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HOUSE OF FRASER HOLDINGS plc
DIRECTORS' REPORT AND ACCOUNTS
30TH APRIL 1988
COMPANIES HOUSE
24 FEB 1989
25

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

HOUSE OF FRASER HOLDINGS plcDIRECTORS' REPORT

The directors present their report and the audited accounts for the financial year ended 30th April, 1988.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

During the year the company arranged re-financing of its debt to take advantage of better market conditions. The successful re-financing will result in a considerable saving in interest expense.

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

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.

DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the period were:

M. Al-Fayed	
S. Fayed	
A. Fayed	
W.A. Craddock	
S.W. Frith	
M. Marsh	(Resigned 15th January, 1988)
A.J.B. Mawdsley	(Resigned 1st February, 1988)
B.L. Walsh	(Resigned 1st February, 1988)
G.W. Jones	(Appointed 5th October, 1987)

D.R. Webb was appointed as director on 21 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 £893,995 (1987: £851,663) during the year.

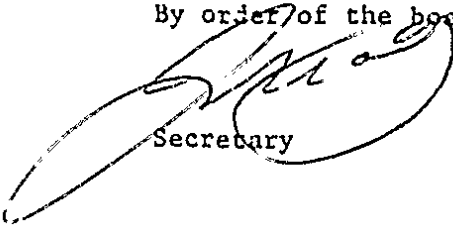
No political donations were made during the year (1987:nil).

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

5th August 1988

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 and the annexed consolidated accounts of House of Fraser plc and 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 30th April, 1988 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

5th August 1988

Peat Marwick McIntosh

Chartered Accountants

PROFIT AND LOSS ACCOUNT
FOR THE FINANCIAL YEAR ENDED 30TH APRIL, 1988

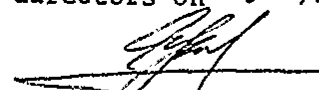

	Note	Financial year ended 30th April, 1988 £m	Financial year ended 2nd May, 1987 £m
Income from shares in group company		23.8	20.8
Other income		0.1	-
Administrative expenses		(7.8)	(5.1)
Interest receivable		0.1	1.0
Interest payable and similar charges	4	(46.8)	(52.0)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		—	—
Tax on loss on ordinary activities	5	(30.6)	(35.3)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	6	22.4	16.7
		(8.2)	(18.6)
		=====	=====
Statement of accumulated losses:			
Losses brought forward		(40.4)	(21.8)
Loss for the financial year		(8.2)	(18.6)
Losses carried forward		(48.6)	(40.4)
		=====	=====

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

BALANCE SHEET AT 30TH APRIL, 1988

	Note	£m	1988	£m	1987	£m
FIXED ASSETS						
Investment in subsidiaries	7	769.8			671.2	
Other investments	8	1.5			0.7	
Tangible assets	9	<u>0.7</u>			<u>0.7</u>	
			772.0			672.6
CURRENT ASSETS						
Debtors	10	14.1			23.2	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	<u>(63.4)</u>			<u>(63.2)</u>	
NET CURRENT LIABILITIES			(49.3)			(40.0)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>722.7</u>			<u>632.6</u>
			=====			=====
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR						
Bank loans	12	425.0			425.0	
Subordinated loan	13	<u>100.0</u>			<u>100.0</u>	
			525.0			525.0
CAPITAL AND RESERVES						
Called up share capital	14	50.0			50.0	
Revaluation reserve	15	196.3			98.0	
Profit and loss account		<u>(48.6)</u>			<u>(40.4)</u>	
			197.7			107.6
			<u>722.7</u>			<u>632.6</u>
			=====			=====

These accounts were approved by the board
of directors on *6th August 1988*


)
) Directors
)

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

HOUSE OF FRASER HOLDINGS plcSTATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE FINANCIAL YEAR ENDED 30TH APRIL, 1988

