Registration Number
NI 11639

Hampden Group Limited

Annual Report and Financial Statements

For the 52 weeks ended
27 February 2010

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Hampden Group Limited
Directors report for the 52 weeks ended 27 February 2010

The directors present their report and the audited financial statements of the Company for the 52 weeks ended 27 February 2010 (the year)

Registered number

The registered number of the Company is NI11639

Principal activities

The principal trading activity of the Company is the retailing of home enhancement DIY and garden centre products from Homebase stores within Northern Ireland The Company is also an investment holding company for a number of subsidiary undertakings which include the indirectly held Argos general merchandise retailing business and the indirectly held Homebase retail businesses in Great Britain and the Republic of Ireland

Review of the business and future developments

The Company continues to be well positioned as a leading home enhancement retailer Market conditions during the year continued to be challenging in most areas of home and general merchandise Nevertheless the Companys like for like sales performance grew by 0 7/ (2009 decline 2/)

In its peak trading period the Spring 2009 weather conditions were significantly more favourable than the previous year This together with excellent product ranging maintaining high operational standards and appropriately driving additional demand through promotional and clearance activity led to a stronger performance in seasonal related categories including horticulture and garden maintenance

The Company had another year of strong growth in big ticket categories such as kitchens bathrooms and furniture While the year benefited from the withdrawal of some competitors the Company continued to gain from its own initiatives including the previous rollout of kitchen installations and new product ranges

The Company continues to develop its point of differentiation as a more style led offer across home enhancement The Company also continues to protect and develop its core DIY and decorating offer together with the introduction of a more competitive pricing position to give better customer perception of value There have also been improved ranges and product availability to complete DIY tasks greater prominence of advertising and promotions for these areas and a launch of related How to guides

Significant cost actions were taken by the Company in the second half of the previous financial year Store payroll costs had been reduced from the second half of the previous financial year through the realignment of shift patterns and task allocations At the end of that year further organisational changes were undertaken to improve operational efficiency and cost productivity These included a restructuring of store supervisory positions which reduced store based full time equivalent roles by approximately 5% In addition to lowering costs these actions have given the business a more efficient and effective structure whilst protecting customer service and essential processes The Companys already strong customer service scores improved slightly during the year During the year an increased focus on cash had been implemented Capital expenditure in the year just ended was curtailed and working capital continues to be tightly managed No new stores were opened during the year The Company's total number of stores at the year end was 9 (2009 9)

Investment in further operational and customer offer improvements will continue to be implemented with an emphasis to ensure that the Company remains well positioned to capitalise on the longer term recovery in market conditions

The Company received dividend income of £20 988k (2009 £nil) during the year Finance income of £9 374k (2009 £40 531k) was received during the year Finance income is linked to LIBOR and the reduction in LIBOR compared with the prior year has resulted in the decline in finance income It is anticipated that the Company will continue to act as a retailing company for Homebase stores within Northern Ireland as well as an investment holding company for its subsidiary undertakings for the foreseeable future

Results and dividends

The Company s profit for the financial year is £30 115k (2009 £35 523k) The directors do not recommend the payment of a dividend (2009 nil)

Hampden Group Lımıted
Dırectors report for the 52 weeks ended

Internatıonal Fınancıal Reportıng Standards (IFRS)

The financıal statements of the Company untıl 28 February 2009 had been prepared ın accordance wıth UK Generally Accepted Accountıng Prıncıples (UK GAAP) On 1 March 2009 the Company adopted IFRS These financıal statements are therefore the first Companv financıal statements to be prepared ın accordance wıth IFRS The comparatıves ın the financıal statements have been restated accordıngly

Prıncıpal rısks and uncertaıntıes

The prıncıpal rısks and uncertaıntıes of Home Retaıl Group plc whıch ıncludes the Companv are dıscussed on pages 32 33 of Home Retaıl Group s 2010 annual report whıch does not form part of thıs report The Company ıs a sıgnıficant part of Home Retaıl Group so most of the rısks detaıled ın that report are relevant to the Company and are managed bv the dırectors on a basıs consıstent wıth and as part of Home Retaıl Group s structured rısk management process

The financıal rısk management polıcıes of the companv are dısclosed ın note 4 to the financıal statements

Key performance ındıcators

The Group manages ıts operatıons on a dıvısıonal basıs For thıs reason the Company s dırectors belıeve that further key performance ındıcators for the Company are not necessarv or approprıate for an understandıng of the development performance or posıtıon of the busıness The performance of the Homebase retaıl dıvısıon whıch ıncludes the Companv ıs dıscussed on pages 18 21 ın Home Retaıl Group plc s annual report for 2010 whıch does not form part of thıs report

Dırectors

The dırectors that held office durıng the year were as follows

R J Ashton
E G Brazıl (resıgned 31 December 2009)
T Duddy
N Gresham
M P Thompson
P Loft

There were no other appoıntments or resıgnatıons after the year end

Land and Buıldıngs

In the opınıon of the dırectors the market value of the Company s propertıes ıs not sıgnıficantly dıfferent from the amount stated ın note 10 to the financıal statements

Charıtable and Polıtıcal Donatıons

Durıng the year the Company donated £1k (2009 £1k) to varıous charıtıes All donatıons went to natıonal charıtıes

Credıtor Pavment Polıcv

For all trade credıtors ıt ıs the Company s polıcy to

- Agree and confirm the terms of payment at the commencement of busıness wıth that supplıer
- Pav supplıers ın accordance wıth applıcable terms and
- Contınually revıew the payment procedures and lıaıse wıth supplıers as a means of elımınatıng dıfficultıes and maıntaınıng a good workıng relatıonshıp

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Hampden Group Limited

Directors report for the 52 weeks ended

Employees

Consultation with employees or their representatives has continued at all levels with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests In addition meetings are held to ensure that all employees are aware of the financial and economic performance of their business units and of the Company as a whole Communication with all employees continues through the in house newspaper and newsletters briefing groups and the distribution of the Home Retail Group plc 2010 results

Disabled Persons

Applications for employment by disabled persons are always fully considered bearing in mind the respective aptitudes and abilities of the applicant concerned In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged It is the policy of the Company 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

Statement of Directors Responsibilities

The directors are responsible for preparing the directors report and the financial statements in accordance with applicable laws and regulations

Company law requires the directors to prepare financial statements for each financial period Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period

In preparing those financial statements the directors are required to

select suitable accounting policies and then apply them consistently

make judgements and estimates that are reasonable and prudent

state whether applicable IFRSs as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

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

Directors liability insurance and third party indemnification provisions

During the year the Company maintained liability insurance and third party indemnification provisions for its directors under which the Company has agreed to indemnify the directors to the extent permitted by law in respect of all liabilities to third parties arising out of or in connection with the execution of their powers duties and responsibilities as directors of the Company and any of its associated companies These indemnities are Qualifying Third Party Indemnity Provisions as defined in section 234 of the Companies Act 2006 and copies are available for inspection at the registered office of the ultimate parent undertaking Home Retail Group plc at Avebury 489 499 Avebury Boulevard Milton Keynes MK9 2NW during business hours on any weekday except public holidays

Hampden Group Lımıted
Dırectors report for the 52 weeks ended

Dısclosure of ınformatıon to audıtors

Each person who ıs a dırector at the date of approval of thıs report confirms that

a) so far as the dırectors are aware there ıs no relevant audıt ınformatıon of whıch the Company s audıtors are unaware and

b) the dırectors have taken all steps that thev ought to have taken as dırectors ın order to make themselves aware of any relevant audıt ınformatıon and to establısh that the Company s audıtors are aware of that ınformatıon

By order of the board

P A Parker
Company Secretary

Date 23 July 2010

Regıstered Office
21 Arthur Street
Belfast
BT1 4GA
Regıstered Number NI 11639

Independent auditors report to the members of Hampden Group Limited

We have audited the financial statements of Hampden Group Limited for the 52 weeks ended 27 February 2010 which comprise the income statement the statement of comprehensive income the balance sheet the statement of changes in equity the statement of cash flows and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

Respective responsibilities of directors and auditors

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

This report including the opinions has been prepared for and only for the company s members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not in giving these opinions accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company s circumstances and have been consistently applied and adequately disclosed the reasonableness of significant accounting estimates made by the directors and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

give a true and fair view of the state of the Company s affairs as at 27 February 2010 and of its profit and cash flows for the year then ended

have been properly prepared in accordance with IFRSs as adopted by the European Union and

have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us or

the financial statements are not in agreement with the accounting records and returns or

certain disclosures of directors remuneration specified by law are not made or

we have not received all the information and explanations we require for our audit

