

DIRECTORS REPORT

The Directors present their annual report and the audited consolidated accounts of House of Fraser Holdings plc for the 52 weeks ended 26th January 1991.

Directors

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

Directors who also served during the period were Mr G.W. Jones (resigned 31st January 1990), Mr S.W. Frith (resigned 15th January 1991) and Mr. W.A. Craddock (resigned 1st April 1991). Mr M. Cole was appointed to the Board on 4th July 1990.

Principal Activity

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

Since the year end, Modena Engineering Ltd, which was acquired in December 1989, has been sold due to the protracted legal negotiations regarding a claim against the vendors and the continuing difficult trading situation. The Company is therefore no longer responsible for the liabilities of Modena Engineering Ltd.

Results and Dividends

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

The Directors do not propose the payment of a dividend.

Review of the Business

The Group continued its major investment programme and opened new major departmental Stores in Leeds and Meadowhall, Sheffield. In addition re-built Stores at Plymouth and Milton Keynes, both of which had been severely damaged by arson in 1989, re-opened in September 1990.

The refurbishment of Harrods continued with a major new sporting goods department opening on the 5th Floor in what had previously been office accommodation. Work continued on the next phase of the Lower Ground Floor Project which opened earlier this year.

During the period the Group disposed of the entire share capital of Astral Sports & Leisure (Retail) Limited, and in November entered into a contract for the sale of its Switzer Group of Stores in Ireland. Completion took place in April, 1991.

Changes in Fixed Assets

The changes are set out in Notes 9 and 10 to the accounts. During the period the Group's direct investment in tangible fixed assets amounted to £74.6 million.

Freehold and leasehold properties with a net book value of £22.6 million were disposed of during the period.

Revaluation of Properties

A sample revaluation of the freehold and long leasehold properties of the Company and its subsidiaries was carried out by Healey & Baker as at 26th January 1991. This valuation formed the basis of the Directors' valuation of all freehold and long leasehold properties. The Directors' valuation showed a deficit of £20.1 million which has been deducted from the reserves and is shown in Note 9 to the accounts.

Shareholdings and Other interests of Directors

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 interest in the shares or debentures of the Company or any of its subsidiaries at 28th January 1990 (or date of appointment if later) or 26th January 1991.

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

Health and Safety

In accordance with the provisions of the Health & Safety at Work etc Act 1974, the Group has issued a written statement of its general policy with respect to the health, safety and welfare at work of its employees and the organisation and arrangements for carrying out that policy. This statement has been brought to the notice of all employees of the Group.

Close Company

As at 26th January 1991 the Company was a Close Company within the meaning of Part XI Chapter I of the Income and Corporation Taxes Act 1988.

By Order of the Board



J.R.P. Davies

Company Secretary
London
15th May 1991

Disabled Persons

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

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 and health and safety committees. Through individual performance appraisals employees are made aware of their individual contribution to the Group.

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

Donations

The charitable donations made and charged in the accounts were £1,230,892. No political contributions were made.

Auditors

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

ACCOUNTING POLICIES

Basis of Accounts. The accounts have been prepared under the historical cost convention modified to include the revaluation of the Group's properties and have been prepared to comply with the disclosure requirements of the Companies Act 1985 (as amended).

Basis of Consolidation. The consolidated accounts include the accounts of the Company and its subsidiaries and the Group 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 subsidiaries 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.

Accounts Format. The format of the Company's balance sheet has been changed for consistency with the Companies Act 1985 format which the Directors have adopted for the consolidated balance sheet.

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

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

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

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

Short Leaseholds

Remaining period of lease

Fixtures & Fittings

3-10 years

Vehicles & Equipment

4-7 years

Investment properties are not depreciated. Depreciation arising on the revaluation surplus of properties is charged to the profit and loss account and then transferred to the revaluation reserve.

Leased Assets. Assets acquired under finance leases are capitalised so as to reflect the fair value of the asset acquired, and depreciated at a rate which is appropriate given the terms of the lease and life of the asset. The interest element of the rental charge is taken to the profit and loss account in proportion to the capital element outstanding. Rentals payable under operating leases are charged on a straight line basis over the lease term.

Property Development. In the case of major property development projects the interest on the capital borrowed to finance the project is, where separately identifiable and to the extent that it accrues during the period of development, capitalised as part of the cost of the asset.

Property Sales. Surpluses realised on the sale of properties and fixed asset investments, less the reorganisation and closure costs which precede and relate directly to the sale of properties, and similar costs incurred in preparing a property for development, are reported as extraordinary items as these transactions are not considered to be part of the ordinary activities of the Group. Surpluses are determined by reference to historical cost.

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.

HOUSE OF FRASER HOLDINGS plc

ACCOUNTING POLICIES - continued

Deferred Taxation. Deferred taxation is provided in respect of differences arising from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the accounts, where a tax liability is expected to crystallize.

Credit sales. Profit is taken on goods sold on credit when the sale is effected, except that a deferral is made in respect of the service charge on extended credit sales which are subject to an interest-free option. The service charge on other credit sales is taken to profit as it accrues.

