | | 3,553 | 2,729 | 3,565 | 2,741 |
| | CURRENT ASSETS | | | | |
| 10 | Stocks | 2,558 | 3,058 | 2,558 | 3,058 |
| 11 | Debtors | 1,400 | 1,325 | 1,412 | 1,336 |
| | Cash at bank and in hand | 26 | 794 | 14 | 783 |
| | | 3,984 | 5,177 | 3,984 | 5,177 |
| 12 | CREDITORS : amounts falling due within one year | (1,633) | (1,533) | (1,644) | (1,544) |
| | NET CURRENT ASSETS | 2,351 | 3,644 | 2,340 | 3,633 |
| | TOTAL ASSETS LESS CURRENT LIABILITIES | 5,904 | 6,373 | 5,905 | 6,374 |
| 13 | CREDITORS : amounts falling due after more than one year | (739) | (914) | (739) | (914) |
| 15 | PROVISION FOR LIABILITIES AND CHARGES | (94) | (98) | (94) | (98) |
| | | 5,071 | 5,361 | 5,072 | 5,362 |
| | CAPITAL AND RESERVES | | | | |
| 16 | Called up share capital | 850 | 850 | 850 | 850 |
| 17 | Capital redemption reserve | 30 | 30 | 30 | 30 |
| 18 | Revaluation reserve | - | 20 | - | 20 |
| 19 | Profit and loss account | 4,191 | 4,461 | 4,192 | 4,462 |
| | | 5,071 | 5,361 | 5,072 | 5,362 |

Approved by the Board on 16th September 2004

**K. Williams**
**Chairman**

The notes on pages 7 to 19 form part of these accounts.

**TURNBULL & ASSER LIMITED**
**CONSOLIDATED CASH FLOW STATEMENT**
**FOR THE 52 WEEKS ENDED 31 JANUARY 2004**

| Note | | 2004 £000 | 2003 £000 |
|---|---|---|---|
| 24 | NET CASH INFLOW FROM OPERATING ACTIVITIES | 355 | 742 |
| | Bank interest received | 12 | 33 |
| | Interest paid | (71) | (73) |
| | NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | (59) | (40) |
| | Corporation tax paid | (79) | (161) |
| | TAXATION PAID | (79) | (161) |
| | CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS | | |
| | Purchase of tangible fixed assets | (1,134) | (151) |
| | Proceeds for the sale of freehold building | 115 | - |
| | NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS | (1,019) | (151) |
| | FINANCING | | |
| | Bank loan repaid in year | (200) | (200) |
| | NET CASH OUTFLOW FROM FINANCING | (200) | (200) |
| | (DECREASE)/INCREASE IN CASH IN THE PERIOD | (1,002) | 190 |
| | ANALYSIS OF CHANGES IN NET DEBT: | | |
| | OPENING NET DEBT | (206) | (596) |
| | (Decrease)/Increase in cash | (1,002) | 190 |
| | Repayment of bank loan | 200 | 200 |
| 25 | CLOSING NET DEBT | (1,008) | (206) |

**TURNBULL & ASSER LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS**
**52 WEEKS ENDED 31 JANUARY 2004**

1 ACCOUNTING POLICIES

**Basis of accounting preparation**

The financial statements have been prepared under the historical cost convention (2003: modified to include the valuation of the Group's property) in accordance with the accounting policies set out below and applicable accounting standards. These policies have been applied on a consistent basis with the exception of application note G to FRS 5, set out below.

**Turnover**

Turnover comprises the sales of goods to customers outside the Group, net of discounts and returns and excludes VAT. The turnover also includes the value of concession commission. Following the adoption of application Note G - Revenue Recognition, an amendment to FRS 5 'Reporting the substance of transactions', the turnover for the prior year has been restated. As a result the turnover from a concession has now been replaced by the commission received from that concession. See note 2 for further details.

**Basis of consolidation**

These consolidated financial statements include the results of the Company and its subsidiary undertakings for the period to the nearest Saturday to 31 January. In the current financial period this represents the 52 weeks ended 31 January 2004. All of its subsidiary undertakings are dormant and consequently, the results of the Group reflect those of the Company.

**Tangible fixed assets**

All fixed assets are stated at cost. (2003: the Group's property was held at valuation).

**Fixed asset investments**

Fixed asset investments are held at cost less any provision required for impairment in value.

