

# House of Fraser (Finance) Limited

**Report and Financial Statements**  
**For the 53 weeks ended 30 January 2010**

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Registered in England No. 04089208

## **House of Fraser (Finance) Limited**

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**House of Fraser (Finance) Limited**  
**Company information**

<b>Registered Address</b>	27 Baker Street London W1U 8AH
<b>Company Number</b>	04089208
<b>Directors</b>	Mr J King Mr D McCarthy Mr M Gifford
<b>Company Secretary</b>	Peter Hearsey
<b>Auditors</b>	Deloitte LLP Chartered Accountants and Statutory Auditors London

## **House of Fraser (Finance) Limited**

### **Directors' report**

The directors present their annual report and the audited financial statements of House of Fraser (Finance) Limited ("the Company") for the 53 weeks ended 30 January 2010

#### **Principal activity**

The principal activity of the Company is the provision of financial services to the House of Fraser retail business. House of Fraser's principal activity is the retailing of premium designer brands through its department stores in Great Britain and Ireland and online through [www.houseoffraser.co.uk](http://www.houseoffraser.co.uk)

#### **Holding company**

The ultimate parent company and controlling group is Highland Group Holdings Limited, a company registered in England and Wales. The Company's immediate parent undertaking is House of Fraser (Storecard) Limited.

#### **Results and dividends**

The results for the financial period are set out in the profit and loss account on page 7. The results for the Company show that the Company made neither a profit nor a loss in the period (2008/9: profit of £200,830). The directors do not propose to pay a dividend for the period ended 30 January 2010 (2008/9: £nil). No interim dividend was paid in the period ended 30 January 2010 (2008/9: £nil).

#### **Business review and future developments**

It is anticipated that the Company will continue to provide financial and related intermediary services to the House of Fraser retail business.

#### **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 interest rate 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')**

The performance of the Highland Group Holdings Limited group is managed on a divisional basis and the performance of the financial services division, which includes 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 53 weeks to 30 January 2010. In 2008/9, the Company had a 52 week year and the financial statements were drawn up to 24 January 2009.

#### **Directors**

The directors who served throughout the period were as follows:

Mr D McCarthy  
Mr J King  
Mr M Gifford

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.

**House of Fraser (Finance) Limited**  
**Directors' report (continued)**

**Going Concern**

After making enquiries, the directors consider that the Company has adequate resources to continue in operation for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the financial statements.

**Auditors and disclosure of information to auditors**

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

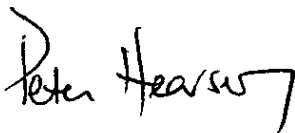
- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the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

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

**Auditors**

Deloitte LLP expressed their willingness to continue in office as auditors 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



Peter Hearsey  
Company Secretary  
25 May 2010

## **House of Fraser (Finance) 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 judgments 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Independent auditors' report to the members of House of Fraser (Finance) Limited**

We have audited the financial statements of House of Fraser (Finance) Limited for the 53 weeks ended 30 January 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 15. 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 auditors' 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 auditors**

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 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 (APB'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 30 January 2010 and of its profit for the period then ended,
- 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 auditors' report to the members of House of Fraser (Finance) 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



Jason Davies (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditors

London

United Kingdom

25 May 2010



**House of Fraser (Finance) Limited**  
**Profit and Loss Account**  
**For the 53 weeks ended 30 January 2010**

	Notes	53 weeks 30 January 2010 £	52 weeks 24 January 2009 £
Administrative expenses		(9,160,426)	(9,714,525)
Other operating income	2	9,160,426	9,993,455
<b>Operating profit</b>	3	-	278,930
Interest receivable and similar income		-	-
<b>Profit on ordinary activities before taxation</b>		-	278,930
Taxation	6	-	(78,100)
<b>Profit for the financial period</b>	13	-	200,830

All transactions relates to continuing operations

The profit and loss account contains all the gains and losses in the period and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the profit on ordinary activities before taxation and the retained profit and their historical cost equivalents

