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HOUSE OF FRASER HOLDINGS plc

DIRECTORS' REPORT AND ACCOUNTS
53 WEEKS ENDED 30 JANUARY 1993

HOUSE OF FRASER HOLDINGS plc

CONTENTS

Directors

M. Al Fayed
A. Fayed
M.D. Cole
.M. Walsh
D.R. Webb

Secretary

.R.P. Davies

Registered Office

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London SW1P 1BH
Registered in England and Wales No 1848143

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated accounts of the House of Fraser Holdings plc and its subsidiary companies, the Group, for the 53 weeks ended 30 January 1993.

Directors

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

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 Limited (formerly House of Fraser plc) which continues to operate the department stores and other retail businesses which comprise the House of Fraser Limited Group.

Results and Dividends

The Group's profit before exceptional items for the 53 weeks to 30 January 1993 amounted to £2.6 million (52 weeks to 25 January 1992 - £25.9 million loss).

Exceptional losses for the 53 weeks to 30 January 1993 amounted to £68.7 million (52 weeks to 25 January 1992 - £12.0 million profit). These losses were almost entirely due to the write down of the Group's investment in Sears plc.

The Directors do not propose the payment of a dividend and an amount of £64.5 million has been transferred from reserves.

Review of the Business

Reported turnover increased by 4.6% during the year (5.8% after adjusting for the disposal of the credit card business in the prior year), and represents a very strong performance in difficult market conditions. Reported gross margins fell by 1.0%. However, on an underlying basis, gross margins actually grew from 36.3% to 36.6% after adjusting for the impact of the credit card business and the classification of concession fees in the prior year. Together with volume and margin improvements, the Group's ongoing focus on cost reduction and manpower productivity has resulted in an overall increase in operating profit of 29.4%.

The Group continued to reduce its manpower headcount, with average staff numbers falling by 10.2% during the year. This has led to greatly improved manpower productivity with total staff costs now representing 12.3% of total turnover compared to 13.8% in the prior year.

The Board is encouraged by the results of the Group's investment programme with new and recently refurbished stores already making a significant contribution to Group results. Major investment undertakings in the year included the opening of a new store at The Shires, Leicester, in February 1992 and major refurbishment work carried out at Howells, Cardiff.

Harrods continued its redevelopment programme by creating over 4,000 square feet of additional selling space and continuing with general refurbishment during the year.

Interest charges were reduced substantially during the year mainly due to the fact that credit card debtors no longer require financing, subsequent to the sale of the credit card business, and the impact of lower interest rates in the latter part of the year.

The Group's investment in Sears plc, representing 156,025,000 ordinary shares, was written down to market value, £1 per share, as at 30 January 1993. This resulted in an exceptional loss being recognised in the accounts of £68.6 million.

Post Balance Sheet Events

On 30 April 1993 the Company together with its subsidiaries, House of Fraser Limited and House of Fraser Property Investment plc, refinanced their then existing bank borrowings. These new facilities have been provided by a significantly smaller group of banks.

ı addition, the Group's ultimate parent company lvanced a further £50.0 million which is ıbordinated to all bank borrowings until 30 pril 1995. The effects of the refinancing are ɜt out in Note 19 to the accounts.

he Group's investment in Sears plc, ɜpresenting 156,025,000 ordinary shares, was ɔld at £1 per share on 14 April 1993.

'hanges in Fixed Assets

he changes are set out in Notes 9 and 10 to the ccounts. During the year the Group's direct ɜw investment in tangible fixed assets amounted) £15.4 million.

reehold and leasehold properties with a net ook value of £8.1 million were disposed of uring the year.

'evaluation of Properties

'he freehold and long leasehold properties of the 'ompany's retail subsidiary undertaking have een valued by the Directors as at 30 January 993 based on sample valuations representing pproximately 78% of the total, which were arried out by Healey & Baker, International eal Estate Consultants and Richard Ellis, nternational Chartered Surveyors & Property 'onsultants, on the basis of open market value ɔr the existing use.

'he freehold investment properties held by louse of Fraser Property Investment plc were lso valued by the Directors at 30 January 1993 y adopting valuations carried out by Healey & aker, International Real Estate Consultants, in ıctober 1992, on the basis of open market alue.

he Directors' valuations showed a deficit of 4.8 million which has been deducted from ɜserves and is shown in Note 16 to the ccounts.

irectors' Interests

Ir M. Al Fayed and Mr A. Fayed are ɜneficially interested in the shares of the ompany. No other Director in office at 30 ınuary 1993 held any beneficial interest in the ıares or debentures of the Company or of any ' its subsidiary undertakings at 26 January 1992 or at 30 January 1993. Directors who are also Directors of House of Fraser Limited, hold non-beneficial qualification shares which are disclosed in the Directors' Report of that company.

