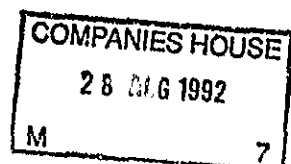


COMPANY NO. 1848 '43

HOUSE OF FRASER HOLDINGS PLC

DIRECTORS' REPORT AND ACCOUNTS 1991/92



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HOUSE OF FRASER HOLDINGS plc

Directors

M. Al Fayed  
A. Fayed  
D.P. Webb  
M. Cole  
J.M. Walsh

Registered Office

1 Howick Place  
London SW1P 1HH

Secretary

J.R.P. Davies, LL.B., F.C.I.S.

## DIRECTORS REPORT

The directors present their annual report and the audited consolidated accounts of House of Fraser Holdings plc for the 52 weeks ended 25 January 1992.

### Directors

The names of the present directors are listed on page 2.

Mr. J.M. Walsh was appointed to the Board on 3 December 1991.

Directors who also served during the period were Mr. W.A. Craddock (resigned 1 April 1991), Mr. G. Willoughby (resigned 31 August 1991) and Mr. S. Fayed (resigned 12 September 1991).

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

### Principal Activity

The principal activity of the Company is that of an investment holding company. The principal subsidiary undertaking is House of Fraser plc which continues to operate the department stores and other retail businesses which comprise the House of Fraser Group.

### Results and Dividends

The results of the Group are set out on page 7.

The directors do not propose the payment of a dividend and an amount of £10.6 million has been transferred from reserves.

### Review of the Business

In line with the Group's investment programme a new store was opened in Lakeside, Thurrock in September 1991, and in February 1992 a new store was opened in The Shires, Leicester. In addition, major refurbishment work was carried out during the year in Frasers, Glasgow.

In April 1991 the Group finalised the sale of the Switzer Group of stores in Ireland. The profit on disposal was recorded in the prior period.

Harrods has continued with its redevelopment programme and significant additional selling space was opened on the Lower Ground and

Fifth Floors. On 31 May 1991 the voting control of Harrods Bank Limited was transferred to The Law Debenture Trust Corporation plc as trustee, although Harrods Limited continues to retain its full economic interest in the Bank.

In June 1991 the Group's Frasercard and Harrods credit card operations were sold to G E Capital, one of the world's leading specialists in credit services.

### Changes in Fixed Assets

The changes are set out in Notes 9 and 10 to the accounts. During the period the Group's direct investment in tangible fixed assets amounted to £34.6 million.

Freehold and leasehold properties with a net book value of £5.4 million were disposed of during the period.

### Revaluation of Properties

The freehold and long leasehold properties of the Company and its retail subsidiary undertaking have been valued by the directors at 25 January 1992, based on sample valuations representing approximately 74% of the total which were carried out by Healey & Baker, International Real Estate Consultants and Richard Ellis, International Chartered Surveyors & Property Consultants, on the basis of open market value for the existing use.

The freehold investment properties held by House of Fraser Property Investment plc were also valued by the directors at 25 January 1992 by adopting valuations carried out by Healey & Baker, International Real Estate Consultants, in October 1991 on the basis of open market value.

These directors' valuations showed a deficit of £6.0 million which has been deducted from the reserves and is shown in Note 16 to the accounts.

### Directors' Interests

Apart from Mr. M. Al Fayed and Mr. A. Fayed who are beneficially interested in the shares of the Company, none of the other directors in office at 25 January 1992 held any beneficial interest in the shares or debentures of the Company or of any of its subsidiary undertakings at 27 January 1991, or date of appointment if later, or at 25 January 1992. Certain directors who are also directors of House of Fraser plc hold non-beneficial qualification shares which are disclosed in the Report and Accounts of that company.

## HOUSE OF FRASER HEADINGS plc

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

### Health and Safety

In accordance with the provisions of the Health & Safety at Work etc Act 1974, the Group 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 Group.

### Disabled Persons

It is the policy of the Group to give full and fair consideration to applications for employment from disabled persons to continue wherever possible the employment of members of staff who may become disabled and to ensure that suitable training, career development and promotion is afforded to such persons.

### The Environment

The Company has continued to adopt policies and procedures which 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.

### Employee Involvement

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

Consultation with employees takes place through elected staff committees, health and safety committees and through normal recognised trade union channels. Through individual performance appraisals employees are made aware of their individual contribution to the Group.

The House of Fraser Group Pension Plan has a committee of staff representatives who are kept informed of the administration, performance and development of the Plan.

Participation in the future development of the business is provided through the House of Fraser Group's Share Option Plan.

### Donations

Charitable donations made and charged in the accounts were £566,469. No political contributions were made.

### Auditors

Price Waterhouse have expressed their willingness to continue in office as Auditors to the Company and a resolution proposing their re-appointment and authorising the directors to fix their remuneration will be put to the Annual General Meeting.

### Close Company

As at 25 January 1992 the Company was a Close Company within the meaning of Part XI Chapter I of the Income and Corporation Taxes Act 1988.

By Order of the Board



J.R.P. Davies

Company Secretary  
11 May 1992

## HOUSE OF FRASER HOLDINGS plc

### ACCOUNTING POLICIES

**Basis of Accounts.** The accounts have been prepared under the historical cost convention modified to include the revaluation of the Group's properties and have been prepared to comply with the disclosure requirements of the Companies Act 1985 and in accordance with applicable accounting standards.

**Basis of Consolidation.** The consolidated accounts include the accounts of the Company and its subsidiary undertakings and the Group's share of the results and the post acquisition reserves of associated undertakings.

