

# G

**CHFP025****COMPANIES FORM No. 155(6)a****Declaration in relation to  
assistance for the acquisition  
of shares**

# 155(6)a

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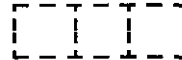
Pursuant to section 155(6) of the Companies Act 1985

Please complete  
legibly, preferably  
in black type, or  
bold block lettering

To the Registrar of Companies  
(Address overleaf - Note 5)

For official use

Company number



00533033

**Note**

Please read the notes  
on page 3 before  
completing this form.

Name of company

\* HOMEBASE LIMITED

\* insert full name  
of company

insert name(s) and  
address(es) of all  
the directors

We Ian Maitland Baldwin of 14 Rachel Court, Albion Road, Sutton, Surrey, SM2 5TF; Stephen  
William Bradbury of 2 Bellever Hill, Camberley, Surrey, GU15 2HD; Stephen Andrew Cooke  
of 48 Manor Crescent, Epsom, Surrey, KT19 7EF; Judith Margaret Elizabeth Evans of 67  
St Marys Grove, Chiswick, London W4 3LW; Timothy John James of 39 Downs Way, Epsom,  
Surrey, KT18 5LU, Bernard John Christian Willis of Churchlands, Kirdford,  
Billingshurst, West Sussex, RH14 0LP; Shena Macdonald of Church Farm, Church Way,  
Grendon, Northampton, NN7 1JE

delete as  
appropriate

~~the sole director~~ [all the directors]† of the above company do solemnly and sincerely declare that:

The business of the company is:

delete whichever  
is inappropriate

- ~~(a) that of a [recognised bank] [licensed institution]† within the meaning of the Banking Act 1979~~  
~~(b) that of a person authorised under section 3 or 4 of the Insurance Companies Act 1982 to carry on~~  
~~insurance business in the United Kingdom~~  
(c) something other than the above

The company is proposing to give financial assistance in connection with the acquisition of shares in the

~~company~~ [company's holding company Beddington House (No 2) Limited

~~limited~~†

The assistance is for the purpose of [that acquisition] ~~[reducing or discharging a liability incurred for the~~  
~~purpose of that acquisition]~~†

The number and class of the shares acquired or to be acquired is: 1000 ordinary  
shares of £1 each

Presenter's name address and  
reference (if any):

Clifford Chance Limited Liability  
200 Aldersgate St  
London  
EC1A 4JJ

JEW/S1349/9642/IJY  
London-2\818567

For official Use  
General Section



LD4  
COMPANIES HOUSE  
COMPANIES HOUSE

0232  
22/03/01  
13/03/01

The assistance is to be given to: (note 2) Fifthgrange Limited of 200 Aldersgate Street,  
London, EC1A 4JJ

Please do not  
write in this  
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Please complete  
legibly, preferably  
in black type, or  
bold block  
lettering

The assistance will take the form of:

See Schedule 1

The person who ~~has acquired~~ [will acquire]† the shares is:

† delete as  
appropriate

Fifthgrange Limited of 200 Aldersgate Street, London, EC1A 4JJ

The principal terms on which the assistance will be given are:

See Schedule 2

The amount of cash to be transferred to the person assisted is £ nil

The value of any asset to be transferred to the person assisted is £ nil

The date on which the assistance is to be given is within eight weeks of the date hereof

Please do not  
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in black type, or  
bold block lettering

\* delete either (a) or  
(b) as appropriate

~~1/~~ We have formed the opinion, as regards the company's initial situation immediately following the date on which the assistance is proposed to be given, that there will be no ground on which it could then be found to be unable to pay its debts. (note 3)

(a) ~~1/~~ We have formed the opinion that the company will be able to pay its debts as they fall due during the year immediately following that date]\* (note 3)

(b) ~~[It is intended to commence the winding up of the company within 12 months of that date, and 1/ we have formed the opinion that the company will be able to pay its debts in full within 12 months of the commencement of the winding up.]~~\* (note 3)

And ~~1/~~ we make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1835.

Declared at Beddington House, Wellington,  
Surrey

Day Month Year  
on 

0	1	0	3	2	0	0	1
---	---	---	---	---	---	---	---

before me G. M. L. J. A.  
A Commissioner for Oaths or Notary Public or Justice of the Peace or a Solicitor having the powers conferred on a Commissioner for Oaths.

