

HOUSE OF FRASER LIMITED

Report and Financial Statements
For the 52 weeks ended
29 January 2011

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Registered in Scotland No. SC021928

House of Fraser Limited

Contents

Page

Company information

1

Directors' report

2

Directors' responsibilities statement

4

Independent auditor's report

5

Balance sheet

7

Notes to the financial statements

8

House of Fraser Limited
Company information

Registered Address	Granite House 4th Floor 31 Stockwell Street Glasgow G1 4RZ
Company Number	SC021928
Directors	Mr D McCarthy Mr J King Mr M Gifford Mr G Sigurdsson
Company Secretary	Mr P Hearsey
Auditor	Deloitte LLP Chartered Accountants and Statutory Auditor London

House of Fraser Limited

Directors' report

The directors present their annual report and the audited financial statements of House of Fraser Limited ("the Company") for the 52 weeks ended 29 January 2011.

Holding company

The Company's ultimate and controlling party is Highland Group Holdings Limited, a company registered in England and Wales. The immediate parent company is Highland Acquisitions Limited.

Principal activity

The principal activity of the Company is that of acting as an investment holding company for its UK subsidiary undertakings. The principal trading subsidiaries are House of Fraser (Stores) Limited and James Beattie Limited together with other subsidiary companies; House of Fraser (Storecard) Limited, House of Fraser (PIH) Limited, Beatties Limited, House of Fraser (Stores Management) Limited, Jenners Princes Street Edinburgh Limited and House of Fraser (WG) Limited.

The Company is the parent company of the House of Fraser retail business. House of Fraser's activity is the retailing of premium brands through its department stores in Great Britain and the Republic of Ireland, as well as online at www.houseoffraser.co.uk. This activity is operated by House of Fraser (Stores) Limited and James Beattie Limited.

House of Fraser financial services division is operated through House of Fraser (Storecard) Limited. The property division was previously operated through House of Fraser (PIH) Limited, (the property business has been discontinued).

House of Fraser Limited (formerly House of Fraser PLC) was previously the listed holding company for the House of Fraser business. On 8 November 2006 the group was acquired by Highland Acquisitions Limited, a subsidiary of Highland Group Holdings Limited.

More detailed information on the activity and business development is included in the annual report and financial statements of Highland Group Holdings Limited.

Results and dividends

The Company did not make a profit or a loss in the 52 weeks ended 29 January 2011 (2009/10: £nil) and accordingly no profit and loss account is presented. No interim dividends were paid during the period (2009/10: £nil) and no final dividend is proposed (2009/10: £nil).

Business review and future developments

It is anticipated that the Company will continue to act as the parent company of the House of Fraser business activities.

Financial risk management objectives and policies

The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk. Due to the nature of the Company's activities and the assets and liabilities contained within the Company's balance sheet, the only financial risk that the Company is exposed to is liquidity risk. The Company complies with the financial risk management policies of Highland Group Holdings Limited, and these are applied as appropriate to mitigate any financial risks. These are disclosed in further detail in the Highland Group Holdings Limited annual report which does not form part of this report.

Key performance indicators (KPIs)

Given the straight forward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. The performance of the Highland Group Holdings Limited group is managed on a divisional basis and the performance of the retail, financial services and property divisions, which include the Company, is discussed in the Highland Group Holdings Limited annual report which does not form part of this report.

Year end date

These financial statements have been drawn up for the 52 week period to 29 January 2011. In 2009/10, the Company had a 53 week period and the financial statements were drawn up to 30 January 2010.

House of Fraser Limited
Directors' report (continued)

Directors

The directors who served throughout the period and to the date of signing, except as noted, are:

D McCarthy
J King
M Gifford
G Sigurdsson

In accordance with the Articles of Association no director is required to seek re-election at the forthcoming Annual General Meeting.

Related party

No director had, during or at the end of the period, any interest in contracts of significance to the Company's business.

Going concern

The balance sheet set out on page 7 shows that the Company has net current liabilities of £104.9 million at 29 January 2011 (2009/10: £84.9 million). Included within the net current liabilities is £151.2 million (2009/10: £130.6 million) due to fellow group companies which has been treated as payable within one year. However, on the basis that there is no current intention of calling for a repayment until the Company has the necessary funds available, the directors have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The other factors considered by the directors in their review of going concern are disclosed in the Highland Group Holdings Limited annual report which does not form part of this report.

