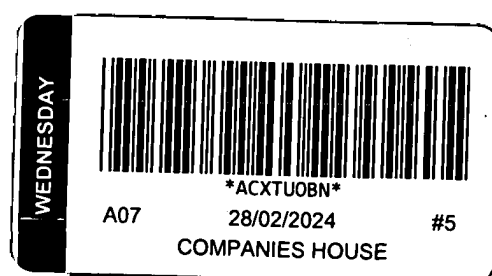


# HHGL LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 1 JANUARY 2023



## **HHGL LIMITED**

### **COMPANY INFORMATION**

<b>Directors</b>	D G McGloughlin A C Coleman
<b>Registered number</b>	00533033
<b>Registered office</b>	Witan Gate House 500-600 Witan Gate Milton Keynes MK9 1BA United Kingdom
<b>Independent auditors</b>	Buzzacott LLP 130 Wood Street London EC2V 6DL United Kingdom

## HHGL LIMITED

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# HHGL LIMITED

## GROUP STRATEGIC REPORT FOR THE PERIOD ENDED 1 JANUARY 2023

### Introduction

The directors present the Group Strategic Report together with their Directors' Report and the audited financial statements of HHGL Limited (the "Company") together with its subsidiaries (the "HHGL Group") for the 53 weeks from 27 December 2021 to 1 January 2023 ("period"). The comparative period consists of the 52 weeks from 28 December 2020 to 26 December 2021.

### Principal activity

The principal activity of the HHGL Group is the retailing of home improvement and garden centre products in the United Kingdom and the Republic of Ireland, trading as Homebase. The principal activity of the Company is the retailing of home improvement and garden centre products in Great Britain. The Company is registered in England, Scotland and Wales, registration number 00533033.

### Business review

The HHGL Group has delivered an EBITDA loss before exceptional items of £44.8m in the period, compared to an EBITDA profit before exceptional items of £63.6m in 2021. A reconciliation of EBITDA to the operating loss is shown on page 18.

2022 was a challenging year for retail in the UK and Ireland driven by a rapid decline in consumer confidence and the cost of living crisis, which is reflected in the results in both the Company and its wider market competitors in the home improvement and home and garden sectors.

- Unexpectedly high and fast increases in inflation, energy costs and interest rates resulted in a substantial fall in consumer confidence and a reduction in disposable income.
- Supply chain challenges continued with container shortages, excessive freight cost increases and shipping delays. The shipping delays meant that, in many cases, exciting new ranges could not be executed as planned and this impacted the expected sales and margins.
- Travel restrictions were still in place preventing travel to China and many other countries where Homebase sources its ranges from. This meant that progress on landing new ranges was slower than planned as face to face negotiations with suppliers and attendance at trade fairs were not able to take place. Since travel restrictions have lifted in 2023, a number of buying trips have already taken place and many products sourced through these trips will arrive in store before Christmas 2023 with further launches throughout 2024.
- The spring season, which is Homebase's peak trading period, came later than usual as a result of poor weather in early spring. When the warmer and dryer conditions finally arrived, consumer confidence was at its lowest and customers were much more cautious with their spending. To ensure that Homebase was clearing stock and not rolling over ranges to future years, significant margin was invested in additional promotions to drive sales and, whilst this impacted profit, it allowed Homebase to exit the season with the right stock levels.

Despite this difficult backdrop, Homebase continued to invest for the future, guided by a clear goal of being 'First for Decorating' and 'First for Garden' both of which are supported by a strong all year round product offer across DIY, Home and Room Solutions (kitchens, bedrooms and bathrooms).

Investment in a new stock replenishment system, powered by RELEX, makes it simpler for the buying and merchandising teams to plan stock purchases and allocation, in turn improving availability, sales and stock sell through.

To enhance the customer experience, new checkout tills that are easier to use for store teams and faster for customers were rolled out in every store. Every shelf and fixture have been reset to the best standard, which has increased the quality of shopkeeping and improved the shopping journey.

Homebase has continued to invest in and strengthen the quality of its team through training programmes from City & Guilds qualifications and service and selling workshops to the Kickstart Scheme and new apprenticeships. The cost of living crisis impacted team members and they were given access to a wide range of economic and wellbeing tools. The pay of store team members on national living wage was increased in December 2022, ahead of the April 2023 deadline. Protecting those in customer facing roles remained a hugely important topic across retail and Homebase continued to lend its support to various initiatives to lobby for better protection against violence towards its team members.

## HHGL LIMITED

### GROUP STRATEGIC REPORT (CONTINUED) FOR THE PERIOD ENDED 1 JANUARY 2023

#### Business review (continued)

Whilst the trading and operational conditions have, and remain challenging, Homebase is well set up and prepared for when the market conditions improve. Over the past five years, significant investment has been made to enhance stores, build a strong digital operation and in technology to make it easier for Homebase to support and serve customers. This investment, together with inspiring new ranges and the dedication and capability of team members, will enable Homebase to maximise future opportunities.

Performance of the business during 2023 has materially improved and we expect the business to generate a positive EBITDA during 2024.

#### Financial key performance Indicators

Group	2022	2021
Sales £M's	701.2	788.2
Gross margin percentage	41.8%	48.4%
EBITDA (loss) / profit £Ms	(44.8)	63.6
(Loss) / profit for the financial period	(84.2)	30.0
Number of Homebase stores as at period end date	146	145
Number of Bathstore stores as period end date	-	1
Number of Decorate stores as at period end date	-	2

#### Going Concern

The financial statements have been prepared on a going concern basis.

The directors have considered HHGL, its subsidiaries and Hampden Group Limited's cash flow forecasts and liquidity under different scenarios from the date of approval of these financial statements to 31 December 2024, comprising:

- A base case forecast reflecting a further year of subdued demand. This is the scenario the directors feel is most likely to occur.
- A severe downside forecast designed to test the resilience of the business against shocks to it.
- A reverse stress test with further downside forecast that has mitigation options available to support the ongoing liquidity of the business.

The HHGL Group is financed through a bank facility with Wells Fargo, and separate facilities from other group companies which share the same ultimate controlling party as the HHGL Group. These facilities comprise an asset based lending facility of up to £95m with Wells Fargo Capital Finance and an additional £80m non-current revolving credit facility, as well as an additional non-current loan.

At the date of signing these financial statements, headroom on the facilities is in excess of £20m. Further to note 20, subsequent to the reporting date, no financial covenants have been breached with headroom in place throughout this period. In both the base case and severe downside scenarios reviewed by the board, headroom on the banking facilities is maintained and the directors therefore do not expect the covenant associated with the Wells Fargo Loan facility to be tested through to 31 December 2024. Furthermore the directors have also received a letter of support from its parent undertaking that it will continue to provide support during the going concern period.

The current Wells Fargo Facility runs until 20 December 2024 and has the option of two 12-month extensions that can be mutually agreed. Given these options, and the fact that the current facility still has 12 months to run, negotiations with both Wells and potential alternative lenders are not expected to commence until mid 2024 at the earliest. However, because the earliest possible expiry date falls within the going concern assessment period, this has triggered a technical material uncertainty over the HHGL Group and the Company's ability to meet their obligations as they fall due, notwithstanding that the directors have confidence in the financial resilience of the HHGL Group and the Company and that the facility could be refinanced either with the existing or an alternative lender.

**GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE PERIOD ENDED 1 JANUARY 2023**

**Going Concern (continued)**

2022 proved challenging with consumer confidence low as the economy continued to gradually recover from COVID-19 and was further impacted by the invasion of Ukraine in February 2022. These conditions had a significant impact on already rising inflation in the UK further impacting consumer confidence. Whilst the cost of living crisis continues to be an ongoing challenge across the UK and Ireland, in 2023 the UK also experienced unseasonably poor weather with the third wettest March and sixth wettest July on record, however performance in 2023 is materially better than in 2022. The base case forecast assumes a continuation of these challenging trading conditions throughout the going concern period.

Given the headroom in both the base case and severe downside forecast, together with the support from the parent undertaking, the directors have confidence in the financial resilience of the HHGL Group, and therefore have approved that the accounts be prepared on a Going Concern Basis.

**Corporate governance statement**

For the period ended 1 January 2023, the HHGL Group is subject to The Companies (Miscellaneous Reporting) Regulations 2018 and have applied the Wates Corporate Governance Principles for Large Private Companies.

**Principle 1 – Purpose and leadership**

Homebase was founded in 1979 and is a home improvement and garden centre retailer with stores across the United Kingdom and Republic of Ireland. Homebase's purpose, as approved by the board in 2019, is to "inspire customers to create a home they love" with the key values of "inspiring, easy and together". The board ensures that Homebase's values and strategy are regularly communicated to team members through roadshows, regular updates and team huddles.

Homebase is committed to corporate responsibility and ethically sourcing products it sells and publishes on its website policies on timber sourcing and sustainability, its supplier ethical code of conduct and its modern slavery statements. Homebase promotes community engagement and is proud to support Macmillan Cancer Support and the Irish Cancer Society as its charity partners. Homebase promotes a wide ranging health and safety programme called "Homesafe" ensuring all customers and team safety requirements are the highest priority.

Homebase's shareholder is actively engaged in the strategy of Homebase and encourages the promotion of its values and purpose.

**Principle 2 – Board Composition**

Day to day operations are controlled by the Homebase board made up of the Chief Executive Officer, Chief Financial Officer, Commercial Director, Finance Director and Operations Director. The wider senior leadership team reflects a broad range of skills and experience with a good gender balance.

The board is made up of the part time non-executive Chairman, Chief Executive Officer and Chief Financial Officer. The Chairman brings experience of working with Homebase's shareholder as well as other retailers which helps to create a good balance of skills and experience on the board.

The board members have equal voting rights and all directors have access to the appropriate external independent advisors for advice. The board is fully involved in the running of Homebase and ensuring the delivery of its strategy.

**Principle 3 – Director Responsibilities**

The board meets on a monthly basis to discuss a formal schedule of matters that include health & safety, risk, compliance, major investments, corporate governance, financial performance, strategy and operations. If there are any potential conflicts, these would be raised and appropriate safeguards put in place.

**Principle 4 – Opportunity and Risk**

At regular intervals the board identifies and assesses future opportunities which align with the HHGL Group's strategy.

**GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE PERIOD ENDED 1 JANUARY 2023**

**Corporate governance statement (continued)**

The board has overall responsibility for Homebase's approach to strategic decision making and the effective management of risk. The 'Health, Safety and Risk' committee meets regularly and considers current and emerging risks and ensures they are monitored and/or mitigated in an appropriate and timely way. Risk is dealt with in each monthly board meeting with any areas of particular concern being discussed and appropriate actions agreed by the board.

**Principle 5 – Remuneration**

Homebase regularly reviews the pay and remuneration of team members in comparable roles. Remuneration for senior executives is directly linked to performance both at an individual and HHGL Group level and is designed to incentivise the delivery of the Homebase strategy, drive the right long term behaviours and attract and retain the right calibre of individuals.

The board review remuneration policy and recommendations throughout the year, including the level of any annual pay increases and design of employee incentives schemes. Any out of cycle pay increases are signed off by a board member.

**Principle 6 – Stakeholder Relationships and Engagement**

Homebase has a good relationship with its stakeholders as can be seen in the Section 172 statement.

**Section 172 statement**

The HHGL Group believe that stakeholder engagement is key to delivering a sustainable Homebase business that delivers long term value for key stakeholder groups, team members, suppliers, communities and investors. Through regular engagement with each group, the board have identified key priorities which are discussed regularly during monthly board meetings and used as the foundation to shape the strategic direction of Homebase, as well as guiding decisions and actions taken by the HHGL Group.

**Team members**

Team members are critically important in ensuring that customers understand and experience the Homebase brand, culture and values. Homebase employs just under 5,000 team members across the United Kingdom and the Republic of Ireland and they are key to business success. Homebase continues to invest in team member training and upskilling to ensure they have the knowledge and skills to advise, inspire and support customers at every stage of their journey.

Homebase continued to support team members through City & Guilds qualifications in horticulture, decorating, kitchens and bathrooms, with a total of 916 team members having achieved at least one qualification and every team member joined a 'You are the Difference' selling and service coaching programme workshop.

Apprenticeships were launched in March 2022 across a wide variety of specialisms to encourage richer development both personally and professionally resulting in 41 existing team members enrolling onto an apprenticeship programme, funded by Homebase.

The Kickstart programme was hugely successful at Homebase with a conversion rate 10% above national average. In partnership with the Prince's Trust, over 250 young people were offered a work placement since the HHGL Group joined the scheme in April 2021. These placements offered the opportunity to take on customer facing and operational roles to learn and grow in a retail environment.

**Examples of engagement with team members**

- Weekly conference calls led by senior leaders and board members
- Use of the internal communications platform "Yammer" demonstrates a commitment to team first communication, where information is regularly shared and best practice is celebrated
- Regular informal listening groups
- Monthly business updates and team huddles
- Engagement surveys to understand how to make Homebase an even better place to work
- Events to celebrate success including personal recognition from the board and senior leaders
- Roadshows to engage with team members across stores and Store Support Centre

**GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE PERIOD ENDED 1 JANUARY 2023**

**Section 172 statement (continued)**

**Team priorities**

From listening to team members, Homebase understand what is important to them. Some of the most important priorities for team members are:

- Feeling valued and proud of how the HHGL Group conducts its business
- Having access to training and career opportunities
- Making it easier to do a great job and focus on what makes a difference
- Feeling safe and respected in the workplace
- A good rewards and benefits package
- Knowing Homebase has a strong focus on environmental and social responsibility

**Board engagement with team members**

The board hold monthly huddles to discuss the progress of Homebase and invite questions from the team. Board members visit stores on a weekly basis with not all visits announced in advance. During visits, board members hold huddles to update store team members on Homebase's progress and invite the team to ask questions. The board work closely with team members to find ways to reduce complexity, making Homebase easier to succeed in and allowing all team members to focus on enhancing the customer experience.

**Customers**

Customers are at the heart of everything Homebase does, using its expertise to make it easy for them to create a home they love. Homebase inspires customers with its products and aims to deliver both an in store and digital experience that allows them to tap into the team's expertise. Homebase is the go to place for customers who want to turn ideas into reality, taking their home and garden projects from start to finish.

**Engagement with customers**

- Customer listening groups and twice yearly brand tracking
- Brand building and inspiration through developing inspiring partnerships including with House Beautiful, Country Living, Heart FM and AO
- Inspiring customers by providing creative product placement in key decorative, garden and lifestyle media
- Project ideas and inspiration delivered creatively through the website, social media channels and emails
- In store team of helpful experts many of whom are City & Guilds accredited in horticulture, decorating, kitchens and bathrooms with additional training in selling and service
- Deep dives into customer experience in store and online to ensure the best shopping environments
- Detailed customer journey mapping by category

**Customer priorities**

From listening to customers, Homebase understand what is important to them. Some of the most important priorities for customers are:

- Availability of trusted brands and product innovation
- Convenient and timely multichannel offer
- Product quality
- Range and value
- Friendly shopping experience
- Knowledgeable team members and environmental commitment

**Board engagement with customers**

Customer feedback is central to Homebase's offering to ensure it continues to align with customer priorities, behaviours and shopping habits. This information sits at the heart of the process when making investment decisions. Feedback is received live every day by every store, with summaries provided on a weekly and monthly basis to the board. This feedback is reviewed at board meetings alongside presentations on one off customer listening groups and other insight activity.



**GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE PERIOD ENDED 1 JANUARY 2023**

**Section 172 statement (continued)**

**Suppliers**

Homebase work with a wide range of suppliers including goods for resale, logistics, landlords and operational services. Suppliers also play an important role in developing the product offer as well as training team members, to ensure team members are confident and well informed to advise customers on their products. Since travel resumed to China post pandemic, key members of the Homebase sourcing, supply chain and distribution teams have travelled to the country to encourage innovation and continue competitive negotiations.

**Engagement with suppliers**

- Supplier updates based around performance and future priorities
- Continuous collaboration with suppliers around products, design and customer experience in store and online
- Reviews with suppliers on sales performance and product suitability, supporting mutual growth
- Review and approval of supplier contracts with engagement from procurement and global sourcing teams
- Performance updates shared across the year

**Supplier priorities**

From listening to suppliers, Homebase understand what is important to them. Some of the most important priorities for suppliers are:

- Prompt and fair payments
- Sales growth and increased product offering
- Strong in store and online product execution with good availability
- Homebase's brand strength
- Support and collaboration with access to senior management

**Board engagement with suppliers**

The board receive updates on suppliers, when considering key priorities, business continuity plans and partnerships. The board regularly engage with suppliers from as many territories as possible, including at exhibitions and trade shows.

**In the community**

Supporting local communities is very important to all team members and Homebase is committed to building positive relationships and to give back and support where possible.

Homebase is proud to have continued its partnership with Macmillan Cancer Support and Irish Cancer Society, helping provide home comforts for those living with cancer. Team members have gone above and beyond by hosting in store events and taking part in sporting challenges, raising over £100,000 for Macmillan's home related grants. Homebase's team members are passionate about giving back to communities in which they live and work and have continued to work with local charities, organisations and projects offering product donations, discounts and expert advice.

Homebase thinks carefully about sustainability and the impact it has on the environment. Knowing that this issue is close to many customers' and team members' hearts, Homebase work with all suppliers to review operational process with a focus on environmental friendliness and sustainability, as well as introducing a strong range of eco-friendly alternatives. A clear plan to reduce Homebase's impact on the environment means that the business has successfully reduced carbon dioxide emissions by 105 tonnes per year and 10% of its fleet is already powered by liquefied petroleum gas. Homebase also successfully went peat free across its own brand compost in 2022 and continues its pledge towards becoming peat free across all compost by 2024.

**GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE PERIOD ENDED 1 JANUARY 2023**

**Section 172 statement (continued)**

**Engagement with local communities**

- Team member volunteering and involvement with local community projects offering a helping hand with product donations, discounts and advice to local projects, charities and organisations
- Raised over £100,000 for Macmillan, funding over 290 home related grants
- Worked with Charity Champions in each division to maximise opportunities to fundraise for Macmillan and support with engaging team members
- Celebrated reaching a £250,000 fundraising milestone since the start of the partnership with Macmillan in 2019
- Successfully launched donations at till points making it easier for customers to donate to Macmillan
- Partnered with Macmillan to launch a garden at the Hampton Court Flower Show, recognising the incredible kindness of those who leave a donation to Macmillan in their will
- Committed to launching 'Macmillan Neighbours' in 2023, upskilling Homebase team members to help understand customers and other team members who are affected by cancer
- Team members donated over £12,000 to national charities via Payroll Giving
- Republic of Ireland store teams raised over €5,900 for Irish Cancer Society by fundraising in store and donations at tills
- Donated all proceeds from carrier bag sales to Greenfingers, a charity supporting children who spend time in hospices around the UK
- Worked with the Energy Saving Trust to launch 'Be Energy Smart', a campaign focussed on products that can help customers save money on their household bills
- Towards the end of 2022, Homebase agreed a deal to become the exclusive in store retailer of Comic Relief's The Red Nose That Grows the following year
- Team members from Homebase Gateshead were nominated for a Retail Week Award for the brilliant work they've done in their local community
- Partnered with The Rainy Day Trust to help team members with the rising cost of living, through financial support and guidance

**Community priorities**

From working in and with local communities, Homebase understand what is important to them. Some of the main priorities for the communities Homebase work in are:

- Helping provide long term employment opportunities for those that live in the area around Homebase stores
- Local and international operational impact on the environment
- Working with suppliers to ensure Homebase can ethically and sustainably source products

**Board engagement in the communities**

The board receive regular reports of fundraising efforts and actively supports and encourages team members to do so. The board has regular reviews to maintain the safety of the Company operations and ensure the community is safe.

**Investors**

Access to both short term and long term capital is critical to Homebase's performance, supporting the strategic direction, stock builds and store investments. The board is committed to maintaining good two way communication with investors to help plan for future business growth, contextualise business performance and maximise the value of their knowledge and experience in support of those plans. The investor stakeholder group includes all parties that are interested in the financial success and sustainability of the HHGL Group as it embarks on its growth plans.

