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HOUSE OF FRASER HOLDINGS plc

DIRECTORS' REPORT AND ACCOUNTS

2ND MAY, 1987

PEAT MARWICK McLINTOCK
1 Puddle Dock, Blackfriars, London EC4V 3PD.



HOUSE OF FRASER HOLDINGS plc

DIRECTORS' REPORT

The directors present their report and the audited accounts for the financial year ended 2nd May, 1987.

BUSINESS REVIEW

The business is that of an investment holding company and it is intended to continue this business for the foreseeable future.

1986/87 was a year of considerable managerial and organisational change for House of Fraser plc, the most important change being the appointment of Mr. B.L. Walsh as Chief Executive.

For a variety of reasons, the profits of House of Fraser plc did not reach our best expectations. However, with the new structure now established and the start to 1987/88 ahead of the corresponding period in 1986/87, the directors view the future with confidence.

Subsequent to the year end the company entered into a number of transactions which had as their effect the conversion of part of the company's syndicated bank loan from a floating rate to a fixed rate of interest.

On the 9th April, 1987 the Secretary of State for Trade and Industry (pursuant to S.432(2), Companies Act 1985) appointed inspectors in connection with the affairs of the company.

DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the period were:

M. Al-Fayed	
S. Fayed	
A. Fayed	
W.A. Craddock	
S.W. Frith	
M. Marsh	
A.J.B. Mawdsley	(appointed 14th August, 1986)
B.L. Walsh	(appointed 14th August, 1986)

Messrs. M. Al-Fayed, S. Fayed and A. Fayed are the registered and beneficial owners of the whole of the issued share capital of the company's holding company, Alfayed Investment and Trust S.A.

None of the directors held any direct beneficial interests in the shares of the company during the period up to the date of this report.

HOUSE OF FRASER HOLDINGS plc

DIRECTORS' REPORT

RESULTS AND DIVIDENDS

The results for the financial year are shown in the profit and loss account on page 4. No profits are available for distribution.

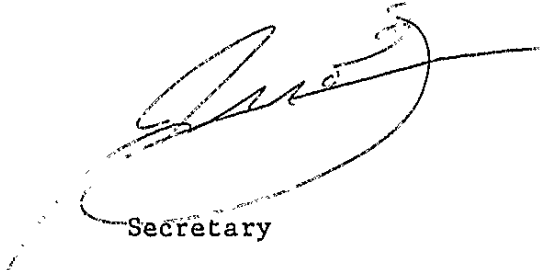
CHARITABLE DONATIONS

The company made charitable donations of £851,663 during the year.

AUDITORS

At the company's last Annual General Meeting, Peat, Marwick, Mitchell & Co. were appointed as auditors of the company. They are now practising under the name of Peat Marwick McLintock and accordingly they have signed the audit report in their new name. A resolution concerning their reappointment as auditors will be proposed at the forthcoming Annual General Meeting.

By order of the board



Secretary

14 South Street,
London
19th August, 1987

AUDITORS' REPORT TO THE MEMBERS OF
HOUSE OF FRASER HOLDINGS plc

We have audited the group accounts which comprise the accounts of the company on pages 4 to 14 and the annexed consolidated accounts of House of Fraser plc, in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the affairs of the company and of the group at 2nd May, 1987 and of the results and source and application of funds of the company and of the group for the financial year then ended and have been properly prepared in accordance with the Companies Act 1985.

Reat Maxwell McIntosh

London
19th August, 1987

Chartered Accountants

HOUSE OF FRASER HOLDINGS plc
PROFIT AND LOSS ACCOUNT
FOR THE FINANCIAL YEAR ENDED 2ND MAY, 1987

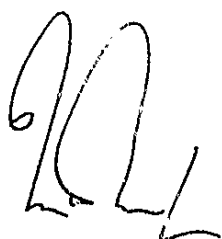
	<u>Note</u>	Financial year ended 2nd May, 1987 £m	Financial year ended 3rd May, 1986 £m
Income from shares in group company		20.8	19.2
Other income		0.0	0.9
Administrative expenses		(5.1)	(1.7)
Interest receivable		1.0	0.9
Interest payable and similar charges	4	(52.0)	(56.7)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(35.3)	(37.4)
Tax on loss on ordinary activities	6	16.7	17.4
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(18.6)	(20.0)
Statement of accumulated losses:			
Losses brought forward		(21.8)	(1.8)
Loss for the financial year.		(18.6)	(20.0)
Losses carried forward		(40.4)	(21.8)

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

HOUSE OF FRASER HOLDINGS plc
BALANCE SHEET AT 2ND MAY, 1987

	<u>Note</u>	2nd May, 1987	3rd May, 1986
		£m £m	£m £m
FIXED ASSETS			
Investment in House of Fraser plc	7	671.2	609.1
Other investments	8	0.7	0.0
Tangible assets	9	<u>0.7</u>	<u>0.6</u>
		672.6	609.7
CURRENT ASSETS			
Debtors	10	23.2	17.9
Cash at bank and in hand		0.0	44.7
		<u>23.2</u>	<u>62.6</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
	11	<u>(63.2)</u>	<u>(83.2)</u>
NET CURRENT LIABILITIES		(40.0)	(20.6)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>632.6</u>	<u>589.1</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Bank loans	12	425.0	425.0
Subordinated loan	13	<u>100.0</u>	<u>100.0</u>
		525.0	525.0
CAPITAL AND RESERVES			
Called up share capital	14	50.0	50.0
Revaluation reserve	7	98.0	35.9
Profit and loss account		<u>(40.4)</u>	<u>(21.8)</u>
		107.6	64.1
		<u>632.6</u>	<u>589.1</u>

These accounts were approved by the board of directors on 19th August, 1987.



) Directors




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

HOUSE OF FRASER HOLDINGS plcSTATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE FINANCIAL YEAR ENDED 2ND MAY, 1987

	Financial year ended 2nd May, 1987		Financial year ended 3rd May, 1986	
	£m	£m	£m	£m
SOURCE OF FUNDS				
Net advances on current account				
from holding company	-			40.5
Guaranteed variable rate loan notes at par	-			26.9
Bank loans	-			51.8
Syndicated bank loan	-			425.0
Disposal of other investments	0.6			143.7
		<u>0.6</u>		<u>687.9</u>
APPLICATION OF FUNDS				
Net repayment on current account				
to holding company		23.5		-
Investment in House of Fraser plc		-		61.9
Purchase of other investments		1.3		143.6
Purchase of tangible fixed assets		0.2		0.7
Guaranteed loan notes repaid		4.1		1.4
Bank loans repaid		-		399.5
Operations:				
Loss on ordinary activities				
after taxation	18.6		20.0	
Depreciation	(0.1)		(0.1)	
Add: Profit on sale of other investments	<u>0.0</u>		<u>0.1</u>	
		18.5		20.0
Increase (decrease) in working capital				
(excluding holding company):				
Debtors	5.3		15.0	
Other creditors and accruals	<u>(8.0)</u>		<u>1.9</u>	
		(2.7)		16.9
		<u>44.9</u>		<u>644.0</u>
Increase (decrease) in net liquid funds:				
Cash at bank and in hand	(44.7)		44.7	
Bank overdrafts	<u>0.4</u>		<u>(0.8)</u>	
		(44.3)		43.9
		<u>0.6</u>		<u>687.9</u>

HOUSE OF FRASER HOLDINGS plc

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's accounts:

(a) Basis of accounting

The accounts have been prepared under the historical cost accounting convention.

