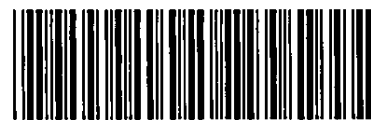


House of Fraser (Stores) Limited
Report and Financial Statements
For the 52 weeks ended 28 January 2012

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Registered in Scotland No. SC00010677

House of Fraser (Stores) Limited

Contents	Page
Company information	1
Directors' report	2
Directors' responsibilities statement	10
Independent auditor's report	11
Profit and loss account	13
Statement of total recognised gains and losses	14
Note of historical cost profits	14
Reconciliation of movements in shareholders' funds	14
Balance sheet	15
Notes to the financial statements	16

House of Fraser (Stores) Limited
Company information

Registered Address Granite House
4th Floor
31 Stockwell Street
Glasgow
G1 4RZ

Company Number SC00010677

Directors	Mr D McCarthy	Executive Director
	Mr J King	Chief Executive Officer
	Mr M Gifford	Chief Financial Officer
	Ms S Crawley	Director
	Ms E Gray	Director
	Mr P Gross	Director
	Mr P Hearsey	Director
	Mr M Holland	Director
	Mr N Oddy	Director
	Mr R Terrell	Director
	Mr A Winstanley	Director

Company Secretary Peter Hearsey

Auditors Deloitte LLP
Chartered Accountants and Statutory Auditor
London

House of Fraser (Stores) Limited Directors' report

The directors present their report and the audited financial statements of House of Fraser (Stores) Limited ('the Company') for the 52 weeks from 29 January 2011 to 28 January 2012.

Principal activity

The principal activity of the Company is the retailing of premium designer brands through its department stores in Great Britain and Ireland and online at www.houseoffraser.co.uk. Renowned for its designer brands and exclusive collections, the Company offers customers premium products at affordable prices. The Company strives to offer its customers exciting and exclusive ranges across key product categories, including:

- Clothing (Womenswear, Menswear and Childrenswear)
- Fashion accessories
- Beauty including cosmetics and fragrances
- Products and accessories for home interiors
- Restaurants, cafes, food and travel services

The Company employs over 4,800 people in Great Britain and Ireland and at the end of the financial year traded from a total of 57 department stores located in major high streets and shopping centres, 2 houseoffraser.com concept stores and an online store, www.houseoffraser.co.uk.

Holding company

The Company's immediate parent undertaking is House of Fraser Limited. The Company's ultimate and controlling party is Highland Group Holdings Limited.

Results and dividends

The Company's profit before tax was £11.5 million (2010/11: £37.7 million), down £26.2 million on the previous year. Details of exceptional items are set out in note 4 to the accounts. Earnings before exceptional items, interest, tax, depreciation and amortisation (Adjusted EBITDA) for the period was £69.3 million (2010/11: £80.3 million). The Company's profit before tax and exceptional items was £20.2 million (2010/11: £27.2 million). The profit after tax for the 52 weeks ended 28 January 2012 was £1.8 million (2010/11: £27.2 million) as set out in the profit and loss account on page 13. No interim dividend was paid (2010/11: £nil). The directors do not propose a final dividend (2010/11: £nil).

Business review and future developments

Results

2011 was another year of investment and development for the Company, as it continued to focus on the fastest growing areas of the business and the Company continued to make progress despite the very challenging market conditions. Gross transaction value of £1,069.9 million (2010/11: £1,036.3 million) was 3.3% higher than the previous period. This is due in part to the inclusion of two stores acquired from fellow group company James Beattie Limited in the period and the annualisation of two stores acquired in the previous period. The management team planned and delivered solid sales and gross profit growth during the period, particularly targeting the key on-line and House Brand development opportunities for the Company. Sales across all categories experienced growth on the prior year. There was a strong growth in sales in the first half of the year, however the rate of growth in sales slowed in the second half with a worsening of conditions in a highly challenging retail market as well as the unusually warm autumn weather. The retail environment became exceptionally challenging with factors such as tax increases (principally VAT), austerity measures putting pressure on household budgets and increasing concern over job security as well as concerns over the eurozone crisis that impacted further on consumer confidence. Unemployment in the UK has risen to the highest level in recent history and disposable incomes amongst the employed have continued to decline impacting family budgets, particularly on discretionary expenditure including clothing.

House of Fraser (Stores) Limited Directors' report (continued)

Business review and future developments (continued)

Results (continued)

The overall increase in costs was attributable to the growth and development of the Company's on-line activity and largely reflects the overall increase in sales activity. Distribution costs increased due to the implementation of the new distribution centre opened in Wellingborough during the year, which led to dual running costs and transition costs in moving the stores distribution from Milton Keynes to Wellingborough. In addition to this there were rent reviews on two of our largest stores which led to an increase in rental costs. All other costs were tightly controlled and operational efficiency remained a key focus throughout the period.

The Company's profit before tax was £11.5 million (2010/11: £37.7 million), down £26.2 million on the previous year. Earnings before exceptional items, interest, tax, depreciation, and amortisation ("Adjusted EBITDA") for 2011/12 was £69.3 million (2010/11: £80.3 million). The Company's profit after tax before exceptional items for the 52 weeks ended 28 January 2012 was £10.5 million (2010/11: £16.7 million). After charging exceptional items of £8.7 million (2010/11: credit £10.5 million), the Company's profit after taxation for the period was £1.8 million (2010/11: £27.2 million).

Product proposition

During the period, the Company strengthened its overall customer proposition across its fashion and Homeware brands and exclusive collections, with a continued strong focus on introducing new and extending the existing offer of premium products and services. Key brand relationships were strengthened including those with Aurora (Karen Millen, Coast, Warehouse and Oasis), Superdry, Hugo Boss, Tommy Hilfiger, Virgin Holidays and many others.

Exclusive House Brands form a key part of the business. During the period the Company further developed exclusive House Brands, which helped to improve its overall customer offer, leverage volume on sourcing and drive higher margin product through its stores and on-line. A number of new and exclusive House Brands were launched including a highly successful collaboration with Mary Portas in Womenswear which was accompanied by a three part television series, Howick Tailored in Menswear and Shabby Chic in Homewares. Continued focus on both new and existing House Brands has resulted in a sales increase of c.17% on the previous period and House Brand sales now represent 14% of the total sales mix (2010/11: 12%). Further growth in existing House Brands is planned in 2012/13, as well as the launch of The Department and the roll out of existing House Brands such as Mary Portas to more stores across the estate.

The strongest growth in category performance during the period was in Menswear, like-for-like ("LFL") sales increased by nearly £10 million (+4%) on the previous period on top of 6% growth in 2010/11. This category is strongly differentiated from the competition and one of the most well developed categories in the Company. The Menswear performance was particularly strong within its branded casualwear offer, with continued growth from brands including Polo Ralph Lauren, Tommy Hilfiger, Lacoste and Gant. Within Menswear the own bought branded offer represents a higher percentage of the sales mix at over 40% compared to the Company's average. The Menswear House Brand performance was also very encouraging, with LFL growth of 14% delivered in the period, partially from the launches of Label Lab and Howick Formalwear. House Brands now represent over 18% of Menswear sales compared to 17% in the previous period. The strongest House Brand performances were seen in Howick and Kenneth Cole.

House of Fraser (Stores) Limited Directors' report (continued)

Business review and future developments (continued)

Product proposition (continued)

The Beauty category has also performed positively, with LFL sales up by nearly £10 million (+4%) on the previous period. During the run up to Christmas which is particularly key for Beauty, there was much competition on the High Street in the form of promotional activity and loyalty rewards. However, the Company opted not to price match many of these offers and as a result was able to maintain a higher level of profitability. The trading relationships with key partners such as Estée Lauder, Lancôme, L'Oreal, Chanel and Clarins were all developed in the period with the improvement of in-store environments, the refreshing of a significant number of shopfits, and the introduction and expansion of the on-line Beauty proposition. There was further development and focus with many of our key cosmetic, skin care, fragrance and Beauty service providers. Beauty halls such as in the Milton Keynes store were comprehensively modernised whilst other departments such as in our Westfield store were enlarged and upgraded with new brand introductions. Margins continued to be tightly managed with continued focus on sourcing 'sale and return' stock particularly for peak season gifting and where necessary additional mark down support was also agreed. Beauty stock remained well managed with improved focus on ranging, continued high levels of continuity stock held and replenished with a keener focus on the power lines and brands.

