

HOUSE OF FRASER HOLDINGS plc

DIRECTORS' REPORT AND ACCOUNTS

29TH APRIL, 1989

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

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HOUSE OF FRASER HOLDINGS plcDIRECTORS' REPORT

The directors present their report and the audited accounts for the financial year ended 29th April, 1989.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is that of an investment holding company.

The results of the company for the year are set out on page 4. The directors do not propose the payment of a dividend.

GROUP ACCOUNTS

The company's principal subsidiary is House of Fraser plc which continues to operate the department stores and other retail businesses which comprise the House of Fraser Group. The only other subsidiary is House of Fraser Property Investment plc, an investment company.

As explained in note 1(b) on page 7, the accounts of the company's subsidiaries, House of Fraser plc and House of Fraser Property Investments plc have not been consolidated. Copies of the report and accounts of these subsidiaries are enclosed as they form part of the group accounts. The directors report included in the accounts of House of Fraser Property Investment plc and the statement by the directors on page 23 of the accounts of House of Fraser plc should be read in conjunction with these group accounts.

During the year House of Fraser plc changed its year end to the end of January and House of Fraser Property Investments plc changed its year end to 29th March. The directors have decided that for the accounting year 1989/90 the accounting date of all group companies will be the end of January.

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
G.W. Jones
D.R. Webb (appointed 21st June, 1988)

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.

CHARITABLE DONATIONS

The company made charitable donations of £984,200 (1988: £893,995) during the year.

No political donations were made during the year (1988:nil).

HOUSE OF FRANK HOLDINGS plc

DIRECTORS' REPORT (continued)

AUDITORS

At the company's forthcoming Annual General Meeting a resolution concerning the reappointment of Peat Marwick McLintock as auditors will be proposed.

By order of the board


Secretary

14 South Street,
London

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 13 together with pages 25 to 46 of the annexed consolidated accounts of House of Fraser plc and pages 3 to 9 of annexed accounts of House of Fraser Property Investment plc, in accordance with Auditing Standards.

In our opinion the accounts presented in this form give a true and fair view of the state of affairs of the company and of the group at 29th April, 1989 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.

LONDON

Peat Marwick McLintock

Chartered Accountants

16th August, 1989

HOUSE OF FRASER HOLDINGS plc

PROFIT AND LOSS ACCOUNT
FOR THE FINANCIAL YEAR ENDED 29TH APRIL, 1989

	<u>Note</u>	Financial year ended 29th April, 1989 £m	Financial year ended 30th April, 1988 £m
Income from shares in group company		17.7	23.8
Other income		-	0.1
Administrative expenses		(5.6)	(7.8)
Interest receivable		2.4	0.1
Interest payable and similar charges	4	(53.6)	(46.8)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(39.1)	(30.6)
Tax on loss on ordinary activities	6	16.2	22.4
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(22.9) =====	(8.2) =====
Statement of accumulated losses:			
Losses brought forward		(48.6)	(40.4)
Loss for the financial year		(22.9)	(8.2)
Losses carried forward		(71.5) =====	(48.6) =====

A statement of movements on reserves can be found in note 16 on page 13 of these accounts.

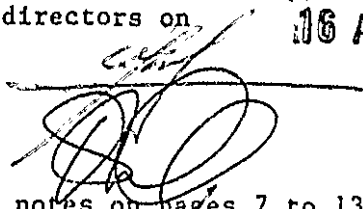
The notes on pages 7 to 13 form part of these accounts.

BALANCE SHEET AT 29TH APRIL, 1989

	Note	29th April 1989		30th April 1988	
		£m	£m	£m	£m
FIXED ASSETS					
Investment in subsidiaries	7	828.3		769.8	
Other investments	8	1.5		1.5	
Tangible assets	9	<u>0.8</u>		<u>0.7</u>	
			830.6		772.0
CURRENT ASSETS					
Debtors	10	0.6		14.1	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
	11	<u>(72.9)</u>		<u>(63.4)</u>	
NET CURRENT LIABILITIES			(72.3)		(49.3)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>758.3</u>		<u>722.7</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	15	50.0		50.0	
Revaluation reserve	16	254.8		196.3	
Profit and loss account		<u>(71.5)</u>		<u>(48.6)</u>	
			233.3		197.7
			<u>758.3</u>		<u>722.7</u>

These accounts were approved by the board
of directors on

16 AUG 1989



)
) Directors
)

The notes on pages 7 to 13 form part of these accounts.