**Examples of engagement with investors**

- Formal monthly updates
- Financial performance report
- Review of strategic decisions
- Annual presentation of strategic plans and budgets alongside quarterly reforecasts
- Ensuring Homebase performance and vision is clearly laid out for a financial and business audience

**GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE PERIOD ENDED 1 JANUARY 2023**

**Section 172 statement (continued)**

**Investor priorities**

From listening to investors, Homebase understand what is important to them. Some of the main priorities to the investors are:

- Homebase's financial performance and cash generation in the short, medium and long term
- Confidence in the board's leadership, business plan and vision
- Effective risk management
- Delivery of HHGL Group strategy
- Having a collaborative and transparent communication process

**Board engagement with Investors**

The board receive regular updates from the Finance Director on the performance of the HHGL Group. The board provide regular updates to lenders in the form of formal financial reporting against agreed financial targets as well as regularly discussing the overall performance and strategic direction of the HHGL Group.

**Key decisions made in the year**

**Principal decisions in 2022**

**Overview**

The board define 'key decisions' as decisions and discussions which are material or strategic to Homebase and those that are significant to any of the stakeholder groups. The board consider the following to be the key decisions made during 2022.

**Banking Facilities**

As a result of the downturn in the 2022 performance, the board negotiated an increase in the size of the Homebase (UK&I) Holdings Limited ("HUKI") revolving loan facility to provide additional liquidity for 2023 and beyond and to ensure compliance with the Wells Fargo financial covenants. The HUKI revolving loan facility limit has been increased to £80m, which took place with full support of Wells Fargo, whose facility remains in place on existing terms. In addition interest payments on the other HUKI non-current loan were deferred.

**Fixed Asset Impairment**

In December 2022, management performed the annual impairment review of fixed assets which has resulted in a non-cash impairment accounting charge of £17.9m. The impairment charge arises due to a more conservative forecast performance over the medium term to reflect the softening of consumer confidence and the cost of living challenges.

**Principal risks and uncertainties**

The HHGL Group's principal risks and uncertainties are associated with the success of the continuing trade of the Homebase business.

The HHGL Group uses various financial instruments which include cash and cash equivalents, trade debtors, trade creditors and amounts due to HHGL Group undertakings that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the HHGL Group's operations. The existence of these financial instruments exposes the HHGL Group to a number of financial risks, which are described in more detail below.

**Financial risk management**

Responsibility for managing financial risk lies with the directors, in consultation with senior management of the HHGL Group, who assess the HHGL Group's short, medium and long term funding and liquidity requirements.

**GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE PERIOD ENDED 1 JANUARY 2023**

**Principal risks and uncertainties (continued)**

**Foreign exchange risk**

The HHGL Group is exposed to translation and transaction foreign exchange risk. Transaction risk is managed at a HHGL Group level with any materially mismatched cash flows being considered for hedging. Similarly, the HHGL Group holds financial liabilities in currencies other than sterling and should material mismatches be forecast, the position is assessed.

**Interest rate risk**

The HHGL Group finances its operations through free cash and loans from external parties and other related companies. The HHGL Group's interest rate risk exposure is limited to changes in market interest rates applicable to loans. At the balance sheet date, there are interest bearing loans in place with Wells Fargo and the Company's parent.

**Credit risk**

The HHGL Group's principal financial assets are bank and cash balances, trade and other receivables. The credit risk on liquid funds is considered to be limited as the counterparties are banks with high credit ratings assigned by international credit rating agencies.

**Liquidity and cash flow risk**

The HHGL Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The HHGL Group has funding facilities of up to £160m from Wells Fargo and the revolving HUKI loan, with the option to increase to this to £175m for seasonal peaks in addition to the other HUKI non-current loan.

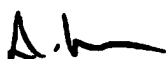
**Global market uncertainty and inflation**

Global markets have been severely impacted as a result of significant increases in energy and running costs, inflation rises and deteriorating consumer confidence. Homebase has invested in low energy consuming lighting across its stores and distribution centres in previous years and will benefit from this investment but is not immune from the increases in its cost base and the degree of uncertainty in consumer confidence as prices and inflation increase. The board are monitoring developments closely and have initiated a number of actions based on revised forecasts of future trading to continue to focus the business on cost mitigations, minimising the impact of rising costs.

**Competitor risk**

Heightened competition from traditional retailers and new digital entrants could have a negative impact on sales and profitability. As mentioned above, the HHGL Group has invested significantly in stores, supported by ongoing digital development, to ensure that Homebase remains inspiring and easy to shop at for its customers, helping to maintain and grow market share.

This report was approved by the board on 20/12/2023 and signed on its behalf by:



**A C Coleman**  
Director

## HHGL LIMITED

### DIRECTORS' REPORT FOR THE PERIOD ENDED 1 JANUARY 2023

The directors present their report and the financial statements for the period ended 1 January 2023.

#### Directors' responsibilities statement

The directors are responsible for preparing the HHGL Group strategic report, the Directors' report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 the HHGL Group and of the profit or loss of the HHGL Group for that period.

In preparing these financial statements, the directors are required to:

- Select suitable accounting policies for the HHGL Group's financial statements and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the HHGL Group 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 the HHGL Group and to 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 the HHGL Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Results and dividends

The HHGL Group has delivered an EBITDA loss before exceptional items of £44.8m in the period, compared to an EBITDA of £63.6m in 2021. A reconciliation of EBITDA to the operating loss is shown on page 18.

No dividend was declared in the period (2021: £Nil).

#### Directors

The directors who served during the period were:

D G McGloughlin  
A C Coleman

#### Health and safety of team members

The wellbeing of the Company's team members is safeguarded through strict adherence to health and safety standards. The Safety, Health and Welfare at Work Act 1989 imposes certain requirements on employers and the Company has taken the necessary action to ensure compliance with the Act, including the adoption of a Safety Statement.

#### Team member involvement

Consultation with team members has continued at all levels, with the aim of ensuring that their views are considered when decisions are made that are likely to affect their interests. In addition, team huddles are held to ensure that all team members are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all team members continues through in house news updates, briefing huddles and other forums designed to both inform team members and allow for feedback and questions on the Company performance and plans.

**DIRECTORS' REPORT (CONTINUED)  
FOR THE PERIOD ENDED 1 JANUARY 2023**

**Disabled team members**

Applications for team member roles by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of team members becoming disabled every effort is made to ensure that their employment with the HHGL Group continues and the appropriate adjustment to duties is arranged. It is the policy of the HHGL Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

**Qualifying third party indemnity provisions**

During the period and up to the date of approval of the financial statements the Company maintained liability insurance for its directors.

**Streamlined Energy & Carbon Reporting (SECR)**

HHGL Limited is the only company in the HHGL Group that meets the SECR reporting requirement. The total number of sites contributing the Company's energy and carbon use throughout the reporting period is highlighted below.

- 138 stores (includes stores that closed during the period and new stores)
- Three regional distribution Centres
- One office

**Summary Results**

The table below shows the total UK energy consumption and greenhouse gas emissions for period 1 Jan 2022 to 31 Dec 2022, together with an intensity metric.

Energy Use	Energy (kWh)
Electricity	35,308,104
Natural Gas	20,912,101
Diesel	74,052
Fuel for onsite transport	510,766
Fuel for business travel	951,750
<b>TOTAL</b>	<b>57,756,773</b>

Greenhouse Gas Emissions	Emissions (tCO <sub>2</sub> e)
Electricity	6,818
Natural Gas	4,230
Diesel	18
Fuel for onsite transport	110
Fuel for business transport	225
Refrigerant Gas	56
<b>TOTAL</b>	<b>11,457</b>

Intensity Metric	Emissions per floor area (tCO <sub>2</sub> e/m <sup>2</sup> )
Scope 1	0.0168
Scope 2	0.0267
Scope 3	0.0013
<b>TOTAL</b>	<b>0.0448</b>

## HHGL LIMITED

### DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 1 JANUARY 2023

#### Energy Efficiency Initiatives

The following energy intensity initiatives have been implemented across the organisations within the HHGL Group including HHGL Limited to reduce their impact on the environment and improve efficiency during the reporting period:

- Most UK sites are managed by automatic building management systems which ensures energy consumption is kept under control
- Installation of new controllers on some sites
- Installation of new and efficient lighting on some sites
- Regular monitoring of energy on all sites. Any inefficiencies are raised by the energy management team and are investigated and resolved by the facility management team
- Weekly reporting of energy consumption information directly to sites to raise energy awareness and support reductions in energy consumption
- Dali lighting integration to BMS for daylight harvesting

#### Comparison to Previous Reporting Period

The table below shows total energy consumption, greenhouse gas emissions and intensity metric for the current reporting period in comparison to the previous reporting period.

Energy Use	2022 - Energy (kWh)	2021 - Energy (kWh)	Difference (%)
Electricity	35,308,104	39,294,493	-10%
Natural Gas	20,912,101	20,027,568	4%
Diesel	74,052	78,408	-6%
Fuel for onsite transport	510,766	637,110	-20%
Fuel for business travel	951,750	339,118	181%
<b>TOTAL</b>	<b>57,756,773</b>	<b>60,376,697</b>	<b>-4%</b>

Greenhouse Gas Emissions	2022 – Emissions (tCO <sub>2</sub> e)	2021 – Emissions (tCO <sub>2</sub> e)	Difference (%)
Electricity	6,818	9,161	-26%
Natural Gas	4,230	4,080	4%
Diesel	18	20	-11%
Fuel for onsite transport	110	147	-25%
Fuel for business travel	225	84	168%
Refrigerant Gas	56	18	203%
<b>TOTAL</b>	<b>11,457</b>	<b>13,510</b>	<b>-15%</b>

Intensity Metric	2022 – Emissions per floor area (tCO <sub>2</sub> e/m <sup>2</sup> )	2021 – Emissions per floor area (tCO <sub>2</sub> e/m <sup>2</sup> )	Difference (%)
Scope 1	0.0168	0.0167	1%
Scope 2	0.0267	0.0358	-25%
Scope 3	0.0013	0.0003	299%
<b>TOTAL</b>	<b>0.0448</b>	<b>0.0528</b>	<b>-15%</b>

#### Energy and Carbon Reporting Methodology

This energy and carbon report has been prepared by Energy & Technical Services Ltd in line with the Greenhouse Gas Protocol Corporate Standard. The boundaries of the energy and carbon footprint are based on a financial control approach and are the same as the boundaries for financial reporting. The reporting year is 1 Jan 2022 to 31 Dec 2022.