Pensions. Retirement benefits are funded by contributions from the Group and employees. Payments are made to pension trusts, which are financially separate from the Group, in accordance with calculations made periodically by consulting actuaries. Contributions are charged to the profit and loss account on a basis that spreads the expected cost of providing pensions over the average remaining service lives of employees in the schemes. This policy complies with SSAP24.

Foreign Currency. All items in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences arising from the translation of the opening net investment in a subsidiary or associated undertaking at the closing rate are recorded as a movement on the revaluation reserve. Realised gains and losses are dealt with in the profit and loss account.

HOUSE OF LASER HOLDINGS plc

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the 52 weeks ended 26th January 1991

	52 Weeks to 26/1/91	39 Weeks to 27/1/90
	£m	£m
Note		
TOTAL TURNOVER	1269.0	997.4
Less: Value Added Tax	150.5	120.4
1 Turnover	<u>1118.5</u>	<u>877.0</u>
2 OPERATING PROFIT	78.1	68.3
3 Interest	(124.4)	(89.0)
4 Other operating income	<u>20.6</u>	<u>18.3</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(25.7)	(2.4)
5 Taxation	<u>3.3</u>	<u>(1.3)</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	(22.4)	(3.7)
6 Extraordinary items	<u>5.0</u>	<u>1.8</u>
7 LOSS FOR THE FINANCIAL PERIOD	<u>(17.4)</u>	<u>(1.9)</u>

The movements on reserves are shown in Note 16.

HOUSE OF FRASER HOLDINGS plc

BALANCE SHEETS

at 26th January 1991

Note	<u>Consolidated</u>		<u>Company</u>	
	1991 £m	1990 £m	1991 £m	1990 £m
<u>ASSETS</u>				
<u>FIXED ASSETS</u>				
9 Tangible assets	899.2	902.0	1.2	0.7
10 Investments in subsidiaries	-	-	850.6	918.9
10 Other investments	229.1	229.5	-	2.7
	<u>1128.3</u>	<u>1131.5</u>	<u>851.8</u>	<u>922.3</u>
<u>CURRENT ASSETS</u>				
11 Stocks	147.3	152.6	-	-
12 Debtors	270.4	282.8	6.7	1.9
13 Investments	1.4	2.5	-	-
14 Cash and bank balances	20.5	28.1	-	-
	<u>439.6</u>	<u>466.0</u>	<u>6.7</u>	<u>1.9</u>
	<u>1567.9</u>	<u>1597.5</u>	<u>858.5</u>	<u>924.2</u>
<u>LIABILITIES</u>				
<u>CAPITAL AND RESERVES</u>				
15 Called up share capital	50.0	50.0	50.0	50.0
16 Revaluation reserve	235.4	263.7	277.1	345.4
16 Profit and loss account	(21.6)	(6.3)	(63.3)	(85.2)
	<u>263.8</u>	<u>307.4</u>	<u>263.8</u>	<u>310.2</u>
17 Subordinated loan from shareholders	100.0	100.0	100.0	100.0
	<u>363.8</u>	<u>407.4</u>	<u>363.8</u>	<u>410.2</u>
<u>PROVISIONS FOR LIABILITIES AND CHARGES</u>				
18 Deferred taxation	8.1	8.5	-	-
<u>CREDITORS:</u>				
19 amounts falling due after more than one year	911.7	866.5	425.0	444.2
19 amounts falling due within one year	284.3	315.1	69.7	69.8
	<u>1567.9</u>	<u>1597.5</u>	<u>858.5</u>	<u>924.2</u>

Approved by the Board on
15th May 1991


A. Paved
Director


G Willoughby
Director

The accounts on pages 5-26 have been prepared in accordance with applicable accounting standards.

HOUSE OF FRASER HOLDINGS plc

CONSOLIDATED STATEMENT OF SOURCES AND APPLICATION OF FUNDS for the 52 weeks ended 26th January 1991

	52 Weeks to 26/1/91	39 Weeks to 27/1/90
	£m	£m
SOURCE OF FUNDS		
Loss on ordinary activities before taxation	(25.7)	(2.4)
Depreciation charged	26.9	19.7
Decrease/(increase) in debtors	19.2	(24.3)
(Decrease)/increase in creditors	(16.6)	86.3
Decrease in stocks	5.3	21.1
Decrease in investments	1.1	1.5
Funds flow from operating activities	<u>10.2</u>	<u>101.9</u>
INVESTING ACTIVITIES		
Premium on acquisition of subsidiary undertakings	-	(0.9)
Purchase of fixed tangible assets and investments	(74.6)	(40.6)
Disposal of fixed asset investments	0.8	-
Disposal of properties and businesses	29.5	12.9
Profit retained in associated undertakings	(0.4)	(0.5)
Funds flow from investing activities	<u>(44.7)</u>	<u>(29.1)</u>
FINANCING ACTIVITIES		
Loan repayment by associated undertaking	-	0.3
Foreign currency adjustment	-	(1.5)
Increase/(decrease) in loans falling due after more than one year	49.7	(36.0)
Net movement in current account with holding company	(18.4)	3.2
Funds flow from financing activities	<u>31.3</u>	<u>(34.0)</u>
INCREASE IN NET LIQUID FUNDS	<u>(3.2)</u>	<u>38.8</u>
OPENING NET LIQUID FUNDS	(9.9)	(48.7)
CLOSING NET LIQUID FUNDS	<u>(13.1)</u>	<u>(9.9)</u>
	<u>(3.2)</u>	<u>38.8</u>

Net liquid funds comprise bank overdrafts and other short term loans less cash and bank balances.

