HOMEBASE LIMITED

REPORT AND FINANCIAL STATEMENTS

For the 44 weeks ended 2nd February 2002

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Company No. 533033

HOMEBASE LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the 44 weeks ended 2nd February 2002. The year end date for the Company was changed to 2nd February so that it falls before the Easter trading period. This has resulted in a shortened financial period from 1st April 2001 to 2nd February 2002. The prior year period represents the 52 weeks ended 31st March 2001.

Principal activity

The principal activity of the Company is the retailing of DIY, home enhancement and garden centre products.

Business review and future developments

At the beginning of the financial year, the Group's processes and organisational structures were reviewed and streamlined and this has led to the achievement of substantial gains in operational effectiveness. Significant progress has been made in implementing the Group's strategy of focusing on the Homebase brand and store development. There is an ongoing programme of new store development and store refurbishment and during the period 4 new stores were opened. The capital expenditure plans for the year ahead include a substantial number of store refits, the opening of 9 new stores, together with the development and implementation of new IT systems.

Results and dividends

The financial period is for the 44 weeks to 2nd February 2002. The Company's profit after taxation for the financial period is £28,773,000 (2001: £218,399,000). No dividends were paid during the year (2001: £283,027,000), and no final dividend is proposed.

Directors

The directors who held office during the financial period were:

	Appointed	Resigned
J D Lovering		
R W Templeman		
C K Woodhouse		
T J James		
I M Baldwin		
S Hunt	20th August 2001	
S W Bradbury		20th April 2001
S A Cooke		20th April 2001
J M E Evans		27th April 2001
B J C Willis		4th May 2001
S P MacDonald		20th April 2001

After the year-end, C N Sherwood was appointed to the board on 19th April 2002.

Directors' interests

The interests of J D Lovering, R W Templeman, C K Woodhouse, T J James, S Hunt and C N Sherwood, who are also directors of the ultimate parent company, Homebase Group Limited, are shown in the annual report of that company.

I M Baldwin holds 30,000 (2001: 10,000) 'A' ordinary shares of 1p each in Homebase Group Limited, and has no interests in the shares or debentures of any other company within the Homebase Group Limited group.

REPORT OF THE DIRECTORS (continued)

Supplier payments

It is the Company's policy to agree payment terms with suppliers in advance and, subject to confirmation of receipt of merchandise in good condition and the timely submission of satisfactory invoices, to pay in accordance with those terms.

At the period end the average number of days credit taken by the Company for trade purchases was 65 days (2001: 47 days).

Treasury

The main financial risks faced by the Company and managed by its treasury function are currency risk and credit risk. The Board regularly reviews these risks and approves written treasury policies covering the use of financial instruments to manage these risks.

Transaction exposures arise on overseas trade purchases. A proportion of these exposures are hedged using spot or forward currency contracts and derivative instruments as approved by the Board.

Company policy requires that credit exposure may only be taken on a limited basis with banks and financial institutions that maintain a strong credit rating. The Company sets counter party credit limits with such banks and financial institutions by reference to published Rating Agency credit ratings. Counter party positions are monitored on a regular basis. The Company controls its dealing activity by providing dealing mandates to, and operating standard settlement instructions with, its banking counter parties.

Euro

Whilst UK membership of the EMU remains uncertain, the Company is continuing with preparations to ensure that it will be ready to conduct business in Euros in the event of the UK joining the EMU. All new major business systems recently implemented and currently being developed incorporate EMU compliant software.

Donations

Charitable donations during the period amounted to £715 (2001: £804,000). There were no political donations (2001: £nil).

Employment policies

The Company employment policies respect the individual and offer career opportunities regardless of gender, race or religion. Full and fair consideration is given to the employment and opportunities for training and development of people with disabilities according to their skills and capacity. The services of any existing employee who becomes disabled are retained wherever possible. The Company also has an established process for communicating and consulting with employees through newsletters and briefing groups, and includes making employees aware of the financial performance of the Company.