The Womenswear category development was very exciting and the division performed well in the circumstances during the period, with LFL sales growth of over 1% in a tough market. The category reduced its high concentration of concessions during 2011/12, with over 70% of sales coming from concessions, continuing to limit stock and markdown risk but also modestly increasing its own bought penetration helping to deliver margin growth. The on-line expansion, particularly with concession partners was very strong and encouraging for the future, with the launch of many new brands and further brand support from several existing partners who provided much stronger stock packages. The on-line concession sales within Womenswear on a LFL basis, were up by nearly 100% on top of over 350% growth in the prior period. There were a number of new introductions such as The Kooples and brand rollouts with brands such as Phase Eight. Growth and development was delivered in key priority departments such as outerwear supported with brand expansions with partners such as Barbour and also in eveningwear and occasionwear. The developments in the Company's Womenswear House Brands were particularly pleasing with the launch of a collaboration with Mary Portas and further developments and extensions of existing brands including Biba, Pied a Terre, Label Lab, Dickins & Jones, Linea, Therapy, Episode and Untold. Overall, LFL Womenswear House Brand sales were up over 16% in the year, representing over 16% of total Womenswear sales for the full year. The increased penetration of House Brand sales with their associated higher relative margins helped maintain the category's margin rate despite the pressure on markdowns from increased discounting generally on the High Street.

The Fashion Accessories category achieved LFL sales up over 3% on the very successful previous period. House Brand sales grew in total by 16%, on top of significant growth in the prior year and represented over 10% of sales. Similar to Womenswear, this category also has a high concession sales mix representing c65% of sales during 2011/12 and accordingly carries a relatively low associated stock and markdown risk. The performance in key accessory sectors has continued to grow. Within Handbags, LFL sales growth was driven up by 21%, with strong performances from key brand partners including Mulberry, Anya Hindmarch and Hermes and further progress from House Brand bags. New House Brand handbag launches included Label Lab and Dickins & Jones. Shoes experienced a more difficult year but the Company saw improved performance from brands such as Office Shoes. Dune operates the licence to sell branded shoes under the Company's House Brand names of Linea, Untold and Episode, and during the year Kurt Geiger launched Biba shoes based on consistent styling with the apparel offer. Performance and development was also pleasing in other areas within Fashion Accessories including purses, sunglasses, watches and soft accessories such as scarves and gloves.

House of Fraser (Stores) Limited Directors' report (continued)

Business review and future developments (continued)

Product proposition (continued)

The Home category experienced the most challenging trading conditions but despite this it continued to improve its sales performance during the period, with LFL sales c.0.5% up on the previous period. As with the other categories there was a strong focus on the key areas of House Brand development, sales of 'powerhouse' brands and product lines and the continued expansion of the on-line Home offer. The Home category has the highest mix of House Brand products in the Company. For the period ended January 2012 the House Brand mix was increased to over 30%. The principal House Brand in Home continues to be Linea which features across all product sub categories and includes towels and bedding, dining and cookware, furniture and home accessories. The House Brand proposition was further enhanced with the addition of Shabby Chic, in addition to the launch of Pied a Terre Home and Casa Couture in the prior year. Overall Home House Brand sales increased by 20% on a LFL basis. There was also good performances on key product categories including Bedding, Bathshop, and Travel Goods with the key focus on featuring and selling 'hero' lines. The House Brand stock risk also continued to be managed through ranging a high level of continuity stock supported by planned promotional activity. On-line, Home is the most highly developed category with many products and lines available exclusively on-line (unless ordered via buy and collect). Exclusive on-line products include fitness equipment and white goods, as well as small electricals such as coffee machines in non-core colours. A fuller range is available to our multi-channel customer whilst the stock holding costs of these products are minimised.

The Food and Services category also performed well, with LFL sales up over 15% on the previous period. The relationship with our key travel partner, Virgin Holidays, strengthened further with more openings and strong performances in locations such as Bluewater and Victoria (London). The customer proposition with our restaurant operators also improved with strong performances from our key partners such as Cafe Nero, Yo Sushi, Tea Terrace and Cicchetti, the Company's largest restaurant in Manchester.

Stores

Store refurbishment is a key part of the growth strategy as there are significant opportunities to improve space allocations, overall sales densities and earnings, particularly with the House Brand launches in the period. During the period extensive refurbishment of the womenswear floors in the Oxford Street store in London was carried out. Full store refurbishments were completed in Milton Keynes, Aylesbury and Telford. Trading improvements have been seen in these stores following the completion of the refurbishment activity. In addition, the Company carried out improvement works across the estate. This included the roll out and launch of the new House Brands and many new introductions and upgrades of the shop-fits of our Company's brand partners. Successful roll outs/extensions in the period include Hugo Boss, Barbour, The Kooples, Paul's Boutique, Mary Portas collection and Virgin Holidays. Furthermore, the on-line proposition was enhanced with the opening of two houseoffraser.com stores in Aberdeen and Liverpool offering a concierge shopping service to customers buying on-line and preferring to collect in-store in a market leading stylish and customer focused environment as well as the expansion of the Company's order in store capability. The Company has plans to continue its refurbishment activity in 2012/13, albeit at a more modest level given the current economic downturn, including significant improvements to the ground and lower ground floors of the Oxford Street store in London ahead of the Olympics.

Multi-channel activity

The Company continues to capitalise on the opportunities from expanding the on-line offer and delivered LFL sales growth of over 90% on the previous period, on top of the sales growth of 130% delivered in 2010/11. The Company's on-line store moved further up the store rankings and having finished twentieth in 2009/10 and third in 2010/11, it traded as the top store for the period ended 28 January 2012. During the year the website was comprehensively redesigned, upgraded and re-launched with positive effect, the Company also re-launched its mobile optimised website in the year and a new House of Fraser mobile app, which to date more than 50,000 have been downloaded. The Company also worked in collaboration with O2 on marketing initiatives and installing WIFI in 11 of its top stores. Market forecasts reflect the expectation that the on-line market will continue to grow, with estimated growth being strongest in areas that the Company specialises in such as Beauty and Apparel. Accordingly, the Company continues to plan to develop its customer proposition at pace in this growing market.

House of Fraser (Stores) Limited Directors' report (continued)

Business review and future developments (continued)

Multi-channel activity (continued)

The customer offer was continually enhanced during the period with more of its concession and brand partners coming on board and existing brand partners strengthening their stock packages available on the Company's website. The Company also continues to enhance its website with functionality improvements.

The business has also driven the customer awareness of the on-line offer throughout the period and the number of visits and share of on-line visits has continually increased. Significant work was completed on search engine optimisation. This ensures that on-line search engines return the House of Fraser site on the first page of results when a potential customer searches for key words such as dresses or handbags. This improves awareness and reduces the need for 'paid for' searches. The management of 'paid search' has been taken in-house and the activity has been improved and increased to build greater awareness of the site and the offer. During the period, the e-mail database increased significantly and e-mail marketing execution was redesigned and uplifted, leading to better targeted communication and greater conversions. Overall, given the technical, marketing and operational improvements the conversion rates from visits to orders was further improved.

During 2011/12, the Company expanded its in-store web assisted sales capabilities through the roll-out of an additional 300 terminals in store (such that if a store does not have the customers desired product available in store stock it can be instantly ordered from the web-store). In-store web assisted sales are particularly relevant in the Company's smaller stores where the brand range is less extensive or where a product simply 'out of stock'. The 'Buy & Collect' proposition has also grown in popularity with our customers. Approximately 1 in 3 orders (2010/11: 1 in 4 orders) placed on-line were for 'Buy & Collect', offering a more convenient service to existing customers and added assistance to entice new customers. The incremental store visits also helped sales growth in stores, as many customers collecting their orders also chose to shop in store at the same time. In the critical peak period the proportion of 'Buy & Collect' orders increased to c50% of all on-line orders helping to deliver stronger overall growth to the business. The 'Buy & Collect' service proposition has been further enhanced and is now market leading, where orders placed before 5.00pm are delivered in-store by mid-day the following day.

International developments

As part of its growth strategy, the Company entered into a franchise agreement in 2009 which will bring expansion into the Middle East. This is an exciting new opportunity for the Company with the scheduled opening of the Company's first store outside of the United Kingdom and Ireland in Abu Dhabi in 2013. The Board believes that there is consumer appetite for exciting brands in a premium department store setting within this region and this provides significant opportunities in key global markets for the Company to sell its exclusive brands with no financial risk for the Company.

Financial risk management objectives and policies

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

Key performance indicators (KPIs)

In addition to the main performance indicators discussed in the business review above, further details on how the Highland Group Holdings Limited group manages the performance of its retail division, which includes the Company, are included in the Highland Group Holdings Limited annual report which does not form part of this report.