HOUSE OF FRASER HOLDINGS plc

NOTES TO STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Summary of effect of the sale of subsidiaries

Net Assets sold:	£m	Discharged by:	£m
Fixed assets	22.2	Cash received	
Stock	14.4	net of expenses	9.4
Debtors	11.4	Realisation of	
Cash and bank	0.4	revaluation surplus	
Creditors	(18.3)	on disposal	2.8
Overdrafts	(19.2)		
Deferred tax provision	(0.2)		
	<hr/>		
Total net assets sold	10.7		
Net profit on sale	1.5		
	<hr/>		
	12.2		<hr/>
	<hr/>		12.2
			<hr/>

HOUSE OF DRASOR HOLDINGS plc

NOTES ON THE ACCOUNTS

NOTES ON THE ACCOUNTS		52 Weeks to 26/1/91 £m	39 Weeks to 27/1/90 £m
1	<p>TURNOVER - represents amounts receivable for goods and services supplied to customers including the sales of concession departments.</p> <p>Geographical area:</p> <p>United Kingdom</p> <p>Rest of Europe</p>	<p>1073.3</p> <p>45.2</p> <hr/> <p>1118.5</p> <hr/>	<p>839.8</p> <p>37.2</p> <hr/> <p>877.0</p> <hr/>
	Other than rental income receivable from investment properties it is the opinion of the Directors that the Group carries on only one significant class of business, that of retailing.		
2	<p>OPERATING PROFIT is arrived at as follows:</p> <p>Turnover</p> <p>Cost of Sales</p> <p>Gross Profit</p> <p>Distribution and store costs</p> <p>Administrative and central expenses</p>	<p>1118.5</p> <p>(692.3)</p> <hr/> <p>426.2</p> <p>(296.5)</p> <p>(51.6)</p> <hr/> <p>78.1</p> <hr/>	<p>877.0</p> <p>(537.6)</p> <hr/> <p>339.4</p> <p>(234.2)</p> <p>(36.9)</p> <hr/> <p>68.3</p> <hr/>
	Included in distribution costs and administrative expenses are:		
	Depreciation of owned fixed tangible assets	24.7	16.6
	Depreciation on assets held under finance leases	4.2	3.1
	Auditors' fees and expenses	0.6	0.6
	Rentals paid under operating leases:		
	Property	14.8	10.0
	Hire of plant and machinery	3.0	2.3
		<hr/>	<hr/>
3	<p>INTEREST</p> <p>Payable:</p> <p>Bank loans and overdrafts</p> <p>Loans and deposits repayable within 5 years</p> <p>Loans not repayable within 5 years</p> <p>Finance leases</p> <p>Other</p> <p>Less: Receivable - Other</p>	<p>129.7</p> <p>2.0</p> <p>0.4</p> <p>2.4</p> <p>0.2</p> <hr/> <p>134.7</p> <p>(10.3)</p> <hr/> <p>124.4</p> <hr/>	<p>91.5</p> <p>1.5</p> <p>0.4</p> <p>1.8</p> <p>0.2</p> <hr/> <p>95.4</p> <p>(6.4)</p> <hr/> <p>89.0</p> <hr/>
4	<p>OTHER OPERATING INCOME</p> <p>Rental income</p> <p>Investment income:</p> <p>Income from interest in associated undertaking</p> <p>Income from fixed asset investments - listed</p> <p>- unlisted</p> <p>Income from current asset investments - listed</p> <p>- unlisted</p>	<p>8.0</p> <p>1.1</p> <p>11.3</p> <p>-</p> <p>0.1</p> <p>0.1</p> <hr/> <p>20.6</p> <hr/>	<p>6.2</p> <p>1.0</p> <p>10.8</p> <p>0.1</p> <p>0.2</p> <p>-</p> <hr/> <p>18.3</p> <hr/>

HOUSE OF FRASER HOLDINGS plc

NOTES ON THE ACCOUNTS continued

	52 Weeks to 26/1/91 £m	39 Weeks to 27/1/90 £m
5 TAXATION		
Taxation based on the losses of the period:		
Corporation Tax	(0.4)	-
Deferred tax	0.7	0.7
Tax credit on franked investment income	(2.9)	(2.5)
Associated undertakings	(0.3)	(0.4)
Tax repayment arising from set off of trade losses against surplus franked investment income	6.7	-
Adjustment for earlier periods:		
Deferred tax	(0.5)	0.9
	<u>3.3</u>	<u>(1.3)</u>

The credit for taxation is lower than the standard rate of 35% (1990 35%) as Group relief for the current period includes amounts payable by certain subsidiaries in excess of 35% of the tax losses surrendered to them. The company has not put into effect the rate of 34% announced in the Budget on 19th March 1991.