The assets of subsidiary undertakings acquired are incorporated at their fair value at the date of acquisition. The premium arising on the acquisition of subsidiary undertakings is charged against reserves.

Investments in associated undertakings are stated at cost, less goodwill (which is written off against reserves) plus the Group's share of post acquisition reserves.

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

**Fixed Asset Investments.** Fixed asset investments in subsidiary undertakings are stated in the balance sheet of the Company at the aggregate of the value of the net assets of those subsidiary undertakings. Net surpluses or deficits are transferred to a non-distributable revaluation reserve.

**Fixed Tangible Assets (including Investment Properties).** Freehold and long leasehold properties are stated at either professional or directors' valuation. All other fixed assets are stated at cost.

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

Freehold and Long Leasehold buildings including landlords' plant  
14-100 years

Short Leaseholds

Remaining period of lease

Fixtures & Fittings

3-10 years

Vehicles & Equipment

4-7 years

It is the practice of the Group to maintain its properties in a continual state of repair. Accordingly, for some properties the residual value, based upon prices at the time of revaluation, is at least equal to the current value and there is no charge for depreciation.

Investment properties are not depreciated. Depreciation arising on the revaluation surplus of properties is charged to the 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 interest element of the rental charge is taken to the profit and loss account in proportion to the capital element outstanding. Rentals payable under operating leases are charged on a straight line basis over the lease term.

**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 disposal of properties and fixed asset investments are determined by reference to their historical cost.

ACCOUNTING POLICIES - continued

**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, where a tax liability is expected to crystallize.

**Pensions.** Retirement benefits are funded by contributions from the Group and employees. Payment is made to the pension trust, which is financially separate from the Group, in accordance with calculations made periodically by consulting actuaries. Contributions are charged to the profit and loss account on a basis that spreads the expected cost of providing pensions over the average remaining service lives of employees in the scheme.

**Foreign Currency.** All amounts 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 investment in a subsidiary or associated undertaking at the closing rate are recorded as a movement on the revaluation reserve. Realised gains and losses are dealt with in the profit and loss account.

HOUSE OF FRASER HOLDINGS plc

CONSOLIDATED PROFIT AND LOSS ACCOUNT  
for the 52 weeks ended 25 January 1992

	52 Weeks to 25/1/92	52 Weeks to 26/1/91
	fm	fm
Note		
TOTAL TURNOVER	1,165.0	1,269.0
Less: Value Added Tax	147.2	150.5
1 Turnover	1,017.8	1,118.5
Cost of sales	( 635.0)	( 692.3)
Gross profit	382.8	426.2
Distribution and storage costs	( 292.8)	( 296.5)
Administrative expenses	( 37.0)	( 51.6)
2 OPERATING PROFIT	53.0	78.1
3 Interest	( 99.4)	( 124.4)
4 Other operating income	20.5	20.6
LOSS ON ORDINARY ACTIVITIES BEFORE EXCEPTIONAL ITEMS	(25.9)	( 25.7)
5 Exceptional items	12.0	10.8
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	( 13.9)	( 14.9)
6 Taxation	3.3	3.3
7 LOSS FOR THE PERIOD	( 10.6)	( 11.6)

The movements on reserves are shown in Note 16.



# HOUSE OF FRASER HOLDINGS plc

## BALANCE SHEETS

at 25 January 1992

Note

### ASSETS

#### FIXED ASSETS

	<u>Consolidated</u>		<u>Company</u>	
	1992	1991	1992	1991
	£m	£m	£m	£m
9 Tangible assets	893.2	899.2	1.1	1.2
10 Investments in subsidiary undertakings	-	-	841.3	850.6
10 Other investments	237.2	229.1	-	-

	<u>1,130.4</u>	<u>1,128.3</u>	<u>842.4</u>	<u>851.8</u>
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#### CURRENT ASSETS

11 Stocks	139.9	147.3	-	-
12 Debtors	58.0	270.4	1.0	6.7
13 Investments	1.2	1.4	-	-
14 Cash and bank balances	41.7	20.5	-	-
	<u>240.8</u>	<u>439.6</u>	<u>1.0</u>	<u>6.7</u>
	<u>1,371.2</u>	<u>1,567.9</u>	<u>843.4</u>	<u>858.5</u>

### LIABILITIES

#### CAPITAL AND RESERVES

15 Called up share capital	50.0	50.0	50.0	50.0
16 Revaluation reserve	227.8	235.4	261.9	277.1
16 Profit and loss account	( 33.4)	( 21.6)	( 67.5)	( 63.3)
	<u>244.4</u>	<u>263.8</u>	<u>244.4</u>	<u>263.8</u>
17 Subordinated loan from shareholders	100.0	100.0	100.0	100.0
	<u>344.4</u>	<u>363.8</u>	<u>344.4</u>	<u>363.8</u>

#### PROVISIONS FOR LIABILITIES AND CHARGES

18 Deferred taxation	4.6	8.1	-	-
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#### CREDITORS:

19 amounts falling due after more than one year	771.4	911.7	425.0	425.0
19 amounts falling due within one year	250.8	284.3	74.0	69.7
	<u>1,371.2</u>	<u>1,567.9</u>	<u>843.4</u>	<u>858.5</u>

Approved by the Board on  
11 May 1992

A. Bayed  
Director

J.M. Walsh  
Director

## NOTES TO THE CASH FLOW STATEMENT

	52 Weeks to 25/1/92 £m	52 Weeks to 26/1/91 £m
<b>1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		
Operating profit	53.0	78.1
Depreciation charged	27.7	26.9
Decrease/(Increase) in stocks	5.4	( 9.1)
Decrease in debtors	55.5	7.8
(Decrease)/Increase in creditors	(49.9)	3.0
Net cash inflow from continuing operating activities	<u>91.7</u>	<u>106.7</u>

