

# **HOMEBASE GROUP LIMITED**

## **Annual Report and Financial Statements**

**For the 52 week period ended 1<sup>st</sup> March 2008**

Company No. 4071533

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## **HOMEBASE GROUP LIMITED**

### **DIRECTORS' REPORT FOR THE PERIOD ENDED 1<sup>st</sup> MARCH 2008**

The directors present their report and the audited financial statements of the Company for the 52 week period from 4<sup>th</sup> March 2007 to 1<sup>st</sup> March 2008.

#### **Principal Activity**

The principal activity of the Company is that of acting as an investment holding company for UK subsidiary undertakings, Fifthgrange Limited and Iconford Limited. Fifthgrange Limited is the parent company for the Homebase business within Great Britain, and the Republic of Ireland. Homebase's activity is the retailing of home enhancement, DIY and garden centre products.

#### **Holding Company**

The ultimate parent company and controlling group is Home Retail Group plc, a company registered in England and Wales.

#### **Business Review and Future Development**

It is anticipated that the Company will continue to act as the investment holding company for its subsidiary undertakings, Fifthgrange Limited and Iconford Limited.

#### **Post Balance Sheet Event**

At the balance sheet date the directors believe that the book value of each of the fixed assets investments is supported by their underlying assets. As a result of the downturn in the retail trading environment since the start of the 2008/09 financial year, an impairment review has been carried out during the financial period 2008/09 by the Company's indirectly held trading subsidiary, Homebase Limited.

As a consequence, impairment charges will be made in the 2008/09 financial statements for Homebase Card Handling Services Limited (an indirect subsidiary of the Company) and for Fifthgrange Limited (a direct subsidiary of the Company). As a result, the Company's fixed asset investment in Fifthgrange Limited has become impaired and a charge of £3,700k will be made in the Company's financial statements for 2008/09 to reflect the diminution in value as at the date of the signing these financial statements. Further details are provided in note 14 (Post Balance Sheet Event).

#### **Principal Risks and Uncertainties**

The Company manages its risk at a Group level, rather than at an individual business unit level. For this reason, the Company's directors believe that a discussion of its risks would not be appropriate for an understanding of the development, performance or position of the business. The principal risks and uncertainties of the Company are discussed on pages 50-51 and 67-68 in the Home Retail Group's annual report for 2008 which does not form part of this report.

#### **Financial Risk Management**

The Company has a £150,000k loan on which the interest rate risk is managed through the setting of a fixed interest rate for the term of the loan. This loan is with another company within Home Retail Group plc and therefore from the Group perspective the interest rate is hedged naturally.

#### **Key Performance Indicators**

The Company manages its operations on a divisional basis and given the straightforward nature of the business, the directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. The performance of the retail division, Homebase, which includes the Company, is discussed on pages 33 and 37 in the Home Retail Group's annual report for 2008 which does not form part of this report.

#### **Results and Dividends**

The Company's loss after taxation for the period is £4,791k (2007: £6,264k). No interim dividend has been paid (2007: £ nil). The directors recommend that no final dividend be paid (2007: £ nil).

## **HOMEBASE GROUP LIMITED**

### **DIRECTORS' REPORT FOR THE PERIOD ENDED 1<sup>st</sup> MARCH 2008 (continued)**

#### **Related Party Transactions**

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

#### **Directors**

The directors who held office during the period and up to the date of signing the financial statements were: -

P Loft	
R Ashton	
T Duddy	
N Fuller	(resigned 10 <sup>th</sup> January 2008)
M Sibbald	(resigned 19 <sup>th</sup> April 2007)
N Gresham	(appointed 10 <sup>th</sup> January 2008)

#### **Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements**

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). The financial statements are required by law to 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 those financial statements, the directors are required to:

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

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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 1985. 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.

#### **Disclosure of Information to Auditors**

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

- So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- They have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

#### **Independent Auditors**

The Company has passed an elective resolution dispensing with the requirement to re-appoint auditors annually. PricewaterhouseCoopers LLP will therefore continue in office.