The site energy footprint includes all electricity, gas, gas oil, LPG and diesel (for back-up generators) consumed at HHGL Limited sites. This data is based on meter readings and billing data. Where data was unavailable or missing, estimates based on previous years consumption figures have been used. Transport data includes onsite transport (LPG for forklifts) and offsite transport (fuel spend / mileage claims for business travel). LPG data for forklifts has been estimated based on previous years consumption data. Fuel spend / mileage claims are based on fleet manager report.

**DIRECTORS' REPORT (CONTINUED)  
FOR THE PERIOD ENDED 1 JANUARY 2023**

Refrigerant gas data is based on Climatic reports for the reporting period.

The carbon footprint includes Scope 1 (direct) emissions from the combustion of gas and diesel in offices; fuel used in company cars, and fugitive emissions of refrigerant gas from air conditioning units. The Scope 2 (indirect) emissions arise from the production of purchased electricity. Scope 3 emissions arise from fuel used in employee owned vehicles. Energy conversion and emissions factors have been based on the UK Government Conversion Factors for company reporting of Greenhouse Gas Emissions.

Fugitive emissions have been estimated based on the Simplified Material Balance method.

**Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- So far as the director is aware, there is no relevant audit information of which the Company and the HHGL Group's auditors are unaware, and
- The director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the HHGL Group's auditors are aware of that information.

**Post balance sheet events**

Since 1 January 2023 the HHGL Group has closed five stores in Chelmsford, Newport, Finchley Road, Plymouth and Banbury, as well as three smaller concession stores in Borehamwood, Woolwich and Walkden.

Following the budgeting process for 2024 and beyond it was agreed to increase the size of the group intercompany loan facility so that the future working capital needs of the HHGL Group would be met. The HUKI revolving facility was increased to £80m on 27 September 2023, which took place with the full support of Wells Fargo whose facility remains in place on existing terms. In addition interest payments on the other HUKI loan were deferred.

In 2023 a corporate simplification exercise took place to remove eight intermediate holding companies from the wider HHGL Group structure to improve transparency and reduce administrative costs going forward. As part of the simplification process, the Company has become a direct subsidiary of Alyway Limited. The ultimate ownership of the HHGL Group has not changed as a result of the simplification exercise. Further details are provided at note 28.

**Auditors**

Following a successful six-year engagement of Ernst & Young LLP the directors agreed that a routine rotation of auditor be in the best interests of the HHGL Group. Following conversation with several firms, Buzzacott LLP have been selected to conduct the external audit for the current financial year. The Board thanks Ernst & Young for their valuable service over the term of their appointment.

Ernst & Young LLP therefore resigned as auditors on 6 October 2023 and confirmed in accordance with section 509 of the Companies Act 2006 that there were no circumstances which should be brought to the attention of the Company's shareholders or creditors. The Company accepted their resignation. Buzzacott LLP have been appointed auditors of the Company in accordance with section 485 of the Companies Act 2006.

Buzzacott LLP will continue in office and pursuant to section 487 of the Companies Act 2006, they will be deemed to be reappointed and continue in office.

This report was approved by the board on 20/12/2023 and signed on its behalf by.



**A C Coleman**  
Director



# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HHGL LIMITED

## Independent auditor's report to the members of HHGL Limited (the 'Company')

For the period ended 1 January 2023

### Opinion

We have audited the financial statements of HHGL Limited (the 'Company') and its subsidiaries (together the 'Group') for the period ended 1 January 2023 which comprise the Consolidated profit and loss account, the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Company balance sheet, the Consolidated statement of changes in equity, the Company statement of changes in equity, the Consolidated statement of cash flows and the related notes, including significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 1 January 2023 and of the Group's loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Material uncertainty related to going concern

We draw attention to note 2.3 in the financial statements, which states that on 20 December 2024 the Group's external asset backed lending facility expires and will require renewal or refinancing. As stated in note 2.3, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Group's and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

To evaluate the directors' assessment of the Group and Company's ability to continue to adopt the going concern basis of accounting we performed the following procedures:

- reviewed management's going concern assessment that has been undertaken on a wider group basis incorporating cash flows from HHGL Limited, Hampden Group Limited, HHGL (ROI) Limited and Homebase Rooms Limited (together "the Homebase Group");
- considered the appropriateness of the going concern assessment period to 31 December 2024 having noted the expiry of borrowing facilities on 20 December 2024;
- reviewed the borrowing facilities with Wells Fargo Capital Finance and Ark Finco UK Limited, in order to assess the current financing available and the headroom on the borrowing facilities;
- reviewed the covenant cure letter with Wells Fargo Capital Finance which results in the covenants not being tested for the period of the facility;
- reviewed base case and downside sensitivities including the reverse stress test in the context of the Homebase Group's historic performance and the retail sector outlook;

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HHGL LIMITED (CONTINUED)**

- evaluated the key assumptions and mitigations in the forecasts in the context of the forecasting history and funding of the Homebase Group; and
- reviewed the letter of support from Alyway Limited, the Company's parent undertaking, for its current intention to continue to support the Homebase Group.

### **Other information**

The other information comprises the information included in the Annual report, other than the financial statements and our Auditor's report thereon. The directors are responsible for the other information contained within the Annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

### **Matters on which we are required to report by exception**

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

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

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

### **Responsibilities of directors for the financial statements**

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HHGL LIMITED (CONTINUED)

### Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

How the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the Senior Statutory Auditor ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we made enquiries of management as to where they considered there was susceptibility to fraud, and their knowledge of actual, suspected and alleged fraud;
- we identified the laws and regulations that could reasonably be expected to have a material effect on the financial statements of the Group through discussions with the directors and other management at the planning stage;
- the audit team held a discussion to identify any particular areas that were considered to be susceptible to misstatement, including with respect to fraud and non-compliance with laws and regulations; and
- we focused our planned audit work on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company including the Companies Act 2006, employment legislation and taxation legislation.

We assessed the extent of compliance with the laws and regulations identified above through:

- making enquiries of management;
- inspecting legal expenditure and correspondence throughout the period for any potential litigation or claims; and
- considering the internal controls in place that are designed to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- determined the susceptibility of the Group and Company financial statements to management override of controls by checking the implementation of controls and enquiring of individuals involved in the financial reporting process;
- performed analytical procedures to identify any large, unusual or unexpected transactions and tested any large variances from the prior period;
- tested journal entries, including manual journals to revenue, and the rationale behind significant or unusual transactions; and
- tested accounting estimates and evaluated where judgements or decisions made by management indicated bias on the part of the Group and Company's management, in particular the valuation of tangible fixed assets and the valuation of stock.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included:

- agreeing financial statement disclosures to underlying supporting documentation; and
- enquiring of management as to actual and potential litigation and claims.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HHGL LIMITED (CONTINUED)

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's report.

### Use of our report

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



**Peter Chapman (Senior Statutory Auditor)**

For and on behalf of  
Buzzacott LLP  
Statutory Auditor  
130 Wood Street  
London  
EC2V 6DL  
20 December 2023

# HHGL LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 1 JANUARY 2023

	Note	Period ended 1 January 2023 £000	Period ended 26 December 2021 £000
Turnover	4	701,179	788,219
Cost of sales		(407,931)	(407,047)
<b>Gross profit</b>		<b>293,248</b>	<b>381,172</b>
Other operating (expenses) / income	5	(436)	2,168
Administrative expenses		(301,740)	(283,771)
Distribution costs		(44,457)	(44,304)
<b>Operating (loss) / profit</b>	6	<b>(53,385)</b>	<b>55,265</b>
<b>Reconciliation to EBITDA*</b>			
Operating (loss) / profit		(53,385)	55,265
Depreciation and amortisation		8,627	8,355
<b>*Earnings before interest, tax, depreciation, and amortisation</b>		<b>(44,758)</b>	<b>63,620</b>
Exceptional (charges) / income	12	(17,953)	8,434
<b>(Loss) / profit before interest and tax</b>		<b>(71,338)</b>	<b>63,699</b>
Interest payable and similar expenses	10	(13,887)	(8,054)
<b>(Loss) / profit before tax</b>		<b>(85,225)</b>	<b>55,645</b>
Tax credit / (charge) on (loss)/profit	11	1,029	(25,653)
<b>(Loss) / profit for the financial period</b>		<b>(84,196)</b>	<b>29,992</b>
<b>(Loss) / profit for the period attributable to:</b>			
Non-controlling interests		(25)	61
Owners of the parent		(84,171)	29,931
		<b>(84,196)</b>	<b>29,992</b>

Exceptional items for the period are one-off, non-cash items related to property impairment, further details can be seen in note 12.

The notes on pages 25 to 47 form part of these financial statements.

# HHGL LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 1 JANUARY 2023

	Period ended 1 January 2023 £000	Period ended 26 December 2021 £000
(Loss) / profit for the financial period	(84,196)	29,992
<b>Total comprehensive (expense) / income for the period</b>	<b><u>(84,196)</u></b>	<b><u>29,992</u></b>
<b>(Loss) / profit for the period attributable to:</b>		
Non-controlling interest	(25)	61
Owners of the parent Company	(84,171)	29,931
	<b><u>(84,196)</u></b>	<b><u>29,992</u></b>

The notes on pages 25 to 47 form part of these financial statements.

**HHGL LIMITED**  
**REGISTERED NUMBER:00533033**

**CONSOLIDATED BALANCE SHEET**  
**AS AT 1 JANUARY 2023**

	Note	1 January 2023 £000	26 December 2021 £000
<b>Fixed assets</b>			
Intangible assets	13	7,189	8,729
Tangible assets	14	28,036	39,475
		<u>35,225</u>	<u>48,204</u>
<b>Current assets</b>			
Stocks	16	141,199	168,749
Debtors: amounts due within one year	17	26,001	26,683
Cash and cash equivalents	18	14,226	76,758
		<u>181,426</u>	<u>272,190</u>
Creditors: amounts falling due within one year	19	(143,535)	(145,750)
<b>Net current assets</b>		<u>37,891</u>	<u>126,440</u>
<b>Total assets less current liabilities</b>		<u>73,116</u>	<u>174,644</u>
Creditors: amounts due after more than one year	20	(602,021)	(616,309)
<b>Provisions for liabilities</b>			
Other provisions	21	(6,988)	(10,007)
<b>Net liabilities</b>		<u>(535,893)</u>	<u>(451,672)</u>
<b>Capital and reserves</b>			
Called up share capital	22	13,190	13,190
Foreign exchange reserve	23	(1,345)	(1,345)
Profit and loss account		(547,340)	(463,144)
<b>Equity attributable to owners of the parent Company</b>		<u>(535,495)</u>	<u>(451,299)</u>
Non-controlling interests		(398)	(373)
		<u>(535,893)</u>	<u>(451,672)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20/12/2023 by:



**A C Coleman**  
Director

The notes on pages 25 to 47 form part of these financial statements.