6 EXTRAORDINARY ITEMS

Surplus on disposal of businesses and properties	5.1	8.4
Less associated closure costs	(0.3)	(4.1)
	<u>4.8</u>	<u>4.3</u>
Other items	0.2	(1.6)
Taxation - Deferred taxation	-	(0.9)
	<u>5.0</u>	<u>1.8</u>
Disposals		

The Group entered into a contract for the sale of Switzer and Company Limited in Ireland in November 1990. The sale was completed in April 1991. The profit on disposal was £1.8m. A discount of £5.8m arising on the acquisition of the business has previously been credited to reserves. Switzer and Company Limited's loss for the period ended 26th January 1991 was £0.3m.

7 PROFIT FOR THE FINANCIAL PERIOD

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

<u>21.9</u>	<u>(13.7)</u>
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HOUSE OF FRASER HOLDINGS plc

NOTES ON THE ACCOUNTS continued

8 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' Remuneration:

Emoluments including pension contributions

Compensation for loss of office

52 Weeks to 26/1/91 £'000	39 Weeks to 27/1/90 £'000
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446	236
196	-

In addition to the compensation for loss of office shown above an ex-gratia payment of £37,500 was paid to a director who resigned during the year. Under his termination agreement the Company also agreed to underwrite the disposal of two properties at the estimated open market value of £431,000. One of these properties was purchased by a subsidiary for the agreed value of £144,000. Following a fall in property values the Company has incurred a loss of £60,000 on the sale of the other property.

Emoluments of the chairman

Emoluments of highest paid director

Nil	Nil
132	95

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

Directors

0 - £5,000
£5,001 - £10,000
£10,001 - £15,000
£15,001 - £20,000
£20,001 - £25,000
£25,001 - £30,000
£30,001 - £35,000
£35,001 - £40,000
£40,001 - £45,000
£45,001 - £50,000

Number	Number
3	3
-	1
1	1
1	-
1	1
-	1
-	1
1	-
2	-

Employee costs:

Wages and salaries
Social Security Costs
Other pension costs

52 Weeks to 26/1/91 £m	39 Weeks to 27/1/90 £m
163.5	130.9
13.1	8.9
(0.3)	3.0
176.3	142.8

The average weekly number of employees during the period was as follows:

U.K.
Rest of Europe

Number	Number
19,289	19,892
645	799
19,934	20,691

8 INFORMATION REGARDING DIRECTORS AND EMPLOYEES -- continued

Pensions

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

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

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

The pension cost charged is determined by qualified actuaries who are partners of Bacon & Woodrow, consulting actuaries. The charge for the period 28th January 1990 to 26th January 1991 is based on the most recent actuarial valuation, which took place as at 5th April 1988, updated to 28th January 1990, and adjusted for certain revised actuarial assumptions. 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 28th January 1990 the Plan had assets with a total market value of approximately £270 million, and the actuarial value of the scheme assets represented approximately 125% of the liabilities for benefits that had accrued to members after allowing for expected future increases in earnings. The main reason for the surplus of assets over liabilities was the high investment returns earned by the Fund.

The pension write back for the period was £0.3m (1989/90 charge £2.9m) after charging £0.4m in respect of an overseas subsidiary.

A provision of £1.7m (1989/90 £2.5m) is included in the accounts being the excess of the pension cost over the contributions paid during the period 28th January 1990 to 26th January 1991 together with the provision at 28th January 1990 and interest thereon.