**Depreciation of tangible fixed assets**

Depreciation is provided by the Group in order to write down to estimated residual value, if any, the cost or valuation of tangible fixed assets over their estimated useful lives by equal annual instalments, as follows:

| | |
|---|---|
| Freehold property | 75 years |
| Long leasehold | Remaining period of lease |
| Fixture and fittings | Over 3 – 10 years |
| Vehicles and equipment | Over 4 – 10 years |

**Stock**

Stock is stated at the lower of cost calculated on a weighted average basis and net realisable value.

**Operating leases**

Rentals payable under operating leases are charged to the profit and loss accounts on a straight-line basis over the term of the lease.

1 ACCOUNTING POLICIES (continued)

**Deferred taxation**

Deferred taxation is accounted for on an undiscounted basis at expected tax rates on all differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. A deferred tax asset is only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the underlying timing differences can be deducted.

**Pension costs**

*Defined Contribution Pension Scheme*

The pension costs charged against operating profits are the contributions payable to the scheme in respect of the accounting period.

*Defined Benefit Pension Scheme*

The Company is a member of the Harrods Holdings Group Pension Plan under which retirement benefits are funded by contributions from the Company and employees. Payment is made to the pension trust, which is separate from the Company and the Harrods Holdings Group, in accordance with calculations made periodically by consulting actuaries.

The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members.

The assets of the pension scheme are held and administered by trustees appointed under the scheme's rules as a single scheme. As there is more than one employer participating in the scheme Turnbull & Asser Limited is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. On adoption of FRS 17 Turnbull & Asser Limited will therefore account for pension contributions as if their section of the group scheme were a defined contribution scheme because they are within a multi-employer scheme.

**Foreign currency**

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the year-end and transactions during the year are translated at the actual rate on the day of the transaction. Exchange differences arising from the translation of the opening net investment in a subsidiary to the closing rate are recorded as a movement on reserves. All other foreign exchange gains and losses are dealt with in the profit and loss account.

## TURNBULL & ASSER LIMITED
## NOTES TO THE FINANCIAL STATEMENTS
## 52 WEEKS ENDED 31 JANUARY 2004

| | | 2004 £000 | 2003 £000 Restated |
|---|---|---|---|
| 2 | TURNOVER is the amount receivable, excluding VAT, for goods and services supplied to customers in the following locations: | | |
| | United Kingdom | 5,813 | 7,210 |
| | America | 1,478 | 1,346 |
| | Continental Europe | 470 | 791 |
| | Japan | 136 | 117 |
| | Other | 89 | 40 |
| | | 7,986 | 9,504 |

All operations are based in the United Kingdom.

Following the adoption of application Note G as described in note 1, turnover for last year has been restated. The key impact of this change can be illustrated below:

| | 2004 £000 | 2003 £000 |
|---|---|---|
| Turnover as previously reported at gross transaction value | 9,124 | 10,564 |
| Sales – amounts payable to concessions | (1,099) | (1,021) |
| Deduction – staff discounts | (39) | (39) |
| Turnover restated | 7,986 | 9,504 |
| Cost of sales as previously | 5,349 | 5,770 |
| Deduction – concession cost of sales | (1,099) | (1,021) |
| Cost of sales restated | 4,250 | 4,749 |

| | | 2004 £000 | 2003 £000 |
|---|---|---|---|
| 3 | OTHER OPERATING INCOME | | |
| | Royalty income | 87 | 68 |
| 4 | OPERATING PROFIT is stated after charging/(crediting): | | |
| | Depreciation of tangible fixed assets | 274 | 258 |
| | Legal fees | 68 | 82 |
| | Auditors' remuneration | 28 | 26 |
| | Foreign exchange loss | 2 | 4 |
| | Rentals paid under operating leases: | | |
| | • Land and buildings | 370 | 364 |
| | • Plant and machinery | 51 | 48 |
| | Release of provisions no longer required | (77) | (33) |

The audit fee for the parent company is £27,765 (2003: £25,500). There were no additional non audit fees paid to PwC during the year (2003: £nil).

| | | 2004 £000 | 2003 £000 |
|---|---|---|---|
| 5 | NET INTEREST | | |
| | Bank interest receivable | 12 | 33 |
| | Bank interest payable | (70) | (79) |
| | | (58) | (46) |

## 6 TAXATION

| | 2004 £000 | 2003 £000 |
|---|---|---|
| Current tax: | | |
| UK Corporation tax on current year profits at 30% (2003: 30%) | - | (156) |
| Prior year (over)/under accrual | 4 | (13) |
| Total current tax | 4 | (169) |
| Deferred tax: | | |
| Origination and reversal of timing differences (ACA and other) | 4 | (78) |
| Tax on (loss)/profit on ordinary activities | 8 | (247) |