House of Fraser (Stores) Limited Directors' report (continued)

Business review and future developments (continued)

Directors

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

Mr D McCarthy
Mr J King
Mr M Gifford
Mr N Oddy
Mr M Holland
Mr R Wayment (resigned 30 January 2012)
Mr P Gross
Mr P Hearsey
Mr A Winstanley
Ms E Gray
Ms S Crawley
Mr R Terrell
Mr M Chambers (resigned 28 February 2011)

Related party transactions

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

Charitable donations

The charitable donations made by the Company and charged in the accounts were £82,532 (2010/11: £161,413). There were no political donations during the current period (2010/11: £nil).

Individual stores are encouraged by the Company to raise money for national and local charities and there are a variety of events organised by store support centre staff and store staff to raise funds for various other charities.

The Company holds a Charity Golf Day each year and 2011/12 continued the history of success by raising over £119,000 on the day. The Company also supported various other charities throughout the period, including Walk the Walk, the Retail Trust and a host of local charities throughout the country.

Employment policy

The Company is committed to ensuring that:

- (1) all employees receive fair and equal treatment irrespective of gender, ethnic origin, age, nationality, marital status, religion, sexuality or disability;
- (2) the working environment is conducive to achievement and free from sexual harassment and intimidation;
- (3) disabled persons, whether registered or not, have equal opportunities when applying for vacancies, with due regard to their aptitudes and abilities. In addition to complying with legislative requirements, procedures ensure that disabled employees are fairly treated and that new training and career development needs are carefully managed. For those employees becoming disabled during the course of their employment, every effort is made, whether through retraining or redeployment, to provide an opportunity for them to remain within the Company; and
- (4) the assessment of training needs and provision of appropriate training is delivered to its employees.

The Company also has a process for communicating and consulting with employees through newsletters and briefing groups, and includes making employees aware of the operational and financial performance of the Company.

House of Fraser (Stores) Limited Directors' report (continued)

Business review and future developments (continued)

Supplier manual

All suppliers to the Company are presented with its Supplier Manual at the commencement of the trading relationship. The Company seeks to improve and develop all supplier relationships through the introduction of its ethical sourcing policy. The Company also has a restricted substances and timber sourcing policy. The Company's policy for the payment of its suppliers is to agree the payment terms in advance and, provided a supplier performs in accordance with the agreement, to abide by such terms. Based on agreements, suppliers were paid on average within 73 days (2010/11: 80 days).

Treasury

Transaction exposures arise on overseas trade purchases. A proportion of these exposures are hedged using forward currency contracts as approved by the Board. Further details are available in note 1 to the financial statements in respect of the disclosures on derivative financial instruments.

Insurance

The Company maintains insurance in respect of the directors and officers against any such liabilities as are referred to in Section 234 of the Companies Act 2006.

Going concern

The balance sheet set out on page 15 shows that the Company has net current liabilities of £63.0 million at 28 January 2012 (2010/11: £78.1 million). Included within the net current liabilities is £314.5 million (2010/11: £97.3 million) due to other group companies which has been treated as payable within one year. However, on the basis that the Company has received written confirmation that there is no current intention of calling for a repayment until the Company has the necessary funds available, the directors have reasonable expectation that the Company has adequate resources to continue its operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Auditor and disclosure of information to auditor

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

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

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

Auditor

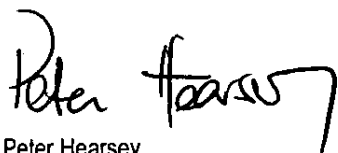
Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

House of Fraser (Stores) Limited
Directors' report (continued)

Post balance sheet event

In the new financial year, the decision has been taken to close to future accrual of further pension benefits for the House of Fraser pension plan, The James Beattie Plc Pension Scheme and the Jenners Princes Street Edinburgh Limited Pension and Life Assurance Scheme and members have the choice of joining the Group's stakeholder scheme.

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Peter Hearsey', with a stylized flourish at the end.

Peter Hearsey

Company Secretary

19 June 2012

House of Fraser (Stores) Limited

Directors' responsibilities statement

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

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

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

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

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

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

We have audited the financial statements of House of Fraser (Stores) Limited for the 52 weeks ended 28 January 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Note of Historical Cost Profits, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 January 2012 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

A handwritten signature in black ink, appearing to read 'Jason', followed by a large, stylized flourish that extends to the right.

Jason Davies (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London

United Kingdom

June 2012

House of Fraser (Stores) Limited
Profit and loss account
For the 52 weeks to 28 January 2012

		52 weeks ended 28 January 2012			52 weeks ended 29 January 2011		
		Before Exceptional items £m	Exceptional items (note 4) £m	Total £m	Before Exceptional items £m	Exceptional items (note 4) £m	Total £m
	Notes						
Gross transaction value	2	1,069.9	-	1,069.9	1,036.3	-	1,036.3
Turnover	3	653.2	-	653.2	617.9	-	617.9
Cost of sales		(270.0)	-	(270.0)	(244.8)	-	(244.8)
Gross profit		383.2	-	383.2	373.1	-	373.1
Selling & distribution costs		(285.0)	(4.5)	(289.5)	(271.0)	(1.2)	(272.2)
Administrative expenses		(74.9)	(10.4)	(85.3)	(70.1)	11.7	(58.4)
Other income	5	11.3	-	11.3	13.7	-	13.7
Operating profit	6	34.6	(14.9)	19.7	45.7	10.5	56.2
Dividends received from fixed asset investments		-	8.8	8.8	-	-	-
Net interest payable	7	(14.4)	(2.6)	(17.0)	(18.5)	-	(18.5)
Profit on ordinary activities before taxation		20.2	(8.7)	11.5	27.2	10.5	37.7
Taxation	8	(9.7)	-	(9.7)	(10.5)	-	(10.5)
Profit for the financial period		10.5	(8.7)	1.8	16.7	10.5	27.2

All transactions relate to continuing operations.

The notes on pages 16 to 35 form an integral part of these accounts.

House of Fraser (Stores) Limited
Statement of total recognised gains and losses
For the 52 weeks to 28 January 2012

	Notes	52 weeks 28 January 2012 £m	52 weeks 29 January 2011 £m
Profit for the financial period		1.8	27.2
Actuarial (loss)/gain on pension schemes	18	(62.3)	33.4
Movement in deferred tax relating to pension schemes	19	14.9	(9.0)
Total recognised (losses)/gains relating to the period		(45.6)	51.6

Note of historical cost profits
For the 52 weeks to 28 January 2012

	52 weeks 28 January 2012 £m	52 weeks 29 January 2011 £m
Profit on ordinary activities before taxation	11.5	37.7
Difference between historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount	0.7	0.7
Historical cost profit on ordinary activities before taxation	12.2	38.4
Historical cost profit for the financial period retained after taxation	2.5	27.9

Reconciliation of movements in shareholders' funds
For the 52 weeks to 28 January 2012

	52 weeks 28 January 2012 £m	52 weeks 29 January 2011 £m
Total recognised (losses)/gains relating to the period	(45.6)	51.6
Issued share capital in the period	-	20.0
(Decrease)/increase in equity shareholders' funds	(45.6)	71.6
Opening shareholders' funds	79.8	8.2
Closing shareholders' funds	34.2	79.8

The notes on pages 16 to 35 form an integral part of these accounts.

House of Fraser (Stores) Limited
Balance sheet
As at 28 January 2012
Company number: SC00010677

		28 January 2012	29 January 2011
	Notes	£m	£m
Fixed assets			
Intangible fixed assets	11	6.1	6.6
Tangible fixed assets	12	251.9	266.5
Investments	13	2.1	11.2
		260.1	284.3
Current assets			
Stock	14	99.1	87.1
Debtors: Amounts falling due within one year	15	356.8	149.5
Debtors: Amounts falling due after more than one year	15	3.2	5.2
Cash at bank and in hand		65.8	40.0
		524.9	281.8
Creditors: Amounts falling due within one year	16	(587.9)	(359.9)
Net current liabilities		(63.0)	(78.1)
Total assets less current liabilities		197.1	206.2
Creditors: Amounts falling due after more than one year	16	(61.4)	(70.9)
Provisions for liabilities	17	(37.8)	(32.9)
Net assets excluding pension fund		97.9	102.4
Pension fund asset	18	-	0.6
Pension fund deficit	18	(63.7)	(23.2)
Net assets		34.2	79.8
Capital and reserves			
Called up share capital	20	118.0	118.0
Revaluation reserve	21	49.6	49.6
Profit and loss account	21	(133.4)	(87.8)
Shareholders' funds		34.2	79.8

The financial statements were approved and authorised by the Board of Directors on 19 June 2012 and signed on its behalf by:



Mark Gifford
Director

The notes on pages 16 to 35 form an integral part of these accounts.