**HHGL LIMITED**  
**REGISTERED NUMBER:00533033**

**COMPANY BALANCE SHEET**  
**AS AT 1 JANUARY 2023**

	Note	1 January 2023 £000	26 December 2021 £000
<b>Fixed assets</b>			
Intangible assets	13	7,189	8,729
Tangible assets	14	27,488	38,927
Investments	15	842	842
		<u>35,519</u>	<u>48,498</u>
<b>Current assets</b>			
Stocks	16	136,110	161,579
Debtors: amounts due within one year	17	25,440	25,694
Cash and cash equivalents	18	12,667	74,887
		<u>174,217</u>	<u>262,160</u>
Creditors: amounts falling due within one year	19	(140,335)	(141,609)
<b>Net current assets</b>		<u>33,882</u>	<u>120,551</u>
<b>Total assets less current liabilities</b>		<u>69,401</u>	<u>169,049</u>
Creditors: amounts falling due after more than one year	20	(602,712)	(614,830)
<b>Provisions for liabilities</b>			
Other provisions	21	(6,510)	(8,709)
<b>Net liabilities</b>		<u>(539,821)</u>	<u>(454,490)</u>
<b>Capital and reserves</b>			
Called up share capital	22	13,190	13,190
Profit and loss account		(553,011)	(467,680)
		<u>(539,821)</u>	<u>(454,490)</u>

The Company made a loss for the year of £85.3m (2021: profit £26.9m).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20/12/2023 by:



**A C Coleman**  
Director

The notes on pages 25 to 47 form part of these financial statements.



# HHGL LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 1 JANUARY 2023

	Called up share capital	Foreign exchange reserve	Profit and loss account	Equity attributable to owners of parent Company	Non-controll ing interests	Total equity
	£000	£000	£000	£000	£000	£000
At 26 December 2021	13,190	(1,345)	(463,144)	(451,299)	(373)	(451,672)
<b>Comprehensive expense for the period</b>						
Loss for the period	-	-	(84,196)	(84,196)	-	(84,196)
Non-controlling interest	-	-	-	-	(25)	(25)
<b>At 1 January 2023</b>	<b><u>13,190</u></b>	<b><u>(1,345)</u></b>	<b><u>(547,340)</u></b>	<b><u>(535,495)</u></b>	<b><u>(398)</u></b>	<b><u>(535,893)</u></b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 26 DECEMBER 2021

	Called up share capital	Foreign exchange reserve	Profit and loss account	Equity attributable to owners of parent Company	Non-controll ing interests	Total equity
	£000	£000	£000	£000	£000	£000
At 28 December 2020	13,190	(1,345)	(493,075)	(481,230)	(434)	(481,664)
<b>Comprehensive income for the period</b>						
Profit for the period	-	-	29,931	29,931	-	29,931
Non-controlling interest	-	-	-	-	61	61
<b>At 26 December 2021</b>	<b><u>13,190</u></b>	<b><u>(1,345)</u></b>	<b><u>(463,144)</u></b>	<b><u>(451,299)</u></b>	<b><u>(373)</u></b>	<b><u>(451,672)</u></b>

The notes on pages 25 to 47 form part of these financial statements.

# HHGL LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 1 JANUARY 2023

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 26 December 2021	13,190	(467,680)	(454,490)
<b>Comprehensive expense for the period</b>			
Loss for the period	-	(85,331)	(85,331)
<b>At 1 January 2023</b>	<b><u>13,190</u></b>	<b><u>(553,011)</u></b>	<b><u>(539,821)</u></b>

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 26 DECEMBER 2021

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 28 December 2020	13,190	(494,625)	(481,435)
<b>Comprehensive income for the period</b>			
Profit for the period	-	26,945	26,945
<b>At 26 December 2021</b>	<b><u>13,190</u></b>	<b><u>(467,680)</u></b>	<b><u>(454,490)</u></b>

The notes on pages 25 to 47 form part of these financial statements.

# HHGL LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 1 JANUARY 2023

	1 January 2023 £000	26 December 2021 £000
<b>Cash flows from operating activities</b>		
(Loss) / profit before tax	(85,225)	55,645
<b>Adjustments for:</b>		
Depreciation of tangible and intangible assets	8,627	8,355
Tangible fixed asset impairment charge	17,854	963
Impairment adjustment of tangible assets disposed of	-	(1,224)
Loss / (Gain) on tangible assets disposed of	594	(5,471)
Decrease / (increase) in stocks	27,550	(55,446)
Decrease in debtors	1,711	987
(Decrease) in creditors	(3,247)	(4,454)
(Decrease) in provisions	(3,019)	(7,024)
Corporation tax (paid)	(1,228)	(2,867)
Interest payable	13,887	2,360
<b>Net cash (used)/generated from operating activities</b>	<b>(22,496)</b>	<b>(8,176)</b>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(14,096)	(15,264)
Sale of fixed assets	-	16,305
<b>Net cash (used)/from investing activities</b>	<b>(14,096)</b>	<b>1,041</b>
<b>Cash flows from financing activities</b>		
Interest paid	(3,201)	(725)
Net loan funding	(22,739)	-
<b>Net cash used in financing activities</b>	<b>(25,940)</b>	<b>(725)</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(62,532)</b>	<b>(7,860)</b>
Cash and cash equivalents at beginning of period	76,758	84,618
<b>Cash and cash equivalents at the end of period</b>	<b>14,226</b>	<b>76,758</b>
<b>Cash and cash equivalents at the end of period comprise:</b>		
Cash and cash equivalents	14,226	76,758
	<b>14,226</b>	<b>76,758</b>

The notes on pages 25 to 47 form part of these financial statements.

## HHGL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY 2023

#### 1. General information

HHGL Limited ("the Company") is a private company limited by shares incorporated and domiciled in the United Kingdom under the Companies Act 2006. The Company's registered address is Witan Gate House, 500 - 600 Witan Gate, Milton Keynes, MK9 1BA.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102') and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires HHGL Group management to exercise judgement in applying the HHGL Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements.

The financial statements and notes are disclosed in rounded thousands of GBP.

Additionally, the HHGL Group and Company have taken advantage of the following FRS102 exemption available to qualifying entities which are relevant to its financial statements:

- the disclosure requirements of Section 33.1a of FRS102.

##### 2.2 Basis of consolidation

The consolidated financial statements present the results of the HHGL Group as if they form a single entity. Intercompany transactions and balances between HHGL Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated profit and loss account from the date on which control is obtained. They are deconsolidated from the date control ceases.

##### 2.3 Going concern

The financial statements have been prepared on a going concern basis.

The directors have considered HHGL, its subsidiaries and Hampden Group Limited's cash flow forecasts and liquidity under different scenarios from the date of approval of these financial statements to 31 December 2024, comprising:

- A base case forecast reflecting a further year of subdued demand. This is the scenario the directors feel is most likely to occur.
- A severe downside forecast designed to test the resilience of the business against shocks to it.
- A reverse stress test with further downside forecast that has mitigation options available to support the ongoing liquidity of the business.

The HHGL Group is financed through a bank facility with Wells Fargo, and separate facilities from other group companies which share the same ultimate controlling party as the HHGL Group. These facilities comprise an asset based lending facility of up to £95m with Wells Fargo Capital Finance and an additional £80m non-current revolving credit facility, as well as an additional non-current loan.

At the date of signing these financial statements, headroom on the facilities is in excess of £20m. Further to note 20, subsequent to the reporting date, no financial covenants have been breached with headroom in place throughout this period. In both the base case and severe downside scenarios reviewed by the board, headroom on the banking facilities is maintained and the directors therefore do not expect the covenant associated with the Wells Fargo Loan facility to be tested through to 31 December 2024. Furthermore the directors have also received a letter of support from its parent undertaking that it will continue to provide support during the going concern period.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 1 JANUARY 2023 (CONTINUED)**

**2.3 Going concern (continued)**

The current Wells Fargo Facility runs until 20 December 2024 and has the option of two 12-month extensions that can be mutually agreed. Given these options, and the fact that the current facility still has 12 months to run, negotiations with both Wells and potential alternative lenders are not expected to commence until mid 2024 at the earliest. However, because the earliest possible expiry date falls within the going concern assessment period, this has triggered a technical material uncertainty over the HHGL Group and Company's ability to meet their obligations as they fall due, notwithstanding that the directors have confidence in the financial resilience of the HHGL Group and the Company and that the facility could be refinanced either with the existing or an alternative lender.

2022 proved challenging with consumer confidence low as the economy continued to gradually recover from COVID-19 and was further impacted by the invasion of Ukraine in February 2022. These conditions had a significant impact on already rising inflation in the UK further impacting consumer confidence. Whilst the cost of living crisis continues to be an ongoing challenge across the UK and Ireland, in 2023 the UK also experienced unseasonably poor weather with the third wettest March and sixth wettest July on record, however performance in 2023 is materially better than in 2022. The base case forecast assumes a continuation of these challenging trading conditions throughout the going concern period.

Given the headroom in both the base case and severe downside forecast, together with the support from the parent undertaking, the directors have confidence in the financial resilience of the HHGL Group, and therefore have approved that the accounts be prepared on a Going Concern Basis.

**2.4 Foreign currency translation**

**Functional and presentation currency**

The HHGL Group and the Company's functional and presentational currency is GBP.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

On consolidation, the results of the Republic of Ireland are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 1 JANUARY 2023 (CONTINUED)**

**2.5 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the HHGL Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

**Sale of goods**

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the HHGL Group has transferred the significant risks and rewards of ownership to the buyer;
- the HHGL Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the HHGL Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The HHGL Group sells products which are delivered directly to customers by suppliers and for these sales has determined that it acts as a principal and recognises revenue as the gross amount of consideration to which it expects to be entitled.

**2.6 Transfer pricing**

A transfer pricing policy for subsidiaries identified as limited risk distributors within the HHGL Group are based on a target operating margin percentage.