Graham Parsons (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
Date 23 July 2010

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Hampden Group Limited
Income statement
For the 52 weeks ended 27 February 2010

	Notes	52 weeks ended 27 February 2010 £ 000	52 weeks ended 28 February 2009 £ 000
Revenue		**38 993**	38 710
Cost of sales		**(21 939)**	(21 138)
Gross profit		**17 054**	17 572
Net operating expenses before exceptional items	5	**(16 207)**	(17 392)
Operating profit before exceptional items		**847**	180
Net operating expenses exceptional items	5 7		(8 770)
Operating profit/(loss)		**847**	(8 590)
Income from shares in group undertakings	5	**20 988**	
Finance income		**9,374**	40 531
Finance expense		**(671)**	(558)
Net financing income	8	**8 703**	39 973
Profit before tax		**30 538**	31 383
Taxation	9	**(423)**	4 140
Profit for the year attributable to the equity holders of the Company		**30 115**	35 523

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Hampden Group Limited
Statement of comprehensive income
For the 52 weeks ended 27 February 2010

	Notes	**52 weeks ended 27 February 2010 £ 000**	52 weeks ended 28 February 2009 £ 000
Profit for the year attributable to equity holders of the Company		**30 115**	35 523
Other comprehensive income			
Actuarial (losses)/gains in respect of defined benefit pension schemes	17	**(88)**	286
Tax credit/(charge) in respect of items taken directly to equity	18	**25**	(83)
Other comprehensive income for the year net of tax		**(63)**	203
Total comprehensive income for the year attributable to equity holders of the Company		**30 052**	35 726

Hampden Group Limited
Balance sheet
As at 27 February 2010

	Notes	2010	2009
ASSETS		**£ 000**	£ 000
Non current assets			
Property plant & equipment	10	**2 442**	2 889
Investments in other companies	11	**2 940 307**	2 940 307
Deferred tax assets	18	**1 822**	2 822
Trade and other receivables	13	**846 643**	846 643
Total non current assets		**3 791 214**	3 792 661
Current assets			
Inventories	12	**4 410**	5 244
Trade and other receivables	13	**103 484**	95 004
Cash and cash equivalents	14	**328**	330
Total current assets		**108 222**	100 578
Total assets		**3 899 436**	3 893 239
LIABILITIES			
Non current liabilities			
Trade and other payables	15	**(2 851)**	(3 031)
Provisions	16	**(2 706)**	(2 441)
Retirement benefit obligations	17	**(2 017)**	(3 008)
Total non current liabilities		**(7 574)**	(8 480)
Current liabilities			
Trade and other payables	15	**(259 328)**	(281 826)
Provisions	16	**(111)**	(364)
Current tax liabilities		**(164)**	(362)
Total current liabilities		**(259 603)**	(282 552)
Total liabilities		**(267 177)**	(291 032)
Net assets		**3 632 259**	3 602 207
EQUITY			
Share capital	19	**3 497 550**	3 497 550
Share premium account		**4 200**	4 200
Retained earnings		**130 509**	100 457
Total equity		**3 632 259**	3 602 207

The notes on pages 11 to 40 form an integral part of these financial statements
The financial statements on pages 6 to 40 were approved by the Board of Directors and were signed on their behalf by

N Gresham
Director
Date

23 July 2010

Hampden Group Limited
Statement of changes in equity
For the 52 weeks ended 27 February 2010

	Attributable to equity holders of the Company			
	Share Capital account £ 000	**Share Premium account £ 000**	**Retained earnings £ 000**	**Total £ 000**
Balance at 1 March 2009	3 497 550	4 200	100 457	3 602 207
Profit for the financial year			30 115	30 115
Other comprehensive income			(63)	(63)
Total comprehensive income for the year			30 052	30 052
Balance at 27 February 2010	**3,497,550**	**4 200**	**130,509**	**3,632,259**

	Attributable to equity holders of the Company			
	Share Capital account £ 000	**Share Premium account £ 000**	**Retained earnings £ 000**	**Total £ 000**
Balance at 2 March 2008	3 497 550	4 200	64 731	3 566 481
Profit for the financial year			35 523	35 523
Other comprehensive income			203	203
Total comprehensive income for the year			35 726	35 726
Balance at 28 February 2009	3 497 550	4 200	100,457	3 602 207

Hampden Group Limited
Statement of cash flows
For the 52 weeks ended 27 February 2010

	Notes	52 weeks ended 27 February 2010 £ 000	52 weeks ended 28 February 2009 £ 000
Cash flows from operating activities			
Cash generated from operations	22	**141**	1 977
Interest paid			
Tax paid			
Net cash flow from operating activities		**141**	1 977
Cash flows from investing activities			
Purchase of property plant and equipment		**(143)**	(2 000)
Proceeds from the disposal of property plant and equipment			1
Interest received			
Dividends received			
Net cash flow from investing activities		**(143)**	(1 999)
Net (decrease) in cash and cash equivalents		**(2)**	(22)
Movement in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		**330**	352
Net (decrease) in cash and cash equivalents		**(2)**	(22)
Cash and cash equivalents at the end of the year	14	**328**	330

Hampden Group Lımıted
Notes to the financıal statements
For the 52 weeks ended 27 Februarv 2010

1 General ınformatıon

Hampden Group Lımıted (the Company) ıs a prıvate lımıted companv ıncorporated and domıcıled ın Northern Ireland under the Companıes (Northern Ireland) Order 1986 The Companv s regıstered address ıs 21 Arthur Street Belfast BT1 4GA

The financıal year represents the 52 weeks to 27 Februarv 2010 (52 weeks to 28 February 2009)

Statement of complıance

The financıal statements of the Company have been prepared ın accordance wıth Internatıonal Fınancıal Reportıng Standards (IFRSs) and Internatıonal Fınancıal Reportıng Interpretatıons Commıttee ınterpretatıons (IFRICs) as adopted by the European Unıon They also comply wıth those parts of the Companıes Act 2006 applıcable to companıes reportıng under IFRSs

2 Basıs of preparatıon

The financıal statements are presented ın sterlıng rounded to the nearest thousand They are prepared on the goıng concern basıs under the hıstorıc cost conventıon modıfied for the revaluatıon of post employment benefits and share based payments The prıncıpal accountıng polıcıes applıed ın the preparatıon of these financıal statements are set out ın note 3 Unless otherwıse stated these polıcıes have been consıstently applıed to all the perıods presented

IFRS 1 Fırst tıme adoptıon of Internatıonal Fınancıal Reportıng Standards has been applıed ın preparıng these financıal statements These are the first Hampden Group Lımıted financıal statements to be prepared ın accordance wıth IFRS

The financıal statements of Hampden Group Lımıted untıl 28 February 2009 had been prepared ın accordance wıth UK Generally Accepted Accountıng Prıncıples (UK GAAP) UK GAAP dıffers ın certaın respects from IFRS When preparıng the financıal statements to 27 February 2010 management has amended certaın accountıng methods applıed ın the UK GAAP financıal statements to comply wıth IFRS The comparatıves were also restated to reflect these adjustments

Reconcılıatıons and descrıptıons of the effect of the transıtıon from UK GAAP to IFRS on the Companv s equıty and ıts net ıncome are gıven ın note 24

The Company ıs a wholly owned subsıdıary of Home Retaıl Group (UK) Lımıted and ıs ıncluded ın the consolıdated financıal statements of Home Retaıl Group plc whıch are publıcly avaılable Consequently the Company has taken advantage of the exemptıon from preparıng consolıdated financıal statements under the terms of sectıon 400 of the Companıes Act 2006

The Company's operatıons at the balance sheet date consıst of one class of busıness whıch ıs retaılıng wıthın Northern Ireland

Changes ın accountıng standards

The Companv has adopted applıcable new standards and amendments to exıstıng standards whıch are effectıve for the first tıme ın the current year as follows

IAS 1 (revısed) Presentatıon of Fınancıal Statements prohıbıts the presentatıon of ıtems of ıncome and expense ın the statement of changes ın equıtv requırıng non owner changes ın equıtv to be presented separatelv from owner changes ın equıty' Entıtıes can choose whether to present a sıngle performance statement (beıng a statement of comprehensıve ıncome) or two statements (beıng an ıncome statement and a statement of comprehensıve ıncome) The Companv has elected to present two statements an ıncome statement and a statement of comprehensıve ıncome