House of Fraser (Stores) Limited
Notes to the financial statements
For the 52 weeks to 28 January 2012

1. Accounting policies

Basis of preparation

The financial statements are prepared on a going concern basis and under the historical cost convention as modified by the revaluation of certain tangible fixed assets and in accordance with the Companies Act 2006 and applicable UK law and accounting standards.

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

Basis of consolidation

These accounts contain information about House of Fraser (Stores) Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of its ultimate parent, Highland Group Holdings Limited, a company registered in the UK.

Cash flow statement and related party transactions

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

The Company is exempt under the terms of FRS 8 (amended) from disclosing related party transactions with entities that are wholly owned by Highland Group Holdings Limited.

The principal accounting policies are summarised below.

Turnover and gross transaction value

Turnover represents the amount receivable by the Company arising from the supply of goods and services to customers net of value added tax, discounts and returns and includes the profit contribution earned on agency sales (including concession departments).

Turnover is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer and the amount of revenue can be measured reliably. Turnover on goods to be delivered is recognised when the customer accepts delivery. The Company operates a customer loyalty scheme that gives rise to goods being sold at a discount to the standard retail price. Turnover is adjusted to show sales net of all related discounts. Commissions receivable (including concessions) on the sale of goods and services for which the Company acts as an agent are included in the turnover. A provision for estimated returns is made representing the profit on goods sold during the year which will be returned and refunded after the period end.

Gross transaction value ("GTV") represents the fair value of all transactions receivable for goods and services supplied to customers net of value added tax, discounts and estimated returns and includes the full transaction value of sales made where the Company acts as an agent.

Foreign currency

Transactions denominated in foreign currencies are translated at the exchange rate ruling at the date of the transaction or, where relevant, the contracted exchange rate. Monetary assets and liabilities denominated in foreign currencies held at the period end are translated at the prevailing exchange rate or at the exchange rate of the related forward exchange contract where applicable. Any exchange gain or loss arising is dealt with in the profit and loss account.

Goodwill

Goodwill is the excess of the fair value of the consideration payable for an acquisition over the fair value of the Company's share of the net assets acquired at the date of acquisition. Fair values are attributed to the identifiable assets and liabilities that existed at the date of acquisition, reflecting their condition at that date. Adjustments are made where necessary to bring the accounting policies of the acquired business into alignment with those of the Company. Goodwill arising on acquisitions is amortised on a straight line basis over its expected useful life not exceeding 20 years. Goodwill is reviewed for any impairment at the end of the first financial year following the acquisition or where there are indicators that impairment has occurred.

House of Fraser (Stores) Limited
Notes to the financial statements (continued)
For the 52 weeks ended 28 January 2012

1. Accounting policies (continued)

Intangible fixed assets

Intangible assets acquired separately from the acquisition of a business are stated at cost. They are amortised on a straight line basis over their expected useful life not exceeding 20 years. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If impaired, they are written down to the higher of fair value less costs to sell and value in use.

Tangible fixed assets

Freehold and leasehold properties are stated at cost or valuation on the basis of existing use at 28 January 2012. The Company followed the transitional provisions of FRS 15, retaining previously revalued properties at their book value. It is the Company's policy not to revalue properties annually under FRS 15. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

Depreciation is provided to write down to estimated residual value the cost or valuation of fixed assets over their estimated useful lives by equal annual instalments as follows:

Freehold land:	Not depreciated
Freehold buildings:	50 years
Leaseholds:	Lower of 50 years or remaining period of lease
Fit out costs*:	10 – 25 years
Fixtures and fittings:	7 – 15 years
Computer systems**:	4 – 5 years
Vehicles and equipment:	4 – 7 years

* Fit out costs are included within leasehold and fixtures, fittings, vehicles and equipment.

** Computer systems are included within fixtures, fittings, vehicles and equipment

Impairment in the value of fixed assets, which are stated at historic cost, is charged to the profit and loss account. Fixed assets are regularly reviewed for impairment.

Capitalised interest

The interest on capital borrowed to finance the purchase or construction of fixed assets is, where separately identifiable and to the extent that it accrues during the period of development, capitalised as part of the cost of the asset, on a gross basis.

Leased assets

A lease is classified as a finance lease whenever the terms of a lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Property lease rentals are accounted for on a straight line basis to each rent review, unless there are pre-agreed minimum increases contained in the lease and subject to lease incentives as described below. Where the Company has agreed minimum increases within a lease; the annual rental charge is measured as the average of the minimum rental level taken over the life of the lease. Annual rental charges on leases that contain minimum uplifts are reassessed during the term of the lease, where and if relevant due to changes in the minimum rental uplifts and subject to the appropriate treatment for lease incentives.

Landlords' incentives and contributions

Lease incentives and rent free periods are amortised to the profit and loss account over the shorter of the period of the lease or the period until rentals are expected to be revised to prevailing market rates. Where a landlord contribution is capital in nature, amounts received are capitalised within tangible fixed assets and depreciated over the relevant asset's useful life.

Fixed asset investments

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

House of Fraser (Stores) Limited
Notes to the financial statements (continued)
For the 52 weeks ended 28 January 2012

1. Accounting policies (continued)

Stock

Stock is stated at the lower of cost and net realisable value. Cost comprises purchase price including any rebates and incentives received, and, where applicable, those overheads that have been incurred in bringing the stock to its present location and condition. Cost is measured using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses. A provision is made for obsolete, slow moving and defective items.

Taxation

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

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

Provisions

Provisions are recognised when:

- The Company has a present legal or constructive obligation as a result of past events;
- It is more likely than not that an outflow of resources will be required as a result of past events; and
- The amount has been reliably estimated.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a post-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense. Provisions are not recognised for future operating losses.

Provisions are made for onerous lease contracts for stores that have been sub-let by the Company and is obliged to make additional payments or stores that have been closed or where a decision to close has been announced, and for those stores where the projected future trading revenue is insufficient to cover the lower of exit cost or value in use.

Pensions

The Company participates in pension plans which provide members with defined benefits relating to salary and service. Payments are predominantly made into the House of Fraser and Jenners pension plans, which are financially separate from the Company, in accordance with calculations made periodically by consulting actuaries using the projected unit method.

The current service cost, being the cost of benefits accrued in the reporting period is recognised in operating expenses. Interest accrued on pension liabilities and the expected return on assets held by the scheme are charged or credited within other finance charges or income in the profit and loss account.

Past service costs/benefits are recognised immediately to the extent that the costs / benefits are already vested, or otherwise amortised on a straight-line basis over the average period until the costs / benefits become vested.

Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the profit and loss account and presented in the statement of total recognised gains and losses.

The retirement benefit obligation / asset recognised in the balance sheet represents the present value of the defined benefit obligations reduced by the fair value of scheme assets at the balance sheet date. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

The defined benefit section of House of Fraser and Jenners pension schemes were closed to new employees in March 2002 and April 2005 respectively. The assets of both schemes are administered by trustees and are separate from the Company and House of Fraser Limited.

House of Fraser (Stores) Limited
Notes to the financial statements (continued)
For the 52 weeks ended 28 January 2012

1. Accounting policies (continued)

Derivative financial instruments

The Company uses derivative financial instruments, and in particular forward exchange contracts, to manage fluctuations in foreign currency exchange rates. Forward currency contracts are accounted for as hedges, with the instruments' impact on profit deferred until the underlying transaction is recognised in the profit and loss account.

At the period end, £8.3 million (2010/11: £27.0 million) of currency exposure was hedged by forward contracts. These commitments have been entered into to hedge against future payments to suppliers and receipts from customers in the ordinary course of business that will fall due in the period ending 26 January 2013. The fair value of these contracts at 28 January 2012 is a £0.2 million asset (2010/11: £0.3 million liability).

2. Non GAAP financial information

Gross transaction value

	52 weeks	52 weeks
	28 January 2012	29 January 2011
	£m	£m
	1,069.9	1,036.3

Revenue from agents is required to be shown on a net basis, being the commission received rather than the gross value achieved by concessionaires on sales. The Company believes that gross transactional value, which presents revenue on a gross basis (net of VAT) before adjusting for concessions, represents a good guide to the value of the overall activity of the Company.

Adjusted EBITDA

The Company believes that "earnings before exceptional items, interest, tax, depreciation and amortisation" (Adjusted EBITDA) is a useful measure in that it provides shareholders and other stakeholders with a means to evaluate the underlying performance of the Company's operations. It is not intended to be a substitute for, or superior to GAAP measurements of profit.