Auditors

In accordance with the provisions of Section 379a of the Companies Act 1985 (as amended) the Company has elected, pursuant to Section 386 of the Act, to dispense with the obligation to appoint auditors annually.

By order of the Board

P H Shenton
Secretary

23rd May 2002
Beddington House
Railway Approach
Wallington
Surrey SM6 0HB

DIRECTORS' RESPONSIBILITIES

Financial statements, including the adoption of going concern basis

Company law in the United Kingdom requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

The directors confirm that after having reviewed current performance and forecasts they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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

- select suitable accounting policies and then apply them consistently;
- confirm that applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- make judgements and estimates that are prudent and reasonable;

Other matters

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for the maintenance and integrity of the Homebase web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HOMEBASE LIMITED

We have audited the financial statements on pages 5 to 19.

Respective responsibilities of Directors and Auditors

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of Opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company as at 2nd February 2002 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
23rd May 2002

HOMEBASE LIMITED

PROFIT AND LOSS ACCOUNT
For the 44 weeks ended 2nd February 2002

	Note	Before Exceptional Items	Exceptional Items	Period Ended 2nd February 2002	Restated 52 weeks ended 31st March 2001
		£'000	£'000	£'000	£'000
Turnover	2	1,170,407	-	1,170,407	1,265,415
Cost of sales	3	(1,035,146)	(42,877)	(1,078,023)	(1,210,890)
Gross profit		135,261	(42,877)	92,384	54,525
Administration expenses	3	(53,143)	(4,032)	(57,175)	(75,478)
Operating profit/(loss)	4	82,118	(46,909)	35,209	(20,953)
Profit on sale of properties	3	-	2,258	2,258	223,189
Profit on ordinary activities before interest		82,118	(44,651)	37,467	202,236
Net interest receivable / (payable)	3,7	6,843	20	6,863	(1,879)
Other finance costs	7	(1,161)	-	(1,161)	(1,086)
Profit on ordinary activities before taxation		87,800	(44,631)	43,169	199,271
Taxation (charge) / credit	8	(20,739)	6,343	(14,396)	19,128
Profit on ordinary activities after taxation		67,061	(38,288)	28,773	218,399
Dividends	9			-	(283,027)
Retained profit / (loss) for the financial period	20			28,773	(64,628)

All transactions relate to continuing operations.

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

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the period stated above and their historical cost equivalents.

HOMEBASE LIMITED

BALANCE SHEET at 2nd February 2002

	Note	2nd February 2002 £'000	2nd February 2002 £ '000	Restated 31st March 2001 £'000	Restated 31st March 2001 £ '000
Fixed assets					
Tangible fixed assets	10		217,243		244,978
Current assets					
Stocks	12	172,675		214,604	
Debtors	13	150,607		246,794	
Cash at bank and in hand		249,827		62,328	
		573,109		523,726	
Creditors: amounts falling due within one year	14	(288,721)		(299,895)	
Net current assets			284,388		223,831
Total assets less current liabilities			501,631		468,809
Creditors: amounts falling due after one year	15		(4,605)		-
Provisions for liabilities and charges	17		(37,168)		(37,724)
Net assets			459,858		431,085
Capital and reserves					
Called up share capital	19		472,579		472,579
Profit & loss account	20		(12,721)		(41,494)
Equity shareholders' funds	21		459,858		431,085

The financial statements on pages 5 to 19 were approved by the Board of Directors on 23rd May 2002 and are signed on its behalf by:

C K Woodhouse
Director

Notes to the Financial Statements
For the 44 weeks ended 2nd February 2002

1. Accounting Policies

Basis of the Financial Statements

The financial statements are prepared under the historical cost convention and comply with applicable Accounting Standards issued by the Accounting Standards Board in the United Kingdom.
The Company has adopted FRS17 'Retirement benefits' and FRS19 'Deferred tax' in these financial statements. The adoption of FRS17 has had no impact on these financial statements. The adoption of FRS19 represents a change in accounting policy and where appropriate comparative figures have been restated accordingly. FRS18 'Accounting policies' has been adopted in the current year but this did not require any change in accounting policy. The other accounting policies applied are consistent with those adopted in previous years. The principal accounting policies are summarised below.

