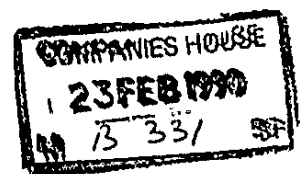
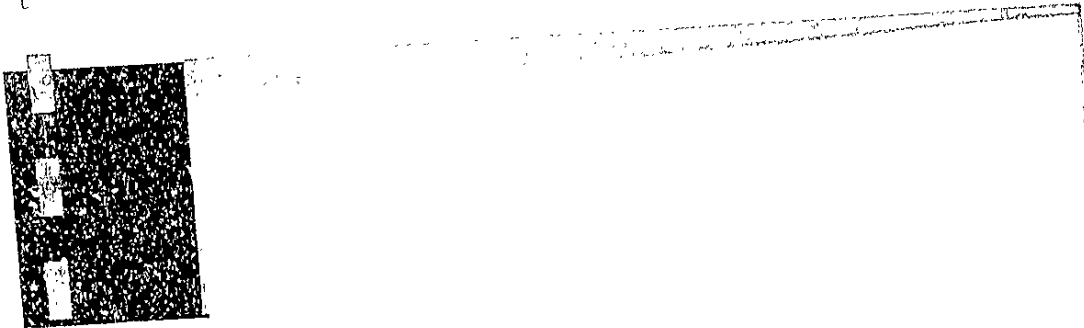


968046



Price Waterhouse



HOUSE OF FRASER (SHOES) LIMITED

DIRECTORS' REPORT AND ACCOUNTS

29 APRIL 1989

HOUSE OF FRASER (SHOES) LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited accounts for the year ended 29 April 1989.

CHANGE OF NAME OF THE COMPANY

The name of the company was changed from Kurt Geiger Holdings Limited to House of Fraser (Shoes) Limited on 13 April 1989.

DIRECTORS

The present Directors of the Company are:

Mr G Willoughby
Mr DB Spitz
Mr RD Burston
Mr B Cohen
Mr GW Jones

Mr B Cohen was appointed a Director of the company on 27 May 1988 and was re-elected at the 1988 Annual General Meeting.
In accordance with the Articles of Association, no Director is required to retire by rotation.

DIRECTORS' INTERESTS

Other than Mr G Willoughby who is also a Director of the intermediate holding company, House of Fraser plc, and whose interests are disclosed in that company's directors' report and accounts, no Director in office at 29 April 1989 held any interest in the shares or debentures of the Company or of its ultimate holding company in the United Kingdom, House of Fraser Holdings plc, or in any other of that company's subsidiaries at 1 May 1988 or date of appointment, if later or at 29 April 1989.

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.

EMPLOYEE SHARE OPTION SCHEME

On 1 May 1988 an Employee Share Option Plan was introduced which is related to the increased profitability and growth in value of the Company and the Directors considered that it will provide employees with a significant opportunity to participate in and benefit from the development and future success of the Company.

The Plan provides for options to be granted annually based on the results of the Company for each preceding financial year and the first options granted were related to the results for the year ended 30 April 1988.

SHARE CAPITAL

To facilitate the introduction of the Company's Employee Share Option Plan the authorised share capital was increased on 19 September 1988 from £400 to £900,000 and an additional £769,800 was issued by way of capitalisation of reserves.

PRINCIPAL ACTIVITIES

The Company is the holding company for Kurt Geiger Limited and Carvela Shoes Limited.

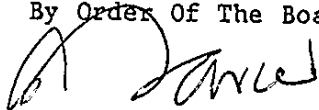
DIVIDENDS

The Directors recommend the payment of a dividend of £640,000.

AUDITORS

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

By Order Of The Board



JRP Davies
Secretary

7 July 1989

Price Waterhouse



REPORT OF THE AUDITORS TO THE MEMBERS OF HOUSE OF FRASER (SHOES) LIMITED

We have audited the financial statements on pages 4 to 7 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 at 29 April 1989 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse
Chartered Accountants

7 July 1989



Offices at Aberdeen, Birmingham, Bristol, Cardiff, Edinburgh, Glasgow, Leeds, Leicester, Liverpool, London, Manchester, Middleborough, Newcastle, Nottingham, Reading, St Albans, Southampton and Windsor.
The principal place of business is at Southwark Towers, 32 London Bridge Street, London SE1 9BY where a list of the partners' names is available for inspection.
The firm is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