The notes on pages 9 to 13 form an integral part of these accounts


**House of Fraser (Finance) Limited**  
**Balance Sheet**  
**As at 30 January 2010**

**Company number: 04089208**

	Notes	30 January 2010 £	24 January 2009 £
<b>Fixed assets</b>			
Investment	7	51	51
<b>Current assets</b>			
Debtors	8	90,462,666	51,850,103
Cash at bank and in hand (restricted)		-	193,849
		<b>90,462,666</b>	<b>52,043,952</b>
<b>Creditors: Amounts falling due within one year</b>	9	<b>(55,338,714)</b>	<b>(7,470,000)</b>
<b>Net current assets</b>		<b>35,123,952</b>	<b>44,573,952</b>
<b>Total assets less current liabilities</b>		<b>35,124,003</b>	<b>44,574,003</b>
<b>Creditors: Amounts falling due after more than one year</b>	10	<b>(34,312,500)</b>	<b>(43,762,500)</b>
<b>Net assets</b>		<b>811,503</b>	<b>811,503</b>
<b>Capital and reserves</b>			
Share capital	12	3,000,002	3,000,002
Profit and loss account	13	(2,188,499)	(2,188,499)
<b>Shareholders' funds</b>	14	<b>811,503</b>	<b>811,503</b>

The financial statements were approved by the board of directors and authorised for issue on 25 May 2010

They were signed on its behalf by



M Gifford  
Director

The notes on pages 9 to 13 form an integral part of these accounts

**House of Fraser (Finance) Limited**  
**Notes to the Financial Statements**  
**For the 53 weeks ended 30 January 2010**

**1 Accounting policies**

The financial statements are prepared under the historical cost convention, 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.

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 (Finance) 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 undertaking 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 Group Holdings 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 Highland Group Holdings Limited.

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

**Other operating income**

Other operating income comprises income in respect of financial and other intermediary services provided to House of Fraser customers.

**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 is provided in full on all timing differences. Timing differences arise from the inclusion of income and expenditure in taxation computations in periods that are different from those in which they are included in the financial statements. Deferred tax assets are only recognised where it is more likely than not that they will be recovered. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet date.

**2 Other operating income**

	53 weeks 30 January 2010	52 weeks 24 January 2009
	£	£
Amounts recognised in relation to financial and other intermediary services	9,160,426	9,993,455
	<b>9,160,426</b>	<b>9,993,455</b>

**House of Fraser (Finance) Limited**  
**Notes to the Financial Statements (continued)**  
**For the 53 weeks ended 30 January 2010**

**4 Employee information**

There were no employees in the period (2008/9 none)

**5 Directors' remuneration**

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, House of Fraser (Storecard) 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 financial statements of 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.

**6 Taxation**

	53 weeks 30 January 2010 £	52 weeks 24 January 2009 £
<b>Current tax</b>		
UK Corporation tax at 28% (2008/9 28%) on profit for the period	-	-
Adjustment in respect of prior periods	-	-
<b>Current tax charge</b>	-	-
<b>Deferred tax</b>		
Origination and reversal of timing differences (note 11)	-	78,100
<b>Total deferred tax charge</b>	-	78,100
<b>Tax charge on ordinary activities</b>	-	78,100

	53 weeks 30 January 2010 £	52 weeks 24 January 2009 £
Profit on ordinary activities before tax	-	278,930
Profit on ordinary activities at standard rate of corporation tax in the UK of 28% (2008/9 28%)	-	78,100
Utilisation of losses brought forward	-	(78,100)
Unrecognised tax losses carried forward (note 11)	-	-
<b>Current tax charge for the period</b>	-	-

**7 Investment**

Shares in subsidiary undertaking

Cost and net book value as at 25 January 2009 and 30 January 2010	£ 51
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**House of Fraser (Finance) Limited**  
**Notes to the Financial Statements (continued)**  
**For the 53 weeks ended 30 January 2010**

**7 Investment**

Shares in subsidiary undertaking.