Turnover

Turnover consists solely of sales, excluding value added tax, through retail outlets and the Homebase e-commerce web site, and excludes rental and other income (which are included in cost of sales and administration expenses).

Cost of sales

Cost of sales consists of all costs to the point of sale, including warehouse and transportation costs, and the costs of operating retail outlets.

Depreciation

Freehold land is not depreciated. Freehold buildings and leasehold buildings with more than 50 years unexpired are depreciated on a straight-line basis at the rate of 2% per annum.

Leasehold properties with less than 50 years unexpired are depreciated to write off their book value in equal annual instalments over the unexpired period of the lease.

Fixtures and equipment (including computer software) are depreciated in equal annual instalments to write off their costs over their estimated useful lives, which do not exceed 10 years, commencing when they are brought into use.

Certain tenants' fixtures which have been capitalised as part of leasehold properties, and premiums paid by the Company in respect of such properties, are depreciated in equal annual instalments over the estimated useful life of the asset to the Company.

Impairment in the value of any fixed assets is charged to the profit and loss account. Fixed assets at retail outlets are reviewed for impairment annually on a store by store basis.

Onerous lease costs

When a leasehold property ceases to be used in the business or a commitment is entered into which would cause this to occur, provision is made to the extent that the recoverable amount of the interest in the property is expected to be insufficient to cover future obligations relating to the lease.

e-Commerce costs

Costs of developing and maintaining the e-Commerce website are expensed to the profit & loss account as incurred.

Software costs

Costs incurred in acquiring and developing computer software for internal use are capitalised as tangible fixed assets, where the software supports a significant business system and the expenditure leads to the creation of an identifiable durable asset. Computer software assets are depreciated over their expected useful lives, and are regularly reviewed for impairment.

Notes to the Financial Statements (continued)
For the 44 weeks ended 2nd February 2002

Pension costs

In October 2001, the Company established a new Stakeholder pension scheme. This is a defined contribution scheme and the assets of the scheme are held separately from those of the Company in an independently administered fund. Contributions to the defined contribution scheme are charged in the profit and loss account in the period in which they are made.

Prior to October 2001, the Company participated in the defined contribution and defined benefit pension schemes of J Sainsbury plc, the former ultimate parent company. Membership of these J Sainsbury plc schemes was closed to the employees of Homebase Limited in October 2001. The assets of these schemes are held by trustee companies that are separate from the Company and J Sainsbury plc.

The Company has adopted FRS 17 'Retirement benefits'. The company's participation in the J Sainsbury plc defined benefit schemes falls within the multi-employer scheme exemption permitted within FRS17. The company's participation in these defined benefit schemes has therefore been accounted for as if they were defined contribution schemes, and the contributions have been charged in the profit and loss account in the period in which they are made.

Additional disclosures relating to the Company's pension schemes are given in note 23.

Leased assets

Assets used by the Company, which have been funded through finance leases, are capitalised and the resulting lease obligations are included in creditors net of finance charges. Interest costs on finance leases and all payments in respect of operating leases are charged directly to the profit and loss account.

Deferred tax

The Company has adopted FRS19 (Deferred tax), in the financial statements. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly. Deferred taxation is provided in full on all timing differences. Timing differences arise from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred taxation assets and liabilities are not discounted. The effect of the change in accounting policy to adopt FRS19 was to increase taxation on profit on ordinary activities by £nil (2001: increase in tax credit by £4,699,000) and to decrease profit for the financial period by £nil (2001: decrease loss by £4,699,000)

Stocks

Stocks are valued at the lower of cost and net realisable value.

