

Company Registration No. 10686681 (England and Wales)

HOUSE OF FRASER LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 26 APRIL 2020

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HOUSE OF FRASER LIMITED

COMPANY INFORMATION

Directors	A P O Dick A A Adegoke D C Epstein (Appointed 1 December 2019)
Secretary	T J Piper
Company number	10686681
Registered office	Unit A Brook Park East Shirebrook Mansfield NG20 8RY
Auditor	RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB

HOUSE OF FRASER LIMITED

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HOUSE OF FRASER LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 26 APRIL 2020

The directors present the strategic report for the period ended 26 April 2020.

Fair review of the business

The Company's results for the period have been impacted by the temporary closure of retail stores as a result of Covid-19. Prior to the temporary store closures as a result of Covid-19, underlying EBITDA was in line with expectations.

The Company started the period with 53 stores across the UK, closing 5 during the period resulting in a total store estate of 48. A large number of stores remain on flexible terms whilst long-term lease negotiations continue. There are anticipated to be further closures over the coming period, the number of which will depend on the outcome of lease negotiations.

The Company acquired the trade and assets of House of Fraser on the 10 August 2018 so the prior year comparatives are for a shorter trading period covering approximately nine months and so are not directly comparable.

Key performance indicators

The directors consider turnover, gross profit margins, Gross Transaction Value (GTV) and underlying earnings before interest, tax, depreciation and amortisation (EBITDA) to be key performance indicators for the Company. Underlying EBITDA strips out the impact of realised foreign exchange movements. EBITDA is calculated by adding back the depreciation and amortisation charge of £1.1m (2019: £5.7m) and the gain on foreign currency translation of £1.4m (2019: £0.5m) to the operating loss figure of £26.1m (2019: £51.5m).

- The Company turnover increased from £303.3m to £305.7m due to the current period having a full year of trade, offset by store closures in the period.
- Gross margin rates in the Company decreased from 54.8% to 50.7% in the period due to sales mix and reduced concessions sales as a proportion of total turnover which is higher margin.
- The Company's underlying EBITDA has reduced from a loss of £46.3m to £26.4m due to operating efficiencies.
- The Company's net liabilities increased from £51.5m to £77.6m due to the loss generated in the period.

The Company receives royalty income for online sales, which is included within other operating income. For the period ended 26 April 2020 £26.9m was received (2019: £2.4m).

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.

	FY20 (£M)	FY19 (£M)
Gross Transaction Value (GTV)	529.9	502.6
Revenue	305.7	303.3
Cost of Sales	(150.8)	(137.1)
Gross Profit	154.8	166.2
GTV Margin %	26.90%	33.10%
Reported Margin %	50.70%	54.80%

Non financial KPIs

The directors also monitor the performance of the Company through non financial KPIs, being the number of retail stores. As at 26 April 2020, we operated 48 House of Fraser stores (2019: 53) with a total retail sales space of c.3.86m sq ft (2019: 4.10m sq ft).

HOUSE OF FRASER LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 26 APRIL 2020

Principal risks and uncertainties

Liquidity and cash flow risk

Funding and liquidity for the Company's operations are provided through group bank loans, overdrafts and shareholders' funds.

The Company's objective is to maintain sufficient funding and liquidity for its requirements, but the availability of adequate cash resources from bank facilities and achieving continuity of funding in the current financial climate could be a risk to the Company in future years.

Relationships with suppliers could break down if we are unable to pay them in line with our contractual obligations.

Credit risk

The Company's key suppliers also face credit risks and as such the Company regularly assesses the viability of its suppliers and ensures there are plans to source from alternative businesses should key suppliers fail. Rigorous procedures are in place to mitigate this credit risk. The Company has a credit policy in place and the exposure to risk is monitored on an on-going basis. Investment of cash surplus, borrowings and derivative investments are made through banks and companies which have credit ratings and investment criteria approved by the Board. The Company, as part of the wider Frasers group, refinanced its main credit facility in November 2017 and as part of the group is operating comfortably within it. The credit facility is available until November 2022.

Coronavirus

The future levels of risk presented by COVID-19 and its impacts on the global economy, our business and the sector in which we operate are uncertain. Our business continuity and crisis management plans have been mobilised successfully across our Group from the outset and our executive and senior management teams continue to manage the ongoing impacts on our business as a principal risk and with the oversight of the Board.

In this context, we continue to:

- prioritise the safety of our people and our customers
- stress test our solvency and liquidity
- explore external analysis on our sector and the wider economy
- manage our growth, performance and opportunity
- manage our cash and financial controls over spend and approvals
- understand, respond to and comply with government guidelines in all respects
- manage our supply chain and our supplier relationships
- re-align our strategic response in terms of our online trading capability and customer service response
- continue to evaluate the availability of our workforce to support our operations

During the period we enhanced our online capability to deal with increased demand.

We continue to manage the effects and evaluate the ongoing uncertainties of COVID-19 as a priority. Our principal risks otherwise remain unchanged in substance other than our mitigations continue to include the impacts of COVID-19 in context of those risks.

A detailed summary of the impacts of the coronavirus pandemic on our business is included in the Frasers Group plc Annual Report for FY20.

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STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 26 APRIL 2020

Brexit

On 24 December 2020, the UK entered into a Trade and Cooperation Agreement with the EU which governs the trade between the two parties, following the end of the transition agreement that existed until 31 December 2020.

Operationally there has been minimal disruption from the change and we continue to operate business as usual. We have instigated a Brexit response plan, which in particular includes a review of our supply chain, in order to mitigate the impact of increase VAT and duties, that are likely to apply to our business following the change.

We consider that the process changes that we are in the course of instigating will mean that there will be no material financial impact on our business.

Future developments

The directors continue to focus on the development of the online platform, and the performance of the current store portfolio. Gross margin improvements will be driven by joint initiatives with other Frasers Group plc companies.

Corporate governance statement

House of Fraser Limited is a wholly owned subsidiary of Frasers Group plc and is a fully integrated subsidiary. Whilst the Company itself does not comply with the requirements of the UK Corporate Governance Code it relies upon the governance arrangements put in place by the Frasers Group plc Board. For example, the company does not have any appointed non-executive director, it relies on the Group non-executive directors to have oversight of House of Fraser Limited as one of the largest trading entities within the Group.

The below assessment is therefore an assessment of the Group's activities for the period in respect of compliance with the UK Corporate Governance Code and not that of House of Fraser Limited.