(b) Group accounts

The group accounts comprise the accounts of House of Fraser Holdings plc together with the separate accounts of House of Fraser plc for the 52 weeks ended 2nd May, 1987 (included following page 14).

This method of presentation has been chosen in preference to consolidated accounts because, in the opinion of the directors, it provides better information for the users of the accounts and better reflects the fact that the company's creditors are not guaranteed by nor secured on the assets of House of Fraser plc.

Information on a dormant subsidiary is given in note 8 on page 10 and is not material in relation to the group's affairs.

(c) Fixed asset investments

The company accounts for its fixed asset investments in subsidiary companies by the equity method whereby the book value of such investments reflects changes in the underlying net assets. Surpluses are credited to a non-distributable revaluation reserve.

(d) Depreciation

Depreciation is provided on tangible fixed assets by equal annual instalments over their estimated useful lives as follows:

Motor vehicles	- 5 years
Furniture, fixtures, fittings and equipment	- 10 years
Computer equipment	- 5 years
Leasehold	- over the remaining period of the lease

HOUSE OF FRASER HOLDINGS plcNOTES TO THE ACCOUNTS2. STAFF NUMBERS AND COSTS

The average number of persons (including directors) employed by the company during the year was 37 (1985:18).

The aggregate payroll costs of these persons, all of whom were employed in an administrative capacity, were as follows:

	Financial year ended 2nd May, 1987 £'000	Financial year ended 3rd May, 1986 £'000
Salaries	742	337
Social security costs	57	29
Other pension costs	65	30
	<u>864</u>	<u>396</u>

3. EMOLUMENTS OF DIRECTORS AND HIGHER PAID EMPLOYEES

Excluding pension contributions, the emoluments of the chairman were £nil (1986:£nil) and those of the highest paid director were £66,952 (1986:£46,270). The emoluments of the other directors in respect of the company fell within the following ranges:

	Financial year ended 2nd May, 1987 No.	Financial year ended 3rd May, 1986 No.
£0 - £ 5,000	3	3
£15,001 - £20,000	-	1
£25,001 - £30,000	1	-
£50,001 - £55,000	1	-
£60,001 - £65,000	1	-
	<u> </u>	<u> </u>

The number of employees whose emoluments, excluding pension contributions, fell within the following ranges were:

	Financial year ended 2nd May, 1987 No.	Financial year ended 3rd May, 1986 No.
£30,001 - £35,000	1	1
£35,001 - £40,000	-	1
£40,001 - £45,000	1	-
£45,001 - £50,000	1	-
	<u> </u>	<u> </u>

HOUSE OF FRASER HOLDINGS plcNOTES TO THE ACCOUNTS4. INTEREST PAYABLE AND SIMILAR CHARGES

	Financial year ended 2nd May, 1987 £m	Financial year ended 3rd May, 1986 £m
On bank loans, overdrafts and other loans:		
Repayable within 5 years	15.0	48.1
Repayable in more than 5 years	37.0	8.6
	<u>52.0</u>	<u>56.7</u>

5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss on ordinary activities before taxation is stated after charging the following:

	Financial year ended 2nd May, 1987 £'000	Financial year ended 3rd May, 1986 £'000
Depreciation	101	56
Auditors' remuneration and expenses	8	8
Directors' emoluments	286	70
Hire of equipment	1	1
Other operating leases	81	49
	<u> </u>	<u> </u>

6. TAXATION

	Financial year ended 2nd May, 1987 £m	Financial year ended 3rd May, 1986 £m
Group relief receivable	<u>16.7</u>	<u>17.4</u>

HOUSE OF FRASER HOLDINGS plcNOTES TO THE ACCOUNTS7. INVESTMENT IN HOUSE OF FRASER plc

The investment in House of Fraser plc at 2nd May, 1987 represented 100% (1986:100%) of the issued ordinary and deferred ordinary share capital, and is made up as follows:

	<u>Cost of shares</u> £m	<u>Revaluation reserve</u> £m	<u>Total</u> £m
At 4th May, 1986	573.2	35.9	609.1
Changes in underlying net assets	-	62.1	62.1
At 2nd May, 1987	<u>573.2</u>	<u>98.0</u>	<u>671.2</u>

8. OTHER INVESTMENTS

	<u>Shares in group companies</u> £m	<u>Other listed investments</u> £m	<u>Total</u> £m
At 4th May, 1986	0.0	-	0.0
Additions at cost	-	1.3	1.3
Disposals	-	(0.6)	(0.6)
At 2nd May, 1987	<u>0.0</u>	<u>0.7</u>	<u>0.7</u>

The market value of the listed investments held at 2nd May, 1987 was £774,800.

The investment in Alfayed Investment Holdings plc, the company's only subsidiary other than House of Fraser plc, is shown at cost of £12,500 and represents 100% of the issued ordinary shares of £1 each, 25p paid.

The balance sheet of the subsidiary at 2nd May, 1987 and 3rd May, 1986 is given below:

	£'000
Amounts owed by holding company	<u>12.5</u>
Share capital	<u>12.5</u>

A separate profit and loss account has not been presented as the subsidiary had not commenced to trade as at 2nd May, 1987.

HOUSE OF FRASER HOLDINGS plcNOTES TO THE ACCOUNTS9. TANGIBLE FIXED ASSETS

	Motor vehicles £'000	Furniture, fixtures, fittings and equipment £'000	Short leasehold £'000	Total £'000
Cost:				
At 4th May, 1986	149	200	358	707
Additions	102	130	2	234
Disposals	(54)	(8)	-	(62)
At 2nd May, 1987	<u>197</u>	<u>322</u>	<u>360</u>	<u>879</u>
Depreciation:				
At 4th May, 1986	32	26	-	58
Charged in period	40	40	21	101
Disposals	(6)	(1)	-	(7)
At 2nd May, 1987	<u>66</u>	<u>65</u>	<u>21</u>	<u>152</u>
Net book value:				
At 2nd May, 1987	<u>131</u>	<u>257</u>	<u>339</u>	<u>727</u>
At 3rd May, 1986	<u>117</u>	<u>174</u>	<u>358</u>	<u>649</u>

10. DEBTORS

	2nd May, 1987 £m	3rd May, 1986 £m
Amount due from House of Fraser plc	23.0	17.4
Prepayments	0.1	0.1
Other debtors	0.1	0.4
	<u>23.2</u>	<u>17.9</u>

HOUSE OF FRASER HOLDINGS plcNOTES TO THE ACCOUNTS11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2nd May, 1987 £m	3rd May, 1988 £m
Guaranteed variable rate loan notes at par	28.0	32.1
Amount due to holding company	24.8	48.3
Amount due to subsidiary	0.0	0.0
Other creditors	0.1	0.3
Accruals:		
Interest secured on assets of the company	8.9	0.4
Other	0.9	1.3
Taxation and social security	0.1	0.0
Bank overdrafts	0.4	0.8
	<u>63.2</u>	<u>83.2</u>

The loan notes, which are guaranteed by Swiss Bank Corporation, are repayable at par together with accrued interest (less U.K. income tax) at the option of the loan note holders on any interest payment date with not less than 30 days notice in writing.