**2. ANALYSIS OF CHANGES IN CASH AND CASH  
EQUIVALENTS DURING THE YEAR**

Opening balance	12.2	15.0
Net cash inflow/(outflow) (see Note 3)	20.8	( 2.8)
Closing balance	<u>33.0</u>	<u>12.2</u>

	52 weeks to 25/1/1992 £m	52 weeks to 26/1/1991 £m	Change in Year £m
<b>3. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET</b>			
Bank overdraft	( 8.7)	( 8.3)	( 0.4)
Deposits at Harrods Bank Limited	-	11.8	(11.8)
Other deposits	25.3	3.5	21.8
Other cash balances	16.4	5.2	11.2
	<u>33.0</u>	<u>12.2</u>	<u>20.8</u>

Loans and  
finance lease  
obligations  
£m

**4. ANALYSIS OF CHANGES IN FINANCING DURING THE PERIOD**

Balance at 26 January 1991	962.2
Repayment of long term borrowings	135.8
Balance at 25 January 1992	<u>826.4</u>

NOTES TO THE CASH FLOW STATEMENT

5. SUMMARY OF EFFECT OF RECLASSIFICATION OF HARRODS BANK LIMITED FROM SUBSIDIARY TO ASSOCIATED UNDERTAKING (see Note 10)

Net assets reclassified	£m	Discharged by:	£m
Debtors	10.0	Investment in associate	7.9
Deposits at short call	4.3		
Cash and bank	7.5		
Creditors	(13.9)		
	<u>7.9</u>		<u>7.9</u>

6. SUMMARY OF EFFECT OF THE SALE OF SUBSIDIARY UNDERTAKINGS

Net assets sold:	£m	Discharged by:	£m
Tangible fixed assets	0.7	Repayments of bank loans and overdraft	5.5
Stocks	2.0		
Debtors	0.4		
Creditors	(3.5)		
	<u>(0.4)</u>		
Net profit on sale	5.9		
	<u>5.5</u>		<u>5.5</u>

## NOTES TO THE ACCOUNTS

52 Weeks to 25/1/92 £m	52 Weeks to 26/1/91 £m
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- 1 TURNOVER - represents amounts receivable for goods and services supplied to customers including the sales of concession departments.

Geographical area:

United Kingdom

Rest of Europe

1,017.8	1,073.3
-	45.2
<u>1,017.8</u>	<u>1,118.5</u>

Turnover includes account interest received in respect of credit card services of £11.6 million (1991: £35.8 million). In the opinion of the directors the Group carries on only one significant class of business, that of retailing.

- 2 OPERATING PROFIT - is stated after charging:

Depreciation of owned fixed tangible assets	24.6	22.7
Depreciation on assets held under finance leases	3.1	4.2
Auditors' fees and expenses	0.6	0.6
Rentals paid under operating leases:		
Property	16.0	14.8
Hire of plant and machinery	1.8	3.0
	<u>        </u>	<u>        </u>

- 3 INTEREST

Payable:

Bank loans and overdrafts	107.1	129.7
Loans and deposits repayable within 5 years	0.1	2.0
Loans not repayable within 5 years	0.5	0.4
Finance leases	1.0	2.4
Other	-	0.2
	<u>        </u>	<u>        </u>

Less: Receivable - Other

108.7	134.7
( 9.3)	( 10.3)
<u>99.4</u>	<u>124.4</u>

- 4 OTHER OPERATING INCOME

Rental income

8.4	8.0
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Investment income:

Income from interest in associated undertakings	0.8	1.1
Income from fixed asset investments - listed	11.2	11.3
Income from current asset investments - listed	-	0.1
- unlisted	0.1	0.1
	<u>        </u>	<u>        </u>

<u>20.5</u>	<u>20.6</u>
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NOTES TO THE ACCOUNTS continued

	52 Weeks to 25/1/92 £m	52 Weeks to 26/1/91 £m
<b>5 EXCEPTIONAL ITEMS</b>		
Net premium on disposal of credit operations	6.3	-
(Loss)/Profit on property related transactions	(2.6)	1.9
Profit on disposal of businesses and abortive disposal compensation	5.9	2.5
Profit on disposal of fixed asset investments	-	0.6
Discount on acquisitions previously credited to reserves	2.4	5.8
	<u>12.0</u>	<u>10.8</u>

The Group disposed of its interest in Modena Engineering Limited and The Grayshott Motor Company Limited to a fellow subsidiary on 27 January 1991. Neither company made a profit or loss to the date of disposal.

The net surpluses on property and business disposals previously reported as extraordinary, have been restated as exceptional items. To comply with current accounting requirements, the profit on disposal of businesses is stated net of goodwill previously written off to reserves. Prior periods have been restated to achieve consistency.

**6 TAXATION**

Taxation based on the losses of the period:

Corporation Tax at 33.2%	(0.2)	(0.4)
Deferred tax	1.6	0.7
Tax credit on franked investment income	(0.2)	(2.9)
Associated undertakings	(0.2)	(0.3)
Tax repayment arising from set off of trade losses against surplus franked investment income	-	6.7
Adjustment for earlier periods:		
Deferred tax	1.9	(0.5)
Corporation tax	0.4	-
	<u>3.3</u>	<u>3.3</u>

There is effectively no corporation tax charge in the Group for the year, as group relief has been surrendered by the parent company to its subsidiary undertakings. The adjustments for deferred taxation relate to short term timing differences and to a restatement of the opening provision from 35% to the current rate of corporation tax of 33%.