Disclosures in relation to DTR 7.2.6 (share capital) and DTR 7.2.8 (diversity) are set out in the Nomination Committee Statement and in the Directors Report of the Frasers Group plc annual report.

The Frasers Group plc Board considers it complied with the majority of the principles and provisions of the 2018 UK Corporate Governance Code for the period ended 26 April 2020. The lockdown measures created by Covid-19 have meant that a small number of corporate governance requirements have not been met fully throughout the year as the pressing nature of the pandemic has taken priority.

Corporate governance provision requirements, non-compliances and resolutions

The board should appoint one of the independent non-executive directors to be the senior independent director to provide a sounding board for the chair and serve as an intermediary for the other directors and shareholders. Led by the senior independent director, the non-executive directors should meet without the chair present at least annually to appraise the chair's performance, and on other occasions as necessary. This was specific to the appraisal of the Chair which was due to take place in April 2020, however with the lockdown measure created by Covid-19 this was delayed. This has been completed subsequent to the period end.

Non-executive directors have a primary role in appointing and removing executive directors. Non-executive directors should scrutinise and hold to account the performance of management and individual executive directors against agreed performance objectives. The chair should hold meetings with the non-executive directors without the executive directors present. The review of the performance of the Non-executive directors has not been completed during the period, this was due to take place in April 2020, however with the lockdown measure created by Covid-19 this was delayed. This has been completed subsequent to the period end.

HOUSE OF FRASER LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 26 APRIL 2020

There should be a formal and rigorous annual evaluation of the performance of the board, its committees, the chair and individual directors. The chair should consider having a regular externally facilitated board evaluation. In FTSE 350 companies this should happen at least every three years. The external evaluator should be identified in the annual report and a statement made about any other connection it has with the company or individual directors. Whilst we appreciate that an external board evaluation should take place every third year and an annual internal evaluation should take place of the Board's effectiveness, the lockdown situation linked to the Covid-19 pandemic meant that in order to benefit from a full evaluation, a delay was necessary. We intend to resume plans for an external board evaluation during FY21.

The chair should act on the results of the evaluation by recognising the strengths and addressing any weaknesses of the board. Each director should engage with the process and take appropriate action when development needs have been identified. This was due to take place in April 2020, however with the lockdown measure created by Covid-19 this was delayed. This has been completed subsequent to the period end.

Remuneration schemes should promote long-term shareholdings by executive directors that support alignment with long-term shareholder interests. Share awards granted for this purpose should be released for sale on a phased basis and be subject to a total vesting and holding period of five years or more. The remuneration committee should develop a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares.

The appointment letters of Non-Executive Directors state that they agree to consult with the Chair prior to accepting any directorships in publicly quoted companies or any major external appointments. Also, if any Non-Executive Director becomes aware of any potential conflicts of interest the Chair and Company Secretary must be notified as soon as this becomes apparent. During the period neither the Chair or the Company Secretary were aware of any further appointments or potential conflicts of interest. The independence of Non-Executive Directors will be reviewed by the Board during FY21.

The annual report should describe the work of the nomination committee, including:

- the process used in relation to appointments, its approach to succession planning and how both support developing a diverse pipeline;
- how the board evaluation has been conducted, the nature and extent of an external evaluator's contact with the board and individual directors, the outcomes and actions taken, and how it has or will influence board composition;
- the policy on diversity and inclusion, its objectives and linkage to company strategy, how it has been implemented and progress on achieving the objectives; and
- the gender balance of those in senior management and their direct reports.

This was due to take place in April 2020, however with the lockdown measure created by Covid-19 this was delayed. We intend to continue the evaluation and review processes of the nomination committee during FY21.

Employee engagement statement

It is the Company policy to treat all our people with dignity and respect. House of Fraser Limited staff work together across all areas of the business and other businesses within the Frasers Group. Frasers Group plc is proud that it is one of the first public companies in the UK to make an elected Workers' Representative a Board member and the benefits of having a Worker's Representative on the Board of the Group feed directly into the staff engagement of House of Fraser Limited.

Remuneration and rewards

Our policy is to foster a reward-based culture that enables our staff to share in the success of the wider Frasers Group. It is company policy to pay above the statutory National Minimum Wage, including rates that are above the statutory National Living Wage for those over 25 years of age in the UK. In addition to this, the Group pays awards and incentives of approx. £16m annually, from which both permanent and casual staff of House of Fraser Limited can benefit.

The Board continues to work towards developing long-term incentive schemes that align the interests of our people and shareholders.

HOUSE OF FRASER LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 26 APRIL 2020

Workers' representative

The Frasers Group Workers' Representative is Cally Price, a Manager at our Cardiff Bay store. Cally succeeded Alex Balacki who was the first Workers' Representative. Cally has been appointed as a main Board Director, which is one of the recommendations in the 2018 UK Corporate Governance Code. The Workers' Representative has a unique insight in to the Group and will speak on behalf of the Group's workforce at all scheduled meetings of the Board in order to facilitate a healthy and constructive dialogue.

Staff engagement

In addition to the Workers Representative, the Company also routinely has an ongoing dialogue with staff via an initiative called 'Your Company, Your Voice.' This is a system whereby staff are able to raise any issues of their choosing via a number of different routes, both physical and digital. This feedback is passed to senior management and the Workers' Representative for review and appropriate action.

Casual workers

We continue to strive to ensure our arrangements for casual staff are fair and equitable. We have taken steps to promote stability for this group of workers by ensuring changes to scheduled hours by the Company are kept to a minimum. In accordance with relevant regulatory requirements, our casual workers are entitled to accrued holiday leave and statutory sick pay. Our workforce research found that in common with surveys by other companies, the vast majority of our casual workers wish to remain on flexible arrangements.

Wellbeing service

During FY20, the Company continued to offer a Wellbeing Service for all employees. The Wellbeing Co-ordinator is supported by the Healthy Workplaces team at Derbyshire County Council in offering employees of the Company a variety of programmes to promote physical wellbeing, such as advice on improving physical activity, losing weight, sleep issues and stopping smoking. Additional focus is being placed on building emotional health resilience within the workplace and providing wellbeing support to staff.