	Financial year ended 30th April, 1988		Financial year ended 2nd May, 1987	
	£m	£m	£m	£m
SOURCE OF FUNDS				
Net advances on current account from holding company		10.1		-
Syndicated bank loan		425.0		-
Disposal of other investments		-		0.6
		<u>435.1</u>		<u>0.6</u>
		=====		=====
APPLICATION OF FUNDS				
Repayment of syndicated bank loan		425.0		-
Net repayment on current account to holding company		-		23.5
Purchase of investments		1.1		1.3
Purchase of tangible fixed assets		0.1		0.2
Guaranteed loan notes repaid		4.1		4.1
Operations:				
Loss on ordinary activities after taxation	8.2		18.6	
Depreciation	<u>(0.1)</u>		<u>(0.1)</u>	
		8.1		18.5
Increase/(decrease) in working capital:				
Debtors	(9.1)		5.3	
Other creditors and accruals	<u>6.1</u>		<u>(8.0)</u>	
		(3.0)		(2.7)
		<u>435.4</u>		<u>44.9</u>
Increase/(decrease) in net liquid funds:				
Cash at bank and in hand	-		(44.7)	
Bank overdrafts	<u>(0.3)</u>		<u>0.4</u>	
		(0.3)		(44.3)
		<u>435.1</u>		<u>0.6</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.

(c) Fixed asset investments

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

(d) Depreciation

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

Motor vehicles	-	5 years
Furniture, fixtures, fittings and equipment	-	10 years
Computer equipment	-	5 years
Leasehold 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.

NOTES TO THE ACCOUNTS2. STAFF NUMBERS AND COSTS

The average number of persons (including directors) employed by the company during the year was 38 (1987: 37).

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

	Financial year ended 30th April, 1988 £'000	Financial year ended 2nd May, 1987 £'000
Salaries	1,337	742
Social security costs	84	57
Other pension costs	182	65
	<u>1,603</u>	<u>864</u>
	=====	=====

3. EMOLUMENTS OF DIRECTORS AND HIGHER PAID EMPLOYEES

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

	1988 £'000	1987 £'000
Emoluments	370	286
Compensation for loss of office	269	-
	<u>639</u>	<u>286</u>
	=====	=====

Excluding pension contributions the emoluments of the chairman were £NIL (1987:£NIL) and those of the highest paid director were £71,043 (1987:£66,952).

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

	Financial year ended 30th April, 1988 Number	Financial year ended 2nd May, 1987 Number
£0 - £ 5,000	3	3
£25,001 - £30,000	-	1
£40,001 - £45,000	1	-
£45,001 - £50,000	1	-
£50,001 - £55,000	2	1
£60,001 - £65,000	-	1
	<u>==</u>	<u>==</u>

HOUSE OF FRASER HOLDINGS plcNOTES 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 30th April, 1988 <u>Number</u>	Financial year ended 2nd May, 1987 <u>Number</u>
£30,001 - £35,000	2	1
£40,001 - £45,000	-	1
£45,001 - £50,000	-	1
£60,001 - £65,000	1	-
	===	===

4. INTEREST PAYABLE AND SIMILAR CHARGES

	Financial year ended 30th April, 1988 <u>£m</u>	Financial year ended 2nd May, 1987 <u>£m</u>
On bank loans, overdrafts and other loans:		
Repayable within 5 years	8.0	15.0
Repayable in more than 5 years	38.8	37.0
	<u>46.8</u>	<u>52.0</u>
	====	====

5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	Financial year ended 30th April, 1988 <u>£'000</u>	Financial year ended 2nd May, 1987 <u>£'000</u>
Depreciation	124	101
Auditors' remuneration and expenses	10	8
Hire of equipment	4	1
Other operating leases	108	81
	===	===

6. TAXATION

	Financial year ended 30th April, 1988 <u>£m</u>	Financial year ended 2nd May, 1987 <u>£m</u>
Group relief receivable	22.4	16.7
	=====	=====

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

The investment in subsidiaries at 30th April 1988 represents 100% (1987:100%) of the issued ordinary and deferred ordinary share capital of House of Fraser plc and 100% (1987:100%) of the issued ordinary share capital of House of Fraser Property Investment plc. House of Fraser Property Investment plc changed its name on 15th March 1988 from Alfayed Investment Holdings plc.