9 FIXED ASSETS - Tangible Assets					Fixtures Fittings Vehicles & Equipment
	Total £m	Freeholds £m	Long Leaseholds £m	Short Leaseholds £m	£m
Consolidated					
Cost and valuation at 27th January 1990	994.7	645.6	115.1	34.0	200.0
Exchange adjustments	(0.6)	(0.6)	-	-	-
Additions	74.6	19.6	1.4	11.6	42.0
Disposals	(40.8)	(19.9)	(2.2)	(0.8)	(17.9)
Reclassification	-	6.5	(8.1)	1.6	-
Revaluation deficit	(22.1)	(1.2)	(20.9)	-	-
	<u>994.7</u>	<u>645.6</u>	<u>115.1</u>	<u>34.0</u>	<u>200.0</u>
Cost and valuation at 26th January 1991	1005.8	650.0	85.3	46.4	224.1
	<u>1005.8</u>	<u>650.0</u>	<u>85.3</u>	<u>46.4</u>	<u>224.1</u>
Aggregate depreciation at 27th January 1990	92.7	-	-	3.0	89.7
Exchange adjustments	(0.1)	-	-	-	(0.1)
Charge for period	26.9	0.7	1.3	1.0	23.9
Disposals	(10.9)	-	-	(0.3)	(10.6)
Revaluation deficit	(2.0)	(0.7)	(1.3)	-	-
	<u>92.7</u>	<u>-</u>	<u>-</u>	<u>3.0</u>	<u>89.7</u>
Aggregate depreciation at 26th January 1991	106.6	-	-	3.7	102.9
	<u>106.6</u>	<u>-</u>	<u>-</u>	<u>3.7</u>	<u>102.9</u>
Net book value at 26th January 1991	899.2	650.0	85.3	42.7	121.2
	<u>899.2</u>	<u>650.0</u>	<u>85.3</u>	<u>42.7</u>	<u>121.2</u>
Net book value at 27th January 1990	902.0	645.6	115.1	31.0	110.3
	<u>902.0</u>	<u>645.6</u>	<u>115.1</u>	<u>31.0</u>	<u>110.3</u>
Cost and valuation					
1981 professional valuation	2.1	-	-	2.1	-
1988 professional valuation	14.8	-	-	14.8	-
1991 Directors' valuation	732.1	646.8	85.3	-	-
Cost	256.8	3.2	-	29.5	224.1
	<u>1005.8</u>	<u>650.0</u>	<u>85.3</u>	<u>46.4</u>	<u>224.1</u>
	<u>1005.8</u>	<u>650.0</u>	<u>85.3</u>	<u>46.4</u>	<u>224.1</u>
Historical cost at 27th January 1990	730.0	373.7	137.6	18.7	200.0
Depreciation on historical cost at 27th January 1990	(91.7)	-	-	(2.0)	(89.7)
	<u>730.0</u>	<u>373.7</u>	<u>137.6</u>	<u>18.7</u>	<u>200.0</u>
Net historical cost at 27 January 1990	638.3	373.7	137.6	16.7	110.3
	<u>638.3</u>	<u>373.7</u>	<u>137.6</u>	<u>16.7</u>	<u>110.3</u>
Historical cost at 26th January 1991	769.1	378.0	136.0	31.0	224.1
Depreciation on historical cost at 26th January 1991	(105.3)	-	-	(2.4)	(102.9)
	<u>769.1</u>	<u>378.0</u>	<u>136.0</u>	<u>31.0</u>	<u>224.1</u>
Net historical cost at 26th January 1991	663.8	378.0	136.0	28.6	121.2
	<u>663.8</u>	<u>378.0</u>	<u>136.0</u>	<u>28.6</u>	<u>121.2</u>

HOUSE OF FRASER HOLDINGS plc

NOTES ON THE ACCOUNTS continued

9 FIXED ASSETS - Tangible Assets continued

Investment Properties (included above)	Freeholds £m
Cost at 27th January 1990	86.2
Additions	0.7
	<hr/>
Cost at 26th January 1991	86.9
	<hr/>
Revaluation surplus at 27th January 1990	60.3
Revaluation surplus arising in the year	7.3
	<hr/>
Revaluation surplus at 26th January 1991	67.6
	<hr/>
Net book value at 26th January 1991	154.5
	<hr/>
Net book value at 27th January 1990	146.5
	<hr/>

Freehold and long leasehold properties including investment properties have been valued by the Directors at 26th January 1991, based on a sample valuation by Healey & Baker, International Real Estate Consultants, on the basis of an open market value for existing use. This valuation has been incorporated in the accounts with effect from 26th January 1991.

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 £12.2m (1990 £16.3m) in respect of assets held under finance leases.

Included in the cost of the fixed tangible assets is £12.8m of capitalised interest of which £0.8m (1990 £0.2m) was incurred during the period.

9 FIXED ASSETS - Tangible Assets continued

Company	Total £'000	Freehold £'000	Short Leaseholds £'000	Fixtures Fittings Vehicles & Equipment £'000
Cost at 27th January 1990	1140	-	360	780
Additions	676	556	-	120
Disposals	(49)	-	-	(49)
Group transfers	(20)	-	-	(20)
Cost and valuation at 26th January 1991	<u>1747</u>	<u>556</u>	<u>360</u>	<u>831</u>
Aggregate depreciation at 27th January 1990	421	-	78	343
Charge for period	141	-	18	123
Disposals	(29)	-	-	(29)
Group Transfers	2	-	-	2
Aggregate depreciation at 26th January 1991	<u>535</u>	<u>-</u>	<u>96</u>	<u>439</u>
Net book value at 26th January 1991	<u>1212</u>	<u>556</u>	<u>264</u>	<u>392</u>
Net book value at 27th January 1990	<u>719</u>	<u>-</u>	<u>282</u>	<u>437</u>

10 FIXED ASSETS - Investments

Consolidated Shares	Total £m	Interest in Associated Undertakings £m	Other Listed Investments £m	Unlisted Investments £m
Cost at 27th January 1990	232.2	6.6	225.3	0.3
Disposals	(0.8)	(0.1)	(0.7)	-
Cost at 26th January 1991	<u>231.4</u>	<u>6.5</u>	<u>224.6</u>	<u>0.3</u>
Amount written off at 26th January 1991 and at 27th January 1990	(3.2)	(3.2)	-	-
Share of post acquisition reserves	0.9	0.9	-	-
Net book value at 26th January 1991	<u>229.1</u>	<u>4.2</u>	<u>224.6</u>	<u>0.3</u>
Net book value at 27th January 1990	<u>229.5</u>	<u>3.9</u>	<u>225.3</u>	<u>0.3</u>
Share of Post Acquisition Reserves retained in the period	<u>0.4</u>	<u>0.4</u>	<u>-</u>	<u>-</u>