Training and development

We strive to offer staff the tools to achieve their personal development goals through training and other means. It should be noted that the majority of Store Managers are promoted from within, and over a third of them started as Casual Sales Assistants. We have an existing purpose-built training centre at our campus in Shirebrook which is dedicated to ensuring our people have appropriate opportunities to develop their skills and progress their careers within the Company. Further details of our staff training programmes are contained in the Corporate Social Responsibility section of this Annual Report.

HOUSE OF FRASER LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 26 APRIL 2020

Section 172 Statement

FY20 is the first year that the Frasers Group plc Board is reporting on how it has applied s172 of the Companies Act 2006 to its discussions and decisions. Though this is the first year of reporting, the principles of s172 has been employed by the Frasers Group plc Board since the implementation of the Act.

S172 states: A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- a. the likely consequences of any decision in the long term,
- b. the interests of the company's employees,
- c. the need to foster the company's business relationships with suppliers, customers and others,
- d. the impact of the company's operations on the community and the environment,
- e. the desirability of the company maintaining a reputation for high standards of business conduct, and
- f. the need to act fairly as between members of the company.

Generally known as the s172 Director's Duty, the most well-known duty of s172 is to "promote the success of the company for the benefit of its members as a whole", whilst having regard to various other stakeholder interests. The duty imposed by s172 emphasises that the House of Fraser Limited board must consider the wider impact of its decisions, rather than just the financial and strategic elements. The House of Fraser Limited board should create a culture whereby the long-term consequences of their actions and the long-term success of the company are given due consideration. These pages, and references in the Strategic Report, show how we have applied the duties to our decision making throughout the year.

The Frasers Group plc Board, the parent company, takes care to consider the interests of all stakeholders when deciding on courses of action, but it also recognises that the result will not always be a positive one for all stakeholder groups. The directors of House of Fraser Limited place reliance on the Board of the Group to ensure all necessary duties are adhered to. The Group Board also take into consideration the strategy, purpose, values and culture of the business when making these decisions, decisions which directly relate to House of Fraser Limited.

During the year, the Frasers Group plc Board has made decisions based on Board papers, presentations from senior executives, discussions with external bodies and reports. Stakeholders can vary depending on the decision being debated, and there may not always be a defined list. The Frasers Group plc Board's aim is to regularly review our stakeholders to ensure that they are given the appropriate consideration at all times. When the Frasers Group plc Board considers instating long term incentive plans (LTIP), the Frasers Group plc board is considerate of the Group's strategy, the economic climate, its shareholders and its employees and is working hard to find a targeted and fair all employee LTIP for proposal to its shareholders.

The Frasers Group plc Board has engaged with stakeholder groups during the year via general meetings, meetings with investors, letters in response to particular issues raised, formal announcements, the Whistleblowing Hotline and 'Your Company, Your Voice' in respect of employee stakeholder groups, and at the Annual General Meeting. The Group was amongst the first to have an employee appointed to the Frasers Group plc Board as the Workforce Director, establishing a direct and regular link with the mood of the organisation, feedback on any issues as well as inputting an employee perspective to all Frasers Group plc Board decisions. As you will read from her report, Cally Price (the current Workforce Director) has made a huge contribution to employee engagement throughout her tenure. The Group's engagement with stakeholder and the contribution of Cally Price have a direct impact on House of Fraser Limited as well as the Group's other subsidiaries.

Periodic engagement with all stakeholder groups is supplemented by frequent engagement with the Group's senior executives, including the directors of House of Fraser Limited. The Frasers Group plc Board scrutinises information provided by them on stakeholder engagement which it discusses with the executive team. The Frasers Group plc Board also satisfies its responsibilities in other ways such as reviewing risks, succession planning and agreeing strategy. The scrutiny and review of information as well as risk, succession and strategic planning is performed on behalf of House of Fraser Limited by the Frasers Group plc Board including the input of the Company's directors.

HOUSE OF FRASER LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 26 APRIL 2020

Most importantly, the Board is focused on the long-term sustainability of the Company. This has been a major focus for a number of years, particularly in light of the pressure on the high street as a result of the struggling retail market. The added impacts of the Covid-19 pandemic has meant that the long-term sustainability of the Company has been brought closer into the spotlight, with a number of retailers closing their doors on a permanent basis, and many more downsizing.

During the Covid-19 pandemic the Group took extraordinary measures to support the business including requesting that senior levels of staff had their salaries temporarily capped at £40,000. This cap was applied to all Group companies including the Company. Requesting that a large number of the workforce took a salary reduction was not a decision that was reached easily by the Frasers Group plc Board, although it was overwhelmed by the support shown by the workforce and the sacrifices that they made for the greater good of the Company. As the position became more stable, the Frasers Group plc Board was able to establish that the Group was in a good position, and that the salary reductions would not need to be actioned. However, the Frasers Group plc Board recognised the mood of the public and politicians with regard to Government support during the pandemic and therefore did determine that, the Group's Chief Financial Officer, Head of Commercial and the Non-Executive Directors all remained on the reduced salaries during the first lockdown period.

On all occasions, the Frasers Group plc Board makes decisions based on the papers presented to them, assessing the risks and benefits, applying their knowledge experience and seeking advice from other parties as required. The Frasers Group plc Board seeks to make fair, balanced and independent decisions for the benefit of all aspects of the Company.

Decision making areas and principal decisions/steps in the period

The likely consequences of any decision in the long term

The Board has been mindful that any decisions that it makes now may have possible consequences in the long term. During the year our free cash flow of Frasers Group plc remained strong. This is important as it is an indicator of the cash that is available for investment in line with the elevation strategy and to manage future risks and commitments applicable to the Company. Further information on free cash flow can be located in the Group's annual report.

The Board has continued to invest in new and existing stores across the period in line with its elevation strategy. The long term impact of this investment is to enhance the customer experience within stores, strengthening the brand and to improve the position of the Company in its relative market.

The interests of the Company's employees

Our relationship with our employees is paramount. The ongoing engagement by the Group with We Are Wiser is focused on establishing a strong and empowered culture throughout the Group with outcomes showing that the Company offers a wealth of opportunities for hard working members of staff. The Group's appointment of Cally Price, the Non-Executive Workforce Director for Frasers Group plc, is evidence of how we want to focus on our employees to provide them with the best possible working environment across all subsidiaries, including the Company.

As highlighted above, the Group's board agreed that senior management and the Board should take a pay cut during the pandemic lockdown whilst ensuring that all staff including those on furlough would receive 100% salary. The Board recognised that there were challenging times ahead for the Company and other entities of Frasers Group plc and that it was important to protect jobs and ensure colleague welfare during the lockdown period.