Any loan notes not thus repaid or purchased by the company will be repayable in full at par on 31st July, 1991 together with accrued interest (less U.K. income tax), or (at the option of the company) on 31st July, 1989 if this date falls on or after the fifth anniversary of appropriation of shares to an approved profit-sharing scheme (the release date under Section 54(6) of the Finance Act 1978 (as amended)).

Interest is payable on the loan notes at the six months London Inter-Bank Offered Rate.

HOUSE OF FRASER HOLDINGS plcNOTES TO THE ACCOUNTS12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2nd May, 1987 £m	3rd May, 1986 £m
Repayable after more than one year and secured on assets of the company:		
Syndicated bank loan	425.0	425.0
	<u>425.0</u>	<u>425.0</u>
The syndicated bank loan is repayable as follows:		
Between two and five years	100.0	50.0
After more than five years	325.0	375.0
	<u>425.0</u>	<u>425.0</u>

The amount repayable after more than five years is payable on 31st January, 1993.

Interest is payable at rates varying with the London Inter-Bank Offered Rate.

13. SUBORDINATED LOAN

The subordinated loan comprises an unsecured interest free loan of £100 million from Alfayed Investment and Trust S.A. repayable on 30th April, 1995 which may not be repaid earlier than this date. The loan is expressed to be subordinated to the payment of all other liabilities of the company arising before that date.

14. SHARE CAPITAL

	2nd May, 1987 £m	3rd May, 1986 £m
Authorised, allotted, called up and fully paid:		
Ordinary shares of £1 each	50.0	50.0
	<u>50.0</u>	<u>50.0</u>

HOUSE OF FRASER HOLDINGS plcNOTES TO THE ACCOUNTS15. FINANCIAL COMMITMENTS

At 2nd May, 1987 the company had entered into operating lease contracts with commitments payable in the next year of £81,200. The commitments expire as follows:

	<u>Land and buildings</u> £000	<u>Other</u> £000	<u>Total</u> £000
Within one year	-	0.6	0.6
Between two years and five years	-	-	-
After five years	80.6	-	80.6
	<u>80.6</u>	<u>0.6</u>	<u>81.2</u>

16. ULTIMATE HOLDING COMPANY

The ultimate holding company is Alfayed Investment and Trust S.A. (AITSA), 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, S. Fayed and A. Fayed.

AITSA has agreed to lend £50 million to the company on the company's demand. No sums have been drawn down under that agreement. The company's rights under that agreement have been assigned to a syndicate of banks.

HOUSE OF FRASER PLC

Directors' Report and Accounts 1987

House of Fraser plc

DIRECTORS AND OFFICERS

Directors

A. Fayed, Chairman
M. Al-Fayed
B. L. Walsh, Chief Executive
G. Willoughby, C.A.
M. M. McMaster
W. A. Craddock, L.V.O.
S. W. Frith, M.B.A., A.C.I.S.
M. J. Ellis-Jones
M. Bliss
P. B. Livesey
N. M. Hogben, F.R.I.C.S.

Secretary

R. J. Scott, F.C.A.

Registered Office

69 Buchanan Street,
Glasgow, G1 3LE
Registered in Scotland No.21928

Executive Office

1 Howick Place,
London, SW1P 1BH

Registrars and Transfer Office

Clydesdale Bank PLC,
Stock Exchange Services Department,
30 St. Vincent Place,
Glasgow, G1 2HL

DIRECTORS' REPORT

The Directors present their Report and the audited Group Accounts of House of Fraser plc for the period of 52 weeks ended 2nd May, 1987.

DIRECTORS

The names of the present Directors are listed on page 1. Directors also serving during the period were Mr D.C.Mair (retired 31st May 1986), Professor R.Smith (resigned 1st June 1986), Mr W.G.Crossan (retired 28th July 1986), Mr E.H.Sharp (resigned 28th July 1986), Mr A.J.B.Mawdsley (resigned 28th July 1986), Mr B.J.Gladwin (resigned 30th September, 1986), Mr L.F.Drewitt (retired 30th November, 1986) and Mr P.K.Brimacombe (resigned 13th February, 1987).

Mr M. J. Ellis-Jones was appointed a Director on 23rd March, 1987. Mr M. Bliss and Mr P. B. Livesey were appointed Directors on 23rd April, 1987. Mr N. M. Hogben was appointed a Director on 13th July, 1987.

The appointments of Mr M. J. Ellis-Jones, Mr M. Bliss, Mr P. B. Livesey and Mr N. M. Hogben fall to be confirmed by re-election at the Annual General Meeting.

The Directors who retire by rotation are Mr M. Al-Fayed and Mr W. A. Craddock, who, being eligible, offer themselves for re-election.

PRINCIPAL ACTIVITIES

There has been no significant change in the activities of the Company and its subsidiaries which continue to be the operation of well known groups of department stores, and other ancillaries, which make up the "House of Fraser".

REVIEW OF BUSINESS

The year has seen a continuation of the store expansion and refurbishment programme, including the opening of new "House of Fraser" stores in the Metro Centre, Gateshead, and in the Barkers Centre, Kensington, London. The Epsom store which traded as Army and Navy has been transferred to Dickins and Jones and refurbished as a fashion store. Harrods has embarked on a major departmental refurbishment programme and the first of these, the new Leather room, opened in May.

The Funeral businesses of Ingall Industries plc and Wylie and Lochhead (Funerals) Limited, and a construction company John Barker (Construction and Development) Limited, have been sold during the year.

RESULTS AND DIVIDENDS

Profits before taxation for the period amounted to £45.7 million (66 weeks to 3rd May 1986 £50.5 million). A 1st interim dividend of 5.0p per share was paid to Ordinary Shareholders on 29th September 1986 and a 2nd interim dividend of 5.0p per share was paid to Ordinary Shareholders on 30th January 1987. The Directors propose that a 3rd interim dividend of 3.5p on the Ordinary Shares be paid in respect of the period ended 2nd May 1987. The Directors propose that the balance of £20.3 million after the payment of Dividends on Preference and Ordinary Shares be transferred to Reserves.

CHANGES IN FIXED ASSETS

The changes are set out in Notes 11 and 12 in the Accounts. During the period, the Group's direct investment in tangible Fixed Assets, amounted to £74.4 million. Freehold and Leasehold Properties with a book value of £8.1 million were disposed of during the period.

Directors' Report (Continued)

REVALUATION OF PROPERTIES

A revaluation of Freehold and Long Leasehold properties as at 2nd May, 1987 based on sample valuations carried out by Conrad Ritblat between May 1986 and April 1987, has been adopted by the Directors. This revaluation showed a surplus of £30.9 million which has been added to the Revaluation Reserve and is shown in note 21 in the accounts.