**HOMEBASE GROUP LIMITED**

**DIRECTORS' REPORT FOR THE PERIOD ENDED 1<sup>st</sup> MARCH 2008 (continued)**

By order of the Board



M H Willis

**Company Secretary**

17<sup>th</sup> December 2008

Avebury

489 - 499 Avebury Boulevard

Milton Keynes

MK9 2NW

Company No. 4071533

## HOMEBASE GROUP LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HOMEBASE GROUP LIMITED

We have audited the financial statements of Homebase Group Limited for the period ended 1<sup>st</sup> March 2008, which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 1<sup>st</sup> March 2008 and of its loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*PricewaterhouseCoopers LLP*  
PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London

18 Dec 2008

# **HOMEBASE GROUP LIMITED**

## **PROFIT AND LOSS ACCOUNT**

**For the period ended 1<sup>st</sup> March 2008**

	Note	2008 £'000	2007 £'000
Interest payable and similar charges	2	<u>(7,345)</u>	<u>(7,446)</u>
<b>Loss on ordinary activities before taxation</b>	3	(7,345)	(7,446)
Taxation on loss on ordinary activities	5	<u>2,554</u>	<u>1,182</u>
<b>Loss for the financial period</b>	13	<u>(4,791)</u>	<u>(6,264)</u>

The notes on pages 6 to 10 form an integral part of these financial statements.

All transactions relate to continuing operations.

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

There are no differences between the loss on ordinary activities before taxation and the loss for the financial period stated above and their historical cost equivalents.

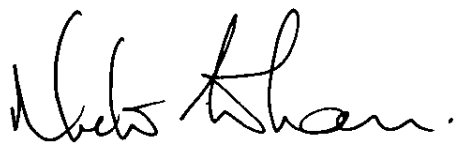
# **HOMEBASE GROUP LIMITED**

## **BALANCE SHEET as at 1<sup>st</sup> March 2008**

	Note	2008 £'000	2007 £'000
<b>Fixed assets</b>			
Fixed Asset Investments	6	3,700	3,700
<b>Current assets</b>			
Debtors	7	326,150	323,597
Creditors: amounts falling due within one year	8	(296,358)	(139,014)
<b>Net current assets</b>		<u>29,792</u>	<u>184,583</u>
<b>Total assets less current liabilities</b>		33,492	188,283
Creditors: amounts falling due after more than one year	9	-	(150,000)
<b>Net assets</b>		<u><u>33,492</u></u>	<u><u>38,283</u></u>
<b>Capital and reserves</b>			
Called up share capital	10	40	40
Share premium account	11	3,960	3,960
Profit and loss account	12	29,492	34,283
<b>Total shareholders' funds</b>	13	<u><u>33,492</u></u>	<u><u>38,283</u></u>

The notes on pages 6 to 10 form an integral part of these financial statements.

The financial statements on pages 4 to 10 were approved by the Board of Directors on 17<sup>th</sup> December 2008 and were signed on its behalf by:



N Gresham  
Director

## HOMEBASE GROUP LIMITED

### Notes to the financial statements For the period ended 1<sup>st</sup> March 2008

#### 1. Accounting Policies

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the financial period, are set out below:

##### Fixed Asset Investments

The fixed asset investments in subsidiary companies are accounted for at cost less provision for diminution in value where appropriate. Impairment reviews are undertaken by management when there is an indication that the Fixed Asset Investment might be impaired.

##### Consolidated Financial Statements

The financial statements contain information about Homebase Group Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under Section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent company, Home Retail Group plc, a company incorporated in England, which are publicly available.

##### Cash Flow Statement and Related Party Transactions

The Company is a wholly owned subsidiary of Home Retail Group plc and is included within the consolidated financial statements of Home Retail Group plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement, under the terms of FRS 1 (revised 1996) – Cash Flow Statements. The Company is also exempt under the terms of paragraph 3 (c) of FRS 8 – Related Party Disclosures, from disclosing related party transactions with entities that are part of or investees of the Home Retail Group plc.