Adjusted EBITDA for 2011/12 was £69.3 million (2010/11: £80.3 million).

Exceptional items

In considering the financial performance of our business, we analyse our Profit and Loss Account into two components, comprising firstly "Before exceptional items" and secondly "After exceptional items". Exceptional items are presented separately as they are considered to distort the comparability of the Company's financial performance from period to period.

We define exceptional items as items which are separately disclosed by virtue of their size or incidence to enable a better understanding of the Company's performance. These exceptional items principally comprise: (1) property related items, such as profit/losses on the disposal of property, costs of terminating long term agreements including significant lease surrender costs or similar contract cancellation costs and impairment changes; (2) pension related items, such as curtailments, settlements and other amendments to the terms of our pension plans; (3) significant financing related items such as refinancing costs; and (4) restructuring and integration costs.

3. Turnover

Turnover, which is stated net of value added tax, represents sales through retail stores and the e-Commerce web site. Turnover relates to sales within Great Britain and Ireland.

House of Fraser (Stores) Limited
Notes to the financial statements (continued)
For the 52 weeks ended 28 January 2012

4. Exceptional items

Exceptional (costs)/income are detailed as follows:

	52 weeks 28 January 2012 £m	52 weeks 29 January 2011 £m
Pensions		
Pensions – past service credit (note 18)	-	14.2
Pensions – curtailment (note 18)	(0.1)	-
Asset disposals/impairment		
Profit on sale of properties (note 12)	0.5	-
Profit on sale of joint venture (note 13)	0.1	-
Dividends received from fixed asset investments	8.8	-
Disposal of investment (note 13)	(8.8)	(2.0)
Impairment of fixed assets (note 12)	-	(0.5)
Reorganisation/restructuring costs		
Reorganisation/restructuring costs (note 10)	(1.5)	-
Financing and finance related cost		
Impact of change in assumptions for certain accounting provisions (note 17)	(4.5)	(1.2)
Impact of change in discount rate (note 17)	(2.6)	-
Refinancing costs	(0.6)	-
Exceptional (loss)/profit for the period	(8.7)	10.5

This is classified in the profit and loss account as follows:

	52 weeks 28 January 2012 £m	52 weeks 29 January 2011 £m
Selling and distribution costs	(4.5)	(1.2)
Administrative expenses	(10.4)	11.7
Dividends received from fixed asset investments	8.8	-
Net interest payable	(2.6)	-
Exceptional (loss)/profit for the period	(8.7)	10.5

The net exceptional loss in the current period was £8.7 million (2010/11: £10.5 million profit). This comprised:

Pensions Curtailment

Pensions curtailment charges of £0.1 million were recognised in the period, following a significant number of members of the Company's defined benefit schemes choosing to leave the schemes following changes to the operation of the schemes. This has been reported within administrative expenses.

Profit on sale of properties

During the period the Company completed a sale and leaseback on a property interest for cash consideration of £4.0 million that had a net book value of £3.5 million, thereby generating a profit on disposal of £0.5 million and is reported within administrative expenses.

Profit on disposal of joint venture

During the period, the Company's joint venture partner (Valvona & Crolla, a specialist food business) exercised its right to repurchase the 50% shareholding in the joint venture that the Company had previously owned based upon contractual rights to repurchase the shares at the original cost to the Company plus a premium. The sales proceeds were higher than the Company's investment value in the joint venture and accordingly an exceptional gain of £0.1 million was recognised on disposal. This has been reported within administrative expenses.

House of Fraser (Stores) Limited
Notes to the financial statements (continued)
For the 52 weeks ended 28 January 2012

4. Exceptional items (continued)

Disposal of investment and dividends received from fixed asset investments

During the period the Company disposed of various dormant companies including Binns Limited, Chiesmans Limited, Linea Home Limited, Linea Direction Limited, Linea Baby Limited, Schofields (Yorkshire) Limited, One Howick place (UK) limited, HOF (8) Limited and House of Fraser (Ireland) Limited. The value of the investments disposed of was £8.8 million and a corresponding dividend of £8.8 million was received from these investments.

Reorganisation/restructuring costs

Exceptional restructuring costs of £1.5 million were recognised in the period in re-organising and streamlining structures in both stores and the store support centre and are included within administrative expenses.

Change in assumptions

During the period ended 28 January 2012 the Company undertook a review of the trading assumptions used in the value in use calculation for onerous lease provisions. This review resulted in a charge of £4.5 million which has been reflected in the profit and loss account as an exceptional selling and distribution cost due to its size and nature.

Impact of change in discount rate

Following the refinancing of the Highland Group Holdings Limited in May 2011, the discount rate used in the value in use calculation for onerous leases has decreased by 0.875%. This has resulted in an exceptional charge of £2.6 million in the period which has been included within finance costs.

Refinancing costs

Legal and professional fees of £0.6 million were incurred in the period in relation to the refinancing of the Highland Group Holdings Limited group and its subsidiaries including House of Fraser (Stores) Limited that were not capable of being capitalised and are included within administrative expenses.

5. Other income

Other income of £11.3 million (2010/11: £13.7 million) relates to management fees received from trading companies within the Highland Group Holdings Limited group of companies.

6. Operating profit

Operating profit is arrived at after charging:

	52 weeks 28 January 2012 £m	52 weeks 29 January 2011 £m
Staff costs before exceptional items (note 10)	117.8	119.1
Depreciation of tangible fixed assets (note 12)	34.2	34.2
Impairment of tangible fixed assets (note 12)	-	0.5
Amortisation of goodwill (note 11)	0.4	0.4
Amortisation of brands (note 11)	0.1	-
Auditor's remuneration: ⁽¹⁾		
- fees payable to the auditor for the audit of the Company's annual accounts	-	-
- non audit services	0.8	0.1
Rental charges under operating leases:		
- property	75.6	68.5
- hire of plant and machinery	4.7	3.8

⁽¹⁾ The audit fee for the period was £40,000 (2010/11: £32,800). Auditor's remuneration for non audit services was £0.8 million (2010/11: £0.1 million). The non audit fee in the current and prior period relates to the taxation advisory services (£0.7 million) and corporate finance services (£0.1 million).

House of Fraser (Stores) Limited
Notes to the financial statements (continued)
For the 52 weeks ended 28 January 2012

7. Net interest payable

	52 weeks 28 January 2012 £m	52 weeks 29 January 2011 £m
Interest payable	(14.9)	(14.0)
Unwinding of discount on provision (note 17)	(2.0)	(1.6)
Other interest receivable	0.1	0.2
Other finance income/(charge) (note 18)	2.4	(3.1)
Exceptional item - impact of change in discount rate (note 4,17)	(2.6)	-
Net interest payable	(17.0)	(18.5)

8. Taxation

	52 weeks 28 January 2012 £m	52 weeks 29 January 2011 £m
Current tax		
UK Corporation tax charge at 27% (2010/11: 28%)	5.4	4.7
Total current tax charge	5.4	4.7
Origination and reversal of timing differences	3.3	4.8
Impact of change in rate	1.0	1.0
Total deferred tax charge	4.3	5.8
Tax charge on profit on ordinary activities	9.7	10.5

Taxation reconciliation

	52 weeks 28 January 2012 £m	52 weeks 29 January 2011 £m
Profit on ordinary activities before tax	11.5	37.7
Profit on ordinary activities at standard rate of corporation tax in the UK of 27% (2010/11: 28%)	3.1	10.6
Effects of :		
Expenses not deductible for tax purposes	1.5	2.0
Income not taxable	(3.4)	(1.4)
Depreciation in excess of capital allowances	7.0	0.6
Pension contribution relief in excess of net pension cost charge	(2.2)	(4.4)
Utilisation of provisions	(0.6)	(0.9)
Group relief claimed for no consideration	-	(1.8)
Current tax charge for the period	5.4	4.7

House of Fraser (Stores) Limited
Notes to the financial statements (continued)
For the 52 weeks ended 28 January 2012

9. Directors' emoluments

	52 weeks 28 January 2012 £m	52 weeks 29 January 2011 £m
Aggregate directors' emoluments	3.0	2.6
Highest paid director's emoluments	0.6	0.5

D McCarthy and J King are employed by Highland Group Holdings Limited and all other directors are employed by the Company. All directors are paid by the Company as the main trading company in the group. Some of these directors were also directors of the immediate parent company, House of Fraser Limited, and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the individual companies. The total emoluments of these directors are included in the aggregate directors' emoluments disclosed in the financial statements of Highland Group Holdings Limited.