SHAREHOLDINGS AND OTHER INTERESTS OF DIRECTORS

Beneficial Interests	At 2nd May 1987		At 3rd May 1986	
	Deferred Shares of 25p	Preference Shares of £1	Deferred Shares of 25p	Preference Shares of £1
G. Willoughby	-	-	-	250
M. M. McMaster	-	-	-	250
Non-Beneficial Interests				
A. Fayed	1,000	-	1,000	-
M. Al-Fayed	1,000	-	1,000	-
B. L. Walsh	1,000	-	-	-
G. Willoughby	1,000	-	134,830	-
M. M. McMaster	1,000	-	1,000	-
W. A. Craddock	1,000	-	1,000	-
S. W. Frith	1,000	-	-	-
M. J. Ellis-Jones	1,000	-	-	-
M. Bliss	1,000	-	-	-
P. B. Livesey	1,000	-	-	-

Since the date of his appointment on 13th July, 1987 Mr N. M. Hogben has been allotted 1,000 Deferred Shares by way of Directors' qualification holdings, these being held as a non-beneficial interest.

In addition to their interests disclosed above, Mr. A. Fayed and Mr M. Al-Fayed are interested in the shareholding of House of Fraser Holdings plc., referred to below for the purposes of the Companies Act 1985.

No other Director has any interests in any category of the Company's shares, loan stocks or debentures nor in any of the Company's subsidiaries.

No Director has had a material interest, directly or indirectly, at any time during the period in any contract significant to the business of the Company. During the year a leasehold flat was sold to Mr P. K. Brimacombe for the sum of £130,000 having been valued at this sum prior to the sale by an independent professional firm of Surveyors.

Directors' Report (Continued)

MAJOR SHAREHOLDING

At the date of this Report, House of Fraser (Holdings) plc owned directly or indirectly 100 percent of the issued Ordinary Share Capital.

PREFERENCE SHARES

On 15th April 1987, the whole of the issued preference share capital totalling £757,967 was repaid at par.

HEALTH AND SAFETY

In accordance with the provisions of the Health & Safety at Work etc. 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. This statement has been brought to the notice of all employees of the Company.

DISABLED PEOPLE

It is the policy of the Company to give full and fair consideration to applications for employment from disabled people, 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.

EMPLOYEE INVOLVEMENT

Information is provided regularly to employees by means of normal management communication channels using written materials, face to face meetings and video presentations.

Consultation with employees takes place through elected staff committees, health and safety committees and through normal recognised trades union channels. 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.

DONATIONS

The charitable donations made by the Group and charged in the Accounts were £151,850.

AUDITORS

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

CLOSE COMPANY

As at 2nd May, 1987 the Company was a Close Company within the meaning of the Income and Corporation Taxes Act 1970.

By Order of the Board

R. J. Scott

Company Secretary
Glasgow, 28th July 1987

HUNTING POLICIES

of Accounts. The accounts have been prepared under the historical cost convention and are not required to include revaluation of the Group's properties.

of Consolidation. The consolidated accounts include the accounts of the company and its subsidiaries and the share of the results of related companies.

Assets of companies acquired are incorporated at their fair value at the date of acquisition. The premium arising on the acquisition of subsidiaries is charged against distributable reserves.

Stock. Stock is stated at the lower of cost and realisable value, which is generally determined on the basis of selling price less appropriate trading margin.

Depreciation of Fixed Tangible Assets. Depreciation is provided by the Group in order to bring the value down to estimated residual value (if any). The cost or valuation of fixed assets is depreciated over their estimated useful lives by equal instalments, mainly on the following basis:-

Freehold and long leasehold buildings including landlords' plant
estimated useful life (15-100 years)

Leaseholds
remaining period of lease

Furniture & Fittings
3-10 years

Tools & equipment
4-7 years

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

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 present value of the rental charge is taken to the profit and loss account in proportion to the total element outstanding.

Property Development. In the case of major 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.

Property Sales. Surpluses realised on the sale of properties and fixed asset investments, less the reorganisation and closure costs which precede and relate directly to the sale of properties, and similar costs incurred in preparing a property for development, are reported as extraordinary items as these transactions are not considered to be part of the ordinary activities of the Group.

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 future.

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 profit as it accrues.

Pensions. Retirement benefits to the present employees of the Group are funded by contributions from the Group and employees. Payments are made to pension trusts, which are financially separate from the Group, in accordance with calculations made periodically by consulting actuaries. The cost of the contributions and of providing pensions to some former employees is charged against the profits of the period.

Foreign Currency. All items in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences arising from the translation of the opening net investments in a subsidiary or a related company at the closing rate are recorded as a movement on revaluation reserve. Realised gains and losses are dealt with in the profit and loss account.

HOUSE OF FRASER plc
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE 52 WEEKS ENDED 2ND MAY 1987

NOTE		52 Weeks To 2/5/87	66 Weeks To 3/5/86
		£m	£m
	TOTAL TURNOVER	1,256.3	1,465.9
	Less Value added tax	155.7	175.7
1	Turnover	1,130.6	1,290.2
		=====	=====
2	OPERATING PROFIT	73.4	68.4
3	Interest	(29.7)	(20.9)
4	Other operating income	2.0	2.4
	Share of profits of related companies	-	0.6
	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	45.7	50.5
5	Taxation (charge)/credit	(16.9)	2.5
	PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	28.8	53.0
6	Extraordinary items	12.3	(11.8)
7	PROFIT FOR THE FINANCIAL PERIOD	41.1	41.2
8	Dividends	(20.8)	(19.2)
	PROFIT RETAINED	20.3	22.0
		=====	=====
	Whereof:		
	Retained in related companies	-	0.3
	Retained in Group	20.3	21.7
		20.3	22.0
		=====	=====
8	Dividends per ordinary share	13.5p	12.5p
9	Earnings per ordinary share	18.6p	34.5p

HOUSE OF FRASER plc
BALANCE SHEETS
AT 2ND MAY 1987

NOTE	Consolidated		Company	
	1987	1986	1987	1986
	£m	£m	£m	£m
FIXED ASSETS				
11 Tangible assets	683.1	614.6	72.7	51.3
12 Investments	0.3	0.3	140.7	139.8
	<u>683.4</u>	<u>614.9</u>	<u>213.4</u>	<u>191.1</u>
CURRENT ASSETS				
13 Stocks	186.0	186.7	-	-
14 Debtors	298.7	238.3	344.3	292.3
15 Listed investments	5.2	5.4	-	-
16 Cash and bank balances	25.9	15.1	22.5	14.3
	<u>515.8</u>	<u>445.5</u>	<u>366.8</u>	<u>306.6</u>
CURRENT LIABILITIES - CREDITORS amounts falling due within one year:				
Trade creditors	70.3	80.5	-	-
17 Debentures, loans and overdrafts	18.4	160.3	3.0	167.2
17 Other liabilities	64.9	67.9	47.5	32.8
	<u>153.6</u>	<u>308.7</u>	<u>50.5</u>	<u>200.0</u>
NET CURRENT ASSETS	<u>362.2</u>	<u>136.8</u>	<u>316.3</u>	<u>106.6</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	1,045.6	751.7	529.7	297.7
17 CREDITORS: amounts falling due after more than one year	(360.5)	(128.4)	(337.7)	(111.4)
PROVISIONS FOR LIABILITIES AND CHARGES				
18 Deferred taxation	(13.9)	(13.5)	(1.2)	(1.5)
	<u>671.2</u>	<u>609.8</u>	<u>190.8</u>	<u>184.8</u>
	=====	=====	=====	=====
CAPITAL AND RESERVES				
19 Called up share capital	39.9	40.7	39.9	40.7
20 Share premium account	25.1	25.1	25.1	25.1
21 Revaluation reserve	331.1	302.1	22.9	19.1
21 Profit and loss account	275.1	241.9	102.9	99.9
	<u>671.2</u>	<u>609.8</u>	<u>190.8</u>	<u>184.8</u>
	=====	=====	=====	=====

