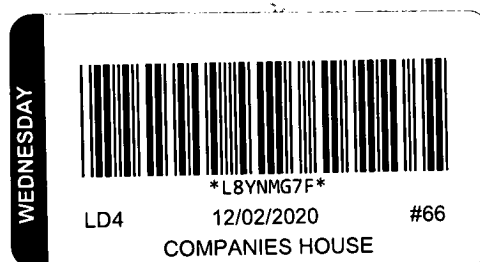


Company Registration No. 10686681 (England and Wales)

HOUSE OF FRASER LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 APRIL 2019



HOUSE OF FRASER LIMITED

COMPANY INFORMATION

| | | |
|--------------------------|---|--|
| Directors | A P O Dick A A Adegoke D C Epstein | (Appointed 14 March 2019) (Appointed 1 December 2019) |
| Secretary | T J Piper | |
| Company number | 10686681 | |
| Registered office | Unit A Brook Park East Shirebrook NG20 8RY | |
| Auditor | Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG | |

HOUSE OF FRASER LIMITED

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HOUSE OF FRASER LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 28 APRIL 2019

The directors present the strategic report for the period ended 28 April 2019.

The company acquired the trade and assets from the administrators of House of Fraser on 10 August 2018 for cash consideration of £88.5m. Prior to acquisition the company was dormant.

Fair review of the business

The company made a loss before tax of £51.5m in the period (2018: £Nil).

This is in line with management expectations. During the period we have been integrating House of Fraser into the Sports Direct Group, we now have the support services including IT, warehouse and logistics fully integrated and hope that this is a solid base to build on. The management, buying, retailing, financial and other departments and functions are integrated and aligned with the rest of the Group and are running as one business.

Management are making every effort to realistically save as many jobs and stores as possible however, despite our best efforts, there are still a number of stores which are currently paying zero rent and that are unprofitable and thus not sustainable. We are continuing to review the longer-term portfolio and would expect the number of retained stores to continue to reduce in the next 12 months.

Key performance indicators

The directors consider underlying earnings before interest, tax, depreciation and amortisation (EBITDA) and Gross Transaction Value (GTV) to be the key performance indicators for the company. Underlying EBITDA strips out the impact of realised foreign exchange movements and exceptional costs. Underlying EBITDA for the period ended 28 April 2019 was a loss of £45.6m (2018: £nil). This is in line with management expectations.

House of Fraser operates a significant number of concessions within its stores, where House of Fraser acts as Agent for the sale of the concession owned inventory. Revenue from concession sales is required to be shown on a net basis, being the actual commission received rather than the gross value achieved on the sale. In order to understand the value of the overall activity of the company we have disclosed below the Gross Transaction Value (GTV) being gross sales net of VAT, discounts and returns and gross sales where the company acts as agent.

| | (£m) |
|-------------------------------|---------|
| Gross Transaction value (GTV) | 502.6 |
| Revenue | 303.3 |
| Cost of Sales | (137.1) |
| Gross Profit | 166.2 |
| GTV margin % | 33.1% |
| Reported margin % | 54.8% |

House of Fraser Limited receive royalty income for online sales from another Group company, which is included within other operating income. For the period ended 28 April 2019 £2.4m was received (2018 :£nil).

HOUSE OF FRASER LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 28 APRIL 2019

Non financial performance indicators

The directors also monitor the performance of the company through non financial KPIs, being the number of stores and employee turnover. The company was dormant in the prior period so there were no stores or employees.

Number of stores: 54
Employee turnover: 67%

The high employee turnover is a result of the acquisition. This number is expected to reduce significantly in subsequent years.

All of the KPI's were in line with management expectations.

Principal risks and uncertainties

Liquidity risk

The directors seek to manage the liquidity risk faced by the company via the Frasers Group plc facility. At the Statement of Financial Position date, the Frasers Group's working capital facility was £913.5 million (2018: £913.5 million).

Brexit

The UK is due to leave the EU in January 2020 and a transition period is then expected to last into 2021. A period of heightened economic uncertainty could reduce consumer confidence, holding back spending decisions and tightening financial conditions by creating extra risk thus impacting on the cost of finance and reducing its availability. The terms of the eventual Brexit may influence the cost of labour, the ability to move goods as easily as we currently can and thus impose operational challenges and costs which we will have to manage.