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 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 Persons

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

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. Employees are made aware of their contribution to the Company through individual performance appraisals.

he House of Fraser Pension Plan has a
ommittee of staff representatives who are kept
nformed of the administration, performance and
levelopment of the Plan. Participation in the
uture development of the business is provided
hrough the Group's Share Option Plan.

onations

he charitable donations made and charged in
he accounts amounted to £720,157. No political
ontributions were made.

uditors

rice Waterhouse have expressed their
villingness to continue in office as Auditors to
he Company and a resolution proposing their re-
ppointment and authorising the Directors to fix
heir remuneration will be put to the Annual
eneral Meeting.

lose Company

s at 30 January 1993 the Company was a Close
ompany within the meaning of Part XI Chapter
of the Income and Corporation Taxes Act
988.

y Order of the Board

.R.P. DAVIES

ompany Secretary
7 May 1993

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 comply with the disclosure requirements of the Companies Act 1985 and applicable accounting standards.

Compliance with SSAP 19 "Accounting for Investment Properties" requires departure from the requirements of Companies Act 1985 relating to depreciation and amortisation and an explanation of the departure is given below.

The Accounting Standards Board (ASB) has published FRS3: Reporting Financial Performance. FRS3 requires major changes in the presentation of financial performance in the profit and loss account and in the reporting of all other recognised gains and losses. FRS3 is mandatory for accounting periods ending on or after 22 June 1993 and will be adopted in next year's accounts.

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 results.

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.

Tangible Fixed Assets. Freehold and long leasehold properties are stated at either professional or Directors' valuation. All other fixed assets are stated at cost.

Fixed Asset Investments. The Group accounts for its fixed asset investments at cost less any provision required for permanent diminution in value.

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.

Investment Properties. In accordance with SSAP 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve. No provision is made for depreciation of the investment properties. This departure from the requirements of the Companies Act 1985, which requires all properties to be depreciated, is, in the opinion of the Directors, necessary for the accounts to show a true and fair view in accordance with applicable accounting standards.

The depreciation or amortisation (which would, had the provisions of the Act been followed, have reduced profit for the year) is only one of the factors reflected in the annual valuation and the amount attributable to this factor cannot reasonably be separately identified or quantified.

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

Freehold and Long Leasehold buildings including landlords' plant
15-100 years

Short Leaseholds
Remaining period of lease

Fixtures & Fittings
3-10 years

Vehicles & Equipment
4-7 years

is the practice of the Group to maintain its operties in a continual state of repair. :cordingly, for some properties the residual ılue, based upon prices at the time of valuation, is at least equal to the current value ıd there is no charge for depreciation.

epreciation arising on the revaluation surplus ' properties is charged to the profit and loss :count and then transferred to the revaluation :serve.

ıvestment properties are not depreciated.

eased Assets. Assets acquired under finance :ases are capitalised so as to reflect the fair alue of the asset acquired, and depreciated at a ıte which is appropriate given the terms of the :ase and life of the asset. The interest element f the rental charge is taken to the profit and ›ss account in proportion to the capital element utstanding. Rentals payable under operating :ases are charged to the profit and loss account ver the lease term.

'roperty Development. In the case of major ıroperty development projects the interest on the apital borrowed to finance the project is, where eparately identifiable and to the extent that it ccrues during the period of development, apitalised as part of the cost of the asset.

'roperty Sales. Surpluses on the disposal of ıroperties and fixed asset investments are etermined by reference to their historic cost.

)eferred Taxation. Deferred taxation is ırovided in respect of differences arising from ıe inclusion of income and expenditure in ıxation computations in periods different from hose in which they are included in the accounts, nd where a tax liability is expected to rystallize.

'ensions. Retirement benefits are funded by ontributions from the group and employees. 'ayment is made to the pension trust, which is inancially separate from the Group, in ccordance with calculations made periodically y consulting actuaries. Contributions are harged to the profit and loss account on a basis ıat spreads the expected cost of providing ensions over the average remaining service ves of employees in the plan.