	£
Cost and net book value as at 25 January 2009 and 30 January 2010	51

The principal subsidiary undertaking is House of Fraser Financial Services Limited, a company registered in England and Wales which is 100% owned. The company was dormant in the period and is expected to remain dormant for the foreseeable future.

**8 Debtors**

	30 January 2010 £	24 January 2009 £
Amounts owed by group undertakings	88,674,297	50,020,872
Prepayments and accrued income	418,099	458,961
Deferred tax asset (note 11)	1,370,270	1,370,270
	<b>90,462,666</b>	<b>51,850,103</b>

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

**9 Creditors: amounts falling due within one year**

	30 January 2010 £	24 January 2009 £
Amounts owed to group undertakings	45,572,612	-
Accruals and deferred income (note 10)	9,766,102	7,470,000
	<b>55,338,714</b>	<b>7,470,000</b>

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

**10 Creditors: amounts falling due after more than one year**

	30 January 2010 £	24 January 2009 £
Accruals and deferred income	34,312,500	43,762,500

The Group entered into an 18 month extension from July 2007 with its financial services partner and on entering this agreement received an upfront payment of £11.0 million. This upfront payment was classified as deferred income and was released to the income statement over the term of the contract. Over the course of the 52 weeks ended 24 January 2009 the remaining £6.7 million of this original amount was released to the income statement. The Group subsequently entered into a 10 year agreement with its financial services partner. On 2 January 2009, the Group received an upfront of £34.5 million in relation to this agreement. This amount has been classified as deferred income and is being released to the income statement over the term of the contract (a period of 10 years). At 30 January 2010, £30.8 million (2008/9 £34.2 million) of the incentive remained unamortised.

During 2007 the Group also entered into an agreement to issue gift vouchers to their previous financial services joint arrangement partner over a five year period from 2007/8 and received an advance under this arrangement of £22.0 million. This unamortised amount of the advance is held within deferred income and is released to the income statement over the term of the contract. The unamortised amount at 30 January 2010 was £13.0 million (2008/9 £17.0 million).

**House of Fraser (Finance) Limited**  
**Notes to the Financial Statements (continued)**  
**For the 53 weeks ended 30 January 2010**

**11 Deferred taxation**

	30 January 2010 £	24 January 2009 £
<b>Deferred tax asset comprises.</b>		
Recognition of losses	(1,370,270)	(1,370,270)
<b>Deferred tax asset</b>	<b>(1,370,270)</b>	<b>(1,370,270)</b>
<b>The movement in deferred tax asset comprises</b>		
Deferred tax asset at beginning of period	(1,370,270)	(1,448,370)
Deferred tax charge in profit and loss account for the period (note 6)	-	78,100
<b>Deferred tax asset at end of period</b>	<b>(1,370,270)</b>	<b>(1,370,270)</b>

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws in existence at the balance sheet date

**12 Share capital**

	30 January 2010 £	24 January 2009 £
<i>Authorised</i>		
3,000,002 ordinary shares of £1 each	3,000,002	3,000,002
<i>Allotted, called up and fully paid</i>		
3,000,002 ordinary shares of £1 each	3,000,002	3,000,002

**13 Reserves**

	Profit and loss account £
As at 25 January 2009	(2,188,499)
Profit for the period	-
<b>As at 30 January 2010</b>	<b>(2,188,499)</b>

**14 Reconciliation of movements in shareholders' funds**

	30 January 2010 £	24 January 2009 £
Profit for the period	-	200,830
Opening shareholders' funds	811,503	610,673
<b>Closing shareholders' funds</b>	<b>811,503</b>	<b>811,503</b>

**House of Fraser (Finance) Limited**  
**Notes to the Financial Statements (continued)**  
**For the 53 weeks ended 30 January 2010**

**15 Parent undertaking and controlling party**

The Company's immediate parent undertaking is House of Fraser (Storecard) Limited

The Company's ultimate parent company and controlling party is Highland Group Holdings Limited, a company registered in the UK 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.