One of the directors accrued benefits under the Company's final salary defined benefit pension scheme during the period (2010/11: three) and one under the Retirement Balance Scheme (2010/11: one). The highest paid director does not participate in the Company's defined benefit pension plan.

10. Staff costs and numbers

	52 weeks 28 January 2012 £m	52 weeks 29 January 2011 £m
Employee costs		
Wages and salaries	109.7	110.3
Social security costs	6.9	7.1
Pension costs (note 18)	1.2	1.7
	117.8	119.1
Exceptional credit – pensions past service credit (note 4, 18)	-	(14.2)
Exceptional costs – pensions curtailment (note 4, 18)	0.1	-
Exceptional costs – reorganisation/restructuring (note 4)	1.5	-
	119.4	104.9

	52 weeks 28 January 2012 (Number)	52 weeks 29 January 2011 (Number)
Employees		
The average number of people employed during the period (full time equivalent):		
Stores	4,285	4,239
Store support staff	579	579
	4,864	4,818

House of Fraser (Stores) Limited
Notes to the financial statements (continued)
For the 52 weeks ended 28 January 2012

11. Intangible fixed assets

	Goodwill £m	Brands £m	Total £m
Cost:			
At 29 January 2011	8.4	0.6	9.0
Additions	-	-	-
As at 28 January 2012	8.4	0.6	9.0
Amortisation:			
At 29 January 2011	(2.4)	-	(2.4)
Charge for the period	(0.4)	(0.1)	(0.5)
As at 28 January 2012	(2.8)	(0.1)	(2.9)
Net book value at 28 January 2012	5.6	0.5	6.1
Net book value at 29 January 2011	6.0	0.6	6.6

The goodwill arising on the acquisition of the retail business and related assets of Jenners is being amortised on a straight-line basis over 20 years.

12. Tangible fixed assets

	Freehold £m	Leaseholds £m	Fixtures, Fittings, Vehicles & Equipment £m	Total £m
Cost and valuation:				
At 29 January 2011	3.5	92.2	567.8	663.5
Additions	-	-	22.3	22.3
Disposals	(3.5)	-	-	(3.5)
Intra group transfers	-	3.0	0.7	3.7
At 28 January 2012	-	95.2	590.8	686.0
Depreciation:				
At 29 January 2011	-	(63.4)	(332.5)	(395.9)
Charge for period	-	(2.7)	(31.5)	(34.2)
Intra group transfers	-	(3.8)	(0.2)	(4.0)
At 28 January 2012	-	(69.9)	(364.2)	(434.1)
Net book value at 28 January 2012	-	25.3	226.6	251.9
Net book value at 29 January 2011	3.5	28.8	234.2	266.5

The Company followed the transitional provisions of FRS 15, retaining previously revalued properties at their book value. It is the Company's policy not to revalue properties annually under FRS 15.

During the period a fellow group company has assigned its operating leases in relation to Aylesbury and Telford to House of Fraser (Stores) Limited. In relation to these lease assignments, the store assets were transferred at net book value.

House of Fraser (Stores) Limited
Notes to the financial statements (continued)
For the 52 weeks ended 28 January 2012

12. Tangible fixed assets (continued)

If revalued assets were stated on the historical cost basis, the amounts would be:

	Freehold £m	Leaseholds £m	Fixtures, Fittings, Vehicles & Equipment £m	Total £m
Analysis of cost and valuations:				
Valuation	-	9.1	-	9.1
Cost	0.4	83.1	590.8	674.3
	0.4	92.2	590.8	683.4
Historical cost at 28 January 2012	0.4	92.2	590.8	683.4
Depreciation & impairment on historical cost	-	(68.7)	(364.2)	(432.9)
Disposal	(0.4)	-	-	(0.4)
Net historical cost at 28 January 2012	-	23.5	226.6	250.1
Net historical cost at 29 January 2011	0.4	31.4	234.2	266.0

Included in the total cost of the tangible fixed assets is £2.5 million of capitalised interest (2010/11: £2.6 million).

13. Investments

	Shares in subsidiary undertakings £m	Shares in joint ventures £m	Total £m
Cost:			
At 29 January 2011	12.9	0.3	13.2
Disposal	(8.8)	(0.3)	(9.1)
At 28 January 2012	4.1	-	4.1
Provision for impairment:			
At 29 January 2011	2.0	-	2.0
Impairment charge in the period	-	-	-
At 28 January 2012	2.0	-	2.0
Net book value:			
At 28 January 2012	2.1	-	2.1
At 29 January 2011	10.9	0.3	11.2

During the period the Company dissolved various dormant companies with a net book value of £8.8 million including Binns Limited, Chiesmans Limited, Linea Home Limited, Linea Direction Limited, Linea Baby Limited, Schofields (Yorkshire) Limited, One Howick place (UK) Limited, HOF (8) Limited and House of Fraser (Ireland) Limited, resulting in a loss on disposal of £8.8 million (see note 4). Prior to their dissolution, these companies paid a dividend to House of Fraser (Stores) Limited totalling £8.8 million, resulting in an exceptional profit in the period of £8.8 million (see note 4).

During the period, the Company's joint venture partner (Valvona & Crolla, a specialist food business) exercised its right to repurchase the 50% shareholding in the joint venture that the Company had previously owned based upon contractual rights to repurchase the shares at the original cost to the Company plus a premium. The sales proceeds were higher than the Company's investment value in the joint venture and accordingly an exceptional gain of £0.1 million was recognised on disposal. This has been reported within administrative expenses.

House of Fraser (Stores) Limited
Notes to the financial statements (continued)
For the 52 weeks ended 28 January 2012

13. Investments (continued)

Investments in subsidiary undertakings at 28 January 2012 were:

Name of Company	Activities	Ordinary share % ownership	Country of incorporation
Dickins & Jones Limited	Dormant	100%	England
Beatties Limited	Dormant	100%	England
Tec7 Limited	Previously retailing of consumer electronic goods, now Dormant	100%	England
Criminal Clothing Limited	Retailing of clothing goods	100%	England
Biba Retail Limited	Dormant	100%	England

On 6 September 2011, the Company purchased the trade, assets and liabilities of Tec 7 Limited. The consideration paid was £5,065,770, being the value of the intercompany loan.

The Company is a wholly owned subsidiary undertaking of House of Fraser Limited and is ultimately owned by Highland Group Holdings Limited.

14. Stock	28 January 2012	29 January 2011
	£m	£m
Goods for resale	99.1	87.1

There is no material difference between the balance sheet value of stock and its replacement cost.

15. Debtors	28 January 2012	29 January 2011
	£m	£m
<i>Amounts due within one year:</i>		
Trade debtors	5.1	4.7
Amounts due from group undertakings	326.3	120.9
Other debtors	9.9	10.2
Prepayments	15.5	13.7
	356.8	149.5
<i>Amounts due after more than one year:</i>		
Deferred tax asset (note 19)	3.2	5.2
	3.2	5.2

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

House of Fraser (Stores) Limited
Notes to the financial statements (continued)
For the 52 weeks ended 28 January 2012

16. Creditors	28 January 2012	29 January 2011
	£m	£m
<i>Amounts falling due within one year:</i>		
Trade creditors	186.7	181.7
Amounts owed to group undertakings	314.5	97.3
Other taxation and social security	23.4	21.1
Other creditors	24.7	17.4
Accruals and deferred income	38.6	42.4
	587.9	359.9
<i>Amounts falling due after more than one year:</i>		
Deferred income	61.4	70.9
	61.4	70.9

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

17. Provisions for liabilities

	Dilapidations	Onerous	
	£m	leases	Total
		£m	£m
As at 29 January 2011	14.1	18.8	32.9
Intragroup transfer	-	1.4	1.4
Charged to profit and loss account (note 4)	-	4.5	4.5
Utilised in the period	(2.0)	(3.6)	(5.6)
Impact of change in the discount rate (note 4)	-	2.6	2.6
Unwinding of discount (note 7)	-	2.0	2.0
As at 28 January 2012	12.1	25.7	37.8

Dilapidations

The dilapidations provision is a provision to reinstate and repair stores in accordance with contractual and other obligations. The majority of this provision is expected to be utilised in the next five years through a store refurbishment and repair programme.

Onerous leases

The onerous lease provision covers the potential liabilities for onerous lease contracts for stores that have either been sub-let but the Company is obliged to make additional payments or stores have closed, where the decision to close has been announced or where the projected future trading revenue is insufficient to cover the lower of exit costs or value-in-use. The provision is based on the lower of the present value of future cash flows or exit costs relating to rents, rates and other property costs to the end of the lease terms net of expected sublet income. In determining the provision, the cash flows have been discounted. In 2011/12, the Company amended the discount rate used in the value in use calculations by 0.875%. This resulted in an exceptional charge of £2.6 million within net interest payable. The provision will be utilised over the period remaining on the leases.