**7 PROFIT FOR THE FINANCIAL PERIOD**

As permitted by Section 230 of the Companies Act 1985 the profit and loss account of House of Fraser Holdings plc is not presented as part of these accounts. The (loss)/profit attributable to House of Fraser Holdings plc for the period (1991 included dividends received from subsidiary undertakings in respect of prior periods), after taxation, dealt with in the accounts of the Company is:

<u>(4.2)</u>	<u>21.9</u>
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# HOUSE OF FRASER HOLDINGS plc

## CONSOLIDATED CASH FLOW STATEMENT

for the 52 weeks ended 25 January 1992

	52 Weeks to 25/1/92 £m	52 Weeks to 26/1/91 £m
Note		
1 Net cash inflow from operating activities	91.7	106.7
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		
Interest received	9.7	10.3
Interest paid	( 90.3)	(130.4)
Dividends received	11.6	11.8
Rent received from properties	8.4	8.0
Net cash outflow from returns on investments and servicing of finance	( 60.6)	(100.3)
<b>INVESTING ACTIVITIES</b>		
Expenditure on tangible fixed assets	( 34.1)	( 71.5)
Receipts from sales of tangible fixed assets	3.6	7.6
Abortive disposal compensation	-	1.0
5 Reclassification of Harrods Bank Limited	( 7.9)	-
Receipts on disposal of current asset investments	-	1.1
Sale proceeds on disposal of a fixed asset investment	-	0.8
Net proceeds on disposal of credit operations	158.4	-
6 Net proceeds on disposal of businesses	5.5	28.2
Net cash inflow/(outflow) from investing activities	125.5	( 32.8)
Net cash inflow/(outflow) before financing	156.6	( 26.4)
<b>FINANCING</b>		
Repayment/(Increase) of amounts borrowed	131.4	( 31.7)
Capital element of finance lease repayments	4.4	8.1
4 Net cash outflow/(inflow) from financing	135.8	( 23.6)
2 Increase/(Decrease) in cash and cash equivalents	20.8	( 2.8)
	156.6	( 26.4)

NOTES TO THE ACCOUNTS continued

	52 Weeks to 25/1/92 £'000	52 Weeks to 26/1/91 £'000
<b>8 INFORMATION REGARDING DIRECTORS AND EMPLOYEES</b>		
<b>Directors' remuneration:</b>		
Emoluments including pension contributions	282	446
Compensation for loss of office	Nil	196
Emoluments of the chairman	Nil	Nil
Emoluments of highest paid director	105	132
The range of directors' emoluments and the number within each range were:		
Directors	Number	Number
0 - £ 5,000	3	3
£ 10,001 - £ 15,000	1	1
£ 15,001 - £ 20,000	-	1
£ 40,001 - £ 45,000	1	-
£ 50,001 - £ 55,000	1	-
£ 55,001 - £ 60,000	-	1
£ 60,001 - £ 65,000	1	-
£ 95,001 - £100,000	-	1
£100,001 - £105,000	1	-
£130,001 - £135,000	-	2
	52 Weeks to 25/1/92 £m	52 Weeks to 26/1/91 £m
<b>Employee costs:</b>		
Wages and salaries	157.0	163.5
Social security costs	10.9	13.1
Other pension costs	( 6.2)	( 0.3)
	161.7	176.3
The average weekly number of employees during the period was as follows:		
	Number	Number
U.K.	17,185	19,289
Rest of Europe	-	645
	17,185	19,934

8 INFORMATION REGARDING DIRECTORS AND EMPLOYEES - continued

Pensions

The Company's employees are members of the House of Fraser Group Pension Plan which is a defined benefit scheme.

Group undertakings pay such contributions to the Plan as are required in order to fund benefits for members and pensioners. The assets of the Plan are held in trust separately from the Company.

The regular pension cost charged to the profit and loss account is such as to spread the expected pension costs over the average remaining working lives of employees who are members of the Plan. The regular cost is expressed as a level percentage of the current and expected future earnings using the "attained age" method of calculation. Surpluses or deficiencies and associated interest are spread over the same average period as an adjustment to regular cost.

The pension cost charged in the profit and loss account (which is a credit in the current period) is determined by qualified actuaries who are partners of Bacon & Woodrow, Consulting Actuaries and is based on the most recent actuarial valuation, which took place as at 5 April 1991.

The most significant actuarial assumptions used are:

Rate of return	9% p.a.
General increase in pensionable earnings	6.5% p.a.
Rate of pension increases	3.5% p.a. on the excess over the Guaranteed Minimum Pension
Dividend growth	4.5% p.a.

At 5 April 1991 the Plan had assets with a total market value of approximately £268.9 million, and the actuarial value of the scheme assets represented approximately 140% of the liabilities for benefits that had accrued to members after allowing for expected future increases in earnings. The main reason for the surplus of assets over liabilities was the high investment returns earned by the Fund.

The pension credit for the period was £6.1 million (1990/91 charge £0.3 million).

A prepayment of £4.4 million (1990/91 provision £1.7 million) is included in the accounts being the excess of the contributions over the pension cost during the period 27 January 1991 to 25 January 1992 together with the provision at 27 January 1991 and interest thereon.