The need to foster the Company's business relationships with suppliers, customers and others

In all instances we aim to create and maintain open and transparent business relationships. We are currently investing in our customer service technology in order to respond to customers more quickly and effectively. We work with suppliers to ensure that relationships remain fortuitous for both parties, and to ensure that modern slavery and trafficking are not present in the supply chain. We work closely with regulators such as HMRC.

HOUSE OF FRASER LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 26 APRIL 2020

The Board worked closely and transparently with its suppliers and banks during the Covid-19 pandemic to ensure that the Company remains in the best possible financial situation. The Board discussed the position with suppliers to try to reduce or defer orders/projects during the difficult times, and has spoken to banking partners to ensure that cash is available should it be required.

The impact of the Company's operations on the community and the environment

We recognise that we are in an excellent position to assist the community and we hope to have a positive impact by assisting them through training, employment and the use of our facilities. During the year there has been focus on sustainability throughout the Group, including creating clothing from recycled materials, packaging from recycled paper and working with suppliers to minimise packaging waste where possible. Simple changes such as ensuring that containers are full to capacity not only to save the Group money but also reduce carbon emissions.

At an operational level Frasers Group plc has made many changes throughout the year to ensure that the community and environment are impacted in a positive manner. These changes include introducing using recycled paper whenever possible, implementing voice picking and fitting the majority of our stores with smart meters. The Executives are leading the steps being taken, and the directors of the Company as a whole are supportive of this.

The desirability of the Company maintaining a reputation for high standards of business conduct

At all times we endeavour to adhere to strict Corporate Governance standards. Our recent appointment of a Group Head of Internal Audit and Risk Management will help us drive our standards and delivery continuous improvement.

Through Frasers Group plc's Non-Executive Workforce Director we are ensuring that the Company staff are listened to and responded to by somebody who fully understands their situation.

The need to act fairly between members of the Company

The Company is a wholly owned subsidiary of Frasers Group plc. All members of Frasers Group plc hold ordinary shares which attach the same rights and benefits. We ensure that all shareholders have opportunity to express their concerns with the Board throughout the year and endeavour to respond when appropriate. The AGM allows an opportunity for shareholders to ask question and to discuss issues in more depth.

The Board is aware that various shareholders had requested an investor day for Frasers Group plc. The Board committed to give this due consideration, and this will be explored further within any continued limitations imposed by Covid-19.

Customers

The Company aims to produce and deliver an unrivalled range and quality of products across different customer value propositions to appeal to a broad range of customers.

During FY20 and going forward we are investing in customer service software to ensure that customer experiences can be recorded, highlighting where our strengths and weaknesses lay. The Group and Company websites continually undergo redevelopment with a customer focus in mind, making products easier to locate and providing customers with a smoother checkout experience.

The way that our stores are set up shows a deep customer focus. We tailor our offerings to the local market and as a result of customer feedback we are expanding our offering into select categories in accordance with what sells well in particular geographic locations. Mystery shops take place regularly to assess our customer service skills, providing customers with the optimum in-store experience.

Recent history has seen the Company invest more in third party brands, which has been in response to customer demand. This has shifted the focus from internal to third party brands and exemplifies how customer feedback is heard and responded to accordingly.

HOUSE OF FRASER LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 26 APRIL 2020

Our customer service team works on three key principles:

- Investment in technology
- Ensuring that we have the right people, and;
- Gaining insight into why we are being contacted

Through these key principles, the team continually try to improve the customer experience, and we review our customer service performance by creating a weekly 'heartbeat report', as well as monthly 'customer satisfaction report'. FY20 has seen increased demand from the Board to review elements of the customer service function, and newly created customer service targets will be reported to them during FY21 and onwards.

The elevation of the Group includes elevating our customer service team, and during FY20 we have embraced apprenticeships in customer service. The programme lasts for 15 months and following successful completion the apprentices receive a formal qualification and the opportunity of permanent employment within the Group and Company. Our customer services management team receive internal training to coach, support and develop our staff.

The year has seen a further step away from traditional customer service channels, with the increased usage of Facebook Chat and Webchat. Our websites have seen a refresh via our updated help centre to enable customers to find answers quickly to the most frequently asked questions.

We recognise that customers are vital to our success and due to this we intend to continue to invest heavily in customer services during FY21 and onwards.

Staff

Our staff are the key to our success and we wouldn't be where we are today without their loyalty and support. The interests of our staff are paramount when considering the future of the business and this is reflected in our culture. It is of vital importance that our staff feel valued, engaged and challenged, so that they can see a long-term future within the Company.

The Group's Workforce Representative, Cally Price, was appointed during FY19 and is the second appointee within the Group. Cally sits on the Group Board as a Non-Executive Director and receives all of the information and resources in line with the rest of the Group Board. Cally acts as the voice of the workforce, including on behalf of the Company employees, and is given flexibility and encouragement to carry out her role. Cally has willingly and skilfully embraced the role and as a result the Board are receiving far more accurate information regarding the stores.

All staff are employed on the basis of diversity and inclusion. No staff member should be subject to discrimination of any kind. If our staff do have any concerns or questions there are multiple avenues open to them, including speaking to their line manager or the HR team. The Company administer a Whistleblowing hotline that is confidential and anonymous. The hotline calls are personally handled by our Workforce Representative who reports incidents to the Board.

Your Company, Your Voice' is a communication method that is open to all staff and is one technique used to engage the workforce. The system allows questions and concerns to be raised with the Workforce Representative, who personally responds to these. Relevant questions and answers are posted on iPads and screens in public areas across the business in order that they can be shared with fellow staff members.

The Company is a member of the Retail Trust, which aims to support those working in the retail industry. Staff can contact the Retail Trust at any time to look for guidance and advice, and the Trust will look to help with their emotional, physical, mental, vocational and financial wellbeing.

HOUSE OF FRASER LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 26 APRIL 2020

Our Workplace Wellbeing Co-ordination Team were established to engage with employees suffering with mental health issues, bereavement and all other aspects of their personal life that having an impact on their performance whilst at work. Staff have the opportunity to attend one-to-one meetings, as well as group presentations on matters such as labour trafficking and domestic abuse. The Workplace Wellbeing Co-ordination Team work in conjunction with a number of external bodies including charities, occupational health advisors and various counselling bodies to give staff as much support as necessary.