The vestıng condıtıons and cancellatıons amendment to IFRS 2 Share Based Payment would normally have been effectıve for the first tıme for the current year however ıt was early adopted by the companv durıng the 52 weeks to 28 February 2009

The Company has also adopted IFRIC 13 Customer Lovalty Programmes wıth effect from 1 March 2009 but thıs has had no materıal ımpact on the results or financıal posıtıon of the Company

2 Basis of preparation (continued)

Changes in accounting standards (continued)

Other new standards amendments and interpretations are also effective and have been adopted for the first time for the current year but have had no material impact on the results or financial position of the Company

At the balance sheet date a number of amendments to existing standards were in issue but not yet effective

Amendments to IAS 39 Eligible Hedged Items and
Amendments to IFRS 2 Group Cash settled Share Based Payment

The Company has not early adopted any of these amendments to existing standards Their impact will be fully considered in due course There are no other new standards or IFRICs not yet effective which are expected to have a material impact

Critical accounting estimates and assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of revenues expenses assets and liabilities and the disclosure of contingent liabilities The resulting accounting estimates which are based on management s best 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 estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below

Taxes
Significant judgement is required in determining the provision for income taxes as there are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business The Company recognises liabilities based on estimates of whether additional taxes will be due Where the final tax outcome of these matters is different from the amounts that were initially recorded such differences will impact the results for the year and the respective income tax and deferred tax provisions in the year in which such determination is made

Pension benefits
The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions The assumptions used in determining the defined benefit obligations and net pension costs include the expected long term rate of return on the relevant plan assets and the discount rate Any changes in these assumptions may impact the amounts disclosed in the Company s balance sheet and income statement

The expected return on plan assets is calculated by reference to the plan investments at the year end and is a weighted average of the expected returns on each main asset type (based on market yields available on these asset types at the year end)

The Company determines the appropriate discount rate at the end of each year This is the interest rate used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit obligations In determining the appropriate discount rate the Company considers the market yields of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity consistent with the estimated average term of the related pension liability Other key assumptions for defined benefit obligations and pension costs are based in part on market conditions at the relevant year ends and additional information is disclosed in note 17

Impairment of assets

Assets are subject to impairment reviews whenever changes in events or circumstances indicate that an impairment may have occurred Assets are written down to the higher of fair value less costs to sell 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 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 however 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

2 Basis of preparation (continued)

Critical accounting estimates and assumptions (continued)

Inventory provisions
Inventory is carried at the lower of cost and net realisable value which requires the estimation of the eventual sales price of goods to customers in the future Any difference between the expected and the actual sales price achieved will be accounted for in the period in which the sale is made

Provisions
Provisions have been estimated for onerous leases restructuring 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 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

3 Summary of principal accounting policies

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services to external customers net of value added tax rebates discounts and returns Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably Revenue on goods to be delivered is recognised when the customer receives delivery of the goods The Company operates a variety of sales promotion schemes that give rise to goods being sold at a discount to the standard retail price Revenue is adjusted to show sales net of all related discounts In the period ended 28 February 2009 discounts include the costs of the Homebase Spend & Save scheme

The Homebase Spend & Save scheme was a points based scheme which accrues to customers based on their spend in Homebase retail stores These points are converted to vouchers that entitle the customer to sales discounts Points and vouchers redeemable are reflected at fair value to the customer The Homebase Spend & Save scheme was replaced during the year with the introduction of the Nectar award scheme Revenue is shown net of the cost of Nectar reward points issued and redeemed

Commissions receivable on the sales of services for which the Company acts as agents are included within revenue

A provision for estimated returns is made representing the profit on goods sold during the period which will be returned and refunded after the period end

Foreign currencies

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction At each balance sheet date monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing at the balance sheet date Translation differences on monetary items are taken to the income statement Translation differences on non monetary items are reported as part of the fair value gain or loss and are included in either equity or the income statement as appropriate

Property plant and equipment

Property plant and equipment are held at cost being the purchase price and other costs directly attributable to bringing the asset into use less accumulated depreciation and any impairment in value An impairment charge is recognised where the carrying value of the asset exceeds its recoverable amount being the higher of the asset s fair value less costs to sell and its value in use Value in use calculations are performed using cash flow projections discounted at a rate taking account of the specific risks inherent within the Company s business

Depreciation is charged on a straight line basis as follows

leasehold premises are depreciated over the period of the lease
plant vehicles and equipment are depreciated over 2 10 years according to the estimated life of the asset and
assets in the course of construction are not depreciated

The residual values and useful lives of assets are reviewed and adjusted if appropriate at each balance sheet date

3 Summary of prıncıpal accountıng polıcıes (contınued)

Investments

Investments are ıncluded ın the balance sheet at theır cost of acquısıtıon Where appropriate a provısıon ıs made for any ımpaırment ın theır value

Receıvables

Receıvables are recognısed ınıtıally at faır value and subsequently measured at amortısed cost less provısıon for ımpaırment A provısıon for ımpaırment of trade receıvables ıs establıshed when there ıs objectıve evıdence that the Company wıll not be able to collect all amounts due accordıng to the orıgınal terms of receıvables The amount of the provısıon ıs recognısed ın the balance sheet wıth the cost of unrecoverable trade receıvables recognısed ın the ıncome statement ımmedıately

Inventorıes

Inventorıes are stated at the lower of cost and net realısable value The cost bases ın use wıthın the Company are general retaıl goods valued on a standard cost or weıghted average basıs whıch approxımates to actual cost Net realısable value ıs the estımated sellıng prıce ın the ordınarv course of busıness less applıcable varıable sellıng expenses

The stocks held at the Companv s retaıl outlets are consıgnment stocks that are legallv owned by Homebase Lımıted a subsıdıary of the Company Ownershıp of thıs consıgnment stock passes when the stock ıs sold by the Company However the Companv bears the rısks and rewards of ownershıp of the stock and accordınglv consıgnment stocks and the assocıated credıtor are recognısed ın the Company s balance sheet

Cash and cash equıvalents

Cash and cash equıvalents ıncludes cash ın hand deposıts held at call wıth banks other short term hıghly lıquıd ınvestments wıth orıgınal maturıtıes of three months or less and bank overdrafts

Trade pavables

Trade pavables are oblıgatıons to pav for goods or servıces that have been acquıred ın the ordınarv course of busıness from supplıers They are classıfied as current lıabılıtıes ıf pavment ıs due wıthın one year Thev are recognısed ınıtıally at faır value and subsequently remeasured at amortısed cost

Current and non current tax

Current tax and non current tax are based on taxable profit for the year Taxable profit dıffers from net profit as reported ın the ıncome statement because ıt excludes ıtems of ıncome or expense that are taxable or deductıble ın other vears and ıt further excludes ıtems that are never taxable or deductıble

Deferred taxatıon

Deferred taxatıon ıs provıded ın full on temporary dıfferences arısıng between the tax bases of assets and lıabılıtıes and theır carryıng amounts However ıf the deferred taxatıon arıses from ınıtıal recognıtıon of an asset or lıabılıty ın a transactıon other than a busıness combınatıon that at the tıme of the transactıon affects neıther accountıng nor taxable profit or loss ıt ıs not accounted for Deferred tax assets and lıabılıtıes are calculated at the tax rates that are expected to applv to the perıod when the asset ıs realısed or the lıabılıtv ıs settled based on the tax rates and laws that have been enacted or substantıvely enacted by the balance sheet date Deferred taxatıon assets are recognısed to the extent that ıt ıs probable that future taxable profit wıll be avaılable agaınst whıch the temporary dıfferences can be utılısed

Deferred tax assets and lıabılıtıes are offset when there ıs a legally enforceable rıght to offset current tax assets agaınst current tax lıabılıtıes and when the deferred tax assets and lıabılıtıes relate to taxes levıed by the same taxatıon authorıty on eıther the taxable entıty or dıfferent taxable entıtıes where there ıs an ıntentıon to settle the balances on a net basıs

3 Summary of principal accounting policies (continued)

Provisions

Provisions are recognised when

the Company has a present legal or constructive obligation as a result of past events
it is more likely than not that an outflow of resources will be required to settle the obligation and
the amount has been reliably estimated