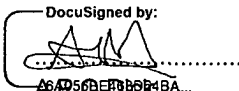
While we are unable to fully protect the Company from what is potentially a completely new economic landscape, we have some elements which help to protect us with a network of warehouses available to the Company as part of the group across mainland Europe which can assist in providing the most efficient inventory management once the customs and duty landscape is fully understood. We have been investing in some partial automation for the Shirebrook warehouse operations to make efficiencies and improve productivity on internet fulfilment orders and help mitigate any potential staffing shortfall after Brexit. Brexit is regularly discussed at Board meetings.

Future developments

We aim to elevate certain stores in the coming year and re-brand others to 'Frasers' whilst strengthening our relationships with key third party suppliers and concessions.

On behalf of the board

DocuSigned by:



Director
11 February 2020

HOUSE OF FRASER LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 28 APRIL 2019

The directors present their annual report and financial statements for the period ended 28 April 2019.

Principal activities

The principal activity of the company was that of the retailing of premium fashion, beauty and homeware brands in stores and online. The company was dormant in the prior period and commenced trading on 10 August 2018.

Directors

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

| | |
|----------------|---|
| A P O Dick | (Appointed 14 March 2019) |
| AA Adegoke | |
| L J Rowley | (Appointed 9 August 2018 and resigned 10 December 2019) |
| D C Epstein | (Appointed 1 December 2019) |
| R I L Stockton | (Resigned 14 March 2019) |

Results and dividends

The results for the period are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Going concern

At the period end the company had a deficit of £51.5m. The deficit is funded by loans from other group companies which will not be called for repayment unless cash flow permits for a minimum period of 12 months from the date of signing these financial statements. The directors have reviewed future forecasts, and with parent company support, consider that it is appropriate for the accounts to be prepared on a going concern basis.

Qualifying third party indemnity provisions

Fraser's Group plc (formerly Sports Direct International plc) has granted the directors of the company with Qualifying Third Party Indemnity provisions within the meaning given to the term by Sections 234 and 235 of the Companies Act 2006. This is in respect of liabilities to which they may become liable in their capacity as director of the company and of any company within the group. Such indemnities were in force throughout the financial year and will remain in force.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

HOUSE OF FRASER LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 28 APRIL 2019

Statement of directors' responsibilities

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:

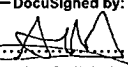
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

DocuSigned by:

A67B5C8E9D0K4BA...

Director

11 February 2020
Date:

HOUSE OF FRASER LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HOUSE OF FRASER LIMITED

Opinion

We have audited the financial statements of House of Fraser Limited (the 'company') for the period ended 28 April 2019 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 April 2019 and of its loss 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter - prior year financial statements unaudited

The company was not required to have a statutory audit for the period ended 31 March 2018 as it was entitled to exemption from the provision of the Companies Act 2006 relating to the audit of the financial statements for the period by virtue of Section 477 and no member or members requested an audit pursuant to Section 476 of the Act. Accordingly the corresponding figures for the period ended 31 March 2018 are unaudited.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

HOUSE OF FRASER LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF HOUSE OF FRASER LIMITED

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

HOUSE OF FRASER LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF HOUSE OF FRASER LIMITED

Use of our report

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.



UK LLP

Christopher Raab, ACA (Senior Statutory Auditor)
for and on behalf of Grant Thornton UK LLP

Chartered Accountants

Statutory Auditor

London

Date: 11 February 2020

HOUSE OF FRASER LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE PERIOD ENDED 28 APRIL 2019**

| | | Period ended 28 April 2019 £'000 | Period ended 31 March 2018 unaudited £'000 |
|---------------------------------------|----------|--|---|
| | Notes | | |
| Turnover | 3 | 303,347 | - |
| Cost of sales | | (137,131) | - |
| Gross profit | | 166,216 | - |
| Distribution costs | | (1,855) | - |
| Administrative expenses | | (215,796) | - |
| Other operating income | 3 | 6,356 | - |
| Exceptional costs | 4 | (5,700) | - |
| Operating loss | 5 | (50,779) | - |
| Interest payable and similar expenses | 7 | (761) | - |
| Loss before taxation | | (51,540) | - |
| Tax on loss | 8 | - | - |
| Loss for the financial period | | (51,540) | - |

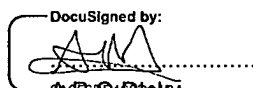
There were no other comprehensive income for 2019 other than those included above. All results are derived from continuing operations.

The notes on pages 11 - 22 form part of these financial statements.