HOUSE OF FRASER HOLDINGS plc
NOTES ON THE ACCOUNTS continued

10 FIXED ASSETS - Investments - continued

Company	Total	Interest in Group	Interest in Associated	Other
Shares	£m	Undertakings	Undertakings	Listed
		£m	£m	Investments
				£m
Cost at 27th January 1990	577.9	575.2	1.1	1.6
Disposals	(0.8)	-	-	(0.8)
Transfers	(1.9)	-	(1.1)	(0.8)
	<u>575.2</u>	<u>575.2</u>	<u>-</u>	<u>-</u>
Cost at 26th January 1991	575.2	575.2	-	-
Amounts written off:				
at 26th January 1991	(1.8)	(1.8)	-	-
at 27th January 1990	(1.7)	(1.7)	-	-
Share of Post Acquisition Reserves:				
at 26th January 1991	277.1	277.1	-	-
at 27th January 1990	345.4	345.4	-	-
Totals				
Net Book Value 26th January 1991	<u>850.6</u>	<u>850.6</u>	<u>-</u>	<u>-</u>
Net Book Value 27th January 1990	<u>921.6</u>	<u>918.9</u>	<u>1.1</u>	<u>1.6</u>

The other listed investments are quoted on the International Stock Exchange, London and are held at historical cost less provision where, in the opinion of the Directors, there has been a permanent diminution of their value. The market value of listed investments at 26th January 1991 was £129.5m.

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

The investment in an associated undertaking represents a 29.9% interest in the ordinary share capital of Mallett PLC (listed company). The market value of this investment at 26th January 1991 was £4.7m.

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

Details of the Group's principal subsidiaries and associated undertakings are given on page 26.

Since the year end the Company has disposed of its shareholding in Modena Engineering Ltd.

HOUSE OF FRASER HOLDINGS plc

NOTES ON THE ACCOUNTS continued

	<u>Consolidated</u>	
	<u>1991</u>	<u>1990</u>
	£m	£m
11 STOCKS		
The main categories of stock are:		
Raw materials and consumables	2.2	2.4
Work in progress	0.2	0.4
Finished goods for resale	144.9	149.8
	<u>147.3</u>	<u>152.6</u>

There was no significant difference between the replacement cost of stocks at 26th January 1991 and the amount at which they are stated in the accounts.

	<u>Consolidated</u>		<u>Company</u>	
	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>
	£m	£m	£m	£m
12 DEBTORS				
Amounts due within one year				
Trade debtors	148.5	171.1	-	-
Amounts owed by subsidiary undertakings	-	-	1.3	0.1
Other debtors	23.5	18.0	1.3	0.7
Prepayments	9.8	13.5	0.1	1.1
Other taxes	8.4	1.8	4.0	-
Advance Corporation Tax	4.1	-	-	-
	<u>194.3</u>	<u>204.4</u>	<u>6.7</u>	<u>1.9</u>
Amounts due after more than one year				
Trade Debtors	74.1	78.1	-	-
Other Debtors	2.0	0.3	-	-
	<u>76.1</u>	<u>78.4</u>	<u>-</u>	<u>-</u>
	<u>270.4</u>	<u>282.8</u>	<u>6.7</u>	<u>1.9</u>

13 INVESTMENTS

Listed		
Cost at 27th January 1990	1.5	3.0
Disposals	(1.0)	(1.5)
	<u>0.5</u>	<u>1.5</u>
Total cost of investments at 26th January 1991	0.5	1.5
Market value at 26th January 1991	0.5	1.5

The listed investments are quoted on the International Stock Exchange, London.

HOUSE OF FRASER HOLDINGS plc

NOTES ON THE ACCOUNTS continued

	<u>Consolidated</u>	
	<u>1991</u>	<u>1990</u>
	£m	£m
13 INVESTMENTS - continued		
Unlisted		
Cost at 27th January 1990	1.0	1.0
Disposals	(0.1)	-
	<u>0.9</u>	<u>1.0</u>
Cost at 26th January 1991	0.9	1.0
Total cost of investments	<u>1.4</u>	<u>2.5</u>

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

14 CASH AND BANK BALANCES

Money at call and short notice in banking subsidiary	11.8	13.2
Deposits	3.5	0.2
Other cash and bank balances	5.2	14.7
	<u>20.5</u>	<u>28.1</u>

	<u>Company and Consolidated</u>	
	<u>1991</u>	<u>1990</u>
	£m	£m
15 CALLED UP SHARE CAPITAL		
Authorised, allotted, called up and fully paid		
50,000,000 ordinary shares of £1 each	<u>50.0</u>	<u>50.0</u>