	<u>Cost of shares</u> £m	<u>Revaluation reserve</u> £m	<u>Total</u> £m
At 3rd May, 1987	573.2	98.0	671.2
Additions at cost	0.3	-	0.3
Changes in underlying net assets	-	98.3	98.3
At 30th April, 1988	<u>573.5</u>	<u>196.3</u>	<u>769.8</u>

8. OTHER INVESTMENTS

	<u>£m</u>
At 3rd May, 1987	0.7
Additions at cost	0.8
Disposals	-
At 30th April, 1988	<u>1.5</u>

The market value of other investments held at 30th April, 1988, all of which are listed on the Stock Exchange, was £1.4 million (1987: £774,800).

HOUSE OF FRASER HOLDINGS plcNOTES 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 3rd May, 1987	197	322	360	879
Additions	120	22	-	142
Disposals	(16)	(4)	-	(20)
At 30th April, 1988	<u>301</u>	<u>340</u>	<u>360</u>	<u>1,001</u>
Depreciation:				
At 3rd May, 1987	66	65	21	152
Charged in period	60	44	20	124
Disposals	(6)	(1)	-	(7)
At 30th April, 1988	<u>120</u>	<u>108</u>	<u>41</u>	<u>269</u>
Net book value:				
At 30th April, 1988	<u>181</u>	<u>232</u>	<u>319</u>	<u>732</u>
At 2nd May, 1987	<u>131</u>	<u>257</u>	<u>339</u>	<u>727</u>

10. DEBTORS

	<u>30th April, 1988</u> £m	<u>2nd May, 1987</u> £m
Due within one year:		
Amount due from House of Fraser plc	13.8	23.0
Prepayments	0.1	0.1
Other debtors	0.2	0.1
	<u>14.1</u>	<u>23.2</u>

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

	30th April, 1988 £m	2nd May, 1987 £m
Guaranteed variable rate loan notes at par	23.9	28.0
Amount due to holding company	34.9	24.8
Other creditors	1.1	0.1
Accruals:		
Interest on secured loan	0.1	8.9
Other	2.7	0.9
Taxation and social security	-	0.1
Bank overdrafts	0.7	0.4
	<u>63.4</u> =====	<u>63.2</u> =====

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

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

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

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

	30th April, 1988 £m	2nd May, 1987 £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	50.0	100.0
After more than five years	375.0	325.0
	<u>425.0</u> =====	<u>425.0</u> =====

During the year the loan of £425 million was repaid. A new loan for the same amount was negotiated with a lower interest rate and extended repayment period. £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.

NOTES 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 (extended during the year from 30th April, 1995) which may not be repaid earlier than this date. The loan is expressed to be subordinated to the payment of all other liabilities of the company arising before that date.

14. SHARE CAPITAL

	30th April, 1988 £m	2nd May, 1987 £m
Authorised, allotted, called up and fully paid: Ordinary shares of £1 each	50.0 =====	50.0 =====

15. REVALUATION RESERVE

	£m
At 3rd May, 1987	98.0
Changes in underlying net assets of subsidiaries	98.3
At 30th April, 1988	196.3 =====

16. FINANCIAL COMMITMENTS

At 30th April, 1988 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.

17. 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 number of banks.