Declarants to sign below

*[Handwritten signatures of declarants]*

## NOTES

- 1 For the meaning of "a person incurring a liability" and "reducing or discharging a liability" see section 152(3) of the Companies Act 1985.
- 2 Insert full name(s) and address(es) of the person(s) to whom assistance is to be given; if a recipient is a company the registered office address should be shown.
- 3 Contingent and prospective liabilities of the company are to be taken into account - see section 156(3) of the Companies Act 1985.
- 4 The auditors report required by section 156(4) of the Companies Act 1985 must be annexed to this form.
- 5 The address for companies registered in England and Wales or Wales is:-

The Registrar of Companies  
Companies House  
Crown Way  
Cardiff  
CF14 3UZ

or, for companies registered in Scotland:-

The Registrar of Companies  
37 Castle Terrace  
Edinburgh  
EH1 2EB

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delete either (a) or  
i) as appropriate

~~1/~~ We have formed the opinion, as regards the company's initial situation immediately following the date on which the assistance is proposed to be given, that there will be no ground on which it could then be found to be unable to pay its debts. (note 3)

(a) ~~1/~~ We have formed the opinion that the company will be able to pay its debts as they fall due during the year immediately following that date)\* (note 3)

(b) ~~It is intended to commence the winding up of the company within 12 months of that date, and 1/ we have formed the opinion that the company will be able to pay its debts in full within 12 months of the commencement of the winding up.\* (note 3)~~

And ~~1/~~ we make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1835.

Declared at MERUSA LES ALGER  
8 MOIE FRANCE

Declarants to sign below



on 

Day	Month	Year
01	03	2001

before me 

A Commissioner for Oaths or Notary Public or Justice of the Peace or a Solicitor having the powers conferred on a Commissioner for Oaths.

## NOTES

- 1 For the meaning of "a person incurring a liability" and "reducing or discharging a liability" see section 152(3) of the Companies Act 1985.
- 2 Insert full name(s) and address(es) of the person(s) to whom assistance is to be given; if a recipient is a company the registered office address should be shown.
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CF14 3UZ

or, for companies registered in Scotland:-

The Registrar of Companies  
37 Castle Terrace  
Edinburgh  
EH1 2EB

**Homebase Limited**  
**Financial Assistance Declaration (S155(6)(a))**

**Schedule 1 to the Statutory Declaration dated 1 March 2001**

The financial assistance will take the form of:

1.

1.1 The execution, delivery and performance by Homebase Limited (the "**Company**") of its obligations under:

1.1.1 a guarantor accession agreement to be entered into on or about the date hereof between Tudorbay Limited as Parent, the Company and the Agent (the "**Senior Guarantor Accession Deed**") under which the Company will accede as an Additional Guarantor to the Senior Facilities Agreement;

1.1.2 a borrower accession agreement to be entered into on or about the date hereof between Tudorbay Limited as Parent, the Company and the Agent (the "**Senior Borrower Accession Deed**");

1.1.3 a guarantor accession agreement to be entered into on or about the date hereof between Tudorbay Limited as Parent, the Company and the Mezzanine Agent (the "**Mezzanine Guarantor Accession Deed**") under which the Company will accede as an Additional Guarantor to the Mezzanine Facility Agreement;

1.1.4 an English law debenture to be entered into on or about the date hereof by the Company and UBS AG, London Branch as Security Agent (the "**English Debenture**") which was required pursuant to the terms of the Senior Facilities Agreement and the Mezzanine Facility Agreement in terms of which the Company has granted fixed and floating charges over substantially all of its assets to secure its obligations to the Security Agent;

1.1.5 an inter-company loan agreement between, *inter alia*, the Company and others as lenders (together the "**Subsidiary Lenders**") and Fifthgrange Limited as borrower pursuant to which funds will be lent upstream *inter alia* to assist Fifthgrange Limited in meeting its payment obligations under, *inter alia*, the Finance Documents, the £292,900,000 deep discount subordinated unsecured bonds 2013 with an aggregate issue price of £114,200,000 issued by Fifthgrange on or around the date hereof (the "**Institutional Deep Discount Bonds**") and the £192,360,000 deep discount subordinated unsecured bonds 2013 with an aggregate issue price of £75,000,000 issued by Fifthgrange on or around the date hereof (the "**Vendor Deep Discount Bonds**") (the "**Inter-Company Loan Agreement**");