#### 2. Interest Payable and Similar Charges

	2008 £'000	2007 £'000
Group interest payable	<u>7,345</u>	<u>7,446</u>

#### 3. Loss on Ordinary Activities Before Taxation

The audit fee for the current and prior financial periods has been borne by Homebase Limited, an indirectly held subsidiary undertaking of the Company, and no recharge has been made to the Company. Auditors' remuneration for non audit fee services was £ nil (2007: £ nil).

#### 4. Directors' Emoluments

T Duddy and R Ashton are directors of the ultimate holding company Home Retail Group plc and M Sibbald was also a director of Argos Limited. It is not possible to calculate a meaningful allocation of emoluments in the current and prior financial periods for the directors of Home Retail Group plc and Argos Limited. Consequently, no emoluments have been apportioned or recharged to the Company in 2008 and 2007.

The emoluments of N Fuller, N Gresham and P Loft in 2008 and 2007 were paid by Homebase Limited which makes no recharge to the Company. N Fuller, N Gresham and P Loft are also directors of 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 Homebase Limited.

Other than the directors there are no other persons employed by the Company.



# **HOMEBASE GROUP LIMITED**

## **Notes to the financial statements (continued)** **For the period ended 1<sup>st</sup> March 2008**

### **5. Taxation on Loss on Ordinary Activities**

The taxation credit for the period is:

	2008 £'000	2007 £'000
Current tax:		
United Kingdom Corporation Tax at 30% (2007: 30%)	4,787	2,234
Adjustments in respect of prior period	<u>(2,233)</u>	<u>(1,052)</u>
Tax credit on loss on ordinary activities	<u>2,554</u>	<u>1,182</u>

The difference between the current tax credit and the standard rate of corporation tax in the UK (30%) is explained below:

	2008 £'000	2007 £'000
Loss on ordinary activities before tax	<u>7,345</u>	<u>7,446</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2007: 30%)	2,203	2,234
Transfer pricing adjustments on group interest free loans	2,584	-
Adjustments in respect of prior period	<u>(2,233)</u>	<u>(1,052)</u>
Current tax credit for the period	<u>2,554</u>	<u>1,182</u>

### **6. Fixed Asset Investments**

	£'000
Shares in subsidiary undertakings:	
Cost at 1 <sup>st</sup> March 2008 and 4 <sup>th</sup> March 2007	<u>3,700</u>

The subsidiary undertakings comprise:

Subsidiary Undertakings:	Share of ordinary allotted capital and voting rights	Country of Incorporation	Activity
Fifthgrange Limited	100%	England	Investment holding company
Iconford Limited	100%	England	Dormant

The principal indirectly held trading subsidiary undertakings comprise:

Principal Trading Subsidiary Undertakings	Share of ordinary allotted capital and voting rights	Country of Incorporation	Activity
Homebase Card Handling Services Limited*	100%	England	Investment holding company
Homebase Limited*	100%	England	Retailer of home enhancement, DIY and garden centre products in England, Scotland and Wales
Homebase House and Garden Centre Limited*	100%	Republic of Ireland	Retailer of home enhancement, DIY and garden centre products in the Republic of Ireland

\*denotes an indirect holding

As at the balance sheet date, the directors believe that the book values of the fixed asset investments are supported by their underlying net assets. However, as a result of the downturn in the retail trading environment since the start of the 2008/09 financial period, an impairment review was carried out in September 2008. As a result the Company's fixed asset investment in Fifthgrange Limited has become impaired during 2008/09. Further details are provided in note 14 (Post Balance Sheet Event).

# **HOMEBASE GROUP LIMITED**

## **Notes to the financial statements (continued)** **For the period ended 1<sup>st</sup> March 2008**

### **7. Debtors**

	2008 £'000	2007 £'000
Amounts falling due within one year:		
Amounts due from group undertakings	321,363	323,597
Corporation Tax	<u>4,787</u>	<u>-</u>
	<u>326,150</u>	<u>323,597</u>

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

### **8. Creditors: Amounts Falling Due Within One Year**

	2008 £'000	2007 £'000
Amounts due to group undertakings	146,348	139,004
Loan due to group undertaking	150,000	-
Other creditors and accruals	<u>10</u>	<u>10</u>
	<u>296,358</u>	<u>139,014</u>

Amounts due to subsidiary undertakings and parent companies are unsecured, interest free and repayable on demand.