House of Fraser (Stores) Limited
Notes to the financial statements (continued)
For the 52 weeks ended 28 January 2012

18. Pensions

House of Fraser

The Company operates a defined contribution scheme and during the period contributions of £0.3 million (2010/11: less than £0.1 million) were made by the employer. The accrual at 28 January 2012 in respect of these contributions was less than £0.1 million (2010/11: less than £0.1 million).

The Company also participates in the House of Fraser Pension Plan which provides members with defined benefits related to salary and service. The House of Fraser Pension Plan operated a defined benefit scheme which was closed to new members in March 2002, and a Retirement Balance Scheme. The Plan's assets are held in a separate trust administered pension fund and payments are made to the scheme based on the calculations of independent qualified actuaries.

The movements during the period in the net pension deficit recognised in the balance sheet were as follows:

	28 January 2012	29 January 2011
	£m	£m
Opening net deficit	(23.2)	(58.3)
Total credit/(charge) recognised in profit and loss account	0.5	(4.8)
Actuarial (loss)/gain recognised in statement of recognised gains and losses	(61.3)	35.1
Contributions paid	6.9	6.2
Past service credit – exceptional item (note 4)	-	12.8
Curtailment credit – exceptional item (note 4)	0.6	-
Movement in deferred tax through profit and loss account	(1.9)	(4.7)
Movement in deferred tax through statement of total recognised gains and losses	14.7	(9.5)
Closing net deficit	(63.7)	(23.2)

The Plan is valued regularly by professionally qualified consulting actuaries, Aon Hewitt Limited. An actuarial review of the House of Fraser Pension Plan was carried out in March 2010. As at 28 January 2012 the Company had committed to pay a minimum of £6.6 million in 2012/13 (2011/12: £6.8 million).

The principal assumptions based on advice from and used by the independent qualified actuaries in updating the latest accounting valuations of the schemes were:

	52 weeks 28 January 2012	52 weeks 29 January 2011
	%	%
Inflation - RPI	3.0	3.5
Inflation - CPI	2.0	2.6
Rate of general long-term increase in salaries	4.0	4.5
Rate of increase to pensions in payment:		
- Pre 97 pension	2.6	2.8
- Post 97 pension	2.9	3.3
Discount rate for scheme liabilities	4.6	5.6

House of Fraser (Stores) Limited
Notes to the financial statements (continued)
For the 52 weeks ended 28 January 2012

18. Pensions (continued)

The assets and liabilities of the scheme at 28 January 2012 and the expected return on assets over the following period were:

	2012			2011		
	Fair value £m	Percentage of scheme assets %	Expected long term rate of return % p.a	Fair value £m	Percentage of scheme assets %	Expected long term rate of return % p.a
Equity instruments	237.6	60	8.70	218.9	56	8.50
Government bonds	111.9	28	3.00	109.7	28	4.50
Corporate bonds	33.1	8	4.60	45.1	12	5.60
Other assets	16.1	4	3.00	15.1	4	4.20
Total market value of assets	398.7	100	6.50	388.8	100	6.80
Present value of scheme liabilities	(483.7)			(420.5)		
Deficit	(85.0)			(31.7)		
Deferred tax asset at 25% (2010/11: 27%)	21.3			8.5		
Net pension liability	(63.7)			(23.2)		

The analysis of movement in the pension scheme deficit during the period was as follows:

	52 weeks 28 January 2012 £m	52 weeks 29 January 2011 £m
Deficit in scheme at beginning of the period	(31.7)	(81.0)
Current service cost	(1.1)	(1.6)
Contributions	6.9	6.2
Past service credit – exceptional item (note 4)	-	12.8
Curtailment credit – exceptional item (note 4)	0.6	-
Net finance gain/(charge)	1.6	(3.2)
Actuarial (loss)/gain	(61.3)	35.1
Deficit in scheme at end of the period	(85.0)	(31.7)

The analysis of the amount relating to pension benefits accrued by employees during the period and charged/(credited) to operating profit was as follows:

	52 weeks 28 January 2012 £m	52 weeks 29 January 2011 £m
Current service cost	1.1	1.6
Past service credit – exceptional item (note 4)	-	(12.8)
Curtailment credit – exceptional item (note 4)	(0.6)	-
Total operating cost/(credit)	0.5	(11.2)

The analysis of the amount credited/(charged) to other finance costs was as follows:

	52 weeks 28 January 2012 £m	52 weeks 29 January 2011 £m
Expected return on pension scheme assets	24.5	21.3
Interest on pension scheme liabilities	(22.9)	(24.5)
Net finance credit/(charge)	1.6	(3.2)

House of Fraser (Stores) Limited
Notes to the financial statements (continued)
For the 52 weeks ended 28 January 2012

18. Pensions (continued)

The amounts recognised in the statement of total recognised gains and losses were as follows:

	52 weeks 28 January 2012 £m	52 weeks 29 January 2011 £m
Actual less expected (loss)/return on pension scheme assets	(1.7)	21.9
Experience (losses)/ gains arising on the scheme liabilities	(1.5)	4.7
Changes in assumptions underlying the present value of the scheme liabilities	(58.1)	8.5
Total actuarial (loss)/gain	(61.3)	35.1

The history of experience gains and losses were as follows:

	52 weeks 28 January 2012	52 weeks 29 January 2011	53 weeks 30 January 2010	52 weeks 24 January 2009	52 weeks 26 January 2008
Fair value of scheme assets	398.7	388.8	360.3	327.0	364.3
Present value of defined benefit obligation	(483.7)	(420.5)	(441.3)	(358.7)	(380.0)
Closing net deficit	(85.0)	(31.7)	(81.0)	(31.7)	(15.7)
Difference between the actual and expected return on scheme assets:					
Amount (£m)	(1.7)	21.9	20.1	(56.2)	(18.6)
Percentage of scheme assets	(0.4%)	5.6%	5.6%	(17.2%)	(5.1%)
Experience gains and (losses) on scheme liabilities:					
Amount (£m)	(1.5)	4.7	13.5	(0.1)	1.4
Percentage of scheme liabilities	0.3%	(1.1%)	(3.0%)	-	(0.4%)
Total amount recognised in statement of total recognised gains and losses:					
Amount (£m)	(61.3)	35.1	(56.3)	(27.6)	30.2
Percentage of present value of scheme liabilities	12.7%	(8.3%)	12.8%	7.7%	(7.9%)

Jenners Princes Street Edinburgh Limited Pension and Life Assurance Scheme 1974

In April 2005, the Company acquired the retail business of Jenners Princes Street Edinburgh Limited and assumed the obligations under its pension fund. The Jenners Pension Fund provides members with defined benefits related to salary and service. The scheme operates defined benefit arrangements that were closed to new members in April 2005. The Plan's assets are held in a separate trust administered pension fund and payments are made to the scheme based on the calculations of independent qualified actuaries. The Company is committed to make contributions in respect of the future service costs of the scheme and will contribute £0.4 million in 2012/13 (2011/12: £0.3 million).

House of Fraser (Stores) Limited
Notes to the financial statements (continued)
For the 52 weeks ended 28 January 2012

18. Pensions (continued)

The movements during the period in the net pension surplus recognised in the balance sheet were as follows:

	28 January 2012	29 January 2011
	£m	£m
Opening net surplus	0.6	0.6
Actuarial loss recognised in statement of recognised gains and losses	(1.0)	(1.7)
Contributions paid	0.2	0.3
Past service credit – exceptional item (note 4)	-	1.4
Movement in deferred tax through profit and loss account	-	(0.5)
Movement in deferred tax through statement of total recognised gains and losses	0.2	0.5
Closing net (deficit)/surplus	-	0.6

The Plan is valued annually by professionally qualified consulting actuaries, Aon Hewitt Limited.