The HR team keep a handle on a number of aspects of employee behaviour including staff retention rates and claims made against the Company, which are reviewed at Board meetings. Gender Pay Gap figures, whistleblowing, and disciplinary and grievance procedures are also regularly fed into the Board for review and consideration.

The Board recognise that attracting and retaining talent is vital in maintaining a viable business. The London office opened its doors in FY19 and has been a method of employing a stream of new talent in different areas of the business. Having two office bases allows our teams to explore new ways of working and expands our existing skills set.

The health and safety of our staff is taken very seriously throughout the Group. Health and Safety is viewed by the Group Board at every scheduled meeting. As a responsible employer, the Company endeavours to explain accidents in the workplace and reduce these for the benefit of all staff. Health and safety assessments for vulnerable staff are commonplace throughout the Company. The importance of valuing our staff cannot be understated and the Board are clear that this is a priority.

Our staff receive a discount package that can be used in House of Fraser stores and across the Group's other fascias. This applies to existing staff and friends and family.

To focus on the employer value proposition and culture of the Company, during FY20 we appointed Wiser to examine the culture and focus on how to improve the staff experience.

Suppliers

We aim to forge strong, transparent relationships with all of our suppliers. This enables us to provide customers with excellent products at affordable prices allowing customers to continue to receive the level of quality that they have come to expect.

Our suppliers have to be willing to sign up to the Frasers Group plc Ethics/Supply Policy, which maintains a relationship of trust and enables us to oversee their actions by visiting them on a random interval basis. This policy also covers activity with the Company. Our suppliers have a vested interest in improving the efficiency of the supply chain, as well as limiting any negative environmental impact, by ensuring that packaging is kept to a minimum and is created from mainly recyclable materials. We encourage the use of environmentally friendly materials whenever possible as it allows the Company to work towards our environmental aims, as well as benefitting the world around us. We highlight to suppliers that use of well thought out environmentally conscious materials can lead to cost savings, which is an advantage to both our suppliers and to the Company.

HOUSE OF FRASER LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 26 APRIL 2020

Regulators

The Group makes every endeavour to comply with regulations and guidelines set by regulators. We regularly liaise with HMRC, the FRC and the FCA in an open and transparent manner. Regular communication with tax bodies across the globe has been achieved by the finance team and the Board in an attempt to maintain good relationships.

During the Covid-19 outbreak, Group Board members liaised with the Government on a number of occasions to clarify the position regarding store closures.

The Group Audit Committee acts independently in overseeing the Group's financial reporting processes, including for the preparation of consolidated accounts and compliance with relevant regulations. This oversight also applies to the production of the entity accounts of the Company. The Committee oversees the Group's systems of risk management and internal control as delegated by the Board. Such systems are applied across all subsidiaries of the Group, including the Company.

The Company retains a good relationship with our brand partners to ensure that we are meeting the standards that they set for the sale of their items. Our brand ambassador programme helps our staff understand brands in more detail in order that they are confident about what they are selling and giving customers the best buying experience.

Financial lenders

Alongside attending all board meetings, the CFO of Frasers Group plc is always available to inform the board of any updates in relation to financial lenders. This includes, where required, information specific to the Company. Working with the assistance of the finance team, the CFO also ensures that the Group and the Company work within the terms and conditions agreed to in credit facility agreements. The CFO regularly liaises with the Chair of the Remuneration Committee and the Chair of the Audit Committee to discuss the financial performance of the Group.

During the Covid-19 pandemic, the Board discussed the availability of funds in the revolving credit facility and cash flow forecasts. This uncertain time also led to Board discussions regarding other financing methods including the Covid Commercial Finance Facility.

Our finance team have met with lenders during the year to discuss the views of each party and try to reach an outcome which benefits both parties. There was particular focus on this during the commencement of the Covid-19 pandemic in the UK, as management held regular conference calls with financial lenders.

Shareholders

Frasers Group plc is a publicly traded company and is the ultimate parent company of the Company.

The Group aims to ensure that shareholders have a profitable company which provides long-term profits and sustainable growth.

The Board make independent decisions when considering key acquisitions in line with group strategy, assessing the opinions and recommendations of key executives, and using their own experiences to ensure that shareholder value is maintained.

Shareholder engagement is welcomed at all times, and the Board have met with a number of shareholders throughout the year.

HOUSE OF FRASER LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 26 APRIL 2020

The views of shareholders are valued by the Board and help guide us towards particular decisions and outcomes. The Board ensures that they are available to partake in shareholder discussions at the half-year and full-year results, at which large shareholders are invited to attend. During the Annual General Meeting the Board is happy to discuss matters related to the meeting and make themselves available afterwards to discuss other business queries. Following each results presentation, the Board receive feedback from the Group's corporate broker, gauging shareholder reaction.

The opinions of shareholders are closely monitored through analyst and broker reports as well as at meetings and on calls. All correspondence that is received from major investors is circulated to the Board upon receipt and added to meeting agenda if deemed necessary.

Shareholders are given due consideration when the Board makes key decisions such as the Group dividend policy, remuneration policy and the commencement and/or continuation of share buybacks.

Further information on shareholder engagement can be located in the Group annual report.

Community and Environment

We aim to minimise any detrimental impact that we may have on our immediate communities as well as wider ranging areas. The Company listens to the voice of the community and hopes to repay their goodwill through a selection of methods. In our Shirebrook headquarters we allow the NG20 Working Group use of auditorium, free of charge. We also hold career days where local residents can attend and look into available roles.

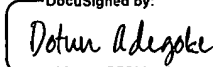
88% of the waste from our Group Shirebrook Distribution Centre is currently recycled, and our bags for life contain 70% recycled materials, which we aim to increase to 85% during FY21. The introduction of 'voice picking' has reduced the amount of paper usage by 17 million sheets, saving 2,000 trees on average per year, and we are currently in the process of changing to card activated printers which we hope will encourage more responsible printing. Our office paper is also 100% recycled.

The integration of our automated forecast ordering system helps keep the number of containers that we ship to a minimum. Working with our factories and third party brands has allowed us to optimise our container space, which has contributed towards reduced transport impact of an average of 4,102 tonnes of carbon annually since FY14.

100% of our electricity for our stores outside of Shirebrook is from renewable sources. Shirebrook receives its supply from the local independent power station which supports the National Grid during its transition to a greener network.