Approved by the Board on 28th July, 1987

B. L. Walsh Director

G. Willoughby Director

HOUSE OF FRASER plc

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS For the 52 weeks ended 2nd May 1987

	52 Weeks To 2/5/87	66 Weeks To 3/5/86
	£m	£m
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	45.7	50.5
Adjustments for items not involving the movement of funds:		
Depreciation	24.6	27.4
Profit retained in related companies	-	(0.3)
	-----	-----
Total generated from operations	70.3	77.6
Proceeds of sale of fixed tangible assets	16.5	8.6
Increase in trade and sundry creditors	-	0.5
Loan capital received	234.1	44.7
Currency translation differences	0.1	-
Decrease in stocks	0.7	-
Decrease in current asset investments	0.2	-
Extraordinary items	10.0	-
Premium released on sale of business	9.2	-
Decrease in investment in related company	-	8.4
	-----	-----
	341.1	139.8
	-----	-----
APPLICATION OF FUNDS		
Expenditure on fixed tangible assets	74.4	118.1
Premium on acquisition	0.3	19.5
Tax - Group relief paid	17.4	-
Tax paid	1.9	9.0
Dividends paid	15.4	24.6
Extraordinary charges	-	9.4
Increase in stocks	-	62.1
Increase in debtors	60.4	29.3
Increase in current asset investments	-	1.4
Decrease in trade and sundry creditors	17.8	-
Preference share capital repaid	0.8	-
	-----	-----
	188.4	273.4
	-----	-----
Increase/(decrease) in net liquid funds	152.7	(133.6)
	=====	=====

Net liquid funds comprise bank overdrafts and other short term loans less cash and bank balances

HOUSE OF FRASER plc
NOTES ON THE ACCOUNTS

	52 Weeks To 2/5/87 £m	66 Weeks To 3/5/86 £m
1. TURNOVER is the amount receivable for goods and services supplied to customers and includes the sales of concession departments Geographical area: United Kingdom Rest of Europe	1,042.1 88.5 <hr/> 1,130.6 =====	1,234.3 55.9 <hr/> 1,290.2 =====
2. OPERATING PROFIT is arrived at as follows:		
Turnover	1,130.6	1,290.2
Cost of sales	709.5	832.2
Gross profit	421.1	458.0
Distribution and store costs	303.7	342.8
Administrative and central expenses	44.0	46.8
	73.4 =====	68.4 =====
Included in distribution costs and administrative expenses are:		
Depreciation of fixed tangible assets	22.7	26.8
Depreciation on assets held under finance leases	1.9	0.6
Auditors' fees and expenses	0.7	0.7
Hire of plant and machinery	0.9	1.3
	=====	=====
3. INTEREST Payable:		
Bank loans and overdrafts	26.8	20.6
Loans and deposits repayable within 5 years	1.4	1.1
Loans not repayable within 5 years	1.8	1.6
Finance leases	0.6	0.1
Other	0.7	-
	31.3	23.4
Less: Receivable	1.6	2.5
	29.7 =====	20.9 =====
4. OTHER OPERATING INCOME		
Rental income	1.5	1.6
Investment income:		
Income from fixed asset investments - unlisted	-	0.1
Income from current asset investments - listed	0.5	0.7
	2.0 =====	2.4 =====

HOUSE OF FRASER plc
NOTES ON THE ACCOUNTS

5. TAXATION (CHARGE)/CREDIT	52 Weeks To 2/5/87 £m	66 Weeks To 3/5/86 £m
Taxation based on the profits of the period		
Corporation tax	(16.1)	(20.3)
Foreign taxation	(0.5)	(1.0)
Deferred tax	(1.6)	(1.9)
Provision for deferred tax no longer required	-	25.0
Adjustment for earlier periods		
Corporation tax	0.2	1.2
Foreign Taxation	0.1	-
Deferred tax	1.0	(0.1)
Related companies	-	(0.4)
	<u>(16.9)</u>	<u>2.5</u>
	=====	=====

Corporation tax is provided at the rate
of 35.00% (40.33%)

6. EXTRAORDINARY ITEMS		
Surplus/(loss) on disposal of businesses and properties	15.5	(4.1)
Reorganisation and store closure costs	(1.9)	(8.0)
Cost of Government enquiries and bid expenses	-	(2.3)
	<u>13.6</u>	<u>(14.4)</u>
Taxation	(1.3)	2.6
	<u>12.3</u>	<u>(11.8)</u>
	=====	=====

HOUSE OF FRASER plc
NOTES ON THE ACCOUNTS

	52 Weeks To 2/5/87	66 Weeks To 3/5/86
	£m	£m
7. PROFIT FOR THE FINANCIAL PERIOD		
As permitted by Section 228(7) of the Companies Act 1985 the profit and loss account of House of Fraser plc is not presented as part of these accounts.		
The profit/(loss) attributable to House of Fraser plc for the period after taxation and extraordinary items dealt with in the accounts of the company is:	23.8 =====	(7.8) =====
8. DIVIDENDS		
On ordinary shares - 1st Interim (Paid)	7.7	10.0
- 2nd Interim (Paid)	7.7	9.2
- 3rd Interim (Proposed)	5.4	-
	<u>20.8</u>	<u>19.2</u>
On Preference Shares - £38,000 (1986 £32,000)	-	-
	<u>20.8</u> =====	<u>19.2</u> =====
9. EARNINGS PER ORDINARY SHARE		

The earnings per ordinary share calculations are based on earnings - (after deducting preference dividends of £38,000) after taxation and before extraordinary items - of £28.7m (£52.9m). The respective average number of shares in issue in 1986/87 and 1985/86 were 153,679,045 new ordinary shares.