1.1.6 an intercreditor agreement to be entered into on or about the date hereof by, *inter alia*, the Company, UBS AG as Security Agent, Senior Agent and Mezzanine Agent (each as defined therein), SVEF II Nominees Limited, SV

(Nominees) Limited as nominee for Schroder Ventures Investments Limited and J Sainsbury plc (the "**Intercreditor Agreement**");

- 1.1.7 an inter-company loan agreement (the "**Vendor Loan**") to be entered into on or about the date hereof between the Company and Fifthgrange Limited pursuant to which £313,029,000 will be lent to Fifthgrange Limited by the Company to assist Fifthgrange Limited in complying with its payment obligations under the Acquisition Agreement, £54,000,000 of which the Company had received from Iconford Limited (the parent of Beddington House (No 4) Limited) in satisfaction of the debt due to it from Beddington House (No 4) Limited following the sale by the Company of the large format stores to Beddington House (No 4) Limited; and
- 1.1.8 a Scottish Standard security in favour of UBS AG as security trustee over Unit 1 Caledonian Centre, Wishaw (Land Register of Scotland Title Number LAN37941) to be entered into by the Company (the "**Wishaw Standard Security**").

1.2

- 1.2.1 The transfer by the Company to J Sainsbury plc, in accordance with the provisions of clause 12.8 of the Acquisition Agreement, of the partnership interest held by the Company pursuant to a limited partnership agreement dated 4 July 2000 between SAC GP Limited, HSBC Bank plc as trustee of the Hill Samuel Property Unit Trust and the Company;
- 1.2.2 By the performance of any other acts or the execution of any other documents ancillary or otherwise relating to the above documents; and

Senior Facilities Agreement means a loan agreement dated 21 December 2000 between, *inter alia*, Tudorbay Limited as Parent, Fifthgrange Limited as Borrower, UBS Warburg Limited as Arranger and UBS AG as Original Lender, Agent and Security Agent (each as defined therein) as amended and restated by a supplemental facility agreement dated 22 February 2001 and as further amended by an amendment agreement dated on or around 1 March 2001 (the "**Senior Facilities Agreement**") under which the Lenders (as defined therein) will agree to provide term loan and revolving credit facilities in a maximum aggregate amount of £410m to the Borrower for the purposes as more particularly set out in the Senior Facilities Agreement.

Mezzanine Facility Agreement means a loan agreement dated 21 December 2000 between, *inter alia*, Tudorbay Limited as Parent, Fifthgrange Limited as Borrower, UBS Warburg Limited as Arranger and UBS AG as Original Lender, Mezzanine Agent and Security Agent (each as defined therein) as amended and restated by a supplemental facility agreement dated 22 February 2001 and as further amended by an amendment agreement dated on or around 1 March 2001 (the "**Mezzanine Facility Agreement**") under which the

Lenders (as defined therein) will agree to provide a Sterling mezzanine loan facility in a maximum aggregate amount of £65m to the Borrower for the purposes more particularly set out in the Mezzanine Facility Agreement.

Acquisition Agreement means the share sale and purchase agreement dated 21 December 2000 between J Sainsbury plc, the Company, Drury House Investments Limited, Fifthgrange Limited, Iconford Limited and Tudorbay Limited (the "**Acquisition Agreement**") relating to, inter alia, the sale and purchase of shares in Beddington House (No.2) Limited and Homebase Group Limited.

2. The Company's taking of steps detailed and contemplated in the structure paper produced by PricewaterhouseCoopers in relation to the acquisition in relation to which the documents listed at 1.1.1-1.1.4 above relate (the "**Structure Paper**") to be taken by it (the "**Structure Steps**") including, without limitation, the execution of all the documentation (and the performance of obligations thereunder) and the taking of any other action, in each case necessary or desirable in order to implement such steps.

Unless the contrary intention appears, a term defined in this schedule to the Statutory Declaration has the same meaning as in the Senior Facilities Agreement, Mezzanine Facility Agreement, English Debenture, Inter-Company Loan Agreement, Intercreditor Agreement, Wishaw Standard Security, or Vendor Loan as the case may be.