Further information on the wider Group environmental matters can be located in the Group annual report as well as information on our corporate citizen efforts, including assisting the NHS.

On behalf of the board

DocuSigned by:

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AA Adegoke

Director 30 April 2021

HOUSE OF FRASER LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 26 APRIL 2020

The directors present their annual report and financial statements for the period ended 26 April 2020.

Principal activities

The principal activity of the Company was that of the retailing of premium fashion, beauty and homeware brands in stores and online.

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
A A Adegoke
L J Rowley
D C Epstein

(Resigned 10 December 2019)
(Appointed 1 December 2019)

Results and dividends

No dividends were declared or paid in the period. The directors do not recommend payment of a final dividend.

Going concern

The Company is part of the wider Frasers Group and is considered a key subsidiary of the Group. While the Company has net current liabilities totalling £83,814,000 and net liabilities totalling £79,195,000, it has access to financial resources via a Group Revolving Credit Facility (RCF). The board of the parent company, Frasers Group plc, have undertaken to support the Company for a period of at least 12 months from the date of approval of these financial statements. Frasers Group plc, as controlling party, has also confirmed that it, and its subsidiary companies, do not intend to demand repayment of amounts due to group undertakings of £133,699,000 for at least 12 months from the date of approval of these financial statements.

The directors believe that the Company is well placed to manage its business risks successfully despite the continued uncertain economic outlook.

Management of both the Company and Frasers Group plc have assessed the level of trading to date since the impact of Covid-19 and has forecast and projected a conservative base case and also a number of further conservative scenarios taking into account potential future lockdowns, likely Government support, foreign exchange exposure and potential cost saving initiatives. These forecasts and projections show that Frasers Group plc and the Company will be able to operate within the level of the current facility and its covenant requirements (being interest cover and net debt to EBITDA ratios). Management of both the Company and Frasers Group plc also have a number of mitigating actions which could be taken if required such as putting on hold discretionary spend, liquidating certain assets and drawing down the Revolving Credit Facility.

Having reviewed the Company's performance and having made suitable enquiries, the directors are confident that the Company, with support from the Group, has adequate resources to remain in operational existence for at least 12 months from the date of approval of these financial statements. Trading would need to fall significantly below levels observed during the pandemic to require mitigating actions and on this basis, the directors continue to adopt the going concern basis for the preparation of the Annual Report and Financial Statements.

Qualifying third party indemnity provisions

Frasers Group 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.

HOUSE OF FRASER LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 26 APRIL 2020

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.

Environmental reporting

The Company is a wholly owned subsidiary of Frasers Group plc and is a fully integrated subsidiary. Disclosures relating to Environmental reporting can be found in the Frasers Group plc annual report.

Auditor

RSM UK Audit LLP were appointed as auditor of the Company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General meeting.

Statement of disclosure to auditor

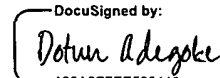
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to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

Link to Strategic Report

The following which would normally be present in the Directors' Report have instead been included in the Strategic Report due to its significance in the underlying strategy of the Company:

- Financial risk management objectives and policies
- Future developments

On behalf of the board

DocuSigned by:

180A8E7EE566410...
AA Adegoke
Director

30 April 2021

Date:

HOUSE OF FRASER LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE PERIOD ENDED 26 APRIL 2020

The directors are responsible for preparing the Directors' Report, Strategic 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.

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 26 April 2020 which comprise the income statement, the statement of financial position, 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 26 April 2020 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.

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 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.

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.

HOUSE OF FRASER LIMITED

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

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.

RSM UK Audit LLP

Rachel Fleming (Senior Statutory Auditor)
for and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

Date:.....

4 May 2021

HOUSE OF FRASER LIMITED**INCOME STATEMENT****FOR THE PERIOD ENDED 26 APRIL 2020**

		Period ended 26 April 2020 £'000	Period ended 28 April 2019 £'000
	Notes		
Revenue	3	305,652	303,347
Cost of sales		(150,812)	(137,131)
Gross profit		154,840	166,216
Distribution costs		(28)	(1,855)
Administrative expenses		(213,193)	(215,796)
Other operating income	3	29,940	6,356
Exceptional costs	4	-	(5,700)
Operating loss	5	(28,441)	(50,779)
Finance income/(costs)		732	(761)
Loss before taxation		(27,709)	(51,540)
Tax on loss	7	54	-
Loss for the financial period		(27,655)	(51,540)

The income statement has been prepared on the basis that all operations are continuing operations.

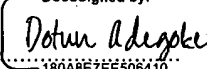
The notes on pages 22 - 34 form part of these financial statements.

HOUSE OF FRASER LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 26 APRIL 2020**

	Notes	2020 £'000	2019 £'000
Non-current assets			
Property, plant and equipment	9	4,719	-
Current assets			
Trade and other receivables	10	110,775	80,757
Cash and cash equivalents		3,759	16,768
		114,534	97,525
Current liabilities	11	(198,348)	(149,065)
Net current liabilities		(83,814)	(51,540)
Total assets less current liabilities		(79,095)	(51,540)
Provisions for liabilities	12	(100)	-
Net liabilities		(79,195)	(51,540)
Equity			
Called up share capital	15	-	-
Retained earnings	16	(79,195)	(51,540)
Total equity		(79,195)	(51,540)

30 April 2021

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

DocuSigned by:

 180ABE7EE506410...
 AA Adegoke
 Director

Company Registration No. 10686681

The notes on pages 22 - 34 form part of these financial statements.

HOUSE OF FRASER LIMITED**STATEMENT OF CHANGES IN EQUITY****FOR THE PERIOD ENDED 26 APRIL 2020**

	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2018: unaudited	-	-	-
Period ended 28 April 2019			
Loss and total comprehensive income for the period	-	(51,540)	(51,540)
Balance at 28 April 2019	-	(51,540)	(51,540)
Period ended 26 April 2020:			
Loss and total comprehensive income for the period	-	(27,655)	(27,655)
Balance at 26 April 2020	-	(79,195)	(79,195)

HOUSE OF FRASER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 26 APRIL 2020

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, Mansfield, NG20 8RY.

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 52 weeks ended 26 April 2020 (2019: 56 weeks ended 28 April 2019). The period was extended in the prior period 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 in which these financial statements are consolidated. The group accounts of Frasers Group plc are available to the public and can be obtained as set out in note 19.