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 to 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.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the 53 weeks ended 30 January 1993

Note		53 weeks to 30/1/93 £m	52 weeks to 25/1/92 £m
	TOTAL TURNOVER	1,228.4	1,165.0
	Value Added Tax	(163.5)	(147.2)
1	Turnover	1,064.9	1,017.8
	Cost of sales	(675.0)	(635.0)
	GROSS PROFIT	389.9	382.8
	Distribution and store costs	(296.5)	(292.8)
	Administrative expenses	(24.8)	(37.0)
2	**OPERATING PROFIT**	68.6	53.0
3	Other income	19.1	20.5
4	Interest	(85.1)	(99.4)
	PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE EXCEPTIONAL ITEMS	2.6	(25.9)
5	Exceptional items	(68.7)	12.0
	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(66.1)	(13.9)
6	Taxation	1.6	3.3
	TRANSFER FROM RESERVES	(64.5)	(10.6)

The movements on reserves are shown in Note 16.

BALANCE SHEETS
at 30 January 1993

Note		Consolidated 1993 £m	Consolidated 1992 £m	Company 1993 £m	Company 1992 £m
	ASSETS				
	FIXED ASSETS				
9	Tangible assets	868.0	893.2	0.4	1.1
10	Investments	168.5	237.2	760.5	841.3
		1,036.5	1,130.4	760.9	842.4
	CURRENT ASSETS				
11	Stocks	140.8	139.9	-	-
12	Debtors due within one year	39.9	36.0	0.8	1.0
12	Debtors due after more than one year	25.5	22.0	-	-
13	Investments	1.5	1.2	-	-
14	Cash and bank balances	47.5	41.7	-	-
		255.2	240.8	0.8	1.0
		1,291.7	1,371.2	761.7	843.4
	LIABILITIES				
	CAPITAL AND RESERVES				
5	Called up share capital	50.0	50.0	50.0	50.0
6	Revaluation reserve	217.9	227.8	186.9	261.9
6	Profit and loss account	(97.1)	(33.4)	(66.1)	(67.5)
		170.8	244.4	170.8	244.4
7	Subordinated loan from shareholders	100.0	100.0	100.0	100.0
		270.8	344.4	270.8	344.4
	PROVISION FOR LIABILITIES AND CHARGES				
8	Deferred taxation	3.4	4.6	-	-
	CREDITORS:				
9	Amounts falling due within one year	374.2	250.8	115.9	74.0
9	Amounts falling due after more than one year	643.3	771.4	375.0	425.0
		1,291.7	1,371.2	761.7	843.4

Approved by the Board on 27 May 1993

FAYED
Director

J.M. WALSH
Director

CONSOLIDATED CASH FLOW STATEMENT
or the 53 weeks ended 30 January 1993

Note		53 weeks to 30/1/93 £m	52 weeks to 25/1/92 £m
.	Net cash inflow from operating activities	65.6	91.7
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
	Interest received	6.9	9.7
	Interest paid	(97.6)	(90.3)
	Dividends received from associated undertaking	0.2	0.3
	Dividends received from other investments	10.1	11.3
	Rent received from properties	8.5	8.4
	Net cash outflow from returns on investments and servicing of finance	(71.9)	(60.6)
	INVESTING ACTIVITIES		
	Purchase of tangible fixed assets	(19.9)	(34.1)
	Sale of tangible fixed assets	8.6	3.6
	Store closure costs	(1.8)	-
	Reclassification of Harrods Bank Limited	-	(7.9)
	Purchases less sales of current asset investments	(0.3)	-
	Planning costs on aborted projects	(0.3)	-
	Purchase of employee share options in subsidiary undertakings	(0.4)	-
	Net proceeds on disposal of credit operations	-	158.4
	Net proceeds on disposal of businesses	-	5.5
	Net cash (outflow)/inflow from investing activities	(14.1)	125.5
	Net cash (outflow)/inflow before financing	(20.4)	156.6
	FINANCING		
	(Increase)/Repayment of amounts borrowed	(15.9)	131.4
	Capital element of finance lease repayments	3.3	4.4
4	Net cash (inflow)/outflow from financing	(12.6)	135.8
2&3	(Decrease)/Increase in cash and cash equivalents	(7.8)	20.8
		(20.4)	156.6

NOTES TO THE CASH FLOW STATEMENT
for the 53 weeks ended 30 January 1993

	53 weeks to 30/1/93 £m	52 weeks to 25/1/92 £m
RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Operating profit	68.6	53.0
Depreciation charged	26.2	27.7
(Increase)/Decrease in stocks	(0.9)	5.4
(Increase)/Decrease in debtors	(6.5)	55.5
(Decrease) in creditors	(21.8)	(49.9)
Net cash inflow from operating activities	65.6	91.7
ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR		
Balance at 25 January 1992	33.0	12.2
Net cash (outflow)/inflow (see Note 3)	(7.8)	20.8
Balance at 30 January 1993	25.2	33.0