NOTES TO THE ACCOUNTS continued

9	FIXED ASSETS - Tangible Assets			Long	Short	Fixtures Fittings Vehicles & Equipment
		Total £m	Freeholds £m	Leaseholds £m	Leaseholds £m	£m
	Consolidated					
	Cost and valuation at 26 January 1991	1,005.8	650.0	85.3	46.4	224.1
	Additions	34.6	11.1	4.1	1.1	18.3
	Disposals	( 12.9)	( 1.2)	( 3.5)	( 1.0)	( 7.2)
	Reclassification	-	( 4.1)	( 3.9)	-	8.0
	Revaluation deficit	( 7.5)	( 11.9)	4.4	-	-
	Cost and valuation at 25 January 1992	<u>1,020.0</u>	<u>643.9</u>	<u>86.4</u>	<u>46.5</u>	<u>243.2</u>
	Aggregate depreciation at 26 January 1991	106.6	-	-	3.7	102.9
	Charge for period	27.7	0.6	0.9	1.1	25.1
	Disposals	( 6.0)	-	-	( 0.3)	( 5.7)
	Revaluation deficit	( 1.5)	( 0.6)	( 0.9)	-	-
	Aggregate depreciation at 25 January 1992	<u>126.8</u>	<u>-</u>	<u>-</u>	<u>4.5</u>	<u>122.3</u>
	Net book value at 25 January 1992	<u>893.2</u>	<u>643.9</u>	<u>86.4</u>	<u>42.0</u>	<u>120.9</u>
	Net book value at 26 January 1991	<u>899.2</u>	<u>650.0</u>	<u>85.3</u>	<u>42.7</u>	<u>121.2</u>
	Cost and valuation					
	1981 professional valuation	2.1	-	-	2.1	-
	1988 professional valuation	14.8	-	-	14.8	-
	1992 directors' valuation	728.3	642.1	86.2	-	-
	Cost	<u>274.8</u>	<u>1.8</u>	<u>0.2</u>	<u>29.6</u>	<u>243.2</u>
		<u>1,020.0</u>	<u>643.9</u>	<u>86.4</u>	<u>46.5</u>	<u>243.2</u>
	Historical cost at 26 January 1991	769.1	378.0	136.0	31.0	224.1
	Depreciation on historical cost at 26 January 1991	(105.3)	-	-	( 2.4)	(102.9)
	Net historical cost at 26 January 1991	<u>663.8</u>	<u>378.0</u>	<u>136.0</u>	<u>28.6</u>	<u>121.2</u>
	Historical cost at 25 January 1992	791.0	379.9	136.5	31.3	243.3
	Depreciation on historical cost at 25 January 1992	(125.6)	-	-	( 3.2)	(122.4)
	Net historical cost at 25 January 1992	<u>665.4</u>	<u>379.9</u>	<u>136.5</u>	<u>28.1</u>	<u>120.9</u>

NOTES TO THE ACCOUNTS continued

9 FIXED ASSETS -- Tangible Assets continued

Investment Properties (included above)	Freeholds £m
Cost at 26 January 1991	86.9
Additions	0.3
	<hr/>
Cost at 25 January 1992	87.2
	<hr/>
Revaluation surplus at 26 January 1991	67.6
Revaluation deficit arising in the year	( 32.3)
	<hr/>
Revaluation surplus at 25 January 1992	35.3
	<hr/>
Net book value at 25 January 1992	122.5
	<hr/>
Net book value at 26 January 1991	154.5
	<hr/>

The freehold and long leasehold properties of the Company and its retail subsidiary undertaking have been valued by the directors at 25 January 1992, based on sample valuations representing approximately 74% of the total which were carried out by Healey & Baker, International Real Estate Consultants and Richard Ellis, International Chartered Surveyors & Property Consultants, on the basis of open market value for the existing use. The freehold investment properties held by House of Fraser Property Investment plc were also valued by the directors at 25 January 1992 by adopting valuations carried out by Healey & Baker, International Real Estate Consultants, in October 1991 on the basis of open market value. These valuations have been incorporated in the accounts at 25 January 1992.

New store developments are carried at cost until the trading pattern is sufficiently established for a valuation to be carried out.

The net book value of fixed tangible assets includes an amount of £8.9 million (1991 £12.2 million) in respect of assets held under finance leases.

Included in the cost of the fixed tangible assets is £3.2 million (net of tax) of capitalised interest of which £0.3 million (1991 £0.8 million) was incurred during the period.

## 9 FIXED ASSETS - Tangible Assets continued

Company	Total £'000	Freehold £'000	Short Leaseholds £'000	Fixtures Fittings Vehicles & Equipment £'000
Cost at 26 January 1991	1,747	556	360	831
Additions	10	-	-	10
Disposals	( 21)	-	-	( 21)
Group transfers	3	-	-	3
Cost and valuation at 25 January 1992	<u>1,739</u>	<u>556</u>	<u>360</u>	<u>823</u>
Aggregate depreciation at 26 January 1991	535	-	96	439
Charge for period	135	-	21	114
Disposals	( 16)	-	-	( 16)
Group transfers	2	-	-	2
Aggregate depreciation at 25 January 1992	<u>656</u>	<u>-</u>	<u>117</u>	<u>539</u>
Net book value at 25 January 1992	<u>1,083</u>	<u>556</u>	<u>243</u>	<u>284</u>
Net book value at 26 January 1991	<u>1,212</u>	<u>556</u>	<u>264</u>	<u>392</u>