HOUSE OF FRASER (SHOES) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE
YEAR ENDED 29 APRIL 1989

	<u>Notes</u>	<u>29 April 1989</u> £	<u>52 weeks ended</u> <u>30 April 1988</u> £
Dividends receivable	4	640,000	1,000,000
Dividend to be paid	5	(640,000)	—
Profit for the period		—	1,000,000
Balance at beginning of period		1,000,320	320
Profits capitalised	6	(769,800)	
Profit for the period		—	1,000,000
Balance at end of period		230,520	1,000,320

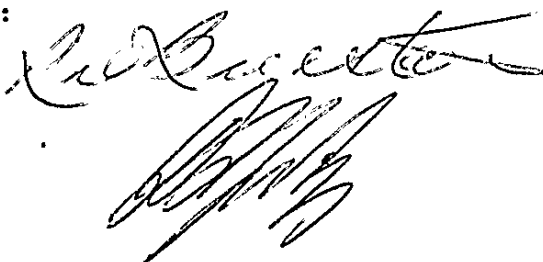
HOUSE OF FRASER (SHOES) LIMITED

BALANCE SHEET AS AT 29 APRIL 1989

	Notes	<u>29 April 1989</u>		<u>30 April 1988</u>	
		£	£	£	£
FIXED ASSETS					
Investments	3	882,689		882,689	
DEBTORS - amounts due within one year	4	758,043		123,071	
CREDITORS - amounts due within one year	5	(640,012)		(5,040)	
NET CURRENT ASSETS/ (LIABILITIES)			<u>118,031</u>		<u>118,031</u>
			<u>1,000,720</u>		<u>1,000,720</u>
CAPITAL AND RESERVES					
Called up share capital	6	770,000		200	
Capital redemption reserve	7	200		200	
Profit and Loss Account		<u>230,520</u>		<u>1,000,320</u>	
			<u>230,720</u>		<u>1,000,520</u>
			<u>1,000,720</u>		<u>1,000,720</u>

The accounts were approved by the Board of Directors on 7 July 1989 and are signed on its behalf by:

Director
Director



HOUSE OF FRASER (SHOES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 29 APRIL 1989

1 ACCOUNTING POLICIES

Basis of accounts

The accounts have been prepared under the historical cost convention. Group financial statements are not presented as the company is a wholly subsidiary of a company incorporated in Great Britain.

2 DIRECTORS EMOLUMENTS

None of the directors received any emoluments during the year (1988 - nil)

3 FIXED ASSETS - INVESTMENTS

	<u>1989</u> £	<u>1988</u> £
Shares in subsidiaries at cost	<u>882,689</u>	<u>882,689</u>

The investments represent the cost of the shares in Kurt Geiger Limited and Carvela Shoes Limited, both of which are wholly owned subsidiary companies and are incorporated in Great Britain.

The directors are of the opinion that these investments are worth in excess of cost.

4 DEBTORS - Amounts falling due within one year	<u>1989</u>	<u>1988</u>
Balance at the beginning of the year	123,071	-
Dividends owed by group companies	640,000	1,000,000
Compensation with accounts payable to group companies	<u>(5,028)</u>	<u>(876,929)</u>
	<u>758,043</u>	<u>123,071</u>

5 CREDITORS - Amounts falling due within one year	<u>1989</u> £	<u>1988</u> £
Balance at the beginning of the year	5,040	881,969
Dividends payable to group companies	640,000	-
Compensation with accounts receivable from group companies	<u>(5,028)</u>	<u>(876,929)</u>
	<u>640,012</u>	<u>5,040</u>

HOUSE OF FRASER (SHOES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS 29 APRIL 1989 (continued)

6 CALLED UP SHARE CAPITAL

	<u>1989</u> £	<u>1988</u> £
Issued, allotted and fully paid (Ordinary shares of £1 each)		
Balance at the beginning of the year	200	200
Capitalisation of reserves	<u>769,800</u>	<u>-</u>
	770,000	200
Unissued capital	<u>130,000</u>	<u>200</u>
Authorised capital	<u>900,000</u>	<u>400</u>

7 CAPITAL REDEMPTION RESERVE

	<u>1989</u> £	<u>1988</u> £
Arising on the purchase of the company's shares	<u>200</u>	<u>200</u>

8 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.