HOUSE OF FRASER plc
NOTES ON THE ACCOUNTS

	52 Weeks To 2/5/87 £'000	66 Weeks To 3/5/86 £'000
10. INFORMATION REGARDING DIRECTORS AND EMPLOYEES		
Directors		
Directors' remuneration		
Fees	-	1
Other emoluments including pension contributions	860	1,266
Pension to former directors and to widow of director	8	33
Compensation paid to directors for loss of office	542	-
	<u>1,410</u>	<u>1,300</u>
	=====	=====
Emoluments of the chairman		
4.5.86 - 1.6.86	36	120
1.6.86 - 2.5.87	-	-
Emoluments of highest paid director	105	120
The range of directors and higher paid employees emoluments and the number within each range were:		NUMBER
The information for 1986 has been presented on an annual basis to make it more readily comparable		
Directors		
£ 0 - £ 5,000	6	5
£ 15,001 - £ 20,000	2	-
£ 20,001 - £ 25,000	2	-
£ 25,001 - £ 30,000	1	-
£ 30,001 - £ 35,000	-	1
£ 35,001 - £ 40,000	1	-
£ 40,001 - £ 45,000	-	1
£ 55,001 - £ 60,000	1	-
£ 60,001 - £ 65,000	1	1
£ 65,001 - £ 70,000	-	1
£ 70,001 - £ 75,000	1	-
£ 80,001 - £ 85,000	-	1
£ 85,001 - £ 90,000	1	1
£ 90,001 - £ 95,000	1	3
£ 100,001 - £ 105,000	1	-
£ 105,001 - £ 110,000	-	1
Employees		
£ 30,001 - £ 35,000	36	38
£ 35,001 - £ 40,000	35	23
£ 40,001 - £ 45,000	5	9
£ 45,001 - £ 50,000	5	8
£ 50,001 - £ 55,000	1	6
£ 55,001 - £ 60,000	5	4
£ 60,001 - £ 65,000	3	2
£ 65,001 - £ 70,000	1	1
£ 75,001 - £ 80,000	1	-
£ 80,001 - £ 85,000	-	1
Employee Costs for 52 weeks (66 weeks)	£m	£m
Wages and salaries	171.7	196.6
Social security costs	12.7	14.1
Other pension costs	1.2	9.0
	<u>185.6</u>	<u>219.7</u>
	=====	=====
Actuarial valuations of the Pension Funds were received during the year. Based on the consulting actuaries' advice the Directors have improved benefits and suspended the company's contributions to two of the Funds. The position will be reviewed again in 1988.		
The average weekly number of employees during the period was made up as follows:-		
UK	23,599	25,837
Rest of Europe	1,666	1,753
	<u>25,265</u>	<u>27,590</u>
	=====	=====

11 FIXED ASSETS - Tangible assets

CONSOLIDATED	Total	Freeholds	Long Leaseholds	Short Leaseholds	Fixtures Fittings Vehicles & Equipment
	£m	£m	£m	£m	£m
Cost and valuation at 3rd May 1986	678.5	402.4	107.3	6.6	162.2
Exchange adjustments	2.1	1.9	-	-	0.2
Additions	74.4	27.1	8.1	0.3	38.9
Disposals	(27.0)	(3.7)	(3.5)	(1.0)	(18.8)
Revaluation Surplus	28.6	29.7	(1.1)	-	-
	<u>756.6</u>	<u>457.4</u>	<u>110.8</u>	<u>5.9</u>	<u>182.5</u>
Cost and valuation at 2nd May 1987	756.6	457.4	110.8	5.9	182.5
Aggregate depreciation to 3rd May 1986	63.9	-	-	1.6	62.3
Exchange adjustments	0.1	-	-	-	0.1
Charge for period	24.6	0.8	1.5	0.4	21.9
Disposals	(12.8)	-	-	(0.1)	(12.7)
Revaluation surplus	(2.3)	(0.8)	(1.5)	-	-
	<u>73.5</u>	<u>-</u>	<u>-</u>	<u>1.9</u>	<u>71.6</u>
Net Book Value at 2nd May 1987	683.1	457.4	110.8	4.0	110.9
	=====	=====	=====	=====	=====
Net Book Value at 3rd May 1986	614.6	402.4	107.3	5.0	99.9
	=====	=====	=====	=====	=====
Cost and valuation					
1981 valuation	3.8	-	-	3.8	-
1987 valuation	568.2	457.4	110.8	-	-
Cost	184.6	-	-	2.1	182.5
	<u>756.6</u>	<u>457.4</u>	<u>110.8</u>	<u>5.9</u>	<u>182.5</u>
	=====	=====	=====	=====	=====
Historical cost to 3rd May 1986	370.4	134.0	67.8	6.4	162.2
Depreciation on historical cost to 3rd May 1986	63.5	-	-	1.2	62.3
	<u>306.9</u>	<u>134.0</u>	<u>67.8</u>	<u>5.2</u>	<u>99.9</u>
	=====	=====	=====	=====	=====
Net historical cost at 3rd May 1986	306.9	134.0	67.8	5.2	99.9
	=====	=====	=====	=====	=====
Historical cost to 2nd May 1987	420.3	152.9	79.3	5.6	182.5
Depreciation on historical cost to 2nd May 1987	73.0	-	-	1.4	71.6
	<u>347.3</u>	<u>152.9</u>	<u>79.3</u>	<u>4.2</u>	<u>110.9</u>
	=====	=====	=====	=====	=====
Net historical cost at 2nd May 1987	347.3	152.9	79.3	4.2	110.9

Freehold and long leasehold properties have been revalued on 2nd May 1987 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 £6.9m (1986 - £8.2m) in respect of assets held under finance leases. Since the year end the Group has entered into finance leases in respect of certain of the above assets with a value of £25.0m.

Included in the cost of the fixed tangible assets is £10.0m of capitalised interest of which £3.2m was incurred during the period. The taxation charge has been reduced by £1.1m in respect of this interest.

11 FIXED ASSETS - Tangible Assets

COMPANY	Total	Freeholds	Long Leaseholds	Short Leaseholds	Fixtures Fittings Vehicles & Equipment
	£m	£m	£m	£m	£m
Cost and valuation at 3rd May 1986	56.4	36.9	0.1	0.1	19.3
Additions	20.7	18.0	-	-	2.7
Disposals	(1.8)	-	(0.1)	-	(1.7)
Group Transfers	2.3	0.6	-	-	1.7
Revaluation surplus	3.8	3.8	-	-	-
Cost and valuation at 2nd May 1987	81.4	59.3	-	0.1	22.0
Aggregate depreciation to 3rd May 1986	5.1	-	-	-	5.1
Charge for period	4.0	-	-	-	4.0
Disposals	(1.1)	-	-	-	(1.1)
Group Transfers	0.7	-	-	-	0.7
Aggregate depreciation to 2nd May 1987	8.7	-	-	-	8.7
Net book value at 2nd May 1987	72.7	59.3	-	0.1	13.3
Net book value at 3rd May 1986	51.3	36.9	0.1	0.1	14.2
Cost and valuation 1987 valuation	59.3	59.3	-	-	-
Cost	22.1	-	-	0.1	22.0
Historical cost to 3rd May 1986	48.5	28.6	0.1	0.6	19.2
Depreciation on historical cost to 3rd May 1986	5.1	-	-	0.1	5.0
Net historical cost at 3rd May 1986	43.4	28.6	0.1	0.5	14.2
Historical cost to 2nd May 1987	69.8	47.2	-	0.6	22.0
Depreciation on historical cost to 2nd May 1987	8.8	-	-	0.1	8.7
Net historical cost at 2nd May 1987	61.0	47.2	-	0.5	13.3

Freehold and long leasehold properties have been revalued on 2nd May 1987 by the directors, having taken appropriate independent professional advice, on an open market existing use basis.

The net book value of the fixed tangible assets includes an amount of £6.9m (1986 - £8.2m) in respect of assets held under finance leases. Since the year end the Group has entered into finance leases in respect of certain of the above assets with a value of £0.75m.

Included in the cost of fixed tangible assets is £8.1 of capitalised interest of which £2.7m was incurred during the period. The taxation charge has been reduced by £0.9m in respect of this interest.