**Homebase Limited**  
**Financial Assistance Documentation (s155(6)(a))**

Schedule 2 to the Statutory Declaration dated 1 March 2001

The principal terms on which the assistance by Homebase Limited (the "**Company**") will be given are:

(A)

1. Under the terms of the Debenture the Company with full title guarantee as security for the payment of the Liabilities (as defined at the end of this paragraph 1) in favour of the Security Agent (for the benefit of itself and the other Finance Parties):
  - 1.1 by way of first legal mortgage, the Scheduled Property (other than the Scottish Property) and all other Property in England or Wales now belonging to it (excluding for the avoidance of doubt any Large Format Store or any leasehold properties subject to leases with terms which prohibit the Charging Company from granting fixed charges over such leases without landlord's consent and the relevant landlord's consent has not been obtained at the date of the Debenture or after the date of the Debenture in accordance with the provisions of Clause 2.8 of the Debenture) and (to the extent capable of being charged) all rights in relation to or under and all benefits of any covenants for title given or entered into by any predecessor in title of the Company and moneys paid or payable in respect of such covenants;
  - 1.2 by way of first fixed charge, all estates, interests, rights, easements and liberties now or at any time hereafter belonging to it in or in relation to any Property (excluding that charged by Clause 2.1(a) of the Debenture, any Large Format Store and any Scottish Property) including Property (other than Scottish Property) acquired by it after the date of the Debenture (save for any Large Format Store or any leasehold properties subject to leases with terms which prohibit the Charging Company from granting fixed charges thereof without landlord's consent and the relevant landlord's consent has not been obtained at the date of the Debenture in relation to which the provisions of Clause 2.8 of the Debenture shall apply); and
  - 1.3 by way of first fixed charge (except to the extent specifically assigned pursuant to Clause 2.2 (*Assignment by way of Security*) of the Debenture and also excepting any assets, rights and interests which are situated in Scotland or which are subject to or governed by Scots Law):
    - (a) all of its Book Debts and all its benefits, rights and interests in any other Book Debts;
    - (b) all of its Scheduled Investments and all other Investments now or hereafter belonging to it (whether at law or in equity);



- (c) all of the capital of the Company which is now or hereafter belonging to it;
- (d) all Intellectual Property which is now or hereafter uncalled;
- (e) the benefit of all licences of, and all agreements entered into or the benefits of which are enjoyed by the Company relating to the use or exploitation of, Intellectual Property which have been or are hereafter granted either by or to it;
- (f) all benefits, rights, title and interest now or hereafter of the Company under or in respect of any present or future policies of insurance or to or in, or to or in the proceeds of, any claim under any policy of insurance (to the extent that the same are not otherwise subject to an effective fixed charge pursuant to Clause 2.1(c) of the Debenture) including, without limitation, all moneys received by it as described in Clause 4.7 (*Insurance Proceeds*) of the Debenture but excluding any such proceeds or moneys to the extent attributable to an insurance policy relating to the Large Format Stores;
- (g) all personal chattels now or hereafter belonging to the Company and its interest in any personal chattels in its possession;
- (h) all of the goodwill of the Company;
- (i) all of its Bank Balances and all its rights, benefits and interests in any other Bank Balances; and
- (j) all benefits, rights, title and interest (including, without limitation, the right to receive any compensation) now or hereafter of the Company under or in respect of any present or future licence, consent, authorisation, concession, agreement (including, without limitation, the Relevant Documents but excluding (aa) the rights of the LFS Purchaser under the Acquisition Documents, and (bb) the rights of Charging Companies under the Texas Homecare Agreements but only to the extent such charge is expressly prohibited or the consent of a third party is required to such charge), warranty, bond, guarantee or letter of credit (to the extent that the same are not otherwise subject to an effective fixed charge pursuant to Clause 2.1(c) of the Debenture or to an effective security assignment under Clause 2.2 (*Assignment by way of Security*) of the Debenture).