Provisions are not recognised for future operating losses Where there are a number of similar obligations the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small If the effect of the time value of money is material provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects current market assessments of the time value of money and where appropriate the risks specific to the liability Where discounting is used the increase in the provision due to the passage of time is recognised as an interest expense Where the Company expects a provision to be reimbursed the reimbursement is recognised as a separate asset when the reimbursement is certain

Provisions are made for onerous lease contracts for stores that have closed or where a decision to close has been announced and for those stores where the projected future trading revenue is insufficient to cover the lower of exit cost or value in use

Provisions are also made for legal claims and restructuring costs dilapidations and for obligations to reinstate stores to their original configuration at the end of their lease terms

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease Incentives from lessors are recognised as a systematic reduction of the charge over the life of the lease

Post-employment benefits

The obligation recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit liabilities at the balance sheet date less the fair value of plan assets together with adjustments for unrecognised past service costs The defined benefit liabilities are calculated annually by independent actuaries using the projected unit credit method The present value of the defined benefit liabilities are determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the statement of comprehensive income Past service costs are recognised immediately in income unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period) In this case the past service costs are amortised on a straight line basis over the vesting period

The Company also contributes to the defined contribution Home Retail Group Stakeholder Pension Scheme The scheme is funded by contributions partly from the employee and partly from the Company at rates determined in accordance with the Scheme rules The cost of these are charged to the income statement during the year in which contributions are payable

Share based payments

The Company operates a number of equity settled share based compensation plans The fair value of the shares granted is recognised as an expense after taking into account the best estimate of the number of awards expected to vest The vesting estimate is revisited at each balance sheet date Non market performance conditions are included in the vesting estimate Expenses are incurred over the vesting period Fair value is measured at the date of grant using whichever of the Black Scholes or Monte Carlo models and/or closing market price is most appropriate to the award Market based performance conditions are included in the fair value measurement on grant date and are not revisited for actual performance

Income from shares in group undertakings

Dividends received from shares in group undertakings are recognised when the right to receive payment is established

3 Summary of principal accounting policies (continued)

Financial instruments

The Company classifies its financial instruments in the following categories financial assets and financial liabilities at fair value through the profit and loss and loans and receivables The classification depends on the purpose for which the financial instruments were acquired Management determines the classification of its financial instruments at initial recognition

Financial assets and liabilities at fair value through the profit and loss

Financial assets and liabilities at fair value through the income statement are so designated by management on initial recognition Financial assets and liabilities at fair value through profit and loss are initially recorded at fair value with gains or losses arising from changes in their fair value presented in the income statement Items in this category are classified as current assets or current liabilities if they are expected to be realised within 12 months of the balance sheet date

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market They arise when the Company provides money goods or services directly to a debtor with no intention of trading the receivable Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment They are included in current assets except for those with maturities greater than 12 months after the balance sheet date which are classified as non current assets Loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet

Exceptional items

Items which are both material and non recurring are presented as exceptional items within the income statement The separate reporting of exceptional items helps provide a better indication of underlying performance of the company Examples of items which may be recorded as exceptional items are impairment charges and restructuring costs

4 Financial risk management

Financial risk factors

Home Retail Group operates a centralised treasury function which is responsible for managing the market risk (foreign exchange and interest rate risk) credit risk and liquidity risks associated with the Group s activities These activities include those of the Company The Group operates a structured risk management process which identifies evaluates and prioritises risks and uncertainties

The Group s treasury function seeks to reduce exposures to foreign exchange interest rate and other financial risks and to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably Policies and procedures are subject to review and approval by the Group s Board of Directors as well as subject to internal audit review

Market risk interest rate risk

The Company s exposure to interest rate fluctuations are limited to amounts receivable and payable to Group companies The Company has a loan receivable of £846 643k on which the interest rate is linked to LIBOR The loan is with another company within the Home Retail Group plc and therefore from a group perspective the interest rate is hedged naturally

4 Financial risk management (continued)

Credit risk

The Company has no significant concentrations of credit risk Sales to retail customers are made in cash via major debit and credit cards or via other group or third party operated financial products

Group policy is that cash is only deposited with major banks and financial institutions that satisfy the Group s credit requirement These credit requirements are assessed by reference to published credit ratings and the extent of UK Government investment and are applied in combination to determine both the maximum amount and the maximum duration of cash deposits A minimum credit rating of at least AA (Standard & Poor s) or Aa3 (Moody s) is required unless the UK Government has a significant investment in which case a minimum credit rating of at least A+ (Standard & Poor s) or A1 (Moody s) is required

The above policy reflects revisions which have been made during the year to take account of developments impacting the economic climate of banks and financial institutions Each deposit made by the Company during the year was compliant with the policy which was effective at the date of the deposit Where a term deposit has been made and the counterparty ratings have subsequently reduced each relevant position has been reviewed and any decision to maintain a position until the normal maturity date has been approved by the Board

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings as follows

Cash and term deposits and bank overdrafts

As at 27 February 2010 cash and short term cash deposits of £328k (28 February 2009 £330k) were invested in banks which had credit ratings in line with Group policy

Liquidity risk

The Company s liquidity risk is managed centrally by the Group treasury function

As part of the Home Retail Group the Company manages its cash and committed borrowing facilities to maintain liquidity and funding flexibility Liquidity is achieved through arranging funding ahead of requirements and maintaining sufficient undrawn committed facilities to meet short term needs At 27 February 2010 the Group had an undrawn committed borrowing facility available of £700m £685m of which does not expire until 2013 The Group has not drawn down on the facility and has been in compliance with the requirements of the covenant throughout the year

The tables below analyse the Company s financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date The amounts disclosed in the table are the contractual undiscounted cash flows

	At 27 February 2010				
	Less than 3 months £ 000	**3 6 months £ 000**	**6 12 months £ 000**	**More than 12 months £ 000**	**Total £ 000**
Amounts owed to group undertakings	**(256 638)**				**(256 638)**
Other payables	**(318)**				**(318)**
	(256 956)				**(256 956)**

	At 28 February 2009				
	Less than 3 months £ 000	3 6 months £ 000	6 12 months £ 000	More than 12 months £ 000	Total £ 000
Amounts owed to group undertakings	(280 106)				(280 106)
Other payables	(424)				(424)
	(280 530)				(280 530)

Amounts owed to group undertakings are repayable upon demand and as such have no contracted repayment date The balances therefore were considered to be in the less than 3 months category

Capital risk management

The Company is not subject to any externally imposed capital requirements

The Parent company s objectives when managing capital are to safeguard the Group s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders return capital to shareholders or issue new shares The Group finances its operations through a combination of retained profits operating property leases and borrowing facilities where necessary

Hampden Group Lımıted
Notes to the financıal statements (contınued)
For the 52 weeks ended 27 February 2010

5 Net operatıng expenses

	52 weeks ended 27 February 2010			52 weeks ended 28 February 2009		
	Before exceptıonal ıtems	Exceptıonal ıtems (note 7)	After exceptıonal ıtems	Before exceptıonal ıtems	Exceptıonal ıtems (note 7)	After exceptıonal ıtems
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Expenses by functıon						
Sellıng costs	(14 105)		(14 105)	(16 124)	(8 770)	(24 894)
Admınıstratıve expenses	(2 102)		(2 102)	(1 268)		(1 268)
Net operatıng expenses	(16 207)		(16 207)	(17 392)	(8 770)	(26 162)

	52 weeks ended 27 Februarv 2010 £ 000	52 weeks ended 28 February 2009 £ 000
Profıt before tax ıs stated after (chargıng)/credıtıng		
Operatıng lease rentals		
Plant and equıpment	(41)	(60)
Propertv	(4 272)	(4 230)
Cost of ınventorıes recognısed as an expense ın cost of sales	(18 801)	(17 617)
Wrıte down of ınventorıes	(443)	(458)
Depreciatıon of property plant and equıpment	(590)	(1 487)
Exceptıonal ıtems		(8 770)
Audıtors remuneratıon		
Company audıt	(11)	(12)

Durıng the year the Company receıved total dıvıdends of £20 988k (2009 £nıl) from Clıffrange Lımıted and Global (Guernsev) Lımıted

6 Employee benefit costs and employee numbers

	52 weeks ended 27 Februarv 2010 £ 000	52 weeks 28 Februarv 2009 £ 000
Employee costs		
Wages and salarıes	(4 226)	(4 237)
Socıal securıty costs	(247)	(273)
Post emplovment benefits	(100)	(163)
Share based payment costs	(84)	(62)
	(4 657)	(4 735)