The 4.9% unsecured loan due to group undertaking is repayable on 22<sup>nd</sup> January 2009.

### **9. Creditors: Amounts Falling Due After More Than One Year**

	2008 £'000	2007 £'000
Loan due to group undertaking	<u>-</u>	<u>150,000</u>

### **10. Called Up Share Capital**

	No. of shares	£'000
<b>Authorised</b>		
"A" Ordinary shares of 1p each	302,000	3
"B" Ordinary shares of 1p each	2,961,111	30
"C" Ordinary shares of 1p each	712,000	7
"D" Ordinary shares of 1p each	118,000	1
"E" Ordinary shares of 1p each	<u>20,000</u>	<u>-</u>
At 1 <sup>st</sup> March 2008 and 4 <sup>th</sup> March 2007	<u>4,113,111</u>	<u>41</u>
<b>Allotted, called up and fully paid</b>		
"A" Ordinary shares of 1p each	302,000	3
"B" Ordinary shares of 1p each	2,849,740	29
"C" Ordinary shares of 1p each	712,000	7
"D" Ordinary shares of 1p each	118,000	1
"E" Ordinary shares of 1p each	<u>20,000</u>	<u>-</u>
At 1 <sup>st</sup> March 2008 and 4 <sup>th</sup> March 2007	<u>4,001,740</u>	<u>40</u>

Other than as specifically provided in the Articles of Association, the "A", "B", "C", "D" and "E" ordinary shares rank pari passu, but constitute five separate classes of shares.

## HOMEbase GROUP LIMITED

### Notes to the financial statements (continued) For the period ended 1st March 2008

#### 11. Share Premium Account

	£'000
At 1 <sup>st</sup> March 2008 and 4 <sup>th</sup> March 2007	<u>3,960</u>

#### 12. Profit and Loss Account

	£'000
As at 4 <sup>th</sup> March 2007	34,283
Loss for the financial period	<u>(4,791)</u>
As at 1 <sup>st</sup> March 2008	<u>29,492</u>

#### 13. Reconciliation of Movements in Shareholders' Funds

	2008 £'000	2007 £'000
Loss for the financial period	(4,791)	(6,264)
Opening shareholders' funds	<u>38,283</u>	<u>44,547</u>
Closing shareholders' funds	<u>33,492</u>	<u>38,283</u>

#### 14. Post Balance Sheet Event

An impairment review has been carried out during 2008/09 by the Company's indirectly held trading subsidiary, Homebase Limited, as a result of the downturn in the retail trading environment since the start of the 2008/09 financial period.

As a consequence, impairment charges will be made in the 2008/09 financial statements for Homebase Card Handling Services Limited (an indirect subsidiary of the Company) and for Fifthgrange Limited (a direct subsidiary of the Company). As a result, the Company's fixed asset investment in Fifthgrange Limited has become impaired and a charge of £3,700k will be made in the Company's financial statements for 2008/09 to reflect the diminution in value as at the date of the signing of these financial statements.

More information on the assumptions and methodology used to calculate the value-in-use of Homebase Limited is provided within the Annual Report and Financial Statements of Homebase Card Handling Services Limited on page 9.

#### 15. Ultimate Parent Company and Controlling Party

The immediate parent undertaking is Argos Limited, a company incorporated in England.

The company's ultimate parent company and controlling party is the Home Retail Group plc, a company incorporated in England, which is the parent undertaking of the smallest and largest group to consolidate the Company's financial statements. Copies of the group financial statements, which include the Company, may be obtained from: the Group Secretary, Home Retail Group plc, Avebury, 489 – 499 Avebury Boulevard, Milton Keynes, MK9 2NW, or from the Group's internet site at [www.homeretailgroup.com](http://www.homeretailgroup.com).