	53 weeks to 30/1/93 £m	52 weeks to 25/1/92 £m	Change in year £m
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET			
Bank overdrafts	(22.3)	(8.7)	(13.6)
Deposits and funds held at call and short notice	32.7	25.3	7.4
Other cash and bank balances	14.8	16.4	(1.6)
	25.2	33.0	(7.8)

	Loans and finance lease obligations £m	Subordinated debt and share capital £m
ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR		
Balance at 25 January 1992	(826.4)	(150.0)
Cash inflows from financing	(12.6)	-
Balance at 30 January 1993	(839.0)	(150.0)

NOTES TO THE ACCOUNTS
for the 53 weeks ended 30 January 1993

		53 weeks to 30/1/93 £m	52 weeks to 25/1/92 £m
1	**TURNOVER** - is the amount receivable, excluding VAT, for goods and services supplied to customers and includes the sales of concession departments.		
	United Kingdom	1,064.9	1,017.8

Turnover for the 53 weeks to 30 January 1993 includes account interest receivable of £Nil (52 weeks to 25 January 1992 - £11.6 million) in respect of the credit card business sold in June 1991.

In the opinion of the Directors, the Group conducts only one significant class of business in one geographical area. Any further segmental analysis of this information would be immaterial.

2 **OPERATING PROFIT** - is stated after charging:

	53 weeks to 30/1/93 £m	52 weeks to 25/1/92 £m
Depreciation:		
Tangible fixed assets	23.5	24.6
Assets held under finance leases	2.7	3.1
Auditors' remuneration		
Audit fees and expenses	0.5	0.6
Non-audit services	0.1	-
Rentals paid under operating leases:		
Property	11.3	16.0
Hire of plant and machinery	1.5	1.8

3 **OTHER INCOME**

	53 weeks to 30/1/93 £m	52 weeks to 25/1/92 £m
Net rental income	8.4	8.4
Investment income:		
Share of profits of associated undertakings	0.2	0.8
Income from fixed asset investment - listed	10.0	11.2
Income from current asset investment - unlisted	0.1	0.1
Insurance proceeds	0.4	-
	19.1	20.5

4 **INTEREST**

	53 weeks to 30/1/93 £m	52 weeks to 25/1/92 £m
Payable:		
Bank loans and overdrafts	(91.2)	(107.1)
Other loans repayable within 5 years	(0.1)	(0.1)
Loans not repayable within 5 years	(0.5)	(0.5)
Finance leases	(0.5)	(1.0)
	(92.3)	(108.7)
Receivable:		
Other interest receivable	7.2	9.3
	(85.1)	(99.4)

	53 weeks to 30/1/93 £m	52 weeks to 25/1/92 £m
5 EXCEPTIONAL ITEMS		
Provision against fixed asset investment	(68.6)	-
Net loss on property related transactions	(0.1)	(2.6)
Net premium on disposal of credit operations	-	6.3
Profit on disposal of businesses and abortive disposal compensation	-	5.9
Discount on acquisitions previously credited to reserves	-	2.4
	(68.7)	12.0

The Group's investment in Sears plc was written down to market value as at 30 January 1993 in recognition of a permanent diminution in value.

	53 weeks to 30/1/93 £m	52 weeks to 25/1/92 £m
6 TAXATION		
Taxation based on the profits of the year:		
Corporation tax at 33%	-	(0.2)
Deferred tax	(3.5)	1.6
Tax credit on franked investment income	0.5	(0.2)
Associated undertakings	(0.1)	(0.2)
Adjustment for earlier years:		
Corporation tax	-	0.4
Deferred tax	4.7	1.9
	1.6	3.3

There is no corporation tax charge in the Group for the year, as group relief has been surrendered by the parent company to its subsidiary undertakings.

	53 weeks to 30/1/93 £m	52 weeks to 25/1/92 £m
7 PROFIT/(LOSS) FOR THE FINANCIAL YEAR		
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 profit/(loss), attributable to House of Fraser Holdings plc for the year, after taxation, dealt with in the accounts of the Company was:	7.2	(4.2)

NOTES TO THE ACCOUNTS continued

	53 weeks to 30/1/93 £'000	52 weeks to 25/1/92 £'000
INFORMATION REGARDING DIRECTORS AND EMPLOYEES		
Directors' emoluments:		
Emoluments including pension contributions	189	282
Emoluments of the Chairman	Nil	Nil
Emoluments of highest paid Director	106	105

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

	Number	Number
£ 0 - £5,000	3	3
£ 10,001 - £15,000	-	1
£ 40,001 - £45,000	-	1
£ 50,001 - £55,000	-	1
£ 60,001 - £65,000	-	1
£ 80,001 - £85,000	1	-
£ 100,001 - £105,000	-	1
£ 105,001 - £110,000	1	-

	£m	£m
Staff costs:		
Wages and salaries	147.1	157.0
Social security costs	10.4	10.9
Other pension costs	(5.6)	(6.2)
	151.9	161.7

	Number	Number
Average weekly number of employees during the year:		
United Kingdom	15,433	17,185

NOTES TO THE ACCOUNTS continued

8 INFORMATION REGARDING DIRECTORS AND EMPLOYEES continued

Pensions

The Group operates a single pension scheme in the UK, namely the House of Fraser Pension Plan. The Plan is operated as a defined benefit group pension scheme in the UK.