HOUSE OF FRASER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 26 APRIL 2020

1 Accounting policies

(Continued)

1.2 Going concern

The Company is part of the wider Frasers Group and is considered a key subsidiary of the Group. While the Company has net current liabilities totalling £83,814,000 and net liabilities totalling £79,195,000, it has access to financial resources via a Group Revolving Credit Facility (RCF). The board of the parent company, Frasers Group plc, have undertaken to support the Company for a period of at least 12 months from the date of approval of these financial statements. Frasers Group plc, as controlling party, has also confirmed that it, and its subsidiary companies, do not intend to demand repayment of amounts due to group undertakings of £133,699,000 for at least 12 months from the date of approval of these financial statements.

The directors believe that the Company is well placed to manage its business risks successfully despite the continued uncertain economic outlook.

Management of both the Company and Frasers Group plc have assessed the level of trading to date since the impact of Covid-19 and has forecast and projected a conservative base case and also a number of further conservative scenarios taking into account potential future lockdowns, likely Government support, foreign exchange exposure and potential cost saving initiatives. These forecasts and projections show that Frasers Group plc and the Company will be able to operate within the level of the current facility and its covenant requirements (being interest cover and net debt to EBITDA ratios). Management of both the Company and Frasers Group plc also have a number of mitigating actions which could be taken if required such as putting on hold discretionary spend, liquidating certain assets and drawing down the Revolving Credit Facility.

Having reviewed the Company's performance and having made suitable enquiries, the directors are confident that the Company, with support from the Group, has adequate resources to remain in operational existence for at least 12 months from the date of approval of these financial statements. Trading would need to fall significantly below levels observed during the pandemic to require mitigating actions and on this basis, the directors continue to adopt the going concern basis for the preparation of the Annual Report and Financial Statements.

1.3 Revenue

Turnover represents amounts receivable for goods sold, net of discounts and sales related taxes.

In the case of goods sold through retail stores, turnover 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 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.

HOUSE OF FRASER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 26 APRIL 2020

1 Accounting policies

(Continued)

1.4 Other operating income

Royalty income is generated from other group entities on web sales under the Company's fascia/brand name. Recognition of turnover is on the same basis as disclosed in the turnover note 1.3. Royalties distributed to the Company equate to the turnover generated less direct operating overheads

1.5 Property, plant and equipment

Property, plant and equipment 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:

Leasehold improvements	Straight line over the life of the lease
Fixtures, fittings and equipment	3-5 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.

Impairment of non-current assets

At each balance sheet date, the directors review the carrying amounts of the Company's tangible and intangible assets, other than goodwill and intangible assets with an indefinite life, 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 in its current condition is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs. With respect to property, plant and equipment, each store is considered to be a CGU and reviewed for impairment whereby changes in circumstances indicate that the recoverable amount is lower than the carrying value.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the 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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease to the original historic cost and then as an expense.

1.6 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.

1.7 Financial instruments

The Company has elected to apply accounting standard FRS 102.11-12 with regard to Financial instruments.

HOUSE OF FRASER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 26 APRIL 2020

1 Accounting policies

(Continued)

Recognition and measurement of financial instruments

Financial assets and financial liabilities are recognised when the Company become a party to the contractual provisions of the instrument.

Financial assets and liabilities at amortised cost

Trade, group and other debtors

Trade, group and other debtors which are receivable within one year and which do not constitute a financing transaction are initially measure at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised are recognised immediately in profit or loss.

Trade creditors, group and other creditors

Trade, group and other creditors (including accruals) payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being transaction price less any amounts settled.

1.8 Taxation

The tax expense represents the sum of the current tax 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 statement of total comprehensive income 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 taxation is provided in full in respect of taxation deferred by temporary differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the Statement of Financial Position date. Deferred tax assets and liabilities are not discounted.

Charging of tax to OCI and P&L

Changes in current and deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are recorded in other comprehensive income or charged or credited directly to equity in which case the related deferred tax is also charged to other comprehensive income or credited directly to equity.

Offsetting tax assets and liabilities

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

HOUSE OF FRASER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 26 APRIL 2020

1 Accounting policies

(Continued)

1.9 Provisions

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The Company provides for its legal responsibility for dilapidation costs following advice from chartered surveyors and previous experience of exit costs. The estimated cost of fulfilling the leasehold dilapidations obligations is discounted to present value and analysed between non-capital and capital components. The capital element is depreciated over the life of the asset. The non-capital element is taken to the income statement in the first year of the lease where the cost it represents is of no lasting benefit to the Company or its landlord. 'Wear and tear' costs are expensed to the income statement.

Provisions for onerous lease contracts are recognised when the Company believes the unavoidable costs of meeting the lease obligations exceed the economic benefits expected to be received under the lease.

Legal provisions (including settlements and court fees) are recognised based on advice from the Company's lawyers when it is probable that there will be an outflow of resources and a reliable estimate can be made.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

1.10 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 non-current 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.

1.11 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.12 Leases

Payments made under operating leases are charged to the profit and loss account on a straight line basis over the lease term. Incentives provided by the lessor are credited to the profit and loss account on a straight line basis over the lease term.

1.13 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 income statement for the period.

1.14 Holiday Pay Accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position date. The amount of any liability is not significant as the Company's holiday pay entitlement period is aligned with the financial period end.

HOUSE OF FRASER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 26 APRIL 2020

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, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

Property related provisions

Property related estimates and judgements are continually evaluated and are based on historical experience, external advice and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Dilapidations

The Company provides for its legal responsibility for dilapidation costs following advice from chartered surveyors and previous experience of exit costs (including strip out costs and professional fees). The estimated cost of fulfilling the leasehold dilapidations obligations is discounted to present value and analysed between non-capital and capital components. For leases entered into post FY19 management use a reference estimate of £100,000 for large leasehold stores and £50,000 for small leasehold stores. Prior to FY19 managements estimates were based on categorisation of stores by size and capital works performed and price per square foot.

3 Turnover and other operating income

The total turnover of the Company for the period has been derived from its principal activity relating to the sale of goods wholly undertaken in the United Kingdom.