Foreign currencies

Trading transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction, or, if hedged, at the forward contract rate.

Monetary assets and liabilities denominated in foreign currencies which are held at the year-end, are translated at rates of exchange ruling at the balance sheet date. Resulting gains and losses on monetary items are taken to the profit and loss account.

Derivative financial instruments

The Company uses derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates. Derivative instruments utilised by the Company include forward foreign currency contracts.

Any foreign currency contracts entered into in respect to trading transactions are accounted for as hedges with the instrument's impact in profit deferred until the underlying transaction is recognised in the profit and loss account. When a financial instrument ceases to be a hedge, either as a result of the underlying asset or liability being extinguished or becoming a future event no longer likely to occur, the instrument will thereafter be marked to its fair value in the financial statements.

Notes to the Financial Statements (continued)
For the 44 weeks ended 2nd February 2002

Concession and leasing agreements

Certain concession contracts and leasing agreements are legally held in the name of Homebase Group (2000) Limited. However, the substance of the transactions is that both concession and leasing agreements are effectively operated by Homebase Limited. Consequently, all transactions of these types are reflected in the accounts of Homebase Limited.

Consolidated accounts

The accounts contain information about Homebase Limited as an individual company. The Company is exempt under section 228(1) of the Companies Act 1985 from the requirement to prepare consolidated accounts as it and its subsidiary undertakings are included by full consolidation in the consolidated accounts of its ultimate parent, Homebase Group Limited, a company registered in England and Wales.

Cash flow statement

The Company is a wholly owned subsidiary of Homebase Group Limited. Consequently the Company is exempt under the terms of Financial Reporting Standard 1 (revised) from publishing a cash flow statement.

2. Turnover

Turnover, which is stated net of value added tax, represents sales through retail outlets and the Homebase e-Commerce web site. Turnover is attributable to the retailing of DIY, home enhancement and garden centre products and relates to sales within the United Kingdom only.

3. Exceptional items

Exceptional costs / (income) are detailed as follows:

	Period ended 2nd February 2002 £'000	52 weeks ended 31st March 2001 £'000
Stock write down	-	37,993
Fixed asset impairment and write down	25,620	-
Onerous leases	3,530	8,204
Profit on disposal of sites and properties	(2,258)	(158,041)
Sale and leaseback of freehold properties	-	(65,148)
Head office restructuring costs and other exceptional administration costs	4,032	3,230
Other exceptional cost of sales (see below)	13,707	3,793
	44,631	(169,969)
This is classified in the profit and loss account as follows:		
Cost of sales	42,877	49,990
Administration expenses	4,032	3,230
Profit on sale of property	(2,258)	(223,189)
Interest	(20)	-
	44,631	(169,969)

The exceptional charges to cost of sales in both 2002 and 2001 largely relate to the refining of the company's strategy to focus on its core strengths, and a review carried out by new management following the acquisition of the Company by Permira on 3rd March 2001.

The exceptional fixed asset impairment and write down charge in 2002 follows an impairment and existence review of fixed assets at retail outlets. Other exceptional costs of sales include charges for the settlement of contractual disputes with third parties, the costs of separation from the former ultimate holding company J Sainsbury plc, and a provision for the obligation to reinstate stores to their original configuration at the end of their lease term.

For the period ended 31st March 2001, the stock write down includes provisions against aged and discontinued stock lines. Property profits of £65,148,000 were realised in 2001 from the sale and leaseback of 36 Homebase stores for proceeds of £233,654,000. These leases are for 25 years at market rentals and have been treated as operating leases.