In this Schedule "**Liabilities**" means all indebtedness and other liabilities of any nature of each Obligor due, owing or incurred under the Finance Documents (or any of them) to the Finance Parties (or any of them) and/or any Receiver (including, without limitation in relation to any new or increased advances or utilisations) whether present or future, and whether originally indebtedness or liabilities to all or any of the Finance Parties and/or any Receiver actual or contingent, matured or not matured, liquidated or unliquidated, whether incurred solely or jointly with any other person and whether as principal or surety, in any currency or currencies, together with all interest accruing thereon (calculated in accordance with Clause 6.5 (*Default Interest*) of the Senior

Facilities Agreement (until and including the Senior Discharge Date, and thereafter, Clause 6.5 (*Default Interest*) of the Mezzanine Facility Agreement) and Clause 14.4 (*Interest*) of the Debenture, whether before or after judgement except for any indebtedness or liabilities which, if they did constitute part of the Liabilities would result in the Debenture contravening Section 151 of the Companies Act 1985.

2. In the Debenture, the Company as continuing security for the payment of all Liabilities, with full title guarantee, assigns by way of security (subject to the proviso for redemption contained in the Debenture) to the Security Agent (for the benefit of itself and the other Finance Parties) all rights, title, interest and benefits present or future of the Company in or under each of the Relevant Documents (but excluding for the avoidance of doubt, (aa) the rights of the LFS Purchaser under the Acquisition Documents; and (bb) the rights of Charging Companies under the Texas Homecare Agreements but only to the extent such assignment is expressly prohibited or the consent of a third party is required to such assignment) provided that on payment or discharge in full of the Liabilities to the satisfaction of the Security Agent, but subject to Clause 16.4 (*Redemption*) of the Debenture, the Security Agent will, at the request and cost of the Company, re-assign the Relevant Documents to the Company (or as it shall direct).
3. In the Debenture, the Company, as security for the payment of all Liabilities, charges with full title guarantee (and to the extent applicable to any assets, rights and interests which are situated in Scotland or which are subject to or governed by Scots law), by way of first floating charge in favour of the Security Agent (for the benefit of itself and the other Finance Parties), its undertaking and all its assets both present and future not otherwise effectively mortgaged, charged or assigned by the Debenture (but specifically including without limitation) within the first floating charge the Scottish Property and irrespective of whether the same is secured by way of a first fixed charge, standard security or otherwise and further including any other assets, rights and interests which are situated in Scotland or which are subject to or governed by Scots Law).
4. In the Debenture, the Debenture contains a covenant for further assurances and shall remain in full force and effect notwithstanding any amendments, variations or novations from time to time of the Finance Documents or any assignment, transfer or novation of the rights and obligations of any Lender or Security Agent.
5. In the Debenture, the Company covenants that, without prior consent of the Security Agent, it shall not create or permit to subsist any Security Interest over all or any of its assets other than a Security Interest permitted under both the Senior Facilities Agreement and the Mezzanine Facility Agreement or sell, transfer, assign, lease, hire out, lend or otherwise dispose of any Charged Assets or permit any person to do any such thing except as expressly provided for or permitted under both the Senior Facilities Agreement and the Mezzanine Facility Agreement.

6. In the Debenture, the Company covenants that it shall on demand pay or discharge the Liabilities as and when the same become due (after the expiry of any applicable grace period) and in the manner provided for the Finance Documents.
7. In the Debenture, the Company agrees as security for payment of all Liabilities to charge its Properties referred to in Part 2 of Schedule 2 of the Debenture now belonging to it or in respect of Scottish Property subsequently acquired by it after the date hereof (save in respect of any Scottish Property comprising (1) any leasehold properties subject to leases with terms which prohibit the Charging Company from granting a Standard Security over such leases without landlord's consent and the relevant landlord's consent has not been obtained on the date of this Debenture (in relation to which the provisions of Clause 2.8 of the Debenture shall apply) and (2) any leasehold properties where the leases are of insufficient duration to so secure and/or not registered in the Land Register or recorded in the General Register of Sasines or capable of being so registered or recorded) to the Security Agent for the benefit of itself and the other Finance Parties by way of Standard Security.
- (B) Under the terms of the Intercreditor Agreement the Company will agree to subordinate its right to repayment of monies due from Fifthgrange Limited to it pursuant to the Inter-company Loan Agreement in certain circumstances and to the ranking of priority between certain creditors of Fifthgrange Limited and its subsidiaries;
- (C) Under the terms of the Senior Guarantor Accession Deed the Company irrevocably and unconditionally and jointly and severally with the other Guarantors:
- (a) guarantees to each Senior Finance Party, as principal obligor, the performance by each other Obligor of all its obligations under and in accordance with the terms of the Senior Finance Documents and the payment when due by each other Obligor of all sums payable under the Senior Finance Documents;
  - (b) undertakes with each Senior Finance Party that, if any other Obligor fails to pay any of the indebtedness referred to in paragraph (a) above on its due date it will pay that sum on demand (after the expiry of any applicable grace period); and
  - (c) indemnifies each Senior Finance Party on demand against all losses, damages, costs and expenses incurred by such Senior Finance Party arising as a result of any obligation or any Obligor under the Senior Finance Documents being or becoming unenforceable, invalid or illegal.
- (D) Under the terms of the Mezzanine Guarantor Accession Deed the Company irrevocably and unconditionally and jointly and severally:
- (a) guarantees to each Mezzanine Finance Party, as principal obligor, the performance by each other Obligor of all its obligations under and in accordance with the terms of the Mezzanine Finance Documents and the payment when due by each other Obligor of all sums payable under the Mezzanine Finance Documents;