11. FIXED ASSETS - Tangible assets

CONSOLIDATED	Total	Freeholds	Long Leaseholds	Short Leaseholds	Fixtures Fittings Vehicles & Equipment
	£m	£m	£m	£m	£m
Cost and valuation at 2nd May 1987	756.6	457.4	110.8	5.9	182.5
Exchange adjustments	(1.2)	(1.0)	-	-	(0.2)
Additions	57.6	29.8	2.3	0.1	25.4
Disposals	(61.6)	(42.4)	(3.7)	(0.9)	(14.6)
Reclassifications	-	(8.6)	8.6	-	-
Transfers to fellow subsidiary	(78.2)	(78.1)	-	-	(0.1)
Revaluation Surplus	48.4	34.3	14.1	-	-
	-----	-----	-----	-----	-----
Cost and valuation at 30th April 1988	721.6	391.4	132.1	5.1	193.0
	-----	-----	-----	-----	-----
Aggregate depreciation to 2nd May 1987	73.5	-	-	1.9	71.6
Charge for period	23.9	0.6	1.3	0.2	21.8
Disposals	(11.6)	(0.2)	-	(0.3)	(11.1)
Revaluation surplus	(1.7)	(0.4)	(1.3)	-	-
	-----	-----	-----	-----	-----
Aggregate depreciation to 30th April 1988	84.1	-	-	1.8	82.3
	-----	-----	-----	-----	-----
Net Book Value at 30th April 1988	637.5	391.4	132.1	3.3	110.7
	=====	=====	=====	=====	=====
Net Book Value at 2nd May 1987	683.1	457.4	110.8	4.0	110.9
	=====	=====	=====	=====	=====
Cost and valuation 1981 valuation	3.0			3.0	
1988 Independent professional valuation	511.7	391.4	120.3		
Cost	206.9		11.8	2.1	193.0
	-----	-----	-----	-----	-----
	721.6	391.4	132.1	5.1	193.0
	=====	=====	=====	=====	=====
Historical cost to 2nd May 1987	420.3	152.9	79.3	5.6	182.5
Depreciation on historical cost to 2nd May 1987	73.0			1.4	71.6
	-----	-----	-----	-----	-----
Net historical cost at 2nd May 1987	347.3	152.9	79.3	4.2	110.9
	=====	=====	=====	=====	=====
Historical cost to 30th April 1988	398.0	121.2	79.2	4.6	193.0
Depreciation on historical cost to 30th April 1988	83.6			1.3	82.3
	-----	-----	-----	-----	-----
Net historical cost at 30th April 1988	314.4	121.2	79.2	3.3	110.7
	-----	-----	-----	-----	-----

Freehold and long leasehold properties have been professionally valued on 30th April, 1988 mainly by Conrad Ritblat & Co., Consultant Surveyors & Valuers on an open market existing use basis. This valuation has been incorporated in the accounts with effect from 30th April, 1988.

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 £27.1m (1987 £6.9m) in respect of assets held under finance leases.

Included in the cost of the fixed tangible assets is £1.4m of capitalised interest of which £0.4m (net of tax) was incurred during the period.

11. FIXED ASSETS - Tangible assets

COMPANY	Total	Freeholds	Long Leaseholds	Short Leaseholds	Fixtures Fittings Vehicles & Equipment
	£m	£m	£m	£m	£m
Cost and valuation at 2nd May 1987	81.4	59.3	-	0.1	22.0
Additions	22.4	18.4	1.6	-	2.4
Disposals	(3.4)	(0.6)	-	(0.1)	(2.7)
Transfers from subsidiary	8.0	8.0	-	-	-
Transfer to fellow subsidiary	(68.0)	(68.0)	-	-	-
Revaluation surplus	2.7	2.8	(0.1)	-	-
	----	----	----	----	----
Cost and valuation at 30th April 1988	43.1	19.9	1.5	-	21.7
	=====	=====	=====	=====	=====
Aggregate depreciation to 2nd May 1987	8.7	-	-	-	8.7
Charge for period	3.6	-	-	-	3.6
Disposals	(2.6)	-	-	-	(2.6)
	----	----	----	----	----
Aggregate depreciation to 30th April 1988	9.7	-	-	-	9.7
	----	----	----	----	----
Net Book value at 30th April 1988	33.4	19.9	1.5	-	12.0
	=====	=====	=====	=====	=====
Net Book value at 2nd May 1987	72.7	59.3	-	0.1	13.3
	=====	=====	=====	=====	=====
Cost and valuation 1988 Independent professional valuation cost	21.4 21.7	19.9	1.5		21.7
	----	----	----	----	----
	43.1	19.9	1.5	-	21.7
	=====	=====	=====	=====	=====
Historical cost to 2nd May 1987	69.8	47.2	-	0.6	22.0
Depreciation on historical cost to 2nd May 1987	8.8			0.1	8.7
	----	----	----	----	----
Net historical cost at 2nd May 1987	61.0	47.2	-	0.5	13.3
	=====	=====	=====	=====	=====
Historical cost to 30th April 1988	32.5	8.7	2.1	-	21.7
Depreciation on historical cost to 30th April 1988	9.7				9.7
	----	----	----	----	----
Net historical cost at 30th April 1988	22.8	8.7	2.1	-	12.0
	=====	=====	=====	=====	=====

Freehold and long leasehold properties have been professionally valued on 30th April, 1988 mainly by Conrad Ritblat & Co., Consultant Surveyors & Valuers on an open market existing use basis. This valuation has been incorporated in the accounts with effect from 30th April, 1988.