	<u>Consolidated</u>		<u>Company</u>	
	<u>Revaluation Reserve</u>	<u>Profit & Loss Account</u>	<u>Revaluation Reserve</u>	<u>Profit & Loss Account</u>
	£m	£m	£m	£m
16 RESERVES				
Balance at 27th January 1990	263.7	(6.3)	345.4	(85.2)
(Loss)/Profit retained for period	-	(17.4)	-	21.9
Employee Share Option Plan	-	(0.2)	-	-
Revaluation deficit	(20.1)	-	(68.3)	-
Transfer re depreciation on revaluation surplus	(2.3)	2.3	-	-
Revaluation surplus realised on disposals	(5.9)	-	-	-
	<u>235.4</u>	<u>(21.6)</u>	<u>277.1</u>	<u>(63.3)</u>
Balance at 26th January 1991	235.4	(21.6)	277.1	(63.3)

At 26th January 1991, the cumulative amount of goodwill written off to reserves, net of goodwill relating to subsidiary undertakings disposed of, amounted to £97.6m.

17 SUBORDINATED LOAN

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

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

18 DEFERRED TAXATION

Provided in respect of capital allowances

	<u>Consolidated</u>		<u>Company</u>	
	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>
	£m	£m	£m	£m
Balance at 27th January 1990	8.5	9.2	-	-
Disposals	(0.2)	-	-	-
Credited in taxation (Notes 5 & 6)	(0.2)	(0.7)	-	-
	<u>8.1</u>	<u>8.5</u>	<u>-</u>	<u>-</u>
Balance at 26th January 1991	<u>8.1</u>	<u>8.5</u>	<u>-</u>	<u>-</u>

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

(1) Capital allowances	28.8	27.8	(0.3)	(0.3)
(2) Short term timing differences	(12.3)	(12.1)	10.2	9.9
(3) Revaluation of properties	77.4	81.2	-	-
(4) Corporation tax on capital gains	12.2	11.6	-	-
	<u>106.1</u>	<u>108.5</u>	<u>9.9</u>	<u>9.6</u>

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

HOUSE OF FRASER HOLDINGS plc

NOTES ON THE ACCOUNTS continued

	<u>Consolidated</u>		<u>Company</u>	
	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>
	£m	£m	£m	£m
19 CREDITORS				
Amounts falling due after more than one year				
Debentures and loan stock	5.9	25.7	-	19.2
Bank loans	897.5	828.0	425.0	425.0
Other loans	0.5	0.5	-	-
	<u>903.9</u>	<u>854.2</u>	<u>425.0</u>	<u>444.2</u>
Other creditors	7.8	12.3	-	-
	<u>911.7</u>	<u>866.5</u>	<u>425.0</u>	<u>444.2</u>
Amounts falling due within one year				
Trade Creditors	80.7	91.9	-	-
Debentures and loan stock	18.0	1.0	17.0	-
Bank overdrafts	8.3	13.1	0.4	0.7
Bank loans	7.3	22.1	-	-
Other loans	-	1.8	-	-
Loans and overdrafts	33.6	38.0	17.4	0.7
Amounts due to holding company	20.9	39.3	19.9	39.3
Current corporation tax	-	0.2	-	-
Other taxes and social security costs	42.4	42.9	-	-
Other creditors	36.6	42.1	-	0.1
Accruals	66.0	60.7	32.4	29.7
Advance Corporation Tax	4.1	-	-	-
Other liabilities	170.0	185.2	52.3	69.1
TOTAL AMOUNT DUE WITHIN ONE YEAR	<u>284.3</u>	<u>315.1</u>	<u>69.7</u>	<u>69.8</u>

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

Under one year	4.3	8.6	-	-
Between two and five years	7.8	11.6	-	-
	<u>12.1</u>	<u>20.2</u>	<u>-</u>	<u>-</u>

HOUSE OF FRASER HOLDINGS plc

NOTES ON THE ACCOUNTS continued

19 CREDITORS continued

DEBENTURES, LOANS and OVERDRAFTS	Consolidated		Company	
	1991 £m	1990 £m	1991 £m	1990 £m
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	0.2	-	-
Unsecured loan notes 1990 (1% below inter bank rate) **	0.3	0.8	-	-
Unsecured Loan Notes 1991 (variable rate) ***	17.0	19.2	17.0	19.2
Bank loans repayable within one year	2.4	21.5	-	-
Bank loans repayable 1991/92	-	18.5	-	-
Bank loans repayable 1993/94	220.0	135.0	-	-
Bank loans repayable 1995/96	70.0	70.0	-	-
Bank overdraft	7.8	11.4	0.4	0.7
	<u>323.5</u>	<u>282.5</u>	<u>17.4</u>	<u>19.9</u>
B) SECURED				
(on shares in subsidiaries)				
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	182.5	179.5	-	-
(On Certain Freehold and Leasehold Properties)				
At 5 3/4% Annual Repayments of £50,000 until 1991 when balance in repayable	-	1.8	-	-
At 6 3/4% repayable in 1994	0.5	0.5	-	-
8% Debenture Stock 1986/91	0.6	0.6	-	-
(Floating Charge over Vehicle Stock)				
Bank Loan Repayable within one year	0.4	0.6	-	-
(Fixed Charge Over Book Debts and Freehold Property of Modena Engineering Ltd)				
Bank Overdrafts	0.5	1.7	-	-
Bank Loan repayable within one year	4.5	-	-	-
	<u>937.5</u>	<u>892.2</u>	<u>442.4</u>	<u>444.9</u>

* Unsecured Loan Notes 1990 (Variable Rate)

Holders of loan notes to the value of £121,490 have elected to defer repayment of their notes to 31st July 1991 or to such date as may be agreed with the Company.