- (b) undertakes with each Mezzanine Finance Party that, if any other Obligor fails to pay any of the indebtedness referred to in paragraph (a) above on its due date it will pay that sum on demand (after the expiry of any applicable grace period);
  - (c) indemnifies each Mezzanine Finance Party on demand against all losses, damaged, costs and expenses incurred by such Mezzanine Finance Party arising as a result of any obligation of any Obligor under the Mezzanine Finance Documents being or becoming enforceable, invalid or illegal; and
- (E) The purpose of the Inter-Company Loan Agreement would be for the Company to assist Fifthgrange to meet its cash flow requirements from time to time, to comply with its payment obligations under, *inter alia* the Finance Documents (including, without limitation, the repayment of monies borrowed under the Senior Facilities Agreement and the Mezzanine Facilities Agreement to finance the Acquisition), the Institutional Deep Discount Bonds, the Vendor Deep Discount Bonds, to refinance any debt (including inter-company debt) and to meet any fees and expenses incurred in connection with the Acquisition.
- (F) By executing the Intercreditor Accession Deed the Company will agree to subordinate its right to repayment of monies due from Fifthgrange Limited to it pursuant to the Inter-Company Loan Agreement in certain circumstances and to the ranking of priority between certain creditors of Fifthgrange Limited and its subsidiaries.
- (G) By executing the Vendor Loan the Company agrees to make a loan of £313,029,000 available to Fifthgrange Limited upon the terms and conditions set out therein, in order to assist Fifthgrange Limited to comply with its payment obligations under the Acquisition Agreement;
- (H) Pursuant to the Letter of Support the Parent has agreed to provide, *inter alia*, the Company financial support for a period of at least 12 months commencing from the date hereof. The repayment of any money received under the Letter of Support would constitute the giving of financial assistance for the purposes of this acquisition; and
- (I) Under the terms of the Acquisition Agreement the Company will transfer the Partnership Interest at a price of £16,875,000 which is approximately £1,500,000 less than the value attributed to the Partnership Interest in the books of account of the Company.

Unless the contrary intention appears, a term defined in this document has the same meaning as in the Senior Facilities Agreement, Mezzanine Facility Agreement, Debenture, Inter-Company Loan Agreement Intercreditor Deed, as the case may be.

**PricewaterhouseCoopers**

1 Embankment Place

London WC2N 6RH

Telephone +44 (0) 20 7583 5000

+44 (0) 20 7939 3000

Facsimile +44 (0) 20 7822 4652

The Directors  
Homebase Limited  
Stamford House  
Stamford Street  
London  
SE1 9LL

1 March 2001

Dear Sirs

**Auditors' report to the directors of Homebase Limited pursuant to Section 156(4) of the Companies Act 1985**

We have examined the attached statutory declaration of the directors of Homebase Limited ('the Company') dated 1 March 2001 in connection with the proposal that the Company should give financial assistance for the purchase of the entire share capital of the Company's holding company, Beddington House (No2) Limited.

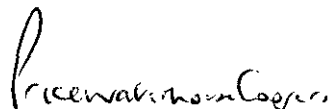
**Basis of opinion**

We have enquired into the state of the Company's affairs in order to review the bases for the statutory declaration.

**Opinion**

We are not aware of anything to indicate that the opinion expressed by the directors in their declaration as to any of the matters mentioned in Section 156(2) of the Companies Act 1985 is unreasonable in all the circumstances.