The average number of persons employed bv the Company durıng the vear ıncludıng dırectors and those emploved on a part tıme basıs was made up as follows

	52 weeks ended 27 February 2010 Number	52 weeks 28 Februarv 2009 Number
Average number of employees		
Stores	387	384
Admınıstratıon and other	54	62
	441	446

6 Employee benefit costs and employee numbers (continued)

	52 weeks ended 27 February 2010 £ 000	52 weeks 28 February 2009 £ 000
Directors emoluments		
Aggregate emoluments		

No emoluments were paid the directors for their services to the Company

T Duddy and R J Ashton are directors of Home Retail Group plc the ultimate holding company M Thompson is also a director of Argos Limited as was E Brazil P Loft and N Gresham are directors of Homebase Limited It is not possible to calculate a meaningful allocation of the emoluments of the Home Retail Group plc Argos Limited and Homebase Limited directors to the subsidiaries Consequently no emoluments relating to these have been apportioned or recharged to the Company None of the directors were members of the defined benefit pension scheme operated by the Company (2009 nil)

	52 weeks ended 27 February 2010 £ 000	52 weeks 28 February 2009 £ 000
Highest paid director		
Aggregate emoluments and benefits (excluding gains on exercise of share options and value of shares received under long term incentive schemes)		

Key management personnel of the Company comprise members of the Company s own Board of Directors

7 Exceptional items

	52 weeks ended 27 February 2010 £ 000	52 weeks ended 28 February 2009 £ 000
Impairment of property plant and equipment (a)		(6 758)
Restructuring and reorganisation costs (b)		(149)
Onerous lease provision charge (c)		(2 556)
Gain on disposal of property		693
Total exceptional items		(8 770)

(a) In the prior year management interpreted the economic environment and resulting retail downturn as an external indicator of impairment As a result the investments of the Company were subject to an impairment review The recoverable amount of each of the Company's investments were determined as being the higher of its net realisable value and its value in use These calculations use cash flow projections based on financial plans approved by management looking forward five years Cash flows were extrapolated using a long term growth rate beyond the five year plan period There were a number of inter connected assumptions that underpin the value in use calculations as follows

a long term growth rate of 2 5% (2009 2 5%) which has been used to extrapolate cash flows beyond the five year plan period and

a post tax discount rate of 8 5% (2009 8 5%) which equates to a pre tax rate of approximately 11 8% (2009 11 8%) has been estimated taking account of the specific risks in the business

For the 52 weeks to 28 February 2009 this resulted in an impairment charge of £6 758k in respect of property plant and equipment

(b) Represents costs relating to the restructuring of store based staff during the 52 weeks to 28 February 2009

(c) Onerous lease provisions made in the prior year cover potential liabilities for onerous lease contracts for stores where the projected future trading revenue is insufficient to cover the lower of exit cost or value in use The provision is based on the present value of expected future cash flows relating to rents rates and other property costs to the end of the lease terms net of expected income

Hampden Group Limited
Notes to the financial statements (continued)
For the 52 weeks ended 27 February 2010

7 Exceptional items (continued)

(d) The gain on disposal of property in the prior year arises from the settlement of the insurance claim associated with the reinstatement of the Belfast store which was destroyed by fire in 2006 The gain represents the net of the insurance proceeds received and the carrying value of the store s fixed assets at the time of the fire

8 Net financing income/(expense)

	52 weeks ended 27 February 2010 £ 000	52 weeks ended 28 February 2009 £ 000
Finance income		
Interest from group undertakings	**9 010**	40 185
Bank deposit interest and similar income		2
Expected return on retirement benefit assets (note 17)	**364**	344
Total finance income	**9 374**	40 531
Finance expense		
Interest to group undertakings	**(11)**	
Unwinding of discounts in provisions	**(154)**	(78)
Interest expense on retirement benefit liabilities (note 17)	**(506)**	(480)
Total finance expense	**(671)**	(558)
Net financing income	**8 703**	39 973

Hampden Group Limited
Notes to the financial statements (continued)
For the 52 weeks ended 27 February 2010

9 Taxation

	52 weeks ended 27 February 2010 £ 000	52 weeks ended 28 February 2009 £ 000
Analysis of charge in the year		
Current tax		
UK corporation tax	(117)	(1 450)
Adjustment in respect of previous years	719	3 903
Total current tax charge	602	2 453
Deferred tax		
Origination and reversal of temporary differences	(424)	1 601
Adjustment in respect of previous years	(140)	(118)
IFRS transitional adjustments	(461)	204
Total deferred tax (note 18)	(1 025)	1 687
Total tax (charge)/credit in income statement	(423)	4 140

	52 weeks ended 27 February 2010 £ 000	52 weeks 28 February 2009 £ 000
Tax included in other comprehensive income		
Retirement benefit obligations	25	(83)

Factors affecting the tax charge

The effective tax rate for the year of 1 4% (2009 13 2%) is lower than the standard rate of corporation tax in the UK of 28 0% (2009 28 0%) The differences are explained below

	52 weeks ended 27 February 2010 £ 000	52 weeks 28 February 2009 £ 000
Profit before tax	30 538	31 383
Profit before tax multiplied by the standard rate of corporation tax in the UK	(8 551)	(8 787)
Effects of		
Expenses not deductible for taxation purposes	(156)	(531)
Transfer pricing adjustments	2 214	177
Income not taxable	5 877	
Adjustment in respect of previous years	579	3 784
Rate change impact		7
Loss relief surrendered by group companies		9 490
Other	(386)	
Total tax (charge)/credit in income statement	(423)	4 140

Factors that may affect future tax charges

From 1 April 2008 the UK corporation tax rate applied to large companies changed from 30% to 28%

10 Property plant and equipment

	Short leasehold £ 000	Plant & Equipment £ 000	Total £ 000
Cost			
At 1 March 2009	7 113	13 819	20 932
Additions	30	113	143
At 27 February 2010	**7 143**	**13 932**	**21 075**
Depreciation			
At 1 March 2009	(5 697)	(12 346)	(18 043)
Charge for the year	(101)	(489)	(590)
At 27 February 2010	**(5 798)**	**(12 835)**	**(18 633)**
Net book value at 27 February 2010	**1 345**	**1 097**	**2 442**
Assets in the course of construction included above	9	25	34

	Short leasehold £ 000	Plant & Equipment £ 000	Total £ 000
Cost			
At 2 March 2008	5 621	13 682	19 303
Additions	56	(148)	(92)
Intra group transfers	1 520	2 509	4 029
Disposals	(84)	(2 224)	(2 308)
At 28 February 2009	7 113	13 819	20 932
Depreciation			
At 2 March 2008	(1 842)	(8 326)	(10 168)
Charge for the year	(221)	(1 266)	(1 487)
Intra group transfers	(730)	(1 207)	(1 937)
Impairment	(2 988)	(3 770)	(6 758)
Disposals	84	2 223	2 307
At 28 February 2009	(5 697)	(12 346)	(18 043)
Net book value at 28 February 2009	1 416	1 473	2 889
Assets in the course of construction included above	7	2	9

There are no capital expenditure commitments at the end of the year (2009 £nil)

11 Investments in other companies

	Subsidiaries
	£ 000
Cost	
At 1 March 2009 and 27 February 2010	2 940 307
Impairment	
At 1 March 2009 and 27 February 2010	
Net book value at 27 February 2010	**2 940 307**

	£ 000
Cost	
At 2 March 2008 and 28 February 2009	2 940 307
Impairment	
At 2 March 2008 and 28 February 2009	
Net book value at 28 February 2009	2 940 307

Investments in subsidiary undertakings are stated at cost At the balance sheet date there is no provision for impairment Cost is the aggregate of the nominal value of the relevant number of the Company s shares and the fair value of any other consideration given to acquire the share capital of the subsidiary undertakings A list of subsidiary undertakings is shown below

Company Name	Principal activity	Country of Incorporation	Class and proportion of nominal shares held	
Investment in subsidiaries				
Global (Guernsey) Limited	Financial Services	Guernsey	Ordinary	100%
All Counties Insurance Company Limited	Non trading	United Kingdom	Ordinary	100%
Home Retail Insurance Services Limited	Financial Services	United Kingdom	Ordinary	100%
Cliffrange Group Limited	Financing Company	United Kingdom	Ordinary	100%
Argos Holdings Limited	Holding Company *	United Kingdom	Ordinary	100%
Saxon Gate Collections Limited	Dormant	United Kingdom	Ordinary	100%
Home Retail Group Card Services Limited	Financial Services	United Kingdom	Ordinary	100%
ARG Personal Loans Limited	Financial Services	United Kingdom	Ordinary	100%
Argos Extra Limited	Dormant	United Kingdom	Ordinary	100%
Stanhope Finance Limited (indirectly held)	Financing Company	United Kingdom	Ordinary	100%