**2.7 Operating leases**

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

**2.8 Government grants - furlough**

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the consolidated profit and loss account in the same period as the related expenditure.

**2.9 Interest income**

Interest income is recognised in profit or loss using the effective interest method.

**2.10 Finance costs**

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**2.11 Borrowing costs**

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 1 JANUARY 2023 (CONTINUED)**

**2.12 Pensions**

**Defined contribution pension plan**

The HHGL Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the HHGL Group pays fixed contributions into a separate entity. Once the contributions have been paid the HHGL Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the HHGL Group in independently administered funds.

**2.13 Current and deferred taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the HHGL Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the HHGL Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**2.14 Exceptional items**

Exceptional items are transactions that fall within the ordinary activities of the HHGL Group and Company but are presented separately due to their size or incidence.

**2.15 Intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years. Software assets have an average useful life of between 2 and 5 years.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 1 JANUARY 2023 (CONTINUED)**

**2.16 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold property	- depreciated over the period of the lease
Plant and machinery	- depreciated over 3-20 years according to the estimated useful life of the relevant asset
Assets under construction	- are not depreciated

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

**2.17 Impairment of fixed assets and goodwill**

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

The cash flows for the business are extrapolated using a long-term growth rate of 2% and are discounted using a discount rate of 10% to calculate the value-in-use. Fixed assets were impaired by £17.9m in the current period.

**2.18 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

**2.19 Stock**

Stock is stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis and for imported stock includes amounts for freight and duty. Adjustments are also made to the cost of stock to reflect the significant and on-going fluctuations in global freight rates.

At each balance sheet date stock is assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

**2.20 Debtors**

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Long term debtors are receivable balances which are both due and expected to be received at a time more than 12 months from the balance sheet date. Where intercompany balances are issued as payable on demand, but are not expected to be received in the 12 months following the balance sheet date, these have been recorded as long term debtors in line with the requirements of FRS 102.



## HHGL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY 2023 (CONTINUED)

#### 2.21 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours and includes credit card receipts. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the HHGL Group's cash management.

#### 2.22 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Long term creditors are payable balances which are both due and expected to be paid at a time more than 12 months from the balance sheet date.

#### 2.23 Provisions for liabilities

Provisions are made where an event has taken place that gives the HHGL Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the HHGL Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

#### 2.24 Financial instruments

The HHGL Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The Company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

#### 2.25 Commercial income

Commercial income is recognised as a deduction from cost of sales, based on the expected entitlement that has been earned up to the balance sheet date. The HHGL Group only recognises such income where there is documented evidence of an agreement with a supplier. The types of commercial income recognised by the HHGL Group are:

Marketing, ad hoc and advertising income - recognised once agreed with a supplier and over the period set out in the specific agreement.

Volume based rebates and settlement discounts from suppliers - recognised through the period based on sales volumes, informed by current performance. Income is invoiced throughout the year in accordance with the specific supplier terms. The majority of those arrangements run for one calendar year.

#### 2.26 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 1 JANUARY 2023 (CONTINUED)**

**3. Judgements in applying accounting policies and key sources of estimation uncertainty**

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and potentially the disclosure of contingent liabilities. The resulting accounting estimates, which are based on management's judgement at the date of the financial statements, will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the period in which the estimates are revised and future periods where appropriate. The following judgements or estimates have had the most significant effect on amounts recognised in the financial statements:

**Impairment of assets**

Assets are subject to impairment reviews whenever changes in events or circumstances indicate that an impairment may have occurred. If such an indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

Assets are written down to their recoverable amount, which is the higher of fair value less costs to dispose and value-in-use. Value-in-use is calculated by discounting the expected cash flows from the asset at an appropriate discount rate for the risks associated with that asset. This includes estimates of both the expected cash flows and an appropriate discount rate which use management's assumptions and estimates of the future performance of the asset.

The cash flows for the business are extrapolated using a long-term growth rate of 2% and are discounted using a discount rate of 10% to calculate the value-in-use. Differences between expectations and the actual cash flows will result in differences in the level of impairment required.

A previously recognised impairment loss is reversed if there has been a significant change in the underlying assumptions used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined, net of amortisation or depreciation, if no impairment loss had been recognised in prior years.

**Provisions**

Provisions have been estimated for returns, property, insurance, warranties and other liabilities. These provisions represent the best estimate of the liability at the balance sheet date, the actual liability being dependent on future events such as trading conditions at a particular store, including expected costs or income associated with store closures. Expectations will be revised each period until the actual liability arises, with any difference accounted for in the period in which the revision is made. The warranty provision is to cover the estimated expected value of future claims under warranties offered by HHGL Group companies which generally cover the product for a defined period.

**Stock**

Judgement is applied when estimating the impact on the carrying value of stock of factors such as slow moving items, shrinkage and obsolescence. Stock levels and eventual sale price are regularly measured and assessed throughout the year to support the estimate of the carrying value of stock, being the lower of cost or net realisable value.

**Impairment of intercompany financial assets**

Intercompany balances are accounted for under the scope of FRS102.11. The Company performs an annual impairment review over intercompany balances which assesses the ability of each entity to pay balances based on their net assets at the balance sheet date. Intercompany financial assets are impaired such that they are not higher than the net assets of the entity owing the balance. Should the indebted entity improve its net asset position, the impairment may subsequently be reversed such that it is deemed probable that the value can be recovered.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 1 JANUARY 2023 (CONTINUED)**

**4. Turnover**

	<b>Period ended 1 January 2023 £000</b>	<i>Period ended 26 December 2021 £000</i>
Sale of home improvement and garden products in the Great Britain and Republic of Ireland	701,179	788,219
	<u><b>701,179</b></u>	<u><i>788,219</i></u>

Includes £38.8m ((€45.6m) (2021: £50.1m (€58.1m)) of sales in the Republic of Ireland. Turnover is shown net of returns and includes concession income from third party concessions.

**5. Other operating (expenses) / income**

	<b>Period ended 1 January 2023 £000</b>	<i>Period ended 26 December 2021 £000</i>
Government grant (expense) / income	(436)	2,168
	<u><b>(436)</b></u>	<u><i>2,168</i></u>

In the current period the HHGL Group repaid £436k which was received in the prior period in the form of assistance from the Republic of Ireland government in respect of the job retention scheme as a consequence of COVID-19. This amount was received automatically based on calculations done by the ROI authorities.

**6. Operating (loss)/profit**

Operating (loss)/profit is stated after charging:

	<b>Period ended 1 January 2023 £000</b>	<i>Period ended 26 December 2021 £000</i>
Exchange differences	354	936
Depreciation charge	5,361	5,210
Amortisation charge	3,266	3,145
Loss / (gain) on disposal of property, plant & equipment	594	(5,471)
Other operating lease rentals	75,372	72,844
Write-down of stock	<u><b>9,085</b></u>	<u><i>9,204</i></u>

# HHGL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY 2023 (CONTINUED)

### 7. Auditor's remuneration

	Period ended 1 January 2023 £000	Period ended 26 December 2021 £000
Fees payable to the Company's auditors for the audit of the consolidated and parent Company's financial statements	390	635

Auditor's remuneration for the period ended 26 December 2021 relates to remuneration paid to the previous auditors.

### 8. Employees

Staff costs were as follows:

	Group 1 January 2023 £000	Group 26 December 2021 £000	Company 1 January 2023 £000	Company 26 December 2021 £000
Wages and salaries	102,239	110,935	97,689	105,081
Social security costs	8,249	7,867	7,779	7,254
Cost of defined contribution scheme	2,857	2,764	2,879	2,715
	<u>113,345</u>	<u>121,566</u>	<u>108,347</u>	<u>115,050</u>

The average monthly number of employees, including the directors, during the period was as follows:

	Group 1 January 2023 No.	Group 26 December 2021 No.	Company 1 January 2023 No.	Company 26 December 2021 No.
Stores	4,224	4,590	4,021	4,285
Administration and others	567	488	567	488
	<u>4,791</u>	<u>5,078</u>	<u>4,588</u>	<u>4,773</u>

# HHGL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY 2023 (CONTINUED)

### 9. Directors' remuneration

	Period ended 1 January 2023 £000	Period ended 26 December 2021 £000
Remuneration	2,552	2,499
Pension contributions	68	86
	<u>2,620</u>	<u>2,585</u>

The highest paid director received total remuneration of £1.35m (2021: £1.33m) and pension contributions of £0.1m (2021: £0.01m) were made by the HHGL Group on their behalf.

### 10. Interest payable and similar expenses

	Period ended 1 January 2023 £000	Period ended 26 December 2021 £000
Bank interest payable	58	725
Interest payable to Homebase (UK&I) Holdings Limited	10,760	7,329
External loan interest payable	3,028	-
Interest payable on finance leases	41	-
	<u>13,887</u>	<u>8,054</u>

# HHGL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY 2023 (CONTINUED)

### 11. Taxation

	Period ended 1 January 2023 £000	Period ended 26 December 2021 £000
<b>Corporation tax</b>		
Current tax on (loss)/profits for the year	(1,029)	1,228
	<u>(1,029)</u>	<u>1,228</u>
<b>Total current tax</b>	<u>(1,029)</u>	<u>1,228</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	24,425
	<u>-</u>	<u>24,425</u>
<b>Total deferred tax</b>	<u>-</u>	<u>24,425</u>
<b>Taxation on (loss)/profit on ordinary activities</b>	<u>(1,029)</u>	<u>25,653</u>

# HHGL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY 2023 (CONTINUED)

### 11. Taxation (continued)

#### Factors affecting tax charge for the period

The tax assessed for the period is higher than (2021 - *higher than*) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	Period ended 1 January 2023 £000	Period ended 26 December 2021 £000
(Loss)/profit on ordinary activities before tax	<u>(85,225)</u>	<u>55,645</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(16,193)	10,573
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	-	(904)
Effect of change in tax rate	-	(14)
Losses and deferred tax not recognised	16,606	(1,160)
Reversal of timing differences	(334)	(7,189)
(Recognition/derecognition of deferred tax balances)	-	24,425
Income not taxable	-	-
Loss relief surrendered by HHGL Group companies for £nil consideration	(79)	(78)
Loss carry back to prior periods	(1,029)	-
<b>Total tax (credit)/charge for the period</b>	<u><b>(1,029)</b></u>	<u><b>25,653</b></u>

#### Factors that may affect future tax charges

The income tax expense for the period is based on the United Kingdom statutory rate of corporation tax for the period of 19% (2021: 19%). On 3 March 2021 the UK government announced that from 1 April 2023 the UK corporation tax rate was increased to 25% as part of changes introduced in the Finance Act 2021, given Royal Assent on 10 June 2021.