Tax assessed for the period is higher than the standard rate of corporation tax in the UK 30% (2003: 30%). The differences are explained below:

| | 2004 £000 | 2003 £000 |
|---|---|---|
| (Loss)/Profit on ordinary activities before tax | (298) | 426 |
| (Loss)/Profit on ordinary activities multiplied by standard rate in the UK 30% (2003: 30%) | 89 | (128) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 4 | (12) |
| Accelerated capital allowances and other timing differences | (6) | (29) |
| Utilisation of losses | (83) | - |
| Current tax charge for the period | 4 | (169) |

No provision has been made for deferred taxation on gains recognised on revaluing property to its market value or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided for is £6k. At present it is not envisaged that any such tax will become payable in the foreseeable future.

## 7 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

| | 2004 £000 | 2003 £000 |
|---|---|---|
| Staff costs: | | |
| Wages and salaries | 2,563 | 2,767 |
| Social security costs | 204 | 193 |
| Other pension costs | 224 | 224 |
| | 2,991 | 3,184 |

| | 2004 Number | 2003 Number |
|---|---|---|
| The average number of employees during the period was as follows: | | |
| United Kingdom | 156 | 166 |

**TURNBULL & ASSER LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS**
**52 WEEKS ENDED 31 JANUARY 2004**

7 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

| | **2004** **£000** | **2003** **£000** |
|---|---|---|
| Directors' remuneration: | | |
| Emoluments excluding pension contributions | 343 | 351 |
| Aggregate value of contributions paid to money purchase schemes | - | 3 |
| Highest paid Director: | | |
| Emoluments excluding pension contributions | 114 | 115 |
| Company pension contribution | 14 | 10 |
| Accrued pension under defined benefit scheme | 3 | 3 |

| | **2004** **Number** | **2003** **Number** |
|---|---|---|
| NUMBER OF DIRECTORS TO WHOM RETIREMENT BENEFITS ARE ACCRUING UNDER: | | |
| Defined benefit schemes | 3 | 3 |
| | 3 | 3 |

PENSIONS

**Pension schemes operated**

Within the UK the Company principally participates in two schemes operated by Harrods Holdings Limited:

(i) The Harrods Holdings Stakeholder Scheme (the Scheme), which is an approved defined contribution scheme; it was established with Scottish Equitable plc on 1 May 2002.

(ii) The Harrods Holdings Group Pension Plan (the Plan), which is an approved defined benefit scheme.

Membership of the Plan is not available to new employees on the staff scale, during the first five years of employment. Those employees are eligible to join the Scheme and can then elect to transfer to the Plan after five years continuous service. Those employees commencing on the management scale are eligible to apply for either the Scheme or the Plan.

The Harrods Holdings Group pays such contributions to the Scheme and the Plan as required in order to fund benefits for the members and pensioners. The assets of the Scheme and Plan are held in trust separately from the Harrods Holdings Group.

**TURNBULL & ASSER LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS**
**52 WEEKS ENDED 31 JANUARY 2004**

7 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

**Regular pension costs under SSAP 24**

*Defined Contribution Stakeholder Pension Scheme*
The pension cost under the defined contribution scheme amounted to £nil (2003: £nil). A pension accrual of £nil (2003: £nil) is included in the balance sheet in relation to this scheme.

*Defined Benefit Pension Scheme*
The Company's net pension charge for the Harrods Holdings Group Pension Plan for the 52 weeks to 31 January 2004 was £0.22 million (2003: £0.22 million) comprising a regular cost of £0.20 million (2003: £0.15 million) plus a variation of £0.02 million (2003: £0.07 million). The variation arises in respect of the actuarial deficit, which is being spread over the average remaining working lives of employees who are members of the Plan. The pension charge for the year is greater than the actual contributions paid resulting in the following accrual in the balance sheet:

| | 31/1/04 £'000 | 1/2/03 £'000 |
|---|---|---|
| The pension accrual is as follows: | | |
| Balance at beginning of period | (114) | (46) |
| Contributions paid | 199 | 156 |
| Charge to profit and loss account | (224) | (224) |
| Balance at end of period | (139) | (114) |

The accrual is calculated as a proportion of the total accrual for the Pension Plan, which is based on the Company's pensionable salary as a percentage of the total pensionable salaries in the scheme.