HOUSE OF FRASEE HOLDINGS plcSTATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE FINANCIAL YEAR ENDED 29TH APRIL, 1989

	Financial year ended 29th, April 1989		Financial year ended 30th April, 1988	
	£m	£m	£m	£m
SOURCE OF FUNDS				
Net advances on current account from holding company		1.2		10.1
Syndicated bank loan		-		425.0
		<u>1.2</u>		<u>435.1</u>
APPLICATION OF FUNDS				
Repayment of syndicated bank loan		-		425.0
Purchase of investments		-		1.1
Purchase of tangible fixed assets		0.2		0.1
Guaranteed loan notes repaid		2.1		4.1
Operations:				
Loss on ordinary activities after taxation	22.9		8.2	
Depreciation	<u>(0.1)</u>		<u>(0.1)</u>	
		22.8		8.1
Increase/(decrease) in working capital:				
Debtors	(13.5)		(9.1)	
Other creditors and accruals	<u>(11.1)</u>		<u>6.1</u>	
		(24.6)		(3.0)
		<u>0.50</u>		<u>435.4</u>
Increase/(decrease) in net liquid funds:				
Bank overdrafts		0.7		(0.3)
		<u>1.2</u>		<u>435.1</u>

HOUSE OF FRASER HOLDINGS plcNOTES TO THE ACCOUNTS1. 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 rules as modified by the revaluation of certain fixed assets.

(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 and House of Fraser Property Investment plc.

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 or House of Fraser Property Investment plc.

The consent of the Secretary of State for Trade and Industry has been obtained for the inclusion in these group accounts of the accounts of House of Fraser plc made up to 29th April 1989 which is not that company's statutory accounting reference date.

The accounts of House of Fraser Property Investment plc have been made up to 29th March 1989, being that company's new accounting reference date.

(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.

Listed investments are shown at cost.

(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 property	-	over the remaining period of the lease

(e) Operating leases

Rentals payable under operating leases are dealt with on a straight line basis over the lease term.

HOUSE OF FRASER HOLDINGS plcNOTES TO THE ACCOUNTS(f) Deferred tax

Deferred taxation is accounted for using the liability method in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise.

2. STAFF NUMBERS AND COSTS

The average number of persons (including directors) employed by the company during the year was 37 (1988: 38).

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

	Financial year ended 29th April 1989 <u>£'000</u>	Financial year ended 30th April, 1988 <u>£'000</u>
Salaries	1,118	1,337
Social security costs	90	84
Other pension costs	45	182
	<u>1,253</u>	<u>1,603</u>
	=====	=====

3. EMOLUMENTS OF DIRECTORS AND HIGHER PAID EMPLOYEES

The aggregate emoluments of the directors of the company were as follows:

	Financial year ended 29th April 1989 <u>£'000</u>	Financial year ended 30th April, 1988 <u>£'000</u>
Emoluments	350	370
Compensation for loss of office	-	269
	<u>350</u>	<u>639</u>
	=====	=====

Excluding pension contributions the emoluments of the chairman were £NIL (1988:£NIL) and those of the highest paid director were £91,381 (1988:£71,043).

The emoluments of the other directors in respect of the company fell within the following ranges:

	Financial year ended 29th April, 1989 <u>Number</u>	Financial year ended 30th April, 1988 <u>Number</u>
£0 - £ 5,000	3	3
£40,001 - £45,000	-	1
£45,001 - £50,000	-	1
£50,001 - £55,000	-	2
£65,001 - £70,000	1	-
£75,001 - £80,000	1	-
£80,001 - £85,000	1	-
	=====	=====

NOTES TO THE ACCOUNTS3. EMOLUMENTS OF DIRECTORS AND HIGHER PAID EMPLOYEES (continued)

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

	Financial year ended 29th April, 1989 <u>Number</u>	Financial year ended 30th April, 1988 <u>Number</u>
£30,001 - £35,000	-	2
£35,001 - £40,000	2	-
£60,001 - £65,000	-	1
	---	---

4. INTEREST PAYABLE AND SIMILAR CHARGES

	Financial year ended 29th April, 1989 <u>£m</u>	Financial year ended 30th April, 1988 <u>£m</u>
On bank loans, overdrafts and other loans:		
Repayable within 5 years	15.4	8.0
Repayable in more than 5 years	38.2	38.8
	<u>53.6</u>	<u>46.8</u>
	-----	-----

5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	Financial year ended 29th April, 1989 <u>£'000</u>	Financial year ended 30th April, 1988 <u>£'000</u>
Depreciation	142	124
Auditors' remuneration and expenses	16	10
Hire of equipment	-	4
Other operating leases	190	108
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6. TAXATION

	Financial year ended 29th April, 1989 <u>£m</u>	Financial year ended 30th April, 1988 <u>£m</u>
Group relief receivable based on taxable losses for year	16.2	22.4
	-----	-----

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

The investment in subsidiaries at 29th April 1989 represents 100% (1988:100%) of the issued ordinary and deferred ordinary share capital of House of Fraser plc and 100% (1988:100%) of the issued ordinary share capital of House of Fraser Property Investment plc.