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 Group.

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 pension cost.

The pension cost charged (credit for the current year) 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 Plan.

The pension credit for the 53 weeks ended 30 January 1993 was £5.6 million (52 weeks ended 25 January 1992 £6.2 million).

A prepayment of £10.0 million (25 January 1992 - £4.4 million) is included in the accounts, being the excess of the pension credit over the regular pension cost for the year to 30 January 1993 together with the prepayment at 25 January 1992 and interest thereon.

NOTES TO THE ACCOUNTS continued

9 FIXED ASSETS - Tangible Assets

CONSOLIDATED	Total £m	Freeholds £m	Long Leaseholds £m	Short Leaseholds £m	Fixtures Fittings Vehicles & Equipment £m
Cost and valuation at 25 January 1992	1,020.0	643.9	86.4	46.5	243.2
Additions	15.4	1.6	0.1	0.2	13.5
Disposals	(20.4)	(7.6)	(0.5)	(0.5)	(11.8)
Reclassification	-	2.5	(2.5)	-	-
Revaluation surplus/(deficit)	(6.2)	(8.9)	2.7	-	-
Cost and valuation at 30 January 1993	1,008.8	631.5	86.2	46.2	244.9
Aggregate depreciation at 25 January 1992	126.8	-	-	4.5	122.3
Charge for year	26.2	0.5	0.9	1.4	23.4
Disposals	(10.8)	-	-	(0.5)	(10.3)
Revaluation surplus	(1.4)	(0.5)	(0.9)	-	-
Aggregate depreciation at 30 January 1993	140.8	-	-	5.4	135.4
Net book value at 30 January 1993	868.0	631.5	86.2	40.8	109.5
Net book value at 25 January 1992	893.2	643.9	86.4	42.0	120.9
Cost and valuation:					
1981 professional valuation	2.1	-	-	2.1	-
1988 professional valuation	14.8	-	-	14.8	-
1993 Directors' valuation	717.7	631.5	86.2	-	-
Cost	274.2	-	-	29.3	244.9
	1,008.8	631.5	86.2	46.2	244.9
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	665.4	379.9	136.5	28.1	120.9
Historical cost at 30 January 1993	789.6	382.4	130.8	31.5	244.9
Depreciation on historical cost at 30 January 1993	(139.5)	-	-	(4.1)	(135.4)
Net historical cost at 30 January 1993	650.1	382.4	130.8	27.4	109.5

NOTES TO THE ACCOUNTS continued

9 **FIXED ASSETS - Tangible Assets** continued

INVESTMENT PROPERTIES included above	Freeholds £m
Cost at 25 January 1992 and at 30 January 1993	87.2
Revaluation surplus at 25 January 1992	35.3
Revaluation deficit for year	(20.0)
Revaluation surplus at 30 January 1992	15.3
Net book value at 30 January 1993	102.5
Net book value at 25 January 1992	122.5

The freehold and long leasehold properties of House of Fraser Limited have been valued by the Directors at 30 January 1993 based on sample valuations 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 30 January 1993 by adopting valuations carried out by Healey & Baker, International Real Estate Consultants, in October 1992 on the basis of open market value. These valuations have been incorporated in the accounts at 30 January 1993.

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 fixtures, fittings, vehicles & equipment includes an amount of £6.1 million (25 January 1992 £8.9 million) in respect of assets held under finance leases.

Included in the cost of fixed tangible assets is £3.3 million (net of tax) of capitalised interest of which £0.1 million (25 January 1992 £0.3 million) was incurred during the year.