The net book value of the fixed tangible assets includes an amount of £5.6m (1987 £6.9m) in respect of assets held under finance leases.

12 FIXED ASSETS - Investments

CONSOLIDATED	Total £m	Group Companies £m	Listed Investments £m	Unlisted Investments £m
Shares				
Cost to 2nd May 1987	0.3			0.3
Additions	53.1		53.1	
Group Transfers	(53.1)		(53.1)	
	-----	-----	-----	-----
Cost at 30th April 1988	0.3	-	-	0.3
Net Book value at 30th April 1988	0.3	-	-	0.3
	-----	-----	-----	-----
Net Book value at 2nd May 1987	0.3	-	-	0.3
	-----	-----	-----	-----
Loans				
At 2nd May 1987	-	-		
Additions	281.6	281.6		
Repayments	(162.5)	(162.5)		
	-----	-----		
At 30th April 1988	119.1	119.1		
	-----	-----		
Total net book value at 30th April 1988	119.4	119.1		0.3
	-----	-----		-----
Total net book value at 2nd May 1987	0.3	-		0.3
	-----	-----		-----

COMPANY

Shares			
Cost to 2nd May 1987	47.8	47.8	
Additions	53.7	0.6	53.1
Disposals	(0.3)	(0.3)	
Group Transfers	(43.4)	9.7	(53.1)
	-----	-----	-----
Cost at 30th April 1988	57.8	57.8	-
	-----	-----	-----
Amounts Written off to 30th April 1988	(2.8)	(2.8)	-
	-----	-----	-----
Net Book value at 30th April 1988	55.0	55.0	-
	-----	-----	-----
Net Book value at 2nd May 1987	36.3	36.3	-
	-----	-----	-----
Loans			
At 2nd May 1987	104.4	104.4	
Additions	281.8	281.8	
Repayments	(164.0)	(164.0)	
	-----	-----	
At 30th April 1988	222.2	222.2	
	-----	-----	
Total net book value at 30th April 1988	277.2	277.2	
	-----	-----	
Total net book value at 2nd May 1987	140.7	140.7	
	-----	-----	

During the period the Company acquired approximately 10% of the ordinary share capital of Sears plc, partly through the acquisition of the share and loan capital of a company which had a substantial shareholding in Sears and partly through direct purchase.

These shares and two investment properties were transferred to a fellow subsidiary in April 1988. Part of the transfer value remains outstanding in the form of a 2.5% loan note for £73.8m and an interest free loan for £45m, both of which have a repayment date of 31st October 1995.

The Company has been granted an option to purchase these assets at any time at the transfer value. In addition the Company has granted to its fellow subsidiary an option to sell these assets to it at the transfer value either after the repayment date, or in certain other circumstances.

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

Details of the Company's principal subsidiaries are given on page 29.

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STOCKS

The main categories of stock are:

Raw materials and consumables

Work in progress

Finished goods for resale:

Consolidated		Company	
1988	1987	1988	1987
£m	£m	£m	£m
2.1	1.8	-	-
0.6	0.6	-	-
170.0	183.6	-	-
-----	-----	-----	-----
172.7	186.0	-	-
=====	=====	=====	=====

There was no significant difference between the replacement cost of stocks at 30th April 1988 and the amount at which they are stated in the accounts.