There is a potential deferred tax asset of £121m (2021: £104m) relating to carried forward losses of £90m (£2021: £72m) and net fixed assets timing difference of £31m (2021: £32m) which the directors have not recognised.

The deferred tax asset has been calculated at 25% being the substantively enacted rate at the reporting date.

# HHGL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY 2023 (CONTINUED)

### 12. Exceptional items

	Period ended 1 January 2023 £000	Period ended 26 December 2021 £000
Property and store related income	(99)	15
Fixed asset impairment charge	(17,854)	(963)
Gain on sale of freehold property	-	6,741
Other non-recurring income	-	2,641
	<u>(17,953)</u>	<u>8,434</u>

Exceptional items are transactions that fall within the ordinary activities of the HHGL Group but are presented separately due to their size or incidence.

In December 2022, management performed the annual impairment review of fixed assets which has resulted in an impairment charge of £17.9m. The impairment charge arises due to a reduction in future forecast performance over the medium term to reflect the softening of consumer confidence and the cost-of-living challenges.

### 13. Intangible assets

#### Group and Company

	Computer software £000
<b>Cost</b>	
At 26 December 2021	77,733
Additions	1,726
<b>At 1 January 2023</b>	<u><b>79,459</b></u>
<b>Amortisation</b>	
At 26 December 2021	69,004
Charge for the period on owned assets	3,266
<b>At 1 January 2023</b>	<u><b>72,270</b></u>
<b>Net book value</b>	
<b>At 1 January 2023</b>	<u><u><b>7,189</b></u></u>
<i>At 26 December 2021</i>	<u><u><i>8,729</i></u></u>



# HHGL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY 2023 (CONTINUED)

### 14. Tangible fixed assets

#### Group

	Short-term leasehold property £000	Plant and machinery £000	Assets under construction £000	Total £000
<b>Cost or valuation</b>				
At 26 December 2021	130,849	319,620	-	450,469
Additions	1,127	9,334	1,908	12,369
Disposals	(1,907)	(6,507)	-	(8,414)
<b>At 1 January 2023</b>	<b>130,069</b>	<b>322,447</b>	<b>1,908</b>	<b>454,424</b>
<b>Depreciation</b>				
At 26 December 2021	108,430	302,564	-	410,994
Charge for the period on owned assets	950	4,411	-	5,361
Disposals	(1,778)	(6,043)	-	(7,821)
Impairment charge	5,154	12,700	-	17,854
<b>At 1 January 2023</b>	<b>112,756</b>	<b>313,632</b>	<b>-</b>	<b>426,388</b>
<b>Net book value</b>				
At 1 January 2023	<u>17,313</u>	<u>8,815</u>	<u>1,908</u>	<u>28,036</u>
At 26 December 2021	<u>22,419</u>	<u>17,056</u>	<u>-</u>	<u>39,475</u>

In December 2022, management performed the annual impairment review of fixed assets which has resulted in an impairment charge of £17.9m. The impairment charge arises due to a reduction in future forecast performance over the medium term to reflect the softening of consumer confidence and the cost-of-living challenges.

# HHGL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY 2023 (CONTINUED)

### 14. Tangible fixed assets (continued)

#### Company

	Short-term leasehold property £000	Plant and machinery £000	Assets under construction £000	Total £000
<b>Cost or valuation</b>				
At 26 December 2021	125,378	302,415	-	427,793
Additions	1,094	8,948	1,908	11,950
Disposals	(867)	(4,025)	-	(4,892)
<b>At 1 January 2023</b>	<b>125,605</b>	<b>307,338</b>	<b>1,908</b>	<b>434,851</b>
<b>Depreciation</b>				
At 26 December 2021	103,448	285,418	-	388,866
Charge for the period on owned assets	973	4,387	-	5,360
Disposals	(736)	(3,627)	-	(4,363)
Impairment charge	5,077	12,423	-	17,500
<b>At 1 January 2023</b>	<b>108,762</b>	<b>298,601</b>	<b>-</b>	<b>407,363</b>
<b>Net book value</b>				
<b>At 1 January 2023</b>	<b>16,843</b>	<b>8,737</b>	<b>1,908</b>	<b>27,488</b>
<i>At 26 December 2021</i>	<i>21,930</i>	<i>16,997</i>	<i>-</i>	<i>38,927</i>

In December 2022, management performed the annual impairment review of fixed assets which has resulted in an impairment charge of £17.5m. The impairment charge arises due to a reduction in future forecast performance over the medium term to reflect the softening of consumer confidence and the cost-of-living challenges.

# HHGL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY 2023 (CONTINUED)

### 15. Fixed asset investments

#### Company

	Investments in subsidiary companies £000
<b>Cost or valuation</b>	
At 26 December 2021	31,284
At 1 January 2023	<u>31,284</u>
<b>Impairment</b>	
At 26 December 2021	30,442
At 1 January 2023	<u>30,442</u>
<b>Net book value</b>	
At 1 January 2023	<u><u>842</u></u>
At 26 December 2021	<u><u>842</u></u>

#### Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
HHGL (ROI) Limited	Riverside One, Sir John Rogerson's Quay Dubin 2 Ireland	Ordinary	94.2 %
Homebase Rooms Limited	Witan Gate House 500-600 Witan Gate Milton Keynes MK9 1BA	Ordinary	100 %

# HHGL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY 2023 (CONTINUED)

### 16. Stocks

	<b>Group</b> <b>1 January</b> <b>2023</b> <b>£000</b>	<b>Group</b> <b>26 December</b> <b>2021</b> <b>£000</b>	<b>Company</b> <b>1 January</b> <b>2023</b> <b>£000</b>	<b>Company</b> <b>26 December</b> <b>2021</b> <b>£000</b>
Finished goods and goods for resale	141,199	168,749	136,110	161,579
	<u>141,199</u>	<u>168,749</u>	<u>136,110</u>	<u>161,579</u>

Company trading stock excludes £10.3m (2021: £13.3m) of consignment stock, which is legally owned by the Company but held by Hampden Group Limited, a related party at year end (note 27), and HHGL (ROI) Limited, a direct subsidiary. This consignment stock is shown in the financial statements of these other HHGL Group companies as they bear substantially all of the risks and rewards of trading this stock through their retail stores. Ownership of this stock passes from the Company to Hampden Group Limited and HHGL (ROI) Limited when these companies sell the stock.

Stock written-down in the period and provided for amounted to £9.1m (2021: £9.2m). A number of indemnities have also been provided as part of the financing facility with Wells Fargo described in note 20 and the facility is secured against HHGL Group assets including stock in the form of fixed and floating charges.

### 17. Debtors

	<b>Group</b> <b>1 January</b> <b>2023</b> <b>£000</b>	<b>Group</b> <b>26 December</b> <b>2021</b> <b>£000</b>	<b>Company</b> <b>1 January</b> <b>2023</b> <b>£000</b>	<b>Company</b> <b>26 December</b> <b>2021</b> <b>£000</b>
<b>Due within one year</b>				
Trade debtors	2,025	1,464	2,055	1,464
Amounts owed by Group undertakings	-	-	-	-
Other debtors	10,492	15,221	10,492	14,830
Prepayments and accrued income	13,484	9,980	12,893	9,382
Financial instruments	-	18	-	18
	<u>26,001</u>	<u>26,683</u>	<u>25,440</u>	<u>25,694</u>

The current amounts owed by direct subsidiaries of the HHGL Group and other related parties at year end (note 27) are unsecured, non-interest bearing and not repayable on demand. Amounts owed by these undertakings are fully provided for and £27.7m has been provided (2021: £29.0m) against amounts receivable following an impairment review. £10.0m of this relates to Hampden Group Limited, a HHGL Group subsidiary and related party to HHGL Group.

# HHGL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY 2023 (CONTINUED)

### 18. Cash and cash equivalents

	<b>Group</b> <b>1 January</b> <b>2023</b> <b>£000</b>	<b>Group</b> <b>26 December</b> <b>2021</b> <b>£000</b>	<b>Company</b> <b>1 January</b> <b>2023</b> <b>£000</b>	<b>Company</b> <b>26 December</b> <b>2021</b> <b>£000</b>
Cash and cash equivalents	14,226	76,758	12,667	74,887
	<u>14,226</u>	<u>76,758</u>	<u>12,667</u>	<u>74,887</u>

Under the terms of the asset-based lending facility provided by Wells Fargo Capital Finance a number of company bank accounts for sales receivables operate as blocked accounts within the terms of the financing agreement. In addition, at 1 January 2023 £2.5m (2021: £2.9m) of the balance was held on account by credit card acquirers.

### 19. Creditors: amounts falling due within one year

	<b>Group</b> <b>1 January</b> <b>2023</b> <b>£000</b>	<b>Group</b> <b>26 December</b> <b>2021</b> <b>£000</b>	<b>Company</b> <b>1 January</b> <b>2023</b> <b>£000</b>	<b>Company</b> <b>26 December</b> <b>2021</b> <b>£000</b>
Trade creditors	83,689	87,637	83,689	87,637
Amounts owed to Group undertakings	-	-	-	-
Other creditors	19,180	15,067	17,456	12,916
Accruals and deferred income	40,660	43,046	39,184	41,056
Financial instruments	6	-	6	-
	<u>143,535</u>	<u>145,750</u>	<u>140,335</u>	<u>141,609</u>

#### Financial instruments

During the period the Company entered into a number of forward foreign currency and foreign currency options primarily to acquire US dollars to fund the settlement of US dollar trade payments at certain rates. Currency contracts and options outstanding at period end have been fair valued using market rates and movements in fair value taken to profit and loss.

Fair values at period end were: forward foreign currency contracts £nil (2021: £0.1m). The forward currency contracts fix at an average US dollar rate of 1.19 (2021: 1.34) and all expire within 6 months of year end. Their notional amounts at period end were \$76.4m (2021: \$57.5m).