Notes to the Financial Statements (continued)
For the 44 weeks ended 2nd February 2002

4. Operating profit / (loss)

Operating profit / (loss) is stated after charging / (crediting):	Period ended 2nd February 2002 £'000	52 weeks ended 31st March 2001 £'000
Depreciation of tangible fixed assets:		
Owned assets	29,404	41,775
Impairment of fixed assets	14,715	-
Leased assets	205	269
Operating lease rentals:		
Plant & machinery	1,677	3,072
Property	105,797	107,101
Pension scheme contributions (note 23)	4,728	6,006
e-Commerce web site development and operating losses	2,720	9,742
Auditor's remuneration:		
Audit services	120	125
Other services	476	374
Rents receivable	(3,507)	(5,121)

PricewaterhouseCoopers' remuneration for other services relates to general consultancy and fees for taxation advice. They were also paid £4,448,000 (2001: £6,200,000) for consultancy and advisory work to support information technology systems development. These costs have been capitalised.

5. Directors' emoluments

	Period ended 2nd February 2002 £'000	52 weeks ended 31st March 2001 £'000
Aggregate emoluments	1,383	5,314
Aggregate company contributions to defined contribution or personal pension schemes	102	-

Retirement benefits are accruing to 5 directors (2001: nil) under defined contribution and personal pension schemes.

Under the transitional pension arrangements following the purchase of the Homebase business from J Sainsbury plc in March 2001 (Note 23), 7 directors (2001: 7) accrued retirement benefits under a defined benefits scheme for part of the period.

Compensation paid to directors for loss of office, included in the aggregate emoluments above, amounted to £ nil (2001: £2,058,000)

Highest paid director:	Period ended 2nd February 2002 £'000	52 weeks ended 31st March 2001 £'000
Aggregate emoluments	370	1,038
Company contributions to money purchase pension scheme:	6	-
Accrued pension under defined benefit scheme at end of period	73 *	13

(* at date membership of the defined benefit scheme ceased)

Notes to the Financial Statements (continued)
For the 44 weeks ended 2nd February 2002

6. Staff costs

	Period ended 2nd February 2002 £'000	52 weeks ended 31st March 2001 £'000
Wages and salaries	141,213	170,257
Social security costs	9,218	10,841
Other pension costs (note 23)	4,728	6,006
	155,159	187,104

The average number of employees (including executive directors) during the period was as follows:

	Period ended 2nd February 2002 Number	52 weeks ended 31st March 2001 Number
Office and management	616	1,033
Stores	16,184	16,478
	16,800	17,511
Full Time equivalent	9,286	9,846

7. Net interest receivable / (payable)

	Period ended 2nd February 2002 £'000	52 weeks ended 31st March 2001 £'000
Interest payable		
To former parent company	-	(1,901)
Other interest	(266)	(1,189)
Finance lease interest	(77)	(27)
	(343)	(3,117)
Interest receivable		
From former parent company	-	365
Bank deposits	7,103	296
Other interest	103	577
	7,206	1,238
Net interest receivable/(payable)	6,863	(1,879)
Other finance costs		
Unwinding of discount in provisions	(1,161)	(1,086)

Notes to the Financial Statements (continued)
For the 44 weeks ended 2nd February 2002

8. Tax on profit on ordinary activities

The taxation charge/(credit) for the period is:

	Before Exceptional items £'000	Exceptional Items £'000	Period ended 2nd February 2002 £'000	52 weeks ended 31st March 2001 (restated) £'000
Corporation tax				
United Kingdom corporation taxation at 30%, (2001: 30%):	-	-	-	-
Amount payable to fellow subsidiary in respect of group relief	22,583	(6,343)	16,240	-
Over provision in prior years	-	-	-	(4,843)
Total current tax	22,583	(6,343)	16,240	(4,843)
Deferred tax (note 20)				
Origination and reversal of timing differences	(1,844)	-	(1,844)	(14,285)
	20,739	(6,343)	14,396	(19,128)

The corporation tax payable for the period has been reduced by £16,240,000 because of Group relief received from a fellow subsidiary for which payment will be made.