## 10 FIXED ASSETS - Investments

Consolidated	Total £m	Interest in Associated Undertakings £m	Other Listed Investments £m	Unlisted Investments £m
Shares				
Cost at 26 January 1991	231.4	6.5	224.6	0.3
Additions	2.3	2.3	-	-
Cost at 25 January 1992	<u>233.7</u>	<u>8.8</u>	<u>224.6</u>	<u>0.3</u>
Amount written off at 25 January 1992 and at 26 January 1991	( 3.2)	( 3.2)	-	-
Share of post acquisition reserves	6.7	6.7	-	-
Net book value at 25 January 1992	<u>237.2</u>	<u>12.3</u>	<u>224.6</u>	<u>0.3</u>
Net book value at 26 January 1991	<u>229.1</u>	<u>4.2</u>	<u>224.6</u>	<u>0.3</u>
Share of Post Acquisition Reserves retained in the period	<u>0.2</u>	<u>0.2</u>	<u>-</u>	<u>-</u>

NOTES TO THE ACCOUNTS continued

10 FIXED ASSETS - Investments - continued

Company	Interest in Group Undertakings £m
Shares	
Cost at 26 January 1991	575.5
Disposals	( 1.9)
	<hr/>
Cost at 25 January 1992	573.6
	<hr/>
Amounts written off at 26 January 1991	( 1.9)
Disposals	1.9
	<hr/>
Amounts written off at 25 January 1992	-
	<hr/>
Share of post acquisition reserves:	
at 25 January 1992	267.7
	<hr/>
at 26 January 1991	277.1
	<hr/>
Totals	
Net book value at 25 January 1992	841.3
	<hr/>
Net book value at 26 January 1991	850.6
	<hr/>

The other listed investments are quoted on the London Stock Exchange and are held at historical cost less provision where, in the opinion of the directors, there has been a permanent diminution of their value. The market value of other listed investments at 25 January 1992 was £149.8 million (1991 £129.5 million).

On 31 May 1991 the voting control of Harrods Bank Limited was transferred to the Law Debenture Trust Corporation plc as trustee, although the Group continues to retain its full economic interest in Harrods Bank Limited. The results of Harrods Bank Limited have been accounted for using the equity method of accounting as, in the opinion of the directors, this is necessary in order to present a true and fair view of the financial position and the results for the period of the Group.

The other investment in an associated undertaking represents a 29.9% interest in the ordinary share capital of Mallett plc (listed company). The market value of this investment at 25 January 1992 was £4.4 million (1991 £4.7 million).

The Group holds 156,025,000 Ordinary 25p shares in Sears plc, representing 10.37% of the issued share capital of that Company.

The directors value the unlisted investments at not less than the book value in the accounts.

Details of the Group's principal subsidiary and associated undertakings are given on page 27.

NOTES TO THE ACCOUNTS continued

11 STOCKS	<u>Consolidated</u>	
	<u>1992</u>	<u>1991</u>
	£m	£m
The main categories of stock are:		
Raw materials and consumables	1.7	2.2
Work in progress	0.2	0.2
Finished goods for resale	138.0	144.9
	<u>139.9</u>	<u>147.3</u>

There was no significant difference between the replacement cost of stocks at 25 January 1992 and the amount at which they are stated in the accounts.

12 DEBTORS	<u>Consolidated</u>		<u>Company</u>	
	<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
	£m	£m	£m	£m
Amounts due within one year				
Trade debtors	11.5	148.5	-	-
Amounts owed by fellow subsidiary undertakings	0.6	0.2	0.6	0.2
Amounts owed by subsidiary undertakings	-	-	0.1	1.3
Other debtors	17.3	23.3	-	1.1
Prepayments	9.0	9.8	0.2	0.1
Other taxes	2.0	8.4	0.1	4.0
Advance Corporation Tax	-	4.1	-	-
	<u>40.4</u>	<u>194.3</u>	<u>1.0</u>	<u>6.7</u>
Amounts due after more than one year				
Trade debtors	-	74.1	-	-
Other debtors	17.6	2.0	-	-
	<u>17.6</u>	<u>76.1</u>	<u>-</u>	<u>-</u>
	<u>58.0</u>	<u>270.4</u>	<u>1.0</u>	<u>6.7</u>

13 INVESTMENTS

Listed		
Cost at 26 January 1991	0.5	1.5
Disposals	(0.3)	(1.0)
Total cost of investments at 25 January 1992	<u>0.2</u>	<u>0.5</u>
Market value at 25 January 1992	<u>0.2</u>	<u>0.5</u>

The Listed investments are quoted on the London Stock Exchange.

HOUSE OF FRASER HOLDINGS plc

NOTES TO THE ACCOUNTS continued

13 INVESTMENTS -- continued

	<u>Consolidated</u>	
	<u>1992</u>	<u>1991</u>
	£m	£m
Unlisted		
Cost at 26 January 1991	6.9	1.0
Additions	0.1	-
Disposals	-	(0.1)
Cost at 25 January 1992	1.0	0.9
Total cost of investments	<u>1.2</u>	<u>1.4</u>

The directors value the unlisted investments at not less than their book value.

14 CASH AND BANK BALANCES

Funds at call and short notice	12.9	11.8
Deposits	12.4	3.5
Other cash and bank balances	16.4	5.2
	<u>41.7</u>	<u>20.5</u>

15 CALLED UP SHARE CAPITAL

Authorised, allotted and fully paid  
50,000,000 ordinary shares of £1 each

	<u>Company and Consolidated</u>	
	<u>1992</u>	<u>1991</u>
	£m	£m
	<u>50.0</u>	<u>50.0</u>

16 RESERVES

	<u>Consolidated</u>		<u>Company</u>	
	<u>Revaluation Reserve</u>	<u>Profit &amp; Loss Account</u>	<u>Revaluation Reserve</u>	<u>Profit &amp; Loss Account</u>
	£m	£m	£m	£m
Balance at 26 January 1991	235.4	(21.6)	277.1	(63.3)
Currency translation	0.1	-	-	-
Deficit for the period	-	(10.6)	(15.2)	(4.2)
Goodwill on disposal of subsidiaries written off	-	(2.4)	-	-
Revaluation deficit	(6.0)	-	-	-
Transfer to Profit and Loss account of depreciation on revaluation surplus	(1.5)	1.5	-	-
Revaluation surplus realised on disposals	(0.2)	-	-	-
Premiums on acquisition of subsidiaries written off	-	(0.3)	-	-
Balance at 25 January 1992	<u>227.8</u>	<u>(33.4)</u>	<u>261.9</u>	<u>(67.5)</u>

At 25 January 1992, the cumulative amount of goodwill written off to reserves, net of goodwill relating to subsidiary undertakings disposed of, amounted to £74.7 million.