** Unsecured Loan Notes 1990 (1% below Inter Bank Rate)

Holders of loan notes to the value of £263,443 have elected to defer repayment of their notes to 31st July 1991 or to such date as may be agreed with the Company.

*** Unsecured Loan Notes 1991 (Variable Rate)

These are guaranteed by Swiss Bank Corporation and are repayable at par together with accrued interest on 31st July 1991.

NOTES ON THE ACCOUNTS continued

19 CREDITORS continued

	<u>Consolidated</u>		<u>Company</u>	
	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>
	£m	£m	£m	£m
whereof:				
Debentures and loan stock				
Repayable within one year	18.0	1.0	17.0	-
Repayable between one and two years	-	19.8	-	19.2
Repayable between two and five years	-	-	-	-
Repayable in five or more years	5.9	5.9	-	-
	<u>23.9</u>	<u>26.7</u>	<u>17.0</u>	<u>19.2</u>
Bank Loans and Overdrafts				
Repayable within one year or on demand	15.6	35.2	0.4	0.7
Repayable between one and two years	-	18.5	-	-
Repayable between two and five years	897.5	235.0	425.0	100.0
Repayable in five or more years	-	574.5	-	325.0
	<u>913.1</u>	<u>863.2</u>	<u>425.4</u>	<u>425.7</u>
Other Loans				
Repayable within one year or on demand	-	1.8	-	-
Repayable between one and two years	-	-	-	-
Repayable between two and five years	0.5	0.5	-	-
Repayable in five or more years	-	-	-	-
	<u>0.5</u>	<u>2.3</u>	<u>-</u>	<u>-</u>
	<u>937.5</u>	<u>892.2</u>	<u>442.4</u>	<u>444.9</u>
Other Loans				
Total repayable by instalments all within 5 years	<u>-</u>	<u>1.8</u>	<u>-</u>	<u>-</u>

HOUSE OF FRASER HOLDINGS plc

NOTES ON THE ACCOUNTS continued

	<u>Consolidated</u>		<u>Company</u>	
	1991	1990	1991	1990
	£m	£m	£m	£m
20 CAPITAL COMMITMENTS				
Contracted for but not yet provided	8.4	26.0	-	-
Authorised by Directors but not yet contracted for	1.8	9.6	-	-
	<u>10.2</u>	<u>35.6</u>	<u>-</u>	<u>-</u>

21 LEASING COMMITMENTS

Commitments during the year commencing 27th January 1991 in respect of operating leases of land and buildings are:

	<u>Consolidated</u>		<u>Company</u>	
	1991	1990	1991	1990
	£m	£m	£m	£m
Leases expiring:				
within one year	0.2	0.3	-	-
between two and five years	0.3	0.3	-	-
over five years	15.0	16.2	0.2	0.2
	<u>15.5</u>	<u>16.8</u>	<u>0.2</u>	<u>0.2</u>

22 PARENT UNDERTAKINGS

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

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

HOUSE OF FRASER HOLDINGS plc

PRINCIPAL SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

Operating at 26th January 1991

DEPARTMENT STORES

Registered and operating in Scotland

* House of Fraser Stores Ltd
(also operating in England & Wales)

Registered and operating in England and Wales

* Harrods Limited

Registered and operating in the Republic of Ireland

Registered and operating in Guernsey

OTHER ACTIVITIES

House of Fraser plc
* House of Fraser (Finance) Ltd
* Retail & General Finance Ltd

* Carvela Shoes Limited
* Kurt Geiger Limited
* Turnbull & Asser Limited
* Jermyn Street Shirtmakers Ltd
* Charles Hill Silks Limited
* Genavoo Holdings Limited
* Genavoo Insurance Limited
* Harrods Bank Limited
House of Fraser Property Investment plc
Modena Engineering Ltd
* The Grayhound Motor Co Ltd

* Harrods (Ireland) Limited

* Stag Insurance Company Limited

Holding Company
Finance Company
Finance Company

Footwear Retailers
Footwear Retailers
Shirtmakers & Clothiers
Shirtmakers & Clothiers
Tie Manufacturers
Insurance Consultants
Insurance Brokers
Bank
Investment Company
Car Servicing & Dealing
Motor Distribution

Investment Company

Insurance Underwriting

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

ASSOCIATED UNDERTAKINGS

at 26th January 1991

	Accounting Date	Country of Operation & Registration	Share Capital	% held by House of Fraser Holdings plc
Mallet PLC Antique Dealers	31st December	England	13,800,060 ordinary shares of 5p	29.9 (indirect)