HOUSE OF FRASER plc
NOTES ON THE ACCOUNTS

		Consolidated		Company	
		1987	1986	1987	1986
		£m	£m	£m	£m
14.	DEBTORS				
	Amounts due within one year				
	Trade debtors	144.8	148.4	4.0	1.0
	Amounts owed by subsidiaries	-	-	315.8	287.8
	Other debtors	6.5	4.9	0.8	0.3
	Amount due from sale of Funerals business	29.6	-	16.8	-
	Prepayments	11.6	9.7	5.5	1.0
	Taxation	1.9	1.7	1.4	1.1
		<u>194.4</u>	<u>164.7</u>	<u>344.3</u>	<u>291.2</u>
	Amounts due after more than one year				
	Trade debtors	104.0	71.5	-	-
	Amounts owed by subsidiaries	-	-	-	-
	Other debtors	0.3	0.9	-	-
	Advance Corporation Tax	-	1.2	-	1.1
		<u>104.3</u>	<u>73.6</u>	<u>-</u>	<u>1.1</u>
		<u>298.7</u>	<u>238.3</u>	<u>344.3</u>	<u>292.3</u>
		=====	=====	=====	=====
15.	LISTED INVESTMENTS				
	Cost to 3rd May 1986	5.4	4.0	-	-
	Additions	0.6	2.7	-	-
	Disposals	(0.8)	(1.3)	-	-
		<u>5.2</u>	<u>5.4</u>	<u>-</u>	<u>-</u>
		=====	=====	=====	=====
	Cost to 2nd May 1987	5.2	5.4	-	-
		<u>5.4</u>	<u>5.7</u>	<u>-</u>	<u>-</u>
		=====	=====	=====	=====
16.	CASH AND BANK BALANCES				
	Money at call and short notice in licenced deposit-taking subsidiary	3.1	4.2	-	-
	Deposits	18.8	8.1	16.6	6.6
	Other cash and bank balances	4.0	2.8	5.9	7.7
		<u>25.9</u>	<u>15.1</u>	<u>22.5</u>	<u>14.3</u>
		=====	=====	=====	=====

HOUSE OF FRASER plc
NOTES ON THE ACCOUNTS

	Consolidated		Company	
	1987	1986	1987	1986
	£m	£m	£m	£m
17. CREDITORS				
Amounts falling due within one year				
Bank overdrafts	14.5	20.9	-	33.2
Bank loans	3.0	138.5	3.0	134.0
Other loans	0.9	0.9	-	-
	<u>18.4</u>	<u>160.3</u>	<u>3.0</u>	<u>167.2</u>
Debentures, loans and overdrafts				
Amounts due to subsidiaries	-	-	16.7	6.7
Amounts due to parent company	17.6	17.4	17.6	17.4
Current corporation tax	2.2	4.3	0.1	0.1
Other taxes and social security costs	7.1	5.9	-	-
Other creditors	13.1	16.7	4.2	6.0
Accruals	19.5	23.6	3.5	2.6
Proposed dividend	5.4	-	5.4	-
	<u>64.9</u>	<u>67.9</u>	<u>47.5</u>	<u>32.8</u>
Other liabilities				
Amounts falling due after more than one year				
Debentures and loan stock	6.5	6.6	6.5	6.5
Bank loans	340.1	105.2	325.0	97.1
Other loans	8.5	9.2	0.9	1.3
	<u>355.1</u>	<u>121.0</u>	<u>332.4</u>	<u>104.9</u>
Other creditors	5.4	7.4	5.3	6.5
	<u>360.5</u>	<u>128.4</u>	<u>337.7</u>	<u>111.4</u>
	=====	=====	=====	=====
Included in other creditors are obligations under finance leases repayable as follows:				
Under one year	1.8	1.5	1.8	1.5
Between two and five years	5.2	6.5	5.2	6.5
	<u>7.0</u>	<u>8.0</u>	<u>7.0</u>	<u>8.0</u>
	=====	=====	=====	=====

HOUSE OF FRASER plc
NOTES ON THE ACCOUNTS

17.	CREDITORS - continued	Consolidated		Company	
		1987	1986	1987	1986
		£m	£m	£m	£m
(a)	Unsecured				
	6% unsecured loan stock 1993/98	1.5	1.5	1.5	1.5
	8 1/4% unsecured loan stock 1993/98	4.4	4.4	4.4	4.4
	8% unsecured loan stock 1986/91	-	0.1	-	-
	Unsecured loan notes 1990 (variable rate)	0.9	1.3	0.9	1.3
	Unsecured loan notes 1990 (1% below inter bank rate)	1.8	2.2	-	-
	Bank loans repayable within one year	3.0	138.5	3.0	134.0
	Bank loans repayable 1987/88	-	13.0	-	13.0
	Bank loans repayable 1988/89	150.0	46.0	150.0	46.0
	Bank loans repayable 1989/90	4.5	11.0	-	10.0
	Bank loans repayable 1991/92	178.4	-	175.0	-
	Bank loans repayable 1992/93	7.3	35.3	-	28.1
	Bank overdraft	12.1	18.9	-	33.2
		<u>363.9</u>	<u>272.2</u>	<u>334.8</u>	<u>271.5</u>
(b)	Secured (on certain Freehold and Long Leasehold properties)				
	8% loan repayable after 6 months in Danish Kroner	0.6	0.5	-	-
	Mortgages:				
	At 7% annual repayments in Danish Kroner of approximately £156,000	2.5	2.5	-	-
	At 7% annual repayments in Danish Kroner of approximately £64,000	1.1	1.1	-	-
	At 5 3/4% annual repayments of £50,000 until 1990 when Balance is repayable	1.9	1.9	-	-
	At 6 3/4% Repayable in 1994	0.5	0.5	-	-
	8% Debenture Stock 1986/91	0.6	0.6	0.6	0.6
	Bank overdraft	2.4	2.0	-	-
		<u>373.5</u>	<u>281.3</u>	<u>335.4</u>	<u>272.1</u>
		=====	=====	=====	=====

HOUSE OF FRASER plc
NOTES ON THE ACCOUNTS

17. CREDITORS - continued	Consolidated		Company	
	1987	1986	1987	1986
	£m	£m	£m	£m
whereof:				
Debentures and Loan Stock				
Repayable between two and five years	0.6	0.7	0.6	0.6
Repayable in five or more years	5.9	5.9	5.9	5.9
	<u>6.5</u>	<u>6.6</u>	<u>6.5</u>	<u>6.5</u>
Bank Loans and Overdrafts				
Repayable within one year or on demand	17.5	159.4	3.0	167.2
Repayable between one and two years	154.5	13.0	150.0	13.0
Repayable between two and five years	178.4	56.9	175.0	56.0
Repayable in five or more years	7.2	35.3	-	28.1
	<u>357.6</u>	<u>264.6</u>	<u>328.0</u>	<u>264.3</u>
Other Loans				
Repayable within one year or on demand	0.9	0.9	-	-
Repayable between one and two years	0.3	0.2	-	-
Repayable between two and five years	5.1	5.1	0.9	1.3
Repayable in five or more years	3.1	3.9	-	-
	<u>9.4</u>	<u>10.1</u>	<u>0.9</u>	<u>1.3</u>
	<u>373.5</u>	<u>281.3</u>	<u>335.4</u>	<u>272.1</u>
	=====	=====	=====	=====
Other Loans				
Total repayable by instalments	6.0	5.2	-	-
	=====	=====	=====	=====
Instalments due after five years	2.7	2.8	-	-
	=====	=====	=====	=====