An actuarial valuation of the Plan was carried out as at 6 April 2002 by qualified independent actuaries, Hewitt Bacon & Woodrow Limited. They assessed the Plan using the projected unit method and a market based valuation approach to ascertain its cost to the Group, having adopted the following financial assumptions:

| | |
|---|---|
| Inflation Assumption | 2.8% |
| Rate of Increase in Salaries | 4.3% |
| Rate of Pension Increases | 2.7% |

Following the valuation, the Group agreed to increase contributions to the Plan from 10.0% of salaries to 13.9% of salaries with effect from 6 April 2003. From 6 April 2003, member contributions increased from 3.5% to 5.0% of salaries for Staff Scale members and from 5.0% to 7.0% of salaries for Management Scale members.

At the date of the last actuarial valuation, the market value of the assets of the Plan was £177.7 million and the actuarial value of assets covered 98% of the benefits that had accrued to members, after allowing for expected increases in future earnings. The next scheduled actuarial valuation of the Harrods Holdings Group Pension Plan will be as at 6 April 2005.

## 7 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

**Financial Reporting Standard 17 Disclosures**

The financial statements have, as last year, been prepared in accordance with SSAP 24. However, following the introduction of Financial Reporting Standard No 17 "Retirement Benefits", this note now also includes the additional disclosures required in respect of defined benefit schemes under the transitional arrangements established by FRS 17. The information required in connection with FRS 17 and the defined benefit scheme is detailed below.

The Harrods Holdings Group Pension Plan is a funded defined benefit scheme. However, the contributions paid by the Company are accounted for as if the scheme were a defined contribution scheme, as the Company is unable to define its share of the underlying assets and liabilities in the scheme.

An approximate actuarial assessment of the Plan was also carried out as at 31 January 2004 by qualified independent actuaries, Hewitt Bacon & Woodrow Limited, and showed an actuarial deficit of £84.8 million (2003: £86.5 million). The implication of the existence of this deficit to the Company is that level of employer contributions payable to the Plan were from April 2003 as noted above.

## 8 TANGIBLE FIXED ASSETS

| Group and Company: | Total £000 | Freehold Land and Buildings £000 | Leasehold Land and Buildings £000 | Fixtures Fittings and Equipment £000 |
|---|---|---|---|---|
| Opening cost or valuation | 4,623 | 100 | 1,516 | 3,007 |
| Additions | 1,193 | 984 | - | 209 |
| Disposals | (100) | (100) | - | - |
| Assets written off | (124) | - | (4) | (120) |
| Closing cost or valuation | 5,592 | 984 | 1,512 | 3,096 |
| Opening aggregate depreciation | 1,894 | 3 | 57 | 1,834 |
| Charge for the period | 274 | 7 | 21 | 246 |
| Disposals | (5) | (5) | - | - |
| Assets written off | (124) | - | (4) | (120) |
| Closing aggregate depreciation | 2,039 | 5 | 74 | 1,960 |
| Closing net book value | 3,553 | 979 | 1,438 | 1,136 |
| Opening net book value | 2,729 | 97 | 1,459 | 1,173 |

8 TANGIBLE FIXED ASSETS (continued)

The net book value of leasehold land and buildings comprises:

| | 2004 £000 | 2003 £000 |
|---|---|---|
| Long leasehold | 1,438 | 1,453 |
| Short leasehold | - | 6 |
| | 1,438 | 1,459 |

9 FIXED ASSET INVESTMENTS (Company)

| | | |
|---|---|---|
| Shares in Group undertakings: | | |
| Opening cost | 31 | 31 |
| Closing cost | 31 | 31 |
| Opening provision | (19) | (19) |
| Closing provision | (19) | (19) |
| Closing net book value | 12 | 12 |
| Opening net book value | 12 | 12 |

The Company has the following wholly owned non-trading subsidiary undertakings which operate in the United Kingdom:

The Jermyn Street Shirtmakers Limited
The Jermyn Street Tie Company Limited
Turnbull & Asser International Limited

and in Canada:

Turnbull & Asser (Ontario) Limited

In the opinion of the Directors the value of the Company's investments in its subsidiary undertakings is not less than the amount at which it is stated in the balance sheet.