## NOTES TO THE ACCOUNTS continued

## 17 SUBORDINATED LOAN

The subordinated loan is an unsecured interest free loan of £100 million from Alfayed Investment and Trust S.A. which is repayable not earlier than 31st December 1995. The loan is expressed to be subordinated to the payment of all other liabilities of the company arising before that date.

In addition, Alfayed Investment and Trust S.A. has agreed to lend £50 million to the Company on the Company's demand and has provided a standby letter of credit to this effect. No sums have been drawn down under that agreement but should any amount be drawn then it would become a subordinated loan. The Company's rights under that agreement have been assigned to a syndicate of banks.

## 18 DEFERRED TAXATION

Provided in respect of capital allowances

	<u>Consolidated</u>		<u>Company</u>	
	<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
	£m	£m	£m	£m
Balance at 26 January 1991	8.1	8.5	-	-
Disposals	-	(0.2)	-	-
Credited in taxation (Note 6)	(3.5)	(0.2)	-	-
	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
Balance at 25 January 1992	<u>4.6</u>	<u>8.1</u>	<u>-</u>	<u>-</u>

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

(1) Capital allowances	28.7	28.8	-	(0.3)
(2) Short term timing differences	( 9.5)	( 12.3)	7.3	10.2
(3) Revaluation of properties	71.8	77.4	-	-
(4) Corporation tax on capital gains	15.7	12.2	-	-
	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
	<u>106.7</u>	<u>106.1</u>	<u>7.3</u>	<u>9.9</u>

In the opinion of the directors the potential liability in respect of the reversal of capital allowances and capital gains is 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. The availability of roll-over relief would eliminate any liability which could otherwise result from disposals.

Deferred taxation has not been provided in respect of the pension credit for the period ended 25 January 1992, as a tax liability will not crystallize as a result of any timing difference.

HOUSE OF FRASER HOLDINGS plc

NOTES TO THE ACCOUNTS continued

	<u>Consolidated</u>		<u>Company</u>	
	<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
	£m	£m	£m	£m
19 CREDITORS				
Amounts falling due after more than one year				
Debentures and loan stock	5.9	5.9	-	-
Bank loans	760.5	897.5	425.0	425.0
Other loans	0.5	0.5	-	-
	<u>766.9</u>	<u>903.9</u>	<u>425.0</u>	<u>425.0</u>
Other creditors	4.5	7.8	-	-
	<u>771.4</u>	<u>911.7</u>	<u>425.0</u>	<u>425.0</u>
Amounts falling due within one year				
Trade creditors	72.6	80.7	-	-
Debentures and loan stock	0.3	18.0	-	17.0
Bank overdrafts	8.7	8.3	-	0.4
Bank loans	-	7.3	-	-
Loans and overdrafts	9.0	33.6	-	17.4
Amounts due to parent company	51.5	20.9	51.5	19.9
Amounts due to fellow subsidiary undertaking	0.2	-	0.2	-
Other taxes and social security costs	26.9	42.4	-	-
Other creditors	31.9	36.6	-	-
Accruals	58.7	66.0	22.3	32.4
Advance Corporation Tax	-	4.1	-	-
Other liabilities	169.2	170.0	74.0	52.3
TOTAL AMOUNT DUE WITHIN ONE YEAR	<u>250.8</u>	<u>284.3</u>	<u>74.0</u>	<u>69.7</u>

Included in other creditors are obligations under finance leases payable as follows:

Under one year	3.3	4.3	-	-
Between two and five years	4.4	7.8	-	-
	<u>7.7</u>	<u>12.1</u>	<u>-</u>	<u>-</u>



HOUSE OF FRASER HOLDINGS plc

NOTES TO THE ACCOUNTS continued

19 CREDITORS continued

DEBENTURES, LOANS and OVERDRAFTS	Consolidated		Company	
	1992 £m	1991 £m	1992 £m	1991 £m
<b>A) UNSECURED</b>				
6% unsecured loan stock 1993/98	1.5	1.5	-	-
8 1/4% unsecured loan stock 1993/98	4.4	4.4	-	-
Unsecured loan notes 1990 (variable rate) *	0.1	0.1	-	-
Unsecured loan notes 1990 (1% below inter bank rate) **	0.2	0.3	-	-
Unsecured Loan Notes 1991 (variable rate) ***	-	17.0	-	17.0
Bank loans repayable within one year	-	2.4	-	-
Bank loans repayable 1993/94	100.0	220.0	-	-
Bank loans repayable 1995/96	50.0	70.0	-	-
Bank overdraft	8.7	7.8	-	0.4
	<u>164.9</u>	<u>323.5</u>	<u>-</u>	<u>17.4</u>
<b>B) SECURED</b>				
(on shares in subsidiary undertakings)				
Bank loans repayable 1993/94	50.0	50.0	50.0	50.0
Bank loans repayable 1994/95	50.0	50.0	50.0	50.0
Bank loans repayable 1995/96	325.0	325.0	325.0	325.0
(On assets of House of Fraser Property Investment plc)				
Bank loans repayable 1995/96	185.5	182.5	-	-
(On certain freehold and leasehold properties)				
At 6 3/4% repayable in 1994	0.5	0.5	-	-
8% Debenture stock 1986/91	-	0.6	-	-
(Floating charge over vehicle stock)				
Bank loan repayable within one year	-	0.4	-	-
(Fixed charge over book debts and freehold property of Modena Engineering Ltd)				
Bank overdrafts	-	0.5	-	-
Bank loan repayable within one year	-	4.5	-	-
	<u>775.9</u>	<u>937.5</u>	<u>425.0</u>	<u>442.4</u>