The principal assumptions based on and used by the independent qualified actuaries in updating the latest valuations of the scheme:

	52 weeks 28 January 2012	52 weeks 29 January 2011
	%	%
Inflation – RPI	3.0	3.5
Inflation – CPI	2.0	2.6
Rate of general long-term increase in salaries	4.0	4.5
Rate of increase to pensions in payment		
- Pre 97 pension	2.9	3.3
- Post 97 pension	2.9	3.3
Discount rate for scheme liabilities	4.6	5.6

The assets and liabilities of the scheme at 28 January 2012 and the expected return on assets over the following period were:

	2012			2011		
	Fair value £m	Percentage of scheme assets %	Expected long term rate of return % p.a	Fair value £m	Percentage of scheme assets %	Expected long term rate of return % p.a
Equity instruments	16.2	55	8.70	15.4	55	8.50
Government bonds	10.6	36	3.00	5.6	20	4.50
Corporate bonds	2.7	9	4.60	6.9	24	5.60
Other assets	0.1	-	3.00	0.2	1	4.20
Total market value of assets	29.6	100	6.30	28.1	100	7.00
Present value of scheme liabilities	(24.2)			(21.4)		
	5.4			6.7		
Effect of surplus cap	(5.4)			(5.9)		
Surplus	-			0.8		
Deferred tax liability at 25% (2010/11: 27%)	-			(0.2)		
Net pension /surplus	-			0.6		

House of Fraser (Stores) Limited
Notes to the financial statements (continued)
For the 52 weeks ended 28 January 2012

18. Pensions (continued)

The analysis of movement in the pension scheme surplus during the period was as follows:

	52 weeks 28 January 2012 £m	52 weeks 29 January 2011 £m
Surplus in scheme at beginning of the period	0.8	0.8
Current service cost	(0.1)	(0.1)
Past service credit – exceptional item (note 4)	-	1.4
Curtailment cost – exceptional item (note 4)	(0.7)	-
Contributions	0.2	0.3
Other finance income	0.8	0.1
Actuarial losses	(1.0)	(1.7)
Surplus in scheme at end of the period	-	0.8

The analysis of the amount relating to pension benefits accrued by employees during the period and charged/(credited) to operating profit was as follows:

	52 weeks 28 January 2012 £m	52 weeks 29 January 2011 £m
Current service cost	0.1	0.1
Past service credit – exceptional item (note 4)	-	(1.4)
Curtailment cost – exceptional item (note 4)	0.7	-
Total operating cost/(credit)	0.8	(1.3)

The analysis of the amount credited to other finance costs was as follows:

	52 weeks 28 January 2012 £m	52 weeks 29 January 2011 £m
Expected return on pension scheme assets	1.9	1.8
Interest on pension scheme liabilities	(1.1)	(1.3)
Effect of limit of paragraph 41 surplus cap	-	(0.4)
Net finance income	0.8	0.1

The amounts recognised in the statement of total recognised gains and losses were as follows:

	52 weeks 28 January 2012 £m	52 weeks 29 January 2011 £m
Actual return less expected return on pension scheme assets	0.4	1.8
Experience (losses)/gains arising on the scheme liabilities	(0.2)	0.2
Changes in assumptions underlying the present value of the scheme liabilities	(2.6)	0.3
Adjustment due to surplus cap	1.4	(4.0)
Total actuarial loss	(1.0)	(1.7)

House of Fraser (Stores) Limited
Notes to the financial statements (continued)
For the 52 weeks ended 28 January 2012

18. Pensions (continued)

The history of experience gains and losses were as follows:

	52 weeks 28 January 2012	52 weeks 29 January 2011	53 weeks 30 January 2010	52 weeks 24 January 2009	52 weeks 26 January 2008
Fair value of scheme assets	29.6	28.1	25.5	24.3	27.8
Present value of defined benefit obligation	(24.2)	(21.4)	(22.8)	(19.9)	(21.3)
Closing net surplus	5.4	6.7	2.7	4.4	6.5
Difference between the actual and expected return on scheme assets:					
Amount (£m)	0.4	1.8	2.3	(4.0)	0.1
Percentage of scheme assets	1.4%	6.4%	9.0%	(16.5%)	0.2%
Experience gains and (losses) on scheme liabilities:					
Amount (£m)	(0.2)	0.2	1.7	(0.1)	(0.7)
Percentage of scheme liabilities	0.8%	(0.9%)	(7.0%)	1.0%	3.3%
Total amount recognised in statement of total recognised gains and losses:					
Amount (£m)	(1.0)	(1.7)	-	(1.0)	(1.2)
Percentage of present value of scheme liabilities	4.1%	7.9%	-	5.0%	5.5%

19. Deferred taxation

	28 January 2012 £m	29 January 2011 £m
Deferred taxation		
Deferred tax asset comprises:		
Short term timing differences	3.2	5.2
Deferred tax asset before pension	3.2	5.2
Deferred tax asset on pension liability	21.3	8.3
Total deferred tax asset	24.5	13.5

The deferred tax asset of £21.3 million (2010/11: £8.3 million) has been added in arriving at the net pension deficit on the balance sheet.

	£m
The movement in the deferred tax asset comprises:	
Deferred tax asset at 30 January 2011	13.5
Amounts charged to the profit and loss account	(4.3)
Amounts charged to the statement of total recognised gains and losses	14.9
Deferred tax asset at 28 January 2012	24.5

Deferred tax assets are recognised for tax loss carry forwards and other temporary timing differences to the extent that the realisation of the related benefit through future taxable profit is probable. As at 28 January 2012, the Company did not recognise deferred tax assets of £10.8 million (2010/11: £4.6 million) in respect of asset provisions and other temporary timing differences that can be carried forward against future taxable income.

In addition to the change in rate of corporation tax disclosed above, a number of further changes to the UK Corporation tax system were announced in the March 2012 UK Budget Statement. The main corporation tax rate is to be further reduced to 24%, effective from 1 April 2012, and further reductions are proposed to reduce the rate by 1% per annum to 22% by 1 April 2014. None of these rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

House of Fraser (Stores) Limited
Notes to the financial statements (continued)
For the 52 weeks ended 28 January 2012

20. Share capital	28 January 2012	29 January 2011
	£m	£m
Authorised:		
1,200,000,000 (2010/11: 1,200,000,000) Ordinary shares of 10 pence each	120.0	120.0
Allotted and fully paid:		
1,179,600,000 (2010/11: 1,179,600,000) Ordinary shares of 10 pence each	118.0	118.0

21. Reserves	Revaluation reserve	Profit and loss account
	£m	£m
As at 29 January 2011	49.6	(87.8)
Retained profit for the period	-	1.8
Actuarial loss on pension schemes	-	(62.3)
Movement on deferred tax arising on pension deficit through the statement of total recognised gains and losses	-	14.9
As at 28 January 2012	49.6	(133.4)

22. Capital commitments	28 January 2012	29 January 2011
	£m	£m
Contracted for but not yet provided	3.5	4.8

23. Financial commitments

At 28 January 2012, the Company had annual commitments under non-cancellable operating leases analysed by the unexpired periods of the leases, as follows:

	28 January 2012	29 January 2011
	£m	£m
Land and buildings:		
Property leases expiring between two and five years	0.5	0.6
Property leases expiring in over 5 years	82.0	76.7
	82.5	77.3
Other leases:		
Other leases expiring in two to five years	3.8	3.8

The above information reflects the annual operating lease commitments and takes into account minimum rental uplifts where applicable.

24. Guarantees and contingent liabilities

The Company provides guarantees to the trustees of the James Beatties plc Pension Scheme and the Jenners Princes Street Edinburgh Limited Pension & Life Assurance Scheme 1974. These guarantees were still in place at 28 January 2012.

House of Fraser (Stores) Limited
Notes to the financial statements (continued)
For the 52 weeks ended 28 January 2012

25. Related parties

Joint venture – Valvona & Crolla Limited

During the period, commissions of £0.1 million (2010/11: £0.2 million) were received from Valvona & Crolla Limited to the date of the disposal of the company's investment (see note 13). At the prior period end, the Company owed Valvona & Crolla £0.1 million.

Other related parties

During the period, commissions of £0.3 million were received from a concession operator within a number of the Company's stores that is related by virtue of one of the directors of the Company having significant voting power in that entity. At the period end the Company owed less than £0.1 million to this entity.

26. Parent undertaking and ultimate controlling party

The Company's immediate parent undertaking is House of Fraser Limited.

The directors regard Highland Group Holdings Limited to be the ultimate parent company. The smallest group and largest group in which results of the Company are consolidated is Highland Group Holdings Limited. Copies of the group financial statements of Highland Group Holdings Limited are available from the Company Secretary, Highland Group Holdings Limited, 27 Baker Street, London, W1U 8AH.

27. Post balance sheet event

In the new financial year, the decision has been taken to close to future accrual of further pension benefits for the House of Fraser pension plan, The James Beattie Plc Pension Scheme and the Jenners Princes Street Edinburgh Limited Pension and Life Assurance Scheme and members have the choice of joining the Group's stakeholder scheme.