HOUSE OF FRASER plc
NOTES ON THE ACCOUNTS

Consolidated		Company	
1988	1987	1988	1987
fm	fm	fm	fm

14. DEBTORS

Amounts due within one year				
Trade debtors	154.6	144.8	0.6	4.0
Amounts owed by subsidiaries	-	-	286.6	315.8
Other debtors	12.7	6.5	1.1	0.8
Amounts due from sale of Funerals business	-	29.6	-	16.8
Prepayments	13.7	11.6	5.1	5.5
Taxation	2.8	1.9	2.4	1.4
	-----	-----	-----	-----
	183.8	194.4	295.8	344.3
	-----	-----	-----	-----
Amounts due after more than one year				
Trade debtors	84.7	104.0	-	-
Other debtors	0.3	0.3	-	-
	-----	-----	-----	-----
	85.0	104.3	-	-
	-----	-----	-----	-----
	268.8	298.7	295.8	344.3
	=====	=====	=====	=====

15. LISTED INVESTMENTS

Cost to 2nd May 1987	5.2	5.4	-	-
Additions	0.8	0.6	-	-
Disposals	(1.9)	(0.8)	-	-
	-----	-----	-----	-----
Cost to 30th April 1988	4.1	5.2	-	-
	=====	=====	=====	=====
Market value at 30th April 1988	4.2	5.4	-	-
	=====	=====	=====	=====

16. CASH AND BANK BALANCES

Money at call and short notice in Banking subsidiary	9.1	3.1	-	-
Deposits	1.2	18.8	0.2	16.6
Other cash and bank balances	10.9	4.0	22.5	5.9
	-----	-----	-----	-----
	21.2	25.9	22.7	22.5
	=====	=====	=====	=====

HOUSE OF FRASER plc
NOTES ON THE ACCOUNTS

	Consolidated		Company	
	1988	1987	1988	1987
	£m	£m	£m	£m
17. CREDITORS				
Amounts falling due within one year				
Bank overdrafts	11.6	14.5	74.0	-
Bank loans	9.8	3.0	-	3.0
Other loans	0.1	0.9	-	-
	-----	-----	-----	-----
Loans and overdrafts	21.5	18.4	74.0	3.0
	-----	-----	-----	-----
Amounts due to subsidiaries	-	-	4.8	16.7
Amounts due to parent company	6.9	17.6	6.9	17.6
Current corporation tax	0.2	2.2	0.1	0.1
Other taxes and social security costs	8.5	7.1	-	-
Other creditors	19.2	13.1	5.1	4.2
Accruals	29.7	19.5	6.0	3.5
Proposed dividend	6.9	5.4	6.9	5.4
	-----	-----	-----	-----
Other liabilities	71.4	64.9	29.8	47.5
	-----	-----	-----	-----
Amounts falling due after more than one year				
Debentures and loan stock	8.0	6.5	6.9	6.5
Bank loans	279.8	340.1	270.0	325.0
Other loans	2.2	8.5	-	0.9
	-----	-----	-----	-----
	290.0	355.1	276.9	332.4
Other creditors	21.0	5.4	3.7	5.3
	-----	-----	-----	-----
	311.0	360.5	280.6	337.7
	=====	=====	=====	=====
Included in other creditors are obligations under finance leases payable as follows:				
Under one year	5.6	1.8	2.1	1.8
Between two and five years	20.9	5.2	3.7	5.2
	-----	-----	-----	-----
	26.5	7.0	5.8	7.0
	=====	=====	=====	=====

HOUSE OF FRASER plc
NOTES ON THE ACCOUNTS

	Consolidated		Company	
	1988	1987	1988	1987
	£m	£m	£m	£m
17. CREDITORS - continued				
Loans and Overdrafts				
(a) Unsecured				
6% unsecured loan stock 1993/98	1.5	1.5	1.5	1.5
8 1/4% unsecured loan stock 1993/98	4.4	4.4	4.4	4.4
Unsecured loan notes 1990 (variable rate)	0.4	0.9	0.4	0.9
Unsecured loan notes 1990 (1% below inter bank rate)	1.1	1.8	-	-
Bank loans repayable within one year	9.8	3.0	-	3.0
Bank loans repayable 1988/89	-	150.0	-	150.0
Bank loans repayable 1989/90	-	4.5	-	-
Bank loans repayable 1991/92	3.2	178.4	-	175.0
Bank loans repayable 1992/93	206.6	7.3	200.0	-
Bank loans repayable 1994/95	70.0	-	70.0	-
Bank overdraft	11.6	12.1	74.0	-
	-----	-----	-----	-----
	308.6	363.9	350.3	334.8
(b) Secured (on certain Freehold and Long Leasehold properties)				
8% loan repayable after 6 months in Danish Kroner	-	0.6	-	-
Mortgages:				
At 7% annual repayments in Danish Kroner of approximately £156,000	-	2.5	-	-
At 7% annual repayments in Danish Kroner of approximately £64,000	-	1.1	-	-
At 5 3/4% annual repayments of £50,000 until 1990 when Balance is repayable	1.8	1.9	-	-
At 6 3/4% repayable in 1994	0.5	0.5	-	-
8% Debenture Stock 1986/91	0.6	0.6	0.6	0.6
Bank overdraft	-	2.4	-	-
	-----	-----	-----	-----
	311.5	373.5	350.9	335.4
	=====	=====	=====	=====