Yours faithfully



PricewaterhouseCoopers

*Chartered Accountants and Registered Auditors*

**PricewaterhouseCoopers**

1 Embankment Place

London WC2N 6RH

Telephone +44 (0) 20 7583 5000

+44 (0) 20 7939 3000

Facsimile +44 (0) 20 7822 4652

The Directors

UBS AG, London Branch (as Original Lender, Agent, Mezzanine Agent and Security Agent as defined in the Banking Agreements referred to in Appendix A)

UBS Warburg Limited (as Arranger, as defined in the Banking Agreements referred to in Appendix A)

1 Finsbury Avenue

London

EC2M 2PP

1 March 2001

Dear Sirs

**Report by the auditors of Homebase Limited to UBS AG, London Branch and UBS Warburg Limited**

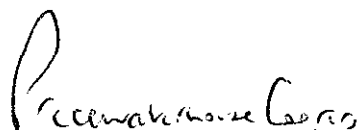
- 1 We report in connection with the proposed arrangement whereby Homebase Limited ('the Company') will give financial assistance for the purchase of the shares of Beddington House (No2) Limited, particulars of which are given in the attached copy of the statutory declaration dated today by the directors of the Company pursuant to Section 155(6) of the Companies Act 1985 ('the Act').
- 2 The purpose of this report is to assist the addressees of this report ('the Banks') in considering whether the proposed arrangement is permitted under Section 155(2) of the Act and it is not intended to be used, quoted or referred to for any other purpose.
- 3 We have examined the Board Memorandum dated 1 March 2001 (a copy of which is attached, initialled by us for the purpose of identification) for which the directors of the Company are solely responsible and have enquired into the Company's state of affairs as far as necessary for us to review the bases for the Board Memorandum. Our enquiry did not constitute an audit under the provisions of the Act.
- 4 We confirm that as at the close of business on 3 February 2001 the aggregate of the Company's assets as stated in its accounting records exceeded the aggregate of its liabilities as so stated.
- 5 We are not aware of anything to indicate that the opinion expressed in paragraph 2 of the Board Memorandum is unreasonable in all the circumstances.

The Directors

1 March 2001

- 6 This report is supplied on the understanding that it is solely for the use of the persons to whom it is addressed. No person other than those to whom it is addressed may rely on it for any purpose whatsoever. Copies may be made available to the addressees' advisers provided that the report is to be used by them only for the purposes stated. It must not be made available or copied in whole or in part to any other person without our written permission.

Yours faithfully



PricewaterhouseCoopers

The Directors

1 March 2001

## APPENDIX A

The "Banking Agreements" referred to are as follows:

- the senior facilities agreement (the "Senior Facilities Agreement") entered into or, as the case may be, to be entered into, between, inter alios, Tudorbay Limited as parent, Fifthgrange Limited as borrower, UBS Warburg Limited as arranger, and UBS AG as original lender, agent and security agent; and
- the mezzanine facility agreement (the "Mezzanine Facility Agreement") entered into or, as the case may be, to be entered into, between, inter alios, Tudorbay Limited as parent, Fifthgrange Limited as borrower, UBS Warburg Limited as arranger, and UBS AG as original lender, agent, mezzanine agent, and security agent.

Words and phrases used in this letter shall have the same meaning as in the Banking Agreements as the context requires.



RWC

**Homebase Limited**

**Board memorandum in connection with the proposed arrangement whereby the company will give financial assistance for the purchase of the shares of Beddington House (No2) Limited, particulars of which are given in the statutory declaration made by the directors this day pursuant to Section 155(6) of the Companies Act 1985 ('the Act')**

The directors confirm the following matters to the best of their knowledge and belief:

- 1 As at the close of business on 3 February 2001, being the latest practicable date before the date of this memorandum for which management accounts have been prepared, the aggregate of the company's assets as stated in its accounting records exceeded the aggregate of its liabilities as so stated;
- 2 From their knowledge of events since that date and of the likely course of the company's business, the directors have formed the opinion that the aggregate of the company's assets will exceed the aggregate of its liabilities immediately before the proposed financial assistance is given and that the giving of such financial assistance will not reduce the net assets of the company.

Signed on behalf of the Board

.....*S. W. Smith*.....

Dated 1 March 2001