10 STOCKS

| | 2004 £000 | 2003 £000 |
|---|---|---|
| Group and Company: | | |
| Raw materials and consumables | 786 | 842 |
| Work in progress | 156 | 345 |
| Finished goods and goods for resale | 1,616 | 1,871 |
| | 2,558 | 3,058 |

**TURNBULL & ASSER LIMITED**
**NOTES TO FINANCIAL STATEMENTS**
**52 WEEKS ENDED 31 JANUARY 2004**

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | £000 | £000 | £000 | £000 |
| 11 DEBTORS | | | | |
| Amounts falling due within one year: | | | | |
| Trade debtors | 1,142 | 1,117 | 1,142 | 1,117 |
| Amounts owed by group undertakings | - | - | 12 | 11 |
| Other debtors | 16 | 15 | 16 | 15 |
| Corporate taxation recoverable | 24 | - | 24 | - |
| Prepayments and accrued income | 218 | 193 | 218 | 193 |
| | 1,400 | 1,325 | 1,412 | 1,336 |

| | | | | |
|---|---|---|---|---|
| 12 CREDITORS : Amounts falling due within one year: | | | | |
| Overdraft | 234 | - | 234 | - |
| Bank loan (note 14) | 200 | 200 | 200 | 200 |
| Trade creditors | 402 | 577 | 402 | 577 |
| Amounts owed to group undertakings | - | - | 11 | 11 |
| Other creditors | 1 | 66 | 1 | 66 |
| Taxation and social security | 206 | 188 | 206 | 188 |
| Accruals and deferred income | 590 | 502 | 590 | 502 |
| | 1,633 | 1,533 | 1,644 | 1,544 |

| | | | | |
|---|---|---|---|---|
| 13 CREDITORS : Amounts falling due after more than one year: | | | | |
| Bank loan (note 14) | 600 | 800 | 600 | 800 |
| Pension | 139 | 114 | 139 | 114 |
| | 739 | 914 | 739 | 914 |

| | | | | |
|---|---|---|---|---|
| 14 BANK LOAN | | | | |
| Maturity of debt: | | | | |
| Amounts falling due within one year | 200 | 200 | 200 | 200 |
| Amounts falling due 1-2 years | 200 | 200 | 200 | 200 |
| Amounts falling due 2-5 years | 400 | 600 | 400 | 600 |
| | 800 | 1,000 | 800 | 1,000 |

The bank loan is secured by a fixed charge on the long leasehold of a property. The loan is repayable in annual instalments of £0.20 million due on 30 January each year. Interest payable is based on a fixed rate of 6.65%.

| | 2004 | 2003 |
|---|---|---|
| | **£000** | **£000** |
| 15 DEFERRED TAXATION | | |
| Group and Company: | | |
| Accelerated capital allowances | 135 | 126 |
| Other timing differences | (41) | (28) |
| Total provision for deferred tax | 94 | 98 |

The movement in the deferred tax provision relates to a credit to the profit and loss account of £4k.

| | 2004 | 2003 |
|---|---|---|
| 16 CALLED UP SHARE CAPITAL | **£** | **£** |
| Authorised: | | |
| 8.5 million Ordinary shares of US \$0.001 cents each | 55 | 55 |
| 10.3 million Ordinary shares of £0.10 each | 1,030,200 | 1,030,200 |
| | 1,030,255 | 1,030,255 |
| Allotted and fully paid: | | |
| 8.5 million Ordinary shares of US \$0.001 cents each | 55 | 55 |
| 8.5 million Ordinary shares of £0.10 each | 850,000 | 850,000 |
| | 850,055 | 850,055 |

The US\$ shares are each entitled to receive dividends amounting to the first 99% of the amount of profits which the Company may determine to distribute in respect of any financial year, divided by the number of US\$ shares then in issue. The Sterling shares are each entitled to receive a dividend of the remaining 1% of distributable profits, divided by the number of Sterling shares then in issue.

Each US\$ share carries 99 votes. Each Sterling share carries one vote.

In the event of a return of capital or winding up the US\$ class of shares shall be entitled to receive the first 99% of the assets available for distribution. Only after the US\$ class has received its full entitlement shall the Sterling class be entitled to the balance of the assets available.

Neither class of share is redeemable at the shareholder's request.