	2020 £'000	2019 £'000
Revenue analysed by class of business		
Retail	305,652	303,347
	<u> </u>	<u> </u>
	2020 £'000	2019 £'000
Other operating income		
Interest income	744	-
Royalty income	26,883	2,351
Commission income	3,057	4,005
	<u> </u>	<u> </u>
	29,940	6,356
	<u> </u>	<u> </u>

HOUSE OF FRASER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 26 APRIL 2020

4 Exceptional costs

	Notes	2020 £'000	2019 £'000
In respect of:			
Goodwill	8	-	2,200
Intangible assets	8	-	500
Property, plant and equipment	9	-	3,000
		<u>-</u>	<u>5,700</u>

5 Operating loss

	2020 £'000	2019 £'000
Operating loss for the period is stated after charging/(crediting):		
Exchange gains	(1,408)	(494)
Fees payable to the Company's auditor for the audit of the Company's financial statements	153	170
Depreciation of owned property, plant and equipment	1,101	-
Impairment of owned property, plant and equipment	-	3,000
Impairment of intangible assets	-	2,700
Operating lease charges	1,600	414
	<u>-</u>	<u>-</u>

6 Employees

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

	2020 Number	2019 Number
Retail and distribution	3,322	2,703
Management and administration	151	260
	<u>3,473</u>	<u>2,963</u>

HOUSE OF FRASER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) * FOR THE PERIOD ENDED 26 APRIL 2020

6 Employees

(Continued)

Their aggregate remuneration comprised:

	2020 £'000	2019 £'000
Wages and salaries	62,608	54,190
Social security costs	2,409	3,462
Pension costs	1,018	1,031
	<u>66,035</u>	<u>58,683</u>

The directors are not remunerated in respect of any services provided to the Company. They are remunerated via other group companies.

HOUSE OF FRASER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 26 APRIL 2020

7 Taxation

	2020 £'000	2019 £'000
Deferred tax		
Origination and reversal of timing differences	(54)	-

The actual (credit)/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:

	2020 £'000	2019 £'000
Loss before taxation	(27,709)	(51,540)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(5,265)	(9,793)
Tax effect of expenses that are not deductible in determining taxable profit	60	1,087
Group relief	5,362	8,706
Depreciation on assets not qualifying for tax allowances	40	-
UK transfer pricing adjustment for notional interest	(251)	-
Taxation (credit)/charge for the period	(54)	-

In accordance with the Finance Act 2020 (which was substantively enacted on 22 July 2020), the previous legislation which reduced the main rate of corporation tax from 19% to 17% with effect from 1 April 2020 was repealed, thereby maintaining the current rate of corporation tax at 19%, which has been the rate in force since 1 April 2017.

8 Intangible fixed assets

	Goodwill £'000	Software & IT £'000	Total £'000
Cost			
At 29 April 2019 and 26 April 2020	2,200	500	2,700
Amortisation and impairment			
At 29 April 2019 and 26 April 2020	2,200	500	2,700
Carrying amount			
At 26 April 2020	-	-	-
At 28 April 2019	-	-	-

HOUSE OF FRASER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 26 APRIL 2020

9 Property, plant and equipment

	Leasehold land and buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
At 29 April 2019	-	3,000	3,000
Additions	2,468	3,351	5,819
At 26 April 2020	2,468	6,351	8,819
Depreciation and impairment			
At 29 April 2019	-	3,000	3,000
Depreciation charged in the period	211	889	1,100
At 26 April 2020	211	3,889	4,100
Carrying amount			
At 26 April 2020	2,257	2,462	4,719
At 28 April 2019	-	-	-

Depreciation of Property, Plant and Equipment is included within administrative expenses.

10 Trade and other receivables

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade receivables	5,104	40,003
Amounts owed by group undertakings	94,539	2,906
Other receivables	9,723	37,004
Prepayments and accrued income	1,355	844
	110,721	80,757
Amounts falling due after more than one year:		
Deferred tax asset (note 13)	54	-
Total debtors	110,775	80,757

HOUSE OF FRASER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 26 APRIL 2020

11 Current liabilities

	2020 £'000	2019 £'000
Trade payables	20,699	23,369
Amounts owed to group undertakings	133,699	15,293
Taxation and social security	1,093	11,686
Other payables	9,647	11,460
Accruals and deferred income	33,210	87,257
	<u>198,348</u>	<u>149,065</u>

12 Provisions for liabilities

	2020 £'000	2019 £'000
Property related	<u>100</u>	<u>-</u>

Movements on provisions:

	£'000
At 29 April 2019	-
Additional provisions in the year	100
At 26 April 2020	<u>100</u>

Included within property related provisions are provisions for dilapidations in respect of the Company's retail stores. Further details of management estimates are included in note 2. The timing of cash outflows in respect of provisions is uncertain.

13 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Assets 2020 £'000	Assets 2019 £'000
Balances:		
Accelerated capital allowances	<u>54</u>	<u>-</u>

HOUSE OF FRASER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 26 APRIL 2020

13 Deferred taxation (Continued)

	2020 £'000
Movements in the period:	
Asset at 29 April 2019	-
Credit to profit or loss	(54)
Asset at 26 April 2020	<u>(54)</u>

The rate of deferred tax recognised on timing differences has increased from 17% to 19% following legislation introduced as part of the Finance Act 2020, which reversed previously enacted rate reductions.

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so.

14 Retirement benefit schemes

	2020 £'000	2019 £'000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>1,018</u>	<u>1,031</u>

The Company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

Contributions totalling £Nil (2019: £1k) were payable to the fund at the Statement of Financial Position date and are included in payables

15 Share capital

	2020 £	2019 £
Ordinary share capital Issued and fully paid		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

The ordinary shares have attached to them full voting, dividend and capital distribution rights.

16 Retained earnings

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 26 APRIL 2020

17 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:

	2020 £'000	2019 £'000
Within one year	1,600	1,888
Between one and five years	6,400	7,550
In over five years	14,080	18,477
	<u>22,080</u>	<u>27,915</u>

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 26 April 2020 £71.0m (2019: £70.6m) was recharged to the Company. House of Fraser Limited will continue to be recharged in future years on the same basis.

18 Related party transactions

Transactions with related parties

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

	Purchases	
	2020 £'000	2019 £'000
Entities over which the entity has control, joint control or significant influence	-	418

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.

19 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 in Frasers Group plc, who own 100% of the share capital of Sportsdirect.com Retail Limited (the immediate parent company).

Frasers Group plc is the smallest company and MASH Holdings is the largest company to consolidate these accounts. Both Frasers Group 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.