The adoption of FRS 19 has resulted in a restatement of the tax credit for the period ended 31st March 2001 as follows:

	Period ended 31st March 2001 £'000
As previously reported	14,429
Deferred tax – FRS 19 prior year adjustment (note 20)	4,699
As restated	19,128

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

	Period ended 2nd February 2002 £'000	52weeks ended 31st March 2001 £'000
Profit on ordinary activities before tax	43,169	199,271
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	12,951	59,781
Effects of:		
Adjustments in respect of prior period	-	(4,843)
Expenses not deductible for tax purposes	2,432	(1,231)
Utilisation of tax losses	(10,876)	10,876
Roll over relief	-	(66,460)
Short term timing differences	-	-
Depreciation in excess of capital allowances	11,733	(2,966)
Current tax charge/(credit) for the financial period	16,240	(4,843)

Notes to the Financial Statements (continued)
For the 44 weeks ended 2nd February 2002

9. Dividends

	Period ended 2nd February 2002 £'000	Period ended 31st March 2001 £'000
1st interim dividend	-	38,000
2nd interim dividend	-	17,027
3rd interim dividend	-	188,000
4th interim dividend	-	40,000
	-	283,027

10. Tangible Fixed Assets

	Land and buildings £'000	Fixtures and fittings £'000	Total £'000
Cost			
At 1st April 2001	171,767	454,634	626,401
Additions	-	29,544	29,544
Disposals	(2,240)	(76,959)	(79,199)
At 2nd February 2002	169,527	407,219	576,746
Aggregate depreciation			
At 1st April 2001	91,787	289,636	381,423
Provided in the period	5,873	23,736	29,609
Impairment	5,312	9,403	14,715
Disposals	(530)	(65,714)	(66,244)
At 2nd February 2002	102,442	257,061	359,503
Net book value:			
At 2nd February 2002	67,085	150,158	217,243
At 1st April 2001	79,980	164,998	244,978

The net book value of land and buildings comprise:

	2nd February 2002 £'000	31st March 2001 £'000
Freehold	9,448	9,385
Short Leasehold	57,637	70,595
	67,085	79,980

Assets held under finance leases, capitalised and included in fixtures and fittings:

	2nd February 2002 £'000	31st March 2001 £'000
Cost	30,740	25,051
Aggregate depreciation	(25,105)	(24,900)
Net book value	5,635	151

Notes to the Financial Statements (continued)
For the 44 weeks ended 2nd February 2002

11. Investments

The Company owns the whole of the issued share capital of Motorbase Limited, Texas Services Limited and Focal Point (Lighting) Limited. All three companies are incorporated in England and Wales and have not traded during the financial period.

The investments are held in the accounts at nominal value.

12. Stocks

	2nd February 2002 £'000	31st March 2001 £'000
Goods for resale	172,675	214,604

The difference between the purchase price of stocks and their replacement cost is not material.

Trading stock on 2nd February 2002 excludes £6,278,000 (2001: £8,408,000) of consignment stock, which is legally owned by the Company but which is held by Hampden Group Limited and Homebase House & Garden Centre Limited. This consignment stock is shown in the financial statements of these fellow subsidiaries.

13. Debtors: amounts falling due within one year

	2nd February 2002 £'000	31st March 2001 (restated) £'000
Trade debtors	5,148	23,783
Amounts due from group undertakings	114,451	134,478
Corporation tax recoverable	479	6,600
Deferred tax asset (note18)	7,320	5,476
Other debtors	1,667	45,367
Prepayments and accrued income	21,542	31,090
	150,607	246,794

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

14. Creditors: amounts falling due within one year

	2nd February 2002 £'000	31st March 2001 £'000
Trade creditors	116,960	100,596
Amounts due to group undertakings	46,281	45,085
Other taxation and social security	33,066	56,416
Other creditors and accruals	91,517	97,605
Obligations under finance leases (note 16)	897	193
	288,721	299,895