Auditor and disclosure of information to the auditor

Each person who is a director at the date of approval of this report confirms that:

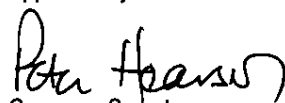
- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- (2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

Deloitte LLP expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:



Company Secretary
Peter Hearsey
16th June 2011

House of Fraser Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of House of Fraser Limited

We have audited the financial statements of House of Fraser Limited for the 52 weeks ended 29 January 2011 which comprise the Balance Sheet and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 29 January 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of House of Fraser Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

A handwritten signature in black ink, appearing to read 'Jason Davies', with a long horizontal line extending to the right.

Jason Davies (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London

United Kingdom

16th June 2011

House of Fraser Limited
Balance Sheet
As at 29 January 2011

Company number: SC021928

	Notes	29 January 2011 £m	30 January 2010 £m
Fixed assets			
Investments	4	95.9	75.9
Current assets			
Debtors	5	46.3	46.3
Cash at bank and in hand	6	4.1	2.8
		50.4	49.1
Creditors: due within one year	7	(155.3)	(134.0)
Net current liabilities		(104.9)	(84.9)
Total assets less current liabilities			
Net liabilities		(9.0)	(9.0)
Capital and reserves			
Share capital	8	47.6	47.6
Share premium account	9	30.5	30.5
Retained earnings	9	(87.1)	(87.1)
Shareholders' deficit	10	(9.0)	(9.0)

The financial statements were approved by the board of directors and authorised for issue on 16th June 2011.

They were signed on its behalf by:



M Gifford
 Director

The notes on pages 8 to 12 form an integral part of these accounts.

House of Fraser Limited
Notes to the Financial Statements
For the 52 weeks ended 29 January 2011

1 Accounting policies

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom law and accounting standards. The directors' report describes the going concern basis of preparation of the financial statements.

No profit and loss account is presented with these financial statements because the company has not received income, incurred expenditure or recognised any gains or losses in the current or preceding financial years. There has been no movement in shareholder's funds during the current or preceding financial years.

The principal accounting policies adopted by the directors are described below, all of which have been applied consistently in the current and prior period.

Consolidated financial statements

The financial statements contain information about House of Fraser Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under s400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent company, Highland Group Holdings Limited, a company registered in England and Wales.

Cash flow statement and related party transactions

The Company is a wholly-owned subsidiary of Highland Acquisitions Limited and is included within the consolidated financial statements of Highland Group Holdings Limited. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard No 1 (revised 1996).

The Company is also exempt under paragraph 3(c) of the Financial Reporting Standard 8 (amended) from disclosing related party transactions with entities that are wholly owned by the Highland Group.

Investments

Investments in subsidiary companies are accounted for at cost less provision for diminution in value. Investments are initially measured at cost, including transaction costs. An impairment loss is recognised in the profit and loss account when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation

Deferred tax is recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

2 Operating profit

The audit fee of £3,000 (2009/10: £3,000) was borne by a fellow group company. Auditor's remuneration for non-audit fee services was £nil (2009/10: £nil).

3 Information regarding directors and employees

	52 weeks 29 January 2011 Number	53 weeks 30 January 2010 Number
Employees (full time equivalents)		
The average number of employees during the period	2	2

House of Fraser Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 29 January 2011

3 Information regarding directors and employees (continued)

	52 weeks 29 January 2011 £m	53 weeks 30 January 2010 £m
Employee costs:		
Wages and salaries	0.2	0.2
Social security costs	-	-
Pension costs	-	-
	0.2	0.2

The employee costs are recharged to House of Fraser (Stores) Limited.

D McCarthy and J King are employed by Highland Group Holdings Limited and M Gifford is employed by House of Fraser (Stores) Limited. Neither of these companies make a recharge to the Company. These directors were also directors of the immediate parent company, Highland Acquisitions Limited, and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the individual companies. The total emoluments of these directors are included in the aggregate directors' emoluments disclosed in the consolidated financial statements of the ultimate parent company Highland Group Holdings Limited. In the prior year none of the directors who held office during the period received any emoluments in respect of their services to the Company.