HOUSE OF FRASER plc
NOTES ON THE ACCOUNTS

	Consolidated		Company	
	1988	1987	1988	1987
	£m	£m	£m	£m
17. CREDITORS - continued				
whereof:				
Debentures and Loan Stock				
Repayable between two and five years	2.1	0.6	1.0	0.6
Repayable between five or more years	5.9	5.9	5.9	5.9
	-----	-----	-----	-----
	8.0	6.5	6.9	6.5
	-----	-----	-----	-----
Bank Loans and Overdrafts				
Repayable within one year or on demand	21.4	17.5	74.0	3.0
Repayable between one and two years	-	154.5	-	150.0
Repayable between two and five years	209.8	178.4	200.0	175.0
Repayable in five or more years	70.0	7.2	70.0	-
	-----	-----	-----	-----
	301.2	357.6	344.0	328.0
	-----	-----	-----	-----
Other Loans				
Repayable within one year or on demand	0.1	0.9	-	-
Repayable between one and two years	-	0.3	-	-
Repayable between two and five years	1.7	5.1	-	0.9
Repayable in five or more years	0.5	3.1	-	-
	-----	-----	-----	-----
	2.3	9.4	-	0.9
	-----	-----	-----	-----
	311.5	373.5	350.9	335.4
	=====	=====	=====	=====
Other Loans				
Total repayable by instalments	1.8	6.0	-	-
	=====	=====	=====	=====
Instalments due after five years	-	2.7	-	-
	=====	=====	=====	=====

HOUSE OF FRASER plc
NOTES ON THE ACCOUNTS

	Consolidated		Company	
	1988	1987	1988	1987
	£m	£m	£m	£m
18. DEFERRED TAXATION				
Provided in respect of Capital Allowances				
Balance at 2nd May 1987	13.9	13.5	1.2	1.5
Disposals	(1.8)	(0.2)	-	-
(Credited)/charged in taxation (note 5)	(2.6)	0.6	-	(0.3)
	-----	-----	-----	-----
Balance at 30th April 1988	9.5	13.9	1.2	1.2
	=====	=====	=====	=====

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

(1) Capital allowances	24.0	25.0	-	-
(2) Corporation tax on capital gains	28.7	15.3	-	-
(3) Revaluation of properties	89.3	67.5	3.7	3.7
	-----	-----	-----	-----
	142.0	107.8	3.7	3.7
	=====	=====	=====	=====

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

HOUSE OF FRASER plc
NOTES ON THE ACCOUNTS

	Consolidated		Company	
	1988	1987	1988	1987
	£m	£m	£m	£m
19. CALLED UP SHARE CAPITAL				
Allotted and fully paid				
153,679,045 Deferred ordinary shares of 25 pence	38.4	38.4	38.4	38.4
153,679,045 New ordinary shares of 1 pence	1.5	1.5	1.5	1.5
	-----	-----	-----	-----
	39.9	39.9	39.9	39.9
Unissued Capital	10.1	10.1	10.1	10.1
	-----	-----	-----	-----
Authorised Capital	50.0	50.0	50.0	50.0
	=====	=====	=====	=====