	<u>Cost of shares</u> £m	<u>Revaluation reserve</u> £m	<u>Total</u> £m
At 1st May, 1988	573.5	196.3	769.8
Changes in underlying net assets	-	58.5	58.5
At 29th April, 1989	<u>573.5</u>	<u>254.8</u>	<u>828.3</u>

8. OTHER INVESTMENTS

	<u>£m</u>
At 1st May 1988 and 29th April, 1989	<u>1.5</u>

The market value of other investments held at 29th April, 1989, all of which are listed on the Stock Exchange, was £1.5 million (1988: £1.4 million).

NOTES TO THE ACCOUNTS9. TANGIBLE FIXED ASSETS

	<u>Motor vehicles</u> £'000	<u>Furniture, fixtures, fittings and equipment</u> £'000	<u>Land and buildings Short leasehold</u> £'000	<u>Total</u> £'000
Cost:				
At 1st May, 1988	301	340	360	1001
Additions	220	36	-	256
Disposals	(152)	(2)	-	(154)
At 29th April, 1989	<u>369</u>	<u>374</u>	<u>360</u>	<u>1103</u>
Depreciation:				
At 1st May, 1988	120	108	41	269
Charged in period	74	47	21	142
Disposals	(74)	-	-	(74)
At 29th April, 1989	<u>120</u>	<u>155</u>	<u>62</u>	<u>337</u>
Net book value:				
At 1st May, 1988	181	232	319	732
At 29th April, 1989	249	219	298	766

10. DEBTORS

	<u>29th April, 1989</u> £m	<u>30th April, 1988</u> £m
Due within one year:		
Amount due from House of Fraser plc	-	13.8
Prepayments	0.1	0.1
Other debtors	0.5	0.2
	<u>0.6</u>	<u>14.1</u>

NOTES TO THE ACCOUNTS11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	29th April, 1989	30th April, 1988
	£m	£m
Guaranteed variable rate loan notes at par	21.8	23.9
Amount due to holding company	36.1	34.9
Other creditors	-	1.1
Accruals:		
Interest on secured loan	12.7	0.1
Other	2.3	2.7
Bank overdrafts	-	0.7
	<u>72.9</u>	<u>63.4</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).

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

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	29th April, 1989	30th April, 1988
	£m	£m
Repayable after more than one year and secured on shares in subsidiaries:		
Syndicated bank loan	425.0	425.0
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>

£50 million is repayable on 30th April, 1993, £50 million on 30th April 1994, and £325 million payable on the 30th April, 1995.

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

HOUSE OF FRASER HOLDINGS plcNOTES TO THE ACCOUNTS13. SUBORDINATED LOAN

The subordinated loan comprises an unsecured interest free loan of £100 million from Alfayed Investment and Trust S.A. repayable after 31st December, 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. DEFERRED TAXATION

	29th April 1989		30th April 1988	
	Full potential asset	Amount provided	Full potential asset	Amount provided
	£m	£m	£m	£m
Accelerated capital allowances	0.1	-	-	-
Short term timing differences	12.0	-	8.9	-
	<u>12.1</u>	<u>-</u>	<u>8.9</u>	<u>-</u>
	=====	=====	=====	=====

15. SHARE CAPITAL

	29th April, 1989	30th April, 1988
	£m	£m
Authorised, allotted, called up and fully paid: 50,000,000 ordinary shares of £1 each	50.0	50.0
	=====	=====

16. REVALUATION RESERVE

	£m
At 1st May, 1988	196.3
Changes in underlying net assets of subsidiaries	58.5
At 29th April, 1989	<u>254.8</u>
	=====

17. FINANCIAL COMMITMENTS

At 29th April, 1989 the company had entered into operating lease contracts relating to land and buildings with commitments payable in the next year of £190,000. The commitments expire after more than five years.

18. 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.