HOUSE OF FRASER plc
NOTES ON THE ACCOUNTS

18. PROVISIONS FOR LIABILITIES
AND CHARGES

	Consolidated		Company	
	1987	1986	1987	1986
	£m	£m	£m	£m
Deferred taxation - Excess Capital Allowances				
Balance at 3rd May 1986	13.5	34.5	1.5	1.3
Acquisitions	-	2.0	-	-
Disposals	(0.2)	-	-	-
(Credited)/charged in taxation (note 5)	0.6	(23.0)	(0.3)	0.2
Balance at 2nd May 1987	<u>13.9</u>	<u>13.5</u>	<u>1.2</u>	<u>1.5</u>
	=====	=====	=====	=====

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

(1) Excess capital allowances	25.0	25.0	-	-
(2) Corporation tax on capital gains	15.3	11.9	-	-
(3) Revaluation of properties	67.5	80.9	3.7	2.5
	<u>107.8</u>	<u>117.8</u>	<u>3.7</u>	<u>2.5</u>
	=====	=====	=====	=====

In the opinion of the directors the liabilities arising from the reversal of capital allowances and capital gains are unlikely to arise since capital expenditure is expected to remain at a substantial level for the foreseeable future and the majority of the properties will be retained for use in the business and the availability of roll-over relief would eliminate any liability which could otherwise result from disposals.

HOUSE OF FRASER plc
NOTES ON THE ACCOUNTS

19.	CALLED UP SHARE CAPITAL	Consolidated		Company	
		1987	1986	1987	1986
		£m	£m	£m	£m
	Allotted and fully paid				
	3.15% Cumulative Preference Shares of £1	-	0.4	-	0.4
	3.85% Cumulative Preference shares of £1	-	-	-	-
	5.25% Cumulative Preference Shares of £1	-	0.4	-	0.4
	Deferred ordinary shares of 25 pence	38.4	38.4	38.4	38.4
	New ordinary shares of 1 pence	1.5	1.5	1.5	1.5
		<u>39.9</u>	<u>40.7</u>	<u>39.9</u>	<u>40.7</u>
	Unissued Capital	10.1	9.3	10.1	9.3
		<u>50.0</u>	<u>50.0</u>	<u>50.0</u>	<u>50.0</u>
	Authorised Capital	=====	=====	=====	=====
20.	SHARE PREMIUM ACCOUNT				
	Balance at 3rd May 1986	25.1	26.6	25.1	26.6
	Capitalisation for share issue	-	(1.5)	-	(1.5)
		<u>25.1</u>	<u>25.1</u>	<u>25.1</u>	<u>25.1</u>
	Balance at 2nd May 1987	=====	=====	=====	=====
21.	RESERVES	Consolidated		Company	
		Revaluation Reserve	Profit & Loss Account	Revaluation Reserve	Profit & Loss Account
		£m	£m	£m	£m
	Balance at 3rd May 1986	302.1	241.9	19.1	99.9
	Currency translation differences	2.1	-	-	-
	Profit retained for period	-	20.3	-	3.0
	Premiums realised on disposals	-	9.2	-	-
	Premiums on acquisitions written off	-	(0.3)	-	-
	Revaluation surplus	30.9	-	3.8	-
	Transfers to profit & loss account				
	- Amount equivalent to depreciation on revaluation surplus	(1.1)	1.1	-	-
	- Revaluation surplus realised on disposals	(2.9)	2.9	-	-
		<u>331.1</u>	<u>275.1</u>	<u>22.9</u>	<u>102.9</u>
	Balance at 2nd May 1987	=====	=====	=====	=====

HOUSE OF FRASER plc
NOTES ON THE ACCOUNTS

22. CAPITAL COMMITMENTS	Consolidated		Company	
	1987	1986	1987	1986
	£m	£m	£m	£m
Contracted for but not yet provided	28.5	75.9	19.1	34.3
Authorised by Directors but not yet contracted for	2.1	55.1	-	4.9
	<u>30.6</u>	<u>131.0</u>	<u>19.1</u>	<u>39.2</u>
	=====	=====	=====	=====

23. CONTINGENT LIABILITIES

There are contingent liabilities for guarantees of:

-	-	17.7	6.2
=====	=====	=====	=====

There is a balance of purchase consideration on an acquisition amounting to £1,583,333 which may become payable depending on the results of the company acquired exceeding certain targets for the two remaining years to 31st December 1988.

As was the case last year, a subsidiary is in receipt of a legal claim in the United States of America for US\$ 19,000,000. The directors are strenuously resisting the claim and believe that no material liability will arise.

Since the year end House of Fraser plc has entered into guarantees for its subsidiary companies' financial obligations under leasing arrangements with Mercantile Credit Company Limited for the sum of £25,000,000.

24. LEASING COMMITMENTS

Group commitments during the year to 30th April 1988 in respect of operating leases of land and buildings are:

	£m
Leases expiring	
within one year	0.2
between two and five years	0.2
over five years	12.6
	<u>13.0</u>
	=====

Payments under leases totalled £11.8m in the 52 weeks to 2nd May 1987.

25. 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.

HOUSE OF FRASER plc

PRINCIPAL SUBSIDIARY COMPANIES Operating at 2nd May 1987

DEPARTMENT STORES

Registered and operating in Scotland
House of Fraser (Stores) Limited
(also operating in England and Wales)

Registered and operating in England
and Wales
Harrods Limited

Registered and operating in the
Republic of Ireland
Switzer & Company Limited
Cash & Company Limited
Wm. Todd & Company Limited
Alexander Moon Limited

Registered and operating in
Denmark
A C Illum A/S

Registered and operating in
Guernsey

Registered and operating in
Canada

OTHER ACTIVITIES

House of Fraser (Finance) Limited
Retail & General Finance Limited

Finance Company
Finance Company

Astral Sports & Leisure (Retail)
Limited
Harrods (Insurance) Limited
Harrods Trust Limited

Sports Goods Retailers

Benjamin Simon & Sons Limited
Chanelle Limited
Fraser Insurance Services Limited
Carvela Shoes Limited
Kurt Geiger Limited
Turnbull & Asser Limited
Jermyn Street Shirtmakers Limited
Hawes & Curtis Limited
Hawes & Curtis (Tailors) Limited

Insurance Brokers
Licenced Deposit-taking
Institution
Clothing Manufacturers
Fashion Retailers
Insurance Consultants
Footwear Retailers
Footwear Retailers
Shirtmakers & Clothiers
Shirtmakers & Clothiers
Shirtmakers & Clothiers
Civil & Military Tailors

Harrods (Ireland) Limited

Investment Company

Stag Insurance Company Limited

Insurance Underwriting

Turnbull & Asser (Ontario) Limited

Clothiers

The entire share capital of all classes of stock of the above companies is owned directly or indirectly by House of Fraser plc.

AUDITORS' REPORT TO THE MEMBERS OF HOUSE OF FRASER PLC

We have audited the financial statements on pages 1 to 23 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 2nd May 1987 and of the profit and source and application of funds of the group for the period of 52 weeks then ended and comply with the Companies Act 1985.

Price Waterhouse
Chartered Accountants
28th July 1987