NOTES TO THE ACCOUNTS continued

9 **FIXED ASSETS - Tangible Assets continued**

COMPANY	Total £m	Freehold £m	Short Leaseholds £m	Fixtures Fittings Vehicles & Equipment £m
Cost at 25 January 1992	1.7	0.6	0.3	0.8
Additions	0.1	-	-	0.1
Disposals	(0.6)	(0.6)	-	-
Cost at 30 January 1993	1.2	-	0.3	0.9
Aggregate depreciation at 25 January 1992	0.6	-	0.1	0.5
Charge for year	0.2	-	-	0.2
Aggregate depreciation at 30 January 1993	0.8	-	0.1	0.7
Net book value at 30 January 1993	0.4	-	0.2	0.2
Net book value at 25 January 1992	1.1	0.6	0.2	0.3

10 **FIXED ASSETS - Investments**

CONSOLIDATED	Total £m	Associated Undertakings £m	Other Listed Investment £m	Unlisted Investments £m
Shares				
Cost at 25 January 1992	233.6	8.7	224.6	0.3
Reclassification	6.0	(2.2)	-	8.2
Cost at 30 January 1993	239.6	6.5	224.6	8.5
Written off at 25 January 1992	3.1	3.1	-	-
Written off during year	68.6	-	68.6	-
Written off at 30 January 1993	71.7	3.1	68.6	-
Net book value at 30 January 1993	167.9	3.4	156.0	8.5
Net book value at 25 January 1992	230.5	5.6	224.6	0.3
Share of post-acquisition reserves				
At 25 January 1992	6.7	6.7	-	-
Reclassification	(6.0)	(6.0)	-	-
Retained in year	(0.1)	(0.1)	-	-
At 30 January 1993	0.6	0.6	-	-
Totals				
Net Book value at 30 January 1993	168.5	4.0	156.0	8.5
Net Book value at 25 January 1992	237.2	12.3	224.6	0.3

NOTES TO THE ACCOUNTS continued

10 FIXED ASSETS - Investments continued

COMPANY	Subsidiary Undertakings £m
Shares	
Cost at 25 January 1992 and at 30 January 1993	573.6
Share of post acquisition reserves	
At 25 January 1992	267.7
Change in year	(80.8)
At 30 January 1993	186.9
Totals	
Net book value at 30 January 1993	760.5
Net book value at 25 January 1992	841.3

The other listed investment, representing 156,025,000 ordinary shares in Sears plc (10.37% of the issued share capital of that company), was written down to market value as at 30 January 1993 prior to sale at £1 per share on 14 April 1993.

Harrods Bank Limited has been accounted for as an unlisted investment, although the Group continues to retain its full economic interest in the company. The investment value of the company has been frozen as at 26 January 1992 and transferred from associated undertakings to fixed asset investments.

The other investment in an associated undertaking represents a 29.9% interest in the ordinary share capital of Mallett plc. The market value of this listed investment at 30 January 1993 was £2.8 million (25 January 1992 - £4.4 million).

The listed investments are quoted on the London Stock Exchange. The Directors value the unlisted investments at not less than the book value.

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

NOTES TO THE ACCOUNTS continued

	Consolidated 1993 £m	Consolidated 1992 £m	Company 1993 £m	Company 1992 £m
11 STOCKS				
The main categories of stock are:				
Raw materials and consumables	1.4	1.7	-	-
Work in progress	0.2	0.2	-	-
Finished goods for resale	139.2	138.0	-	-
	140.8	139.9	-	-

There was no significant difference between the replacement cost of stocks at 30 January 1993 and the amount at which they are stated in the accounts.

12 DEBTORS

	Consolidated 1993 £m	Consolidated 1992 £m	Company 1993 £m	Company 1992 £m
AMOUNTS DUE WITHIN ONE YEAR				
Trade debtors	16.8	11.5	-	-
Amounts owed by fellow subsidiary undertakings	-	0.6	-	0.6
Amounts owed by subsidiary undertakings	-	-	-	0.1
Other debtors	18.8	17.3	-	-
Prepayments	2.4	4.6	0.1	0.2
Other taxes	1.3	2.0	0.1	0.1
Advance Corporation Tax	0.6	-	0.6	-
	39.9	36.0	0.8	1.0
AMOUNTS DUE AFTER MORE THAN ONE YEAR				
Other debtors	15.5	17.6	-	-
Prepayments	10.0	4.4	-	-
	25.5	22.0	-	-

13 INVESTMENTS

	Consolidated 1993 £m	Consolidated 1992 £m	Company 1993 £m	Company 1992 £m
LISTED				
Cost at 25 January 1992	0.2	0.5	-	-
Disposals	(0.2)	(0.3)	-	-
Cost at 30 January 1993	-	0.2	-	-
Market value at 30 January 1993	-	0.2	-	-

The listed investments are quoted on the London Stock Exchange.