The directors believe that the book value of investments is supported by their underlying net assets

Company Name	Principal activity	Country of Incorporation	Class and proportion of nominal shares held	
*** Principal subsidiary undertakings of Argos Holdings Limited**				
Argos Limited	General merchandise retailing	United Kingdom	Ordinary	100%
Homebase Limited	Retailer of home enhancement DIY and garden centre products	United Kingdom	Ordinary	100%
Argos Distributors (Ireland) Limited	General merchandise retailing	Republic of Ireland	Ordinary	100%
Homebase House and Garden Centre Limited	Retailer of home enhancement DIY and garden centre products	Republic of Ireland	Ordinary	100%

Hampden Group Limited
Notes to the financial statements (continued)
For the 52 weeks ended 27 February 2010

12 Inventories

	2010	2009
	£ 000	£ 000
Goods available for resale	**4 410**	5 244

Trading stock on 27th February 2010 represents consignment stock of £4 410k (2009 £5 244k) which is legally owned by Homebase Limited a subsidiary of the Company The Company bears substantially all the risks and rewards of trading this stock Ownership of the consignment stocks passes from Homebase Limited to the Company when the Company sells the stock

13 Trade and other receivables

	Current 2010 £ 000	Non current 2010 £ 000	Current 2009 £ 000	Non current 2009 £ 000
Trade receivables				
Other trade debtors	**13**		43	
	13		43	
Less provision for impairment of receivables				
	13		43	
Amounts owed by group undertakings	**102 102**	**846 643**	93 710	846 643
Other receivables	**257**		317	
Prepayments and accrued income	**1 112**		934	
	103 484	**846 643**	95 004	846 643

The non current loan owed by group undertakings is unsecured carries interest at the rate of LIBOR plus 0 2% per annum and is repayable on 26 September 2011

The current amounts owed by group undertakings are unsecured interest free and have no fixed date of repayment

The carrying values of current trade and other receivables are a reasonable approximation of their fair values due to their short term nature The long term receivable has not been discounted All receivables due after more than one year are due within five years from the balance sheet date There is no concentration of credit risk with respect to trade receivables as the Company has a broad customer base The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above The Company does not hold any collateral as security

As at 27 February 2010 no trade receivables were impaired (2009 £nil) and no impairment was charged during the year (2009 £nil)

14 Cash and cash equivalents

	2010	2009
	£ 000	£ 000
Cash and cash equivalents	**328**	330

15 Trade and other payables

	Current 2010 £ 000	**Non current 2010 £ 000**	Current 2009 £ 000	Non current 2009 £ 000
Amounts owed to group undertakings	**(256 638)**		(278 877)	
Amounts owed to immediate parent undertaking			(1 229)	
Social security costs and other taxes	**(5)**			
Accruals and deferred income	**(2 367)**	**(2 851)**	(1 296)	(3 031)
Other payables	**(318)**		(424)	
	(259,328)	**(2 851)**	(281 826)	(3 031)

Amounts owed to group undertakings at the year end are unsecured repayable on demand and non interest bearing

Other payables are non interest bearing and the fair values are not considered to differ materially from the recognised book values Long term payables have been discounted where the time value of money is material

16 Provisions

	Restructuring provision £ 000	**Mezzanine provision £ 000**	**Onerous leases £ 000**	**Total £ 000**
At 28 February 2009	**(149)**	**(23)**	**(2 633)**	**(2 805)**
Utilised during the year	**121**		**21**	**142**
Discount unwind		**(1)**	**(153)**	**(154)**
At 27 February 2010	**(28)**	**(24)**	**(2,765)**	**(2,817)**

Analysed as	**2010 £ 000**	2009 £ 000
Current	**(111)**	(364)
Non current	**(2 706)**	(2 441)
	(2,817)	(2 805)

The onerous leases provision covers potential liabilities for onerous lease contracts for stores where the projected future trading revenue is insufficient to cover the lower of exit cost or value in use Where the value in use calculation is lower the provision is based on the present value of expected future cash flows relating to rent rates and other property costs to the end of the lease terms net of expected income where appropriate using a discount rate of 5 8/ (2009 5 8/) The provision is expected to be utilised over the life of the leases

The mezzanine provision represents the obligation to reinstate stores to their original configuration at the end of the lease term The provision is based on the present value of expected future cash outflows using a discount rate of 5 8/ (2008 5 8/)

A store staff restructuring took place in the prior year to make operational improvements and reduce costs and the remaining balance will be utilised within 12 months from the balance sheet date

17 Post employment benefits

The Company operates both defined benefit and defined contribution plans A defined benefit plan is a pension that defines an amount of pension benefit that an employee will receive on retirement usually dependent on one or more factors such as age years of service and compensation A defined contribution plan is a pension plan under which both the Company and employees pay contributions into an independently administered fund The cost of providing these benefits recognised in the income statement comprises the amount of contributions payable to the schemes in respect of the year

Pension arrangements for employees are operated principally through a defined benefit scheme (the Hampden Group plc Pension Scheme) and a defined contribution scheme (the Home Retail Group Stakeholder Pension Scheme)

Defined benefit scheme

The scheme has rules which specify the benefits to be paid and are financed accordingly with assets being held in independently administered funds A full actuarial valuation of this scheme is carried out every three years with interim reviews in the intervening years The latest full actuarial valuation of the scheme was carried out as at 31 March 2009 by independent qualified actuaries KPMG LLP using the projected unit method and resulted in a deficit of £3 744k The next full actuarial valuation of the scheme will be carried out as at 31 March 2012

The valuation used for IAS 19 have been based on the most recent actuarial funding valuations and have been updated by KPMG LLP to take account of the requirements of IAS 19 in order to assess the liabilities of the schemes at 27 February 2010 and 28 February 2009

The movements during the year in the net obligation recognised in the balance sheet were as follows

	2010	2009
	£ 000	£ 000
Opening (deficit) in the scheme	**(3 008)**	(3 387)
Total charge recognised in the income statement	**(228)**	(294)
Actuarial (loss)/gain recognised in the statement of comprehensive income	**(88)**	286
Contributions paid	**1,307**	387
(Deficit) in the scheme at 27 February 2010	**(2,017)**	(3 008)

During the year the Company has paid contributions totalling £1 307k (2009 £387k) to the Hampden Group defined benefit pension plan including £902k as part of the deficit recovery plan and an increased employer contribution rate agreed with the scheme trustees following the completion of the 31 March 2009 actuarial valuation The estimated amount of contributions expected to be paid by the Company during the next financial year is £200k including £54k as part of the deficit recovery plan

The amounts recognised in the balance sheet are determined as follows

	2010	2009
	£ 000	£ 000
Fair value of scheme assets	**7 476**	4 433
Present value of funded scheme liabilities	**(9 493)**	(7 441)
(Deficit) in funded scheme	**(2 017)**	(3 008)
Retirement benefit obligations recognised in the balance sheet	**(2 017)**	(3 008)

An allowance has been made in 2010 (2009 £nil) for a Guaranteed Annuity Policy (GAR) held by the Scheme This GAR Policy has now been allowed for by writing up the asset value and the level of increase of £598k reflects the additional value that the GAR Policy provides the scheme

17 Post employment benefits (continued)

The amounts recognised in the income statement were as follows

	2010	2009
	£ 000	£ 000
Current service cost	**(86)**	(158)
Interest on scheme liabilities	**(506)**	(480)
Expected return on schemes assets	**364**	344
Total charge to the income statement	**(228)**	(294)

The charge is recognised in the following line items in the income statement

	2010	2009
	£ 000	£ 000
Selling expenses	**(139)**	(142)
Administrative expenses	**53**	(16)
Finance expense (note 8)	**(506)**	(480)
Financial income (note 8)	**364**	344
Total charge to the income statement	**(228)**	(294)