HOUSE OF FRASER LIMITED**BALANCE SHEET****AS AT 28 APRIL 2019**

| | | 2019 | | 2018 | |
|---|--------------|------------------|-----------------|----------------------------|--------------|
| | Notes | £'000 | £'000 | unaudited £'000 | £'000 |
| Current assets | | | | | |
| Debtors | 11 | 80,757 | | - | |
| Cash at bank and in hand | | 16,768 | | - | |
| | | <u>97,525</u> | | - | |
| Creditors: amounts falling due within one year | 12 | <u>(149,065)</u> | | - | |
| Net current liabilities | | | <u>(51,540)</u> | | <u>-</u> |
| Capital and reserves | | | | | |
| Profit and loss reserves | 14 | | <u>(51,540)</u> | | <u>-</u> |

The financial statements were approved by the board of directors and authorised for issue on 11 February 2020 and are signed on its behalf by:

DocuSigned by:

 A1601946306A...
Director

Company Registration No. 10686681

The notes on pages 11 - 22 form part of these financial statements.

HOUSE OF FRASER LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 28 APRIL 2019

| | Profit and loss reserves £'000 |
|--|---|
| Balance at 23 March 2017: unaudited | - |
| Period ended 31 March 2018: unaudited | |
| Profit and total comprehensive income for the period | - |
| Balance at 31 March 2018 | - |
| Period ended 28 April 2019: | |
| Loss and total comprehensive income for the period | (51,540) |
| Balance at 28 April 2019 | (51,540) |

The notes on pages 11 - 22 form part of these financial statements.

HOUSE OF FRASER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 APRIL 2019

1 Accounting policies

Company information

House of Fraser Limited is a private company limited by shares incorporated in England and Wales. The registered office is Unit A, Brook Park East, Shirebrook, NG20 8RY. The company acquired the trade and assets from the administrators of House of Fraser on 10 August 2018. Prior to acquisition the company was dormant.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements are for a period of 56 weeks ended 28 April 2019 (2018: 52 weeks ended 31 March 2018). The period was extended to align with the parent company period end.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

As permitted by FRS 102 the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, hedging instruments, presentation of a cash flow statement, share-based payments, the aggregate remuneration of key management personnel and related party transactions with other wholly-owned members of the group.

Where required, equivalent disclosures are given in the group accounts of Frasers Group plc (formerly Sports Direct International plc). The group accounts of Frasers Group plc (formerly Sports Direct International plc) are available to the public and can be obtained as set out in note 18.

1.2 Going concern

At the period end the company had a deficit of £51.5m. The deficit is funded by loans from other group companies which will not be called for repayment unless cash flow permits for a minimum period of 12 months from the date of signing these financial statements. The directors have reviewed future forecasts, and with parent company support, consider that it is appropriate for the accounts to be prepared on a going concern basis.

HOUSE OF FRASER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 APRIL 2019

1 Accounting policies

(Continued)

1.3 Turnover

Revenue represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

In the case of goods sold through retail stores, revenue is recognised when goods are sold to the customer, less provision for returns. Accumulated experience is used to estimate and provide for such returns at the time of the sale. Retail sales are usually in cash, by debit card or by credit card.

Revenue for third party commission on concession sales is recognised when goods are sold to the customer. The company acts as the agent so revenue is stated at the full value of the commission that the company receives on the transaction.

For loyalty schemes, as points are earned by customers the estimated fair value of the points to the customer is deferred. The deferral is based on the estimated level of vouchers being triggered at the contractual threshold levels and based on estimated levels of redemption. The referral is treated as a deduction from revenue.

Royalty income for online sales is recognised in the period in which it is received and is reported within other operating income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 5 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software & IT

3 years straight line

HOUSE OF FRASER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 APRIL 2019

1 Accounting policies

(Continued)

1.6 Tangible assets

Tangible assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|---------------------|-----------------------|
| Plant and equipment | 3 years straight line |
|---------------------|-----------------------|

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, assets are allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

HOUSE OF FRASER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 APRIL 2019

1 Accounting policies

(Continued)

1.9 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable, borrowings and loans to or from related parties.

All financial assets and liabilities are initially measured at transaction price and subsequently measured at amortised cost.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. £1.0m was charged as an expense in the period ended 28 April 2019 (2018: £nil).