	Consolidated		Company	
	Revaluation Reserve	Profit & Loss Account	Revaluation Reserve	Profit & Loss Account
	£m	£m	£m	£m
20. RESERVES				
Balance at 2nd May 1987				
- as previously reported	331.1	275.1	22.9	102.9
Prior year adjustments for surpluses realised and depreciation	(18.2)	18.2	(14.8)	14.8
	-----	-----	-----	-----
- as restated	312.9	293.3	8.1	117.7
Currency translation differences	(0.6)	-	-	-
Profit retained for period	-	23.7	-	49.8
Premiums on acquisitions written off	-	(0.4)	-	-
Revaluation surplus	50.1	-	2.7	-
Transfers to profit & loss account				
- Depreciation	(1.9)	1.9	-	-
- Revaluation surplus realised on disposals	(38.1)	38.1	(0.2)	0.2
	-----	-----	-----	-----
Balance at 30th April 1988	322.4	356.6	10.6	167.7
	=====	=====	=====	=====
Exchange differences included in the Revaluation Reserve amount to a deficit of £0.7m (1987 surplus of £5.8m).				

HOUSE OF FRASER plc
NOTES ON THE ACCOUNTS

	Consolidated		Company	
	1988	1987	1988	1987
	£m	£m	£m	£m
21. CAPITAL COMMITMENTS				
Contracted for but not yet provided	21.1	28.5	0.7	19.1
Authorised by Directors but not yet contracted for	5.4	2.1	0.7	-
	-----	-----	-----	-----
	26.5	30.6	1.4	19.1
	=====	=====	=====	=====

22. CONTINGENT LIABILITIES

There are contingent liabilities for guarantees of:

-	-	45.0	17.7
=====	=====	=====	=====

There is a balance of purchase consideration on an acquisition amounting to £916,666 which may become payable depending on the results of the subsidiary companies concerned for the year to 31st December 1988.

23. LEASING COMMITMENTS

Group commitments during the year commencing 1st May 1989 in respect of operating leases of land and buildings are:-

	1988	1987
	£m	£m
Leases expiring		
within one year	0.1	0.2
between two and five years	0.4	0.2
over five years	15.3	12.6
	-----	-----
	15.8	13.0
	=====	=====

24. ULTIMATE HOLDING COMPANY

The ultimate holding company is Alfayed Investment and Trust S.A., a company incorporated in Liechtenstein. The registered and beneficial owners of the whole of the issued share capital of that company are Messrs. M. Al-Fayed, A. Fayed and S. Fayed.

AUDITORS' REPORT TO THE MEMBERS OF HOUSE OF FRASER plc

We have audited the financial statements on pages 6 to 27 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30th April 1988 and of the profit and source and applications of funds of the Group for the period of 52 weeks then ended and comply with the Companies Act 1985.

Price Waterhouse
Chartered Accountants
21st July 1988

HOUSE OF FRASER plc

PRINCIPAL SUBSIDIARY COMPANIES

Operating at 30th April 1988

DEPARTMENT STORES

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

Registered and operating in
England and Wales
Harrods Limited

OTHER ACTIVITIES

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

Finance Company
Finance Company

Astral Sports & Leisure (Retail)
Limited

Sports Goods Retailers

Benjamin Simon & Sons Limited

Clothing Manufacturers

Chanelle Limited

Fashion Retailers

* Carvela Shoes Limited

Footwear Retailers

* Kurt Geiger Limited

Footwear Retailers

* Turnbull & Asser Limited

Shirtmakers & Clothiers

* Jermyn Street Shirtmakers Limited

Shirtmakers & Clothiers

* Fraser Insurance Services Limited

Insurance Consultants

* Genavco Insurance Limited

Insurance Brokers

(formerly Harrods (Insurance)
Limited)

* Harrods Bank Limited

Bank

(formerly Harrods Trust Limited)

Registered and operating in the
Republic of Ireland

* Switzer & Company Limited

Harrods (Ireland) Limited

Investment Company

* Cash & Company Limited

* Wm. Todd & Company Limited

* Alexander Moon Limited

Registered and operating in
Guernsey

* Stag Insurance Company Limited

Insurance Underwriting

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

During the period the Group disposed of its interest in A.C. Illum A/S, Denmark.