# HHGL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY 2023 (CONTINUED)

### 20. Creditors: amounts falling due after more than one year

	Group 1 January 2023 £000	Group 26 December 2021 £000	Company 1 January 2023 £000	Company 26 December 2021 £000
Amounts owed to Group undertakings	518,760	600,074	521,003	600,074
Accruals and deferred income	16,984	16,235	15,432	14,756
Wells Fargo external loan	66,277	-	66,277	-
	<u>602,021</u>	<u>616,309</u>	<u>602,712</u>	<u>614,830</u>

The amount owed to the Parent Company (note 27) remains due and payable.

Net debt has increased to £570.8m (2021: £523.3m) and includes the loan amounts disclosed above net of cash of £14.2m (2021: £76.8m). Movements in net debt principally comprise the cash flow movement presented in the consolidated statement of cash flows.

#### Loans

In November 2018 the HHGL Group secured an asset-based lending facility of up to £95m with Wells Fargo Capital Finance. The facility ran for three years to November 2021 and was provided against stock and credit card receivables with an interest rate of 2.5% per annum above the 30 day LIBOR rate on amounts draw-down and 0.35% on the remaining undrawn amount.

On 20 December 2021 the HHGL Group secured a three-year extension to the asset based lending facility with Wells Fargo Capital Finance, originally signed in November 2018. The facility is for £80m with the option to increase this to £95m for seasonal peaks and is provided against stock and credit card receivables with an interest rate of 1.85% per annum above the daily SONIA rate on amounts draw down and 0.325% on the remaining undrawn amount. At the balance sheet date, the amount drawn down on the facility and outstanding was £66.3m (2021: £Nil).

The facility contains a financial covenant linked to trading cash flow and EBITDA. Covenants are not tested on the facility provided £10m of headroom is maintained. After a rolling 12-month EBITDA financial condition was not met on the facility, a voluntary block on £10m of available funds was requested by the Company. A number of indemnities have also been provided and the facility is secured against HHGL Group assets in the form of fixed and floating charges secured on the tangible assets, shares and certain intellectual property assets of the HHGL Group.

In addition to the Wells Fargo facility, the HHGL Group also has access to revolving and non-current loan facilities from its parent to fund any additional requirements of the business.

On 21 October 2021 the Company secured a three-year extension to the £25m revolving credit facility from its parent, originally signed in November 2018. The revolving facility limit was increased to £55m on 20 December 2022 and further increased to £80m on 23 September 2023, which took place with full support from Wells Fargo, whose facility remains in place on existing terms (note 28).

The revolving credit facility carries an interest rate of 2% plus Bank of England base rate on the first £5m drawn-down, 4.75% plus Bank of England base rate on amounts drawn-down above this and 0.75% on undrawn amounts. The non-current loan facility carries an interest rate of 0.8433% plus the average monthly SONIA rate. These facilities are also secured by fixed and floating charges over the assets, investments and intellectual property assets of the HHGL Group.

At the date of signing these accounts, the total balance due under the parent loan facilities is £576.1m.

# HHGL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY 2023 (CONTINUED)

### 21. Provisions

Group	Property provision £000	Other provision £000	Total £000
At 26 December 2021	5,815	4,192	10,007
Charged to profit or loss	1,641	152	1,793
Utilised in period	(2,798)	(87)	(2,885)
Released in period	(351)	(1,576)	(1,927)
<b>At 1 January 2023</b>	<b><u>4,307</u></b>	<b><u>2,681</u></b>	<b><u>6,988</u></b>

Company	Property provision £000	Other provision £000	Total £000
At 26 December 2021	4,900	3,809	8,709
Charged to profit or loss	682	146	828
Utilised in period	(1,308)	(55)	(1,363)
Released in period	(227)	(1,437)	(1,664)
<b>At 1 January 2023</b>	<b><u>4,047</u></b>	<b><u>2,463</u></b>	<b><u>6,510</u></b>

Property provisions comprise of obligations on onerous leases together with other costs or income associated with store closures. In respect of onerous leases, provision is made for onerous lease contracts on stores that have either closed, or for trading stores where projected future trading revenue is insufficient to cover the costs of operating the store on an ongoing basis, in which case the lower of the lease exit cost and the net cost of running the store to the end of the lease term is provided (a "value-in-use" calculation). Where the value-in-use calculation is lower, the provision is based on the present value of expected future cash flows relating to rents and other property costs to the end of the lease terms net of expected trading or sublet income.

Other provisions include provision for the estimated cost of warranties given on certain products sold and not settled at the balance sheet date. These include the cost of claims that have arisen but not yet been reported to the Company, a provision for customer returns based on recent and expected run rates and a provision for annual leave.

# HHGL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY 2023 (CONTINUED)

### 22. Share capital

	1 January 2023 £000	26 December 2021 £000
<b>Allotted, called up and fully paid</b>		
13,189,752 (2021: 13,189,752) Ordinary shares of £1 each	13,190	13,190
	<u>13,190</u>	<u>13,190</u>

### 23. Reserves

#### Foreign exchange reserve

Foreign currency consolidation translation differences arising from the consolidation of subsidiary companies with functional currencies other than GBP.

#### Non-controlling interests

5.8% of the equity of HHGL (ROI) Limited is owned by a related party, Hampden Group Limited..

### 24. Contingent liabilities

Counter indemnities relating to a bank guarantee facility of £0.8m (2021: £2.7m) have been entered into by the HHGL Group. These are not expected to result in a material liability to the HHGL Group.

Cross guarantees for £95m are in place with a number of subsidiaries to support the loan facility extension provided by Wells Fargo (note 20).

### 25. Pension commitments

The HHGL Group operates a Defined contribution scheme.

Companies and team members pay contributions into independently administered funds. The cost of providing these benefits, recognised in profit or loss, comprises the amount of the contributions payable to the scheme in respect of the period. Contributions of £0.5m (2021: £0.4m) were payable to the scheme at period end and included within creditors due within 1 year.



# HHGL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY 2023 (CONTINUED)

### 26. Commitments under operating leases

At 1 January 2023 the HHGL Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	<b>Group</b> <b>1 January</b> <b>2023</b> <b>£000</b>	<b>Group</b> <b>26 December</b> <b>2021</b> <b>£000</b>	<b>Company</b> <b>1 January</b> <b>2023</b> <b>£000</b>	<b>Company</b> <b>26 December</b> <b>2021</b> <b>£000</b>
Not later than 1 year	75,334	74,798	70,718	70,116
Later than 1 year and not later than 5 years	269,711	266,582	255,277	251,535
Later than 5 years	186,740	194,221	182,479	187,249
<b>Property leases</b>	<b>531,785</b>	<b>535,601</b>	<b>508,474</b>	<b>508,900</b>
	<b>Group</b> <b>1 January</b> <b>2023</b> <b>£000</b>	<b>Group</b> <b>26 December</b> <b>2021</b> <b>£000</b>	<b>Company</b> <b>1 January</b> <b>2023</b> <b>£000</b>	<b>Company</b> <b>26 December</b> <b>2021</b> <b>£000</b>
Not later than 1 year	6,761	11,711	6,761	11,711
Later than 1 year and not later than 5 years	8,825	9,523	8,825	9,523
<b>IT lease commitments</b>	<b>15,586</b>	<b>21,234</b>	<b>15,586</b>	<b>21,234</b>

### 27. Related party transactions

The Company has taken advantage of the exemptions in Section 33.1a of FRS102 and has not disclosed transactions with wholly owned subsidiary undertakings. The directors are not aware of any related party transactions that are required to be disclosed that are not otherwise disclosed in the financial statements.

During the period 18 (2021: 17) key management personnel received £4.2m in remuneration and benefits (2021: £6.5m), excluding directors remuneration disclosed in note 9. In addition, the HHGL Group had the following transactions with parties related by virtue of common control:

# HHGL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY 2023 (CONTINUED)

### 27. Related party transactions (continued)

Related party transactions:	In relation to:	1 January 2023 £000	26 December 2021 £000
Moores Furniture Group Limited	Stock purchases	11,077	5,713
Hilco Capital Limited	Retail and Property consultancy fees	5,975	3,102
Ark UK Holdings Limited	Group recharges	326	-
Hampden Group Limited	Stock purchases and services	25,244	46,045
Hampden Group Limited	Provision of administration services	15,519	16,052
Denby Pottery Company Limited	Stock purchases	-	6
HB Brands Limited	Brand ownership charges	379	375
Hilco Profit Recovery Limited	Profit recovery services	-	4
Hampden Group Limited	Movement in loan balances during period	-	(50,989)
Homebase (UK&I) Holdings Limited	Movement in loan balances during period	(77,495)	-
Related party balances:	In relation to:		
Moores Furniture Group Limited	Stock purchases	1,271	875
HB Brands Limited	Brand ownership charges	93	-
Ark UK Holdings Limited	Group recharges	41	-
Hampden Group Limited	Intercompany balance	9,904	10,864
Hampden Group Limited	Consignment stock	5,169	6,120
Homebase (UK&I) Holdings Limited	Loan balance	(522,579)	(600,074)

### 28. Post balance sheet events

Since 1 January 2023 the HHGL Group has closed five stores in Chelmsford, Newport, Finchley Road, Plymouth and Banbury, as well as three smaller concession stores in Borehamwood, Woolwich and Walkden.

Following the budgeting process for 2024 and beyond it was agreed to increase the size of the HUKI revolving loan facility so that the future working capital needs of the HHGL Group would be met. The HUKI revolving loan facility was increased to £80m on 27 September 2023, which took place with the full support of Wells Fargo whose facility remains in place on existing terms.

In 2023 a corporate simplification exercise took place to remove eight intermediate holding companies from the wider group structure to improve transparency and reduce administrative costs going forward. As part of the simplification process, the Company has become a direct subsidiary of Alyway Limited. The ultimate ownership of the HHGL Group has not changed as a result of the simplification exercise. The revolving and non-current loan facilities provided by HUKI to the HHGL Group have been assigned to Ark Finco UK Limited (another group company) and will continue to be provided to the HHGL Group on existing terms.

### 29. Controlling party

At the balance sheet date, the Company's immediate parent undertaking is Homebase (UK&I) Holdings Limited, a company registered in England and Wales, by virtue of its 100% shareholding in the Company. The ultimate controlling party is considered to be Paul McGowan.