4 Investments

	£
Cost:	
As at 31 January 2010	147.8
Additions	20.0
As at 29 January 2011	167.8
Provision for impairment:	
As at 29 January 2011 and as at 31 January 2010	(71.9)
Net book value at 29 January 2011	95.9
Net book value at 30 January 2010	75.9

During the period the Company acquired a further 20.0 million ordinary shares in House of Fraser (Stores) Limited for consideration of £20.0 million.

House of Fraser Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 29 January 2011

4 Investments (continued)

The principal subsidiary undertakings of the Company at 29 January 2011 and 30 January 2010 were as follows:

Company	Country of incorporation	% Ownership of ordinary shares	Principal activities
House of Fraser (Stores) Limited	Scotland	100%	Retailing of premium brands through its department stores
James Beattie Limited	England	100%	Retailing of premium brands through its department stores
House of Fraser (Storecard) Limited	England	100%	Holding company – Financial services division
House of Fraser (PIH) Limited	England	100%	Holding company – Investment property division
House of Fraser (WG) Limited	England	100%	Holding company – Dormant group
House of Fraser (Stores Management) Limited	England	100%	Non trading company

5 Debtors

	29 January 2011 £m	30 January 2010 £m
Amounts owed by group undertakings	46.3	46.3
	46.3	46.3

Amounts due from group undertakings are unsecured, interest free and have no fixed date of repayment.

6 Cash at bank and in hand

	29 January 2011 £m	30 January 2010 £m
Restricted cash	4.1	2.8
	4.1	2.8

7 Creditors: amounts falling due within one year

	29 January 2011 £m	30 January 2010 £m
Amounts owed to group undertakings	151.2	130.6
Short-term borrowings	-	0.4
Other creditors and accruals	4.1	3.0
	155.3	134.0

House of Fraser Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 29 January 2011

7 Creditors: amounts falling due within one year (continued)

Amounts due to group undertakings are unsecured, interest free and have no fixed date of repayment.

As part of the acquisition of Beatties by the Company on 31 August 2005, loan notes of £6.8 million were issued. During the period the remaining loan notes were repaid in full. As at 30 January 2010, £0.4 million remained in issue and were included within borrowings due in less than one year. The loan notes could be redeemed in whole or in part for cash at the option of the note holders semi-annually on 1 February and 1 August in each year. In certain circumstances, House of Fraser Limited had the right to redeem all of the loan notes before the final redemption date, which was the fifth anniversary of the date on which the loan notes were issued being 31 August 2010.

8 Share capital

	29 January 2011 £m	30 January 2010 £m
<i>Authorised:</i>		
310,000,000 Ordinary shares of 20 pence each	62.0	62.0
<hr/>		
<i>Allotted, called up and fully paid:</i>		
238,016,989 ordinary shares of 20 pence each	47.6	47.6

9 Reserves

	Share premium account £m	Profit and loss account £m
As at 29 January 2011 and 31 January 2010	30.5	(87.1)

10 Reconciliation of movements in shareholders' deficit

	52 weeks 29 January 2011 £m	53 weeks 30 January 2010 £m
Profit for the period	-	-
Opening shareholders' deficit	(9.0)	(9.0)
Closing shareholders' deficit	(9.0)	(9.0)

11 Ultimate parent company and controlling party

The Company's ultimate and controlling party is Highland Group Holdings Limited, a company incorporated in Great Britain and registered in England and Wales which is the smallest and largest group to consolidate the company's financial statements. Copies of the group financial statements of Highland Group Holdings Limited are available from the Company Secretary, Highland Group Holdings Limited, 27 Baker Street, London W1U 8AH.

House of Fraser Limited
Notes to the Financial Statements (continued)
For the 52 weeks ended 29 January 2011

12 Contingent liabilities

The Company provides guarantees to the trustees of the James Beatties plc Pension Scheme, the House of Fraser Pension Plan, and the Jenners Princes Street Edinburgh Limited Pension & Life Assurance Scheme 1974, in respect of the obligations of James Beatties Limited and House of Fraser (Stores) Limited. These guarantees were still in place at 29 January 2011.

13 Post balance sheet events

Following the year end, on 5 May 2011 the Company issued and allotted 50 million ordinary shares at par value of 20 pence. These were subscribed for by the parent company, Highland Acquisitions Limited.