HOUSE OF FRASER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 APRIL 2019

1 Accounting policies

(Continued)

1.13 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

1.15 Exceptional costs

The company presents exceptional items on the face of the profit and loss account. These are significant items of income and expenditure which, because of their size, nature and infrequency of the events giving rise to them, merit separate presentation to allow the users of the financial statements to better understand the elements of financial performance in the period.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Acquisition accounting

In accordance with IFRS 3, 'Business Combinations', management makes judgements and estimates in relation to the fair value allocation of the purchase price. If any unallocated portion is positive it is recognised as goodwill and if negative, it is recognised in the income statement. Management applied judgement when determining what should be recorded as part of the acquisition, particularly with regards to the fair value of the stock acquired during the process.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Turnover analysed by class of business | | |
| Retail | 303,347 | - |

HOUSE OF FRASER LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE PERIOD ENDED 28 APRIL 2019****3 Turnover and other revenue (Continued)**

| | 2019 | 2018 |
|----------------------------------|-------------------|-------------------|
| | £'000 | £'000 |
| Other significant revenue | | |
| Royalty income | 2,351 | - |
| Commission income | 4,005 | - |
| | <u> </u> | <u> </u> |

Royalty income relates to online sales and is reported in other operating income.

4 Exceptional costs

| | Notes | 2019 | 2018 |
|-------------------------------|--------------|-------------------|-------------------|
| | | £'000 | £'000 |
| In respect of: | | | |
| Goodwill | 9 | 2,200 | - |
| Intangible assets | 9 | 500 | - |
| Property, plant and equipment | 10 | 3,000 | - |
| | | <u> </u> | <u> </u> |
| | | 5,700 | - |
| | | <u> </u> | <u> </u> |

Management reviewed the carrying amounts of the tangible and intangible assets of the company at the period end to determine if there were any indicators of impairment.

Having considered the financial results for the period and the projected future cash flows of the company, management have determined that the recoverable amount of both the tangible and intangible assets was less than the carrying amounts and therefore the assets have been fully impaired.

5 Operating loss

| | 2019 | 2018 |
|---|-------------------|-------------------|
| | £'000 | £'000 |
| Operating loss for the period is stated after charging/(crediting): | | |
| Exchange gains | (494) | - |
| Fees payable to the company's auditor for the audit of the company's financial statements | 170 | - |
| Impairment of owned tangible assets | 3,000 | - |
| Impairment of intangible assets | 2,700 | - |
| Operating lease charges | 414 | - |
| | <u> </u> | <u> </u> |

HOUSE OF FRASER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 APRIL 2019

6 Employees

The average monthly number of persons (including directors) employed by the company during the period was:

| | 2019 Number | 2018 Number |
|-------------------------|----------------|----------------|
| Retail and distribution | 2,703 | - |
| Other | 260 | - |
| | <u>2,963</u> | <u>-</u> |

Their aggregate remuneration comprised:

| | 2019 £'000 | 2018 £'000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 54,190 | - |
| Social security costs | 3,462 | - |
| Pension costs | 1,031 | - |
| | <u>58,683</u> | <u>-</u> |

Directors are employed and remunerated through other group companies.

7 Interest payable and similar expenses

| | 2019 £'000 | 2018 £'000 |
|----------------|---------------|---------------|
| Other interest | 761 | - |
| | <u>761</u> | <u>-</u> |

HOUSE OF FRASER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 APRIL 2019

8 Taxation

The actual charge for the period can be reconciled to the expected credit for the period based on the profit or loss and the standard rate of tax as follows:

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Loss before taxation | (51,540) | - |
| Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%) | (9,793) | - |
| Tax effect of expenses that are not deductible in determining taxable profit | 1,087 | - |
| Group relief | 8,706 | - |
| Taxation charge for the period | - | - |

Reductions in the UK tax rate to 19% from 1 April 2017 and 17% from 1 April 2020 have been announced and substantively enacted.

9 Intangible fixed assets

| | Goodwill £'000 | Software & IT £'000 | Total £'000 |
|------------------------------------|-------------------|------------------------|----------------|
| Cost | | | |
| At 1 April 2018 | - | - | - |
| Additions - separately acquired | 2,200 | 500 | 2,700 |
| At 28 April 2019 | 2,200 | 500 | 2,700 |
| Amortisation and impairment | | | |
| At 1 April 2018 | - | - | - |
| Impairment losses | 2,200 | 500 | 2,700 |
| At 28 April 2019 | 2,200 | 500 | 2,700 |
| Carrying amount | | | |
| At 28 April 2019 | - | - | - |
| At 31 March 2018 | - | - | - |

More information on the impairment arising in the period is given in note 4.

Information technology of £500k was separately identified as part of the acquisition process.