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

15. Creditors: amounts falling due after more than one year

	2nd February 2002 £'000	31st March 2001 £'000
Obligations under finance leases (note 16)	4,605	-

Notes to the Financial Statements (continued)
For the 44 weeks ended 2nd February 2002

16. Obligations under finance leases

The maturity profile of the Company's finance leases is as follows:

	2nd February 2002 £'000	31st March 2001 £'000
Within one year	897	193
Due after one and within two years	1,373	-
Due after two and within five years	3,232	-
	5,502	193

Future minimum payments under finance leases are as follows:

	Period ended 2nd February 2002 £'000	Period ended 31st March 2001 £'000
Within one year	1,143	234
In more than one year but note more than five	5,196	-
Total gross payment	6,339	234
Less finance charges included above	(837)	(41)
	5,502	193

17. Provisions for liabilities and charges

	Vacant Property £'000	Other £'000	Total £'000
As at 1st April 2001	23,876	13,848	37,724
(Utilised)/increased in period	(7,075)	629	(6,446)
Profit & loss account	3,530	1,199	4,729
Unwind of discount	1,161	-	1,161
As at 2nd February 2002	21,492	15,676	37,168

The provision of £21,492,000 for vacant property costs covers potential future liabilities for onerous lease contracts for stores that have either closed, or where the Company has announced its decision to close. The provision is based on the expected future cash outflows relating to rent, rates and other property costs to the end of the lease terms. Due to the uncertainty relating to the timing of disposals or subletting of these properties, estimates have been included in the assessment of the provision requirement. These costs are anticipated to crystallise over the remaining terms of the relevant leases.

Other provisions include a £12,600,000 provision for potential future liabilities arising from a cashback promotion undertaken in 1992. These costs are anticipated to crystallise within a year. Other provisions in the current year also include a provision for contractual disputes, which are expected to be settled within a year, and a provision for the obligation to reinstate stores to their original configuration at the end of their lease terms.

18. Deferred Taxation

The amount of potential deferred taxation asset provided is as follows: -

	2nd February 2002	31st March 2001 (restated)
	£'000	£'000
Timing differences between depreciation and capital allowances	3,250	(8,110)
Other timing differences - losses	-	9,586
- timing	4,070	4,000
	7,320	5,476

The adoption of FRS 19 has resulted in the restatement of the prior year deferred tax asset. The movement in deferred tax was as follows:

	£'000
At 1st April 2001 as previously reported	10,586
Prior year adjustment - FRS 19 (note 20)	(5,110)
Provision at the beginning of the period	5,476
Amount charged to profit & loss account	1,844
Deferred tax asset at 2nd February 2002	7,320

Based on current capital investment plans, the Group expects to continue to be able to claim capital allowances in excess of depreciation in future years. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet date.

19. Called up share capital

	2nd February 2002 £'000	31st March 2001 £'000
Authorised		
1,000,000,000 (2001: 1,000,000,000) ordinary shares of £1 each	1,000,000	1,000,000
Allotted and fully paid		
472,579,474 (2001: 472,579,474) ordinary shares of £1 each	472,579	472,579

Notes to the Financial Statements (continued)
For the 44 weeks ended 2nd February 2000

20. Profit and loss account

	Profit and loss £'000
As at 1st April 2001 as reported	(36,384)
Prior year adjustment - FRS19 introduction	(5,110)
At 1st April 2001 restated	(41,494)
Retained profit for the period	28,773
As at 2nd February 2002	(12,721)

Prior Year Adjustment

The adoption of FRS 19 has resulted in no change to the tax charge (2001: increase in tax credit by £4,699,000) and no change to the profit for the financial period (2001: decrease in retained loss for the financial period by £4,699,000)

Analysis of prior year adjustment

	£'000
FRS 19	
Adjustment to opening reserves at 2nd April 2000	(9,809)
Adjustment to profit and loss for the period ended 31st March 2001 (note 8)	4,699
	(5,110)