\* Unsecured Loan Notes 1990 (Variable rate)

Holders of loan notes to the value of £87,000 have elected to defer repayment of their notes to 31 July 1992 or to such date as may be agreed with the Company.

\*\* Unsecured Loan Notes 1990 (1% below inter bank rate)

Holders of loan notes to the value of £233,208 have elected to defer repayment of their notes to 31 July 1992 or to such date as may be agreed with the Company.

\*\*\* Unsecured Loan Notes 1991 (Variable rate)

These were repaid during the period.

## NOTES TO THE ACCOUNTS continued

## 19 CREDITORS continued

	<u>Consolidated</u>		<u>Company</u>	
	<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
	£m	£m	£m	£m
whereof:				
Debts and loan stock				
Repayable within one year	0.3	18.0	-	17.0
Repayable in five or more years	5.9	5.9	-	-
	<u>6.2</u>	<u>23.9</u>	<u>-</u>	<u>17.0</u>
Bank loans and overdrafts				
Repayable within one year or on demand	8.7	15.6	-	0.4
Repayable between one and two years	150.0	-	50.0	-
Repayable between two and five years	610.5	897.5	375.0	425.0
	<u>769.2</u>	<u>913.1</u>	<u>425.0</u>	<u>425.4</u>
Other loans				
Repayable within one year or on demand	0.5	-	-	-
Repayable between two and five years	-	0.5	-	-
	<u>0.5</u>	<u>0.5</u>	<u>-</u>	<u>-</u>
	<u>775.9</u>	<u>937.5</u>	<u>425.0</u>	<u>442.4</u>

## NOTES TO THE ACCOUNTS continued

	<u>Consolidated</u>		<u>Company</u>	
	1992	1991	1992	1991
	£m	£m	£m	£m
20 CAPITAL COMMITMENTS				
Contracted for but not yet provided	4.6	8.4	-	-
Authorised by directors but not yet contracted for	0.3	1.8	-	-
	<u>4.9</u>	<u>10.2</u>	<u>-</u>	<u>-</u>

## 21 LEASING COMMITMENTS

Commitments during the year commencing 26 January 1992 in respect of operating leases of land and buildings are:

	<u>Consolidated</u>		<u>Company</u>	
	1992	1991	1992	1991
	£m	£m	£m	£m
Leases expiring:				
Within one year	0.9	0.2	-	-
Between two and five years	1.8	0.3	-	-
Over five years	22.6	15.0	0.2	0.2
	<u>25.3</u>	<u>15.5</u>	<u>0.2</u>	<u>0.2</u>

## 22 PARENT UNDERTAKINGS

House of Fraser Holdings plc, a company incorporated in England, is the parent company of the House of Fraser Holdings plc Group which is both the smallest and largest Group which consolidates the results of the Company.

The ultimate parent 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.

# PRINCIPAL SUBSIDIARY UNDERTAKINGS

Operating at 25 January 1992

The following companies are registered in Scotland and operate in the United Kingdom:

	<u>Principal Activity</u>
* House of Fraser plc	Holding Company
House of Fraser (Stores) Limited	Department Stores
House of Fraser (Finance) Limited	Finance Company
Retail & General Finance Limited	Finance Company

The following companies are registered in England and Wales and operate in the United Kingdom:

Harrods Limited	Department Store
Carvela Shoes Limited	Footwear Retailers
Kurt Geiger Limited	Footwear Retailers
Turnbull & Asser Limited	Shirtmakers & Clothiers
Jennyn Street Shirtmakers Limited	Shirtmakers & Clothiers
Charles Hill Silks Limited	Tie Manufacturers
Geravco Insurance Limited	Insurance Brokers
* House of Fraser Property Investment plc	Investment Company

The following company is registered in and operates in Guernsey:

Stay Insurance Company Limited	Insurance Underwriting
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\* The whole of the issued share capital in these companies is owned directly by House of Fraser Holdings plc. The shares in the other companies are held by intermediate holding companies.

## ASSOCIATED UNDERTAKINGS at 25 January 1992

The following companies are registered in England and Wales and operate in the United Kingdom:

	<u>Accounting Date</u>	<u>Share Capital</u>	<u>% held by House of Fraser</u>
Mallett plc Antique Dealers	31 December	13,800,060 Ordinary Shares of 5p	29.9 (indirect)
Harrods Bank Limited	25 January	100 Ordinary Voting Shares of £1	-
		5,000,000 Non Voting Shares of £1	100 (indirect)

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

Southwark Towers  
32 London Bridge Street  
London SE1 9SY

Price Waterhouse

We have audited the financial statements on pages 5 to 27 in accordance with 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 25 January 1992 and of the 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.

*Price Waterhouse*

PRICE WATERHOUSE  
Chartered Accountants  
and Registered Auditor

11 May 1992