Analysis of the amounts recognised in the statement of comprehensive income

	2010	2009
	£ 000	£ 000
Actual return less expected return on scheme assets	**868**	(1 244)
Additional value of Guaranteed Annuity Policy	**598**	
Experience (losses)/gains arising on the scheme liabilities	**(1 554)**	1 540
Changes in assumptions underlying the present value of scheme liabilities		(10)
Actuarial (loss)/gain recognised in the statement of comprehensive income	**(88)**	286
Cumulative actuarial loss included in the statement of comprehensive income	(2,534)	(2,446)

The principal actuarial assumptions used to calculate the present value of the defined benefit obligations were as follows

	2010	2009
	/	/
Inflation assumption	**3 6**	3 7
Rate of increase in salaries	**4 4**	4 7
Rate of increase in pensions in payment	**3 5**	3 5
Rate of increase for deferred pensions	**3 5**	3 5
Discount Rate	**5 7**	6 8

The 2010 demographic assumptions now include an allowance for cash commutation of pension benefits by members in retirement

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17 Post employment benefits (continued)

The impact of changing material assumptions is as follows

		2010		2009	
	Increase / decrease in assumptions	**Indicative effect on scheme liabilities**	**Indicative effect on annual service cost**	Indicative effect on scheme liabilities	Indicative effect on annual service cost
		£ 000	**£ 000**	£ 000	£ 000
Rate of inflation	0 25 /	**+/ 500**	**+/ 35**	+/ 450	+/ 40
Rate of increase for salaries	0 25 /	**+/ 110**	**+/ 10**	+/ 90	+/ 10
Rate of increase for pensions in payment	0 25 /	**+/ 140**	**+/ 10**	+/ 100	+/ 10
Rate of increase for deferred pensions	0 25 /	**+/ 230**	**+/ 15**	+/ 170	+/ 10
Discount rate	0 25 /	**/+ 550**	**/+ 15**	/+ 450	'+ 20
Life expectancy	1 year	**+/ 175**	**+/ 10**	+/ 100	+/ 10

The discount rate is based on market yields on high quality corporate bonds of equivalent currency and term to the defined benefit obligation

The IAS 19 valuation assumes that mortality will be in line with the Self Administered Pension Scheme (SAPS) mortality tables with a negative one year age rating with medium cohort improvements and a 1 / underpin Previously it had been assumed that mortality would be in line with the PA92 series mortality tables with medium cohort improvements and a 1 / underpin The effect of this change to the mortality assumption has been to reduce the average expectation of life on retirement by between 0 6 and 1 4 years

Based on these assumptions the average expectation of life on retirement in normal health is assumed to be

22 2 years at age 65 for a male currently aged 65 (2009 22 8)
24 8 years at age 65 for a female currently aged 65 (2009 26 1)
23 6 years at age 65 for a male currently aged 50 (2009 24 2)
26 2 years at age 6^ for a female currentlv aged 50 (2009 27 6)

The assets of the Hampden Group plc Pension Scheme and the expected rates of return are summarised as follows

	2010			2009		
	Fair Value	**Percentage of scheme assets**	**Expected long term rate of return**	Fair Value	Percentage of scheme assets	Expected long term rate of return
	£ 000	**/**	**/ pa**	£ 000	/o	/ pa
Market value of scheme assets						
Equities	**4 740**	**64**	**8 1**	2 948	66	8 8
Fixed interest securities	**770**	**10**	**5 4**	1 323	30	6 5
Property	**299**	**4**	**7 6**	44	1	8 8
Cash	**1 069**	**14**	**4 4**	118	3	4 5
Additional value of Guaranteed Annuitv Rate Policv	**598**	**8**	**5 7**			
	7,476	**100**	**7 1**	4 433	100	8 0

The overall expected rate of return on scheme assets is the weighted average of the best estimate of the individual asset categories and their inherent expected rates of return

Actuarial gains and losses

The results of the full actuarial valuation at 31 March 2009 revealed a funding shortfall of £3 744k To eliminate this funding shortfall the Companv and the Trustees agreed a lump sum one off contribution of £902k (paid Februarv 2010) plus an additional £54k per a month for the period from February 2011 to March 2016 or until the funding shortfall ha^ been eliminated As a percentage of pensionable earnings the employer contributions have increased from ?2 3 / to 23 2 / and emplovee contributions are 4 / The next full actuarial valuation will be undertaken as at 31 March 2012

17 Post employment benefits (continued)

Changes in the present value of the defined benefit liabilities are as follows

	2010	2009
	£ 000	£ 000
Opening defined benefit liabilities	(7 441)	(8 331)
Current service cost	(86)	(158)
Interest cost	(506)	(480)
Contributions paid by employees	(27)	(25)
Actuarial (loss)/gain on liabilities recognised in the statement of comprehensive income	(1 554)	1 540
Benefits paid	121	13
Closing defined benefit liabilities	(9,493)	(7 441)

Changes in the market value of the scheme assets are as follows

	2010	2009
	£ 000	£ 000
Opening market value of scheme assets	4 433	4 944
Valuation adjustment		(10)
Expected return	364	344
Actuarial gain/(loss) on assets recognised in the statement of comprehensive income	868	(1 244)
Additional value of Guaranteed Annuity Policy	598	
Contributions paid by the Company	1 307	387
Contributions paid by employees	27	25
Benefits paid	(121)	(13)
Closing market value of scheme assets	7,476	4,433

The actual return on scheme assets before the inclusion of the additional value from the Guaranteed Annuity Policy was a gain of £1 232k (2009 £900k loss)

History of experience gains and losses

	2010	2009	2008	2007	2006
	£ 000	£ 000	£ 000	£ 000	£ 000
Present value of defined benefit liabilities	(9 493)	(7 441)	(8 331)	(7 684)	(10 593)
Fair value of scheme assets	7 476	4 433	4 944	4 104	5 030
Net (deficit)/surplus on the scheme	(2 017)	(3 008)	(3 387)	(3 580)	(5 563)
Experience gain/(loss) on scheme liabilities	412		(691)		
Percentage of scheme liabilities	4 3%	0 0%	0 7%	0 0%	0 0%
Experience gain/(loss) on scheme assets including additional value of Guaranteed Annuity Policy	1 466	(1 244)	(368)	54	258
Percentage of scheme assets	19 6%	(28 1%)	(7 4%)	1 3%	5 1%

Defined contribution scheme

The pension contribution costs to this defined contribution scheme in 2010 were £4k (2009 £5k)

The total outstanding pension contributions at the balance sheet date were £10k (2009 £34k)

18 Deferred tax

The movements on the net deferred tax account are as follows

	2010 £ 000	2009 £ 000
Opening deferred tax assets	**2 822**	1 218
Income statement (charge)/credit	**(1 025)**	1 687
Deferred tax credited/(charged) to equity	**25**	(83)
Closing deferred tax asset	**1 822**	2 822

The deferred tax amounts recognised are as follows

	2010 £ 000	2009 £ 000
Deferred tax assets		
Deferred tax asset to be recovered after more than one year	**1 822**	2 822

The movement in deferred tax assets and liabilities during the year is as follows

	Asset Provision £ 000	Accelerated tax depreciation £ 000	Other temporary differences £ 000	Total £ 000
Deferred tax assets				
At 2 March 2008	7		1 214	1 221
Income statement credit	626		172	798
Deferred tax charged to equity			(83)	(83)
Transferred to deferred tax liabilities		886		886
At 28 February 2009	633	886	1 303	2 822
Income statement (charge)/credit	21	(283)	(763)	(1 025)
Deferred tax charged to equity			25	25
At 27 February 2010	**654**	**603**	**565**	**1,822**

	Accelerated tax depreciation £ 000	Total £ 000
Deferred tax liabilities		
At 2 March 2008	(3)	(3)
Income statement charge	889	889
Transferred from deferred tax assets	(886)	(886)
At 28 February 2009		
Income statement charge		
Deferred tax charged to equity		
At 27 February 2010		

Deferred tax assets are recognised for tax loss carry forwards and other temporary differences to the extent that the realisation of the related tax benefit through the future taxable profits is probable

19 Share capital

	2010 £ 000	2009 £ 000
Authorised		
60 000 000 000 (2009 60 000 000 000) ordinary shares at 10p each	**6 000 000**	6 000 000
Allotted called up and fully paid		
34 975 504 157 (2009 34 975 504 157) ordinary shares at 10p each	**3 497 550**	3 497 550