**TURNBULL & ASSER LIMITED**
**NOTES TO FINANCIAL STATEMENTS**
**52 WEEKS ENDED 31 JANUARY 2004**

| | | Group 2004 £000 | Company 2004 £000 |
|---|---|---|---|
| 17 | CAPITAL REDEMPTION RESERVE | | |
| | Opening balance | 30 | 30 |
| | Closing balance | 30 | 30 |
| 18 | REVALUATION RESERVE | | |
| | Opening balance | 20 | 20 |
| | Transfer of revaluation surplus realised on disposal of property | (20) | - |
| | Closing balance | - | 20 |
| 19 | PROFIT AND LOSS ACCOUNT | | |
| | Opening balance | 4,461 | 4,462 |
| | Retained loss for the year | (290) | (290) |
| | Transfer of revaluation surplus realised on disposal of property | 20 | 20 |
| | Closing balance | 4,191 | 4,192 |

The Company has taken advantage of section 230 of the Companies Act 1985 and consequently a profit and loss account for the Company has not been presented. The Company's loss after taxation for the financial year was £(0.29) million (2003: profit of £0.18 million).

20 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 £000 | 2003 £000 | 2004 £000 | 2003 £000 |
| Retained results for the period | (290) | 179 | (290) | 179 |
| Net increase in shareholders' funds | (290) | 179 | (290) | 179 |
| Opening shareholders' funds | 5,361 | 5,182 | 5,362 | 5,183 |
| Closing shareholders' funds | 5,071 | 5,361 | 5,072 | 5,362 |

**TURNBULL & ASSER LIMITED**
**NOTES TO FINANCIAL STATEMENTS**
**52 WEEKS ENDED 31 JANUARY 2004**

## 21 LEASING COMMITMENTS

| | 2004 £000 | 2003 £000 |
|---|---|---|
| The Group and Company has the following annual operating commitments in respect of land and buildings: | | |
| Within 1 year | 10 | 21 |
| From 1 - 5 years | 173 | 173 |
| After 5 years | 227 | 238 |
| | 410 | 432 |
| Other assets - within 1 year | 37 | 44 |
| - from 1 - 5 years | 10 | 12 |
| | 47 | 56 |

## 22 CAPITAL COMMITMENTS

| | 2004 £000 | 2003 £000 |
|---|---|---|
| Group and Company: | | |
| Authorised and not contracted | - | 1,000 |

## 23 RELATED PARTY DISCLOSURES

During the year the Group traded with Turnbull & Asser LLC, a company in which Mr A. Fayed has a beneficial interest. Sales were made on commercial terms and amounted to £0.60 million for the year (2003: £0.59 million). A license fee income was obtained on sales resulting in other operating income of £0.05 million (2003: £0.04 million). A payment was made to Turnbull & Asser LLC of £0.18 million (2003: £0.24 million) pursuant to an agreement to vary the terms of an existing agreement under which Turnbull & Asser LLC distributed shirts on a wholesale basis within the USA. As a result of varying the agreement, Turnbull & Asser Limited is now exclusively entitled to sell wholesale into the USA. At the year-end the amount owed to the Company by Turnbull & Asser LLC was £0.33 million (2003: £0.28 million).

The Group also trades with companies in the Harrods Group in which Mr A. Fayed has a beneficial interest. Sales were made on commercial terms and amounted to £1.53 million for the year (2003: £1.50 million). Charges for operating expenses amounted to £0.49 million (2003: £0.47 million). At the year end the net amount owed by these companies to the Company was £0.23 million (2003: £0.22 million).

The ultimate controlling party of the Company is Mr A. Fayed.

## TURNBULL & ASSER LIMITED
## NOTES TO FINANCIAL STATEMENTS
## 52 WEEKS ENDED 31 JANUARY 2004

24 RECONCILIATION OF OPERATING (LOSS)/PROFIT TO OPERATING CASH FLOWS

| | 2004 £000 | 2003 £000 |
|---|---|---|
| Operating (loss)/profit | (260) | 472 |
| Pension variation | 25 | 68 |
| Depreciation charged | 274 | 258 |
| Decrease/(Increase) in stocks | 500 | (152) |
| (Increase) in debtors | (51) | (142) |
| (Decrease)/Increase in creditors | (133) | 238 |
| Net cash inflow from operating activities | 355 | 742 |

25 ANALYSIS OF NET DEBT

Group and Company:

| | 2003 £000 | Cash flow £000 | 2004 £000 |
|---|---|---|---|
| Cash in hand and at bank and overdraft | 794 | (1,002) | (208) |
| Bank loan | | | |
| Due between 2-5 years | (800) | 200 | (600) |
| Due within one year | (200) | - | (200) |
| Total | (1,000) | 200 | (800) |
| Net debt | (206) | (802) | (1,008) |