NOTES TO THE ACCOUNTS continued

	Consolidated 1993 £m	Consolidated 1992 £m	Company 1993 £m	Company 1992 £m
13 INVESTMENTS continued				
UNLISTED				
Cost at 25 January 1992	1.0	0.9	-	-
Additions	0.5	0.1	-	-
Cost at 30 January 1993	1.5	1.0	-	-
Total Investments	1.5	1.2	-	-

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

14 CASH AND BANK BALANCES

	Consolidated 1993 £m	Consolidated 1992 £m	Company 1993 £m	Company 1992 £m
Deposits and funds held at call and short notice	32.7	25.3	-	-
Other cash and bank balances	14.8	16.4	-	-
	47.5	41.7	-	-

15 CALLED UP SHARE CAPITAL

	Consolidated 1993 £m	Consolidated 1992 £m	Company 1993 £m	Company 1992 £m
Authorised, allotted and fully paid 50,000,000 ordinary shares of £1	50.0	50.0	50.0	50.0

	Consolidated Revaluation Reserve £m	Consolidated Profit & Loss Account £m	Company Revaluation Reserve £m	Company Profit & Loss Account £m
16 RESERVES				
Balance at 25 January 1992	227.8	(33.4)	261.9	(67.5)
Transfer from reserves	-	(64.5)	-	7.2
Premiums on acquisition of subsidiaries written off	-	(0.3)	-	-
Revaluation deficit on tangible fixed assets	(4.8)	-	-	-
Revaluation deficit on investment in subsidiaries	-	-	(80.8)	-
Transfers from Profit and Loss account of depreciation on revaluation surplus	(1.4)	1.4	-	-
Revaluation surplus realised on disposals	(4.0)	-	-	-
Reclassification	0.3	(0.3)	5.8	(5.8)
Balance at 30 January 1993	217.9	(97.1)	186.9	(66.1)

At 30 January 1993, 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 31 December 1995. The loan is expressed to be subordinated to the payment of all bank borrowings of the company arising before that date.

Subsequent to the year end, further amounts due to Alfayed Investment and Trust S.A. were subordinated to the bank borrowings of the Company as detailed in Note 19.

18 DEFERRED TAXATION

	Consolidated		Company	
	1993	1992	1993	1992
	£m	£m	£m	£m
Provided in respect of capital allowances:				
Balance at 25 January 1992	4.6	8.1	-	-
Credited in taxation (Note 6)	(1.2)	(3.5)	-	-
Balance at 30 January 1993	3.4	4.6	-	-
In addition to the amount provided for deferred taxation, there are potential liabilities in respect of taxation deferred in relation to:				
Capital allowances	28.7	28.7	0.1	-
Corporation tax on capital gains	15.6	15.7	-	-
Revaluation of properties	62.8	71.8	-	-
Short term timing differences	3.4	(9.5)	5.7	7.3
	110.5	106.7	5.8	7.3

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 for in respect of the pension credit for the year ended 30 January 1993, as a tax liability will not crystallize as a result of any timing difference.

NOTES TO THE ACCOUNTS continued

	Consolidated 1993 £m	Consolidated 1992 £m	Company 1993 £m	Company 1992 £m
19 CREDITORS				
AMOUNTS FALLING DUE WITHIN ONE YEAR				
Loan notes	0.3	0.3	-	-
Bank overdrafts	22.3	8.7	0.6	-
Bank loans	145.0	-	50.0	-
	167.6	9.0	50.6	-
Trade creditors	67.0	72.6	-	-
Amounts due to parent company	46.9	51.5	46.9	51.5
Amounts due to fellow subsidiary undertaking	-	0.2	-	0.2
Taxation and social security	22.6	26.9	-	-
Other creditors	21.3	31.9	-	-
Accruals	48.8	58.7	18.4	22.3
	374.2	250.8	115.9	74.0
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR				
Loan stock	5.9	5.9	-	-
Bank loans	636.0	760.5	375.0	425.0
Other loans	0.5	0.5	-	-
	642.4	766.9	375.0	425.0
Other creditors	0.9	4.5	-	-
	643.3	771.4	375.0	425.0

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

	Consolidated 1993 £m	Consolidated 1992 £m	Company 1993 £m	Company 1992 £m
Within one year	3.5	3.3	-	-
Between one and five years	0.9	4.4	-	-
	4.4	7.7	-	-

NOTES TO THE ACCOUNTS continued

	Consolidated		Company	
	1993	1992	1993	1992
	£m	£m	£m	£m
19 CREDITORS continued				
LOANS AND OVERDRAFTS				
(a) Unsecured:				
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	0.2	-	-
Bank loans repayable 1993/94	95.0	100.0	-	-
Bank loans repayable 1995/96	72.5	50.0	-	-
Bank overdraft	22.3	8.7	0.6	-
	196.0	164.9	0.6	-
(b) Secured:				
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	188.5	185.5	-	-
On freehold property:				
6 3/4% mortgage repayable 1994	0.5	0.5	-	-
	810.0	775.9	425.6	425.0

* **Unsecured Loan Notes 1990 (Variable rate)**
Holders of loan notes to the value of £81,000 have elected to defer repayment of their notes to 31 July 1993 or to such date as may be agreed with House of Fraser Limited.