21. Reconciliation of movement in equity shareholders' funds

	2nd February 2002 £'000	31st March 2001 £'000
Profit for the financial period	28,773	213,700
Share capital issued in period	-	72,579
Dividends	-	(283,027)
Net movement in equity shareholders' funds	28,773	3,252
Opening equity shareholders' funds at 31st March 2001 (originally £436,195,000 before deducting prior year adjustment)	431,085	432,943
Closing equity shareholders' funds at 2nd February 2002	459,858	431,085

22. Capital Commitments

Amounts contracted but not provided for in the accounts amounted to £6,149,100 (2001: £3,385,000).

Notes to the Financial Statements (continued)
For the 44 weeks ended 2nd February 2002

23. Pension costs

Following the purchase of the Homebase business from J Sainsbury plc in March 2001, transitional pension arrangements were put in place prior to the establishment of a new stakeholder pension scheme in October 2001. In this transitional period between March 2001 and October 2001, Homebase Limited continued to participate in the J Sainsbury plc pensions schemes. Membership of the J Sainsbury plc pension schemes was closed to the employees of Homebase in October 2001. Employees will have the option of a deferred pension with the J Sainsbury plc schemes or of transferring funds to either the new Homebase stakeholder scheme or a personal pension scheme.

Homebase Stakeholder pension scheme

The Homebase Stakeholder pension scheme is a defined contribution scheme which was established in October 2001 for employees of the Company.

J Sainsbury plc pension scheme

Up to October 2001 the Company participated in the defined contribution schemes (the J Sainsbury Pension and Death Benefit Scheme and the J Sainsbury Executive Pension Scheme) which are run by the former ultimate parent company, J Sainsbury plc. The assets of these schemes are held by trustee companies that are separate from J Sainsbury plc.

Up to the closure of the J Sainsbury plc pension schemes to the employees of Homebase in October 2001, the pension contributions that were made to the defined benefit schemes were based on triennial actuarial valuations carried out by Watson Wyatt, the J Sainsbury plc's independent actuary. The company's contributions to the J Sainsbury plc defined benefit schemes were affected by surpluses and deficits in the schemes, but the Company is unable to identify its share of the underlying assets and liabilities in the schemes in the periods up to closure on a consistent and reasonable basis. The membership of the J Sainsbury plc defined benefit schemes therefore falls within the multi-employer scheme exemption in accordance with FRS 17. The contributions to the J Sainsbury plc defined benefit schemes are therefore accounted for as if they were defined contribution schemes. Homebase Limited has no residual liability for any valuation deficits that may arise in the J Sainsbury plc defined benefit schemes.

Pension Contribution Costs

The total pension contribution costs were £4,728,000 for period ended 2nd February 2002 (2001: £6,006,000)

24. Contingent liabilities and other financial commitments

At the end of the financial period, the Company had annual commitments under non-cancellable operating leases as set out below:

	2nd February 2002 £'000	31st March 2001 £'000
Land and buildings		
Leases which expire:		
Within one year	1,315	7
Between two to five years	1,834	3,090
After five years	140,558	137,461
	143,707	140,558
Other leases		
Leases which expire:		
Between one year	284	340
Between two to five years	1,221	1,425
	1,505	1,765

24 Contingent liabilities and other financial commitments (continued)

The bank borrowings of a parent company, Fifthgrange Limited, have been secured by a fixed and floating charge over all the Company's property and assets, present and future.

There are a number of contingent liabilities relating to the purchase of the Homebase business from J Sainsbury plc, under which it is not considered any material liability will arise.

25. Related party transactions

The Company is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Homebase group.

26. Ultimate Parent Company

The directors regard Homebase Group Limited, a Company that is registered in England and Wales, as the ultimate parent company and controlling party. Copies of the Group accounts, which include the Company, may be obtained from the Group Secretary, Homebase Group Limited, Beddington House, Railway Approach, Wallington, SM6 0HB.