HOUSE OF FRASER LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
FOR THE PERIOD ENDED 28 APRIL 2019**10 Tangible assets**

| | Plant and equipment £'000 |
|------------------------------------|--|
| Cost | |
| At 1 April 2018 | - |
| Additions | 3,000 |
| | <hr/> |
| At 28 April 2019 | 3,000 |
| | <hr/> |
| Depreciation and impairment | |
| At 1 April 2018 | - |
| Impairment losses | 3,000 |
| | <hr/> |
| At 28 April 2019 | 3,000 |
| | <hr/> |
| Carrying amount | |
| At 28 April 2019 | - |
| | <hr/> <hr/> |
| At 31 March 2018 | - |
| | <hr/> <hr/> |

More information on impairment movements in the period is given in note 4.

11 Debtors

| | 2019 £'000 | 2018 £'000 |
|---|-----------------------|-----------------------|
| Amounts falling due within one year: | | |
| Trade debtors | 40,003 | - |
| Amounts owed by group undertakings | 2,906 | - |
| Other debtors | 37,004 | - |
| Prepayments and accrued income | 844 | - |
| | <hr/> | <hr/> |
| | 80,757 | - |
| | <hr/> <hr/> | <hr/> <hr/> |

12 Creditors: amounts falling due within one year

| | 2019 £'000 | 2018 £'000 |
|------------------------------------|-----------------------|-----------------------|
| Trade creditors | 23,369 | - |
| Amounts owed to group undertakings | 15,293 | - |
| Taxation and social security | 11,686 | - |
| Other creditors | 11,460 | - |
| Accruals and deferred income | 87,257 | - |
| | <hr/> | <hr/> |
| | 149,065 | - |
| | <hr/> <hr/> | <hr/> <hr/> |

HOUSE OF FRASER LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*****FOR THE PERIOD ENDED 28 APRIL 2019*****13 Share capital**

| | 2019 | 2018 |
|--------------------------------|-------------------|-------------------|
| | £'000 | £'000 |
| Ordinary share capital | | |
| Authorised | | |
| 100 Ordinary shares of £1 each | 100 | 100 |
| | <u>100</u> | <u>100</u> |
| | <u><u>100</u></u> | <u><u>100</u></u> |

14 Profit and loss reserves

Retained earnings represents accumulated comprehensive income for the current period and prior period.

HOUSE OF FRASER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 APRIL 2019

15 Acquisitions

On 10 August 2018 the company acquired the trade and assets of House of Fraser.

| | Fair Value £'000 |
|-------------------------------|---------------------|
| Intangible assets | 500 |
| Property, plant and equipment | 3,000 |
| Inventories | 82,800 |
| Total identifiable net assets | 86,300 |
| Goodwill | 2,200 |
| Total consideration | 88,500 |
| Satisfied by: | £'000 |
| Cash | 88,500 |

16 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 2019 £'000 | 2018 £'000 |
|----------------------------|---------------|---------------|
| Within one year | 1,888 | - |
| Between two and five years | 7,550 | - |
| In over five years | 18,477 | - |
| | 27,915 | - |

The lease commitment disclosed relates to one House of Fraser store.

House of Fraser Limited are recharged by Group companies for the use of the other stores they operate from. In the period ended 28 April 2019 £70.6m was recharged to the company. House of Fraser Limited will continue to be recharged in future years on the same basis.

17 Related party transactions

Transactions with related parties

During the period the company entered into the following transactions with related parties:

HOUSE OF FRASER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 APRIL 2019

17 Related party transactions (Continued)

| | Purchases | |
|--|-----------|-------|
| | 2019 | 2018 |
| | £'000 | £'000 |
| Entities over which the entity has control, joint control or significant influence | 418 | - |

All transactions that occurred were at arms length.

As permitted by FRS 102 the company has taken advantage of the disclosure exemption available under that standard in relation to related party transactions with other wholly-owned members of the group.

18 Ultimate controlling party

The ultimate controlling party is M J W Ashley, by virtue of his 100% ownership of MASH Holdings Limited, the ultimate parent company. MASH Holdings Limited indirectly holds the majority of shares Frasers Group plc (formerly Sports Direct International plc), who own 100% of the share capital of Sportsdirect.com Retail Limited (the immediate parent company).

Frasers Group plc (formerly Sports Direct International plc) is the smallest company and MASH Holdings is the largest company to consolidate these accounts. Both Frasers Group plc (formerly Sports Direct International plc) and MASH Holdings Limited are companies registered in England and Wales. A copy of the group accounts can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.