** **Unsecured Loan Notes 1990 (1% below inter bank rate)**
Holders of loan notes to the value of £214,814 have elected to defer repayment of their notes to 31 July 1993 or to such date as may be agreed with House of Fraser (Stores) Limited.

	Consolidated 1993 £m	Consolidated 1992 £m	Company 1993 £m	Company 1992 £m
19 CREDITORS continued				
LOAN NOTES AND LOAN STOCK				
Repayable within one year or on demand	0.3	0.3	-	-
Repayable in five or more years	5.9	5.9	-	-
	6.2	6.2	-	-
BANK LOANS AND OVERDRAFTS				
Repayable within one year or on demand	167.3	8.7	50.6	-
Repayable between one and two years	50.0	150.0	50.0	50.0
Repayable between two and five years	586.0	610.5	325.0	375.0
	803.3	769.2	425.6	425.0
OTHER LOANS				
Repayable between one and two years	0.5	0.5	-	-

On 30 April 1993 the Company together with its subsidiaries, House of Fraser Limited and House of Fraser Property Investments plc, refinanced the above bank borrowings. The new facilities bear interest at variable rates linked to LIBOR and are secured by the assets and businesses of certain subsidiaries of the Group.

Prior to the refinancing, the Group repaid loans amounting to £236.9 million. The new agreements require phased reductions in the facilities, to the extent that such facilities are not satisfactorily rearranged, amounting to a maximum of £150.6 million prior to 30 April 1994 and £500.0 million in the year prior to 30 April 1995.

Total bank borrowing facilities under the new agreements amount to £668.2 million (including the Group's uncommitted working capital facilities of £17.6 million) of which £616.3 million had been drawn down at 30 April 1993, a date representing the expected maximum seasonal peak borrowing requirements of the Group.

In addition, the Group's ultimate parent company advanced a further £50.0 million, which, together with the above amounts due to the parent, is subordinated to all bank borrowings until 30 April 1995.

NOTES TO THE ACCOUNTS continued

	Consolidated		Company	
	1993	1992	1993	1992
	£m	£m	£m	£m
20 CAPITAL COMMITMENTS				
Contracted for but not yet provided	1.3	4.6	-	-
Authorised by Directors but not yet contracted for	-	0.3	-	-
	1.3	4.9	-	-

21 LEASING COMMITMENTS

Group commitments during the year commencing 31 January 1993 in respect of operating leases of land and buildings are:

Leases expiring:

Within one year	-	0.9	-	-
Between one and five years	0.5	1.8	-	-
Over five years	16.8	22.6	0.2	0.2
	17.3	25.3	0.2	0.2

22 CONTINGENT LIABILITIES

Certain Group undertakings have contingent liabilities in respect of original leases assigned and covenants given in licenses to assign. In two cases specific guarantees have been given in respect of rentals totalling £286,875 p.a.

23 PARENT UNDERTAKINGS

House of Fraser Holdings plc, a company registered in England and Wales, 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 30 January 1993

The following companies are registered in Scotland and operate in the United Kingdom:	**Principal Activity**
* House of Fraser Limited (formerly 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
Jermyn Street Shirtmakers Limited	Shirtmakers & Clothiers
Charles Hill Silks Limited	Tie Manufacturers
Genavco Insurance Limited	Insurance Brokers
* House of Fraser Property Investment plc	Investment Company

The following company is registered in and operates in Guernsey:

Stag Insurance Company Limited	Insurance Underwriters

* The whole of the issued share capital in these companies is owned directly by House of Fraser Holdings plc. The whole of the share capital in the other companies is held by intermediate holding companies.

	Accounting Date	**Share Capital**	**% held by House of Fraser Limited**

ASSOCIATED UNDERTAKING

at 30 January 1993

The following company is registered in England and Wales and operates in the United Kingdom:

Mallett plc (Antique Dealers)	31 December	13,800,060 Ordinary shares of 5p	29.9 (indirect)

UNLISTED INVESTMENT

at 30 January 1993

The following company is registered in England and Wales and operates in the United Kingdom.

Harrods Bank Limited	30 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

We have audited the financial statements on pages 6 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 30 January 1993 and of the loss and cash flows of the Group for the 53 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditor

27 May 1993