20 Share based payment arrangements

The Company participates in a number of share based payment schemes operated by its ultimate parent Home Retail Group plc (the Group) These can be analysed into three categories being those rolled over from old GUS plc schemes as a result of the demerger of the Group from GUS plc on 11 October 2006 incentive schemes specifically related to the demerger (Demerger Incentive Schemes) and new Home Retail Group plc schemes subsequent to the demerger

Prior to the demerger a number of employees participated in old GUS plc share based payment schemes As part of the demerger some of these schemes had early vesting with vesting occurring prior to completion of the demerger while others were modified by rolling them over to become Home Retail Group plc share based payment schemes Specifically all executive share option schemes in operation following the demerger from GUS plc were rolled over from a GUS plc share option arrangement to a Home Retail Group plc arrangement Furthermore certain share grant schemes (namely co-investment and performance share plan) which originally operated as GUS plc share grant schemes have been rolled over as Home Retail Group plc share grant schemes Under IFRS 2 these changes have been treated as modifications to the schemes and hence revalued as at the demerger date

Summary of the total cost of share based compensation in respect of ordinary shares in Home Retail Group plc

	2010	2009
	£ 000	£ 000
Share option awards	**(43)**	(36)
Share grant awards	**(41)**	(26)
Total expense recognised (all equity settled)	**(84)**	(62)

Summary of share option and share award arrangements

During the year ended 27 February 2010 Home Retail Group plc had a number of share option and share award arrangements for its employees all of which are equity settled Details of these arrangements are as follows

Rolled over from old GUS plc schemes

Share options

The 1998 approved and non approved executive share option schemes Under these schemes the exercise price of granted options is equal to the market price of the shares over the 3 dealing days preceding grant Options are conditional on the employee completing 3 years service The options are exercisable starting 3 years from the grant date subject to the Group s earnings per share (EPS) compound annual growth exceeding compound annual retail price inflation by 4 / per annum over a continuous three year period This is not a market based performance condition as defined by IFRS 2 The options have a maximum term of 10 years No new options have been granted under these schemes since demerger

Share awards

The (ex GUS plc) performance share plan Awards made under this plan will normally vest three years after the date of grant for nil consideration with the percentage of the award distributed to participants determined by ranking total shareholder return relative to a comparator group which is considered a market based performance condition under IFRS 2 Awards under this plan have been valued using a Monte Carlo simulation with historic volatilities and correlations measured over the three year period preceding valuation All awards under this plan have now vested and have been distributed to participants

The (ex GUS plc) co investment plan permitted the awards of matching shares to participants conditional on the achievement of specified performance targets related to the benchmark operating profit of the Group The matching shares are a nil consideration option and have been classified as an award of shares because the nature of the award is the same The grant date is the start of the financial year in which performance is assessed which is one year before the quantity of shares awarded is determined Awards made under this plan will normally vest after a four year period for nil consideration and participants have a further two years to exercise their awards The underlying value of the award is known at grant date subject to the outcome of the performance condition

20 Share based payment arrangements (continued)

Demerger incentive schemes

Share awards

The performance share plan Awards made under this plan will normally vest three years after the date of grant at which time shares will be distributed to participants for nil consideration All awards under this plan have now vested

The re investment plan is a three part scheme running over three four and five years under which participants were awarded matching shares The matching shares are a nil consideration option and have been classified as an award of shares because the nature of the award is the same The percentage of the award distributed to participants is conditional upon continued service ranking of total shareholder return relative to a comparator group and the achievement of specified performance targets related to the return on invested capital of the Group The total shareholder return performance condition is considered a market based performance condition under IFRS 2 Awards under this plan have been valued using a Monte Carlo simulation with historic volatilities and correlations measured over the three year period preceding valuation Awards under the first part of this scheme running over three years have vested and have been exercised

The long term incentive plan Under the long term incentive plan a one off grant of matching shares was made to participants at demerger based upon the operating profit performance of the Group over the three years prior to demerger The matching shares are a nil consideration option and have been classified as an award of shares because the nature of the award is the same The quantity of shares was determined at demerger following assessment of performance and awarded in June 2007 The awards made under this plan will normally vest two years later and participants have a further two years to exercise their awards All awards under this plan have now vested

The share incentive plan was a one off free share grant to all employees at the time of the demerger The shares are being held in a trust on behalf of participants and will normally be forfeited if a participant s employment with the Group ceases within three years of the grant date Participants can exercise their awards after the three year period however awards can be exercised free of tax after a further two years The shares continue to be held by the trust until the awards are either exercised by participants or lapse

New Home Retail Group plc schemes

Share options

The Home Retail Group plc Sharesave Plan permits the grant to employees of options over Home Retail Group plc s shares linked to a building society save as you earn contract for a term of three or five years with contributions from employees of between £5 and £250 per month Options are normally capable of being exercised at the end of the three or five year period at an exercise price calculated at a 20% discount to market price over the 3 dealing days preceding invitation to participants Options must be exercised within six months of the end of the three or five year save as you earn contract

Share awards

The performance share plan Awards made under this plan will normally vest three years after the date of grant for nil consideration with the percentage of the award distributed to participants determined by ranking total shareholder return relative to a comparator group which is considered a market based performance condition under IFRS 2 Awards under this plan have been valued using a Monte Carlo simulation with historic volatilities and correlations measured over the three year period preceding valuation

20 Share based payment arrangements (continued)

The co investment plan permits the awards of matching shares to participants The matching shares are a nil consideration option and have been classified as an award of shares because the nature of the award is the same Awards made under this plan will normally vest after a four year period for nil consideration and participants have a further two years to exercise their awards Vesting will normally be conditional on the achievement of specified performance targets in two stages The grant date is the start of the financial year in which the first performance stage (the achievement of specified performance targets related to the benchmark operating profit of the Group) is assessed which is one year before the quantity of shares awarded is determined No new awards were granted under the plan during the year

The deferred bonus plan permits the award of a deferred bonus that will be converted into a conditional award of shares and will operate for the year ended 27 February 2010 only The award is based on performance against a benchmark PBT and a Group net cash target and will be made at the maximum 150% of salary The award will be made in May 2010 The grant date is the start of the financial year in which the performance stage is assessed which is one year before the shares are awarded Subject to continued employment and satisfactory Group performance for the year in which performance is measured the shares will vest and be released on a phased basis for nil consideration 1/6 will vest on the first anniversary of the award 2/6 on the second and 3/6 on the third anniversary

The deferred share plan is a discretionary one off award of deferred shares This award has no performance conditions other than a level of personal performance Awards made under this plan will vest on a phased basis for nil consideration being 1/6 one year after the award is made 2/6 two years after the award is made and 3/6 three years after the award is made

Information relating to share option valuation techniques

The weighted average fair value of options granted during the year over the shares of Home Retail Group plc under the Home Retail Group plc Sharesave Plan determined using the Black Scholes option pricing model was £0 44 (2009 £0 55) per option The significant inputs into the option pricing model were as follows

Weighted average	**27 February 2010**	28 February 2009
Fair value (£)	**0 44**	0 55
Share price on grant date (£)	**2 65**	2 38
Exercise price (£)	**2 00**	1 90
Expected volatility	**46 3%**	42 4%
Expected dividend yield	**5 5%**	6 2%
Risk free interest rate	**3 1%**	4 4%
Expected option life to exercise	**3 6 years**	3 7 years

Expected volatility is a measure of expected fluctuations in the share price over the expected life of an option The measure of volatility used by Home Retail Group plc in its pricing model has been calculated by using implied volatility from market quoted prices of traded options over Home Retail Group plc s shares

Reconciliation of movement in the number of share options

	52 weeks ended 27 February 2010		52 weeks ended 28 February 2009	
	Number of options	**Weighted average exercise price £**	Number of options	Weighted average exercise price £
Outstanding at beginning of year	**5 678 898**	**2 83**	4 587 936	3 76
Employee transfers between Group companies	**94 841**	**3 73**	(86 952)	3 96
New grants	**1 206 244**	**2 00**	3 162 346	1 90
Forfeitures	**(1 119 151)**	**2 77**	(1 868 354)	3 43
Exercised options	**(17 399)**	**1 91**	(101)	1 90
Expired options	**(838 270)**	**3 88**	(115 977)	3 74
Outstanding at year end	**5 005 163**	**2 49**	5 678 898	2 83
Exercisable at year end	**1 111 549**	**3 59**	1 359 780	3 62

The weighted average share price for share options exercised during the year was £2 98 (2009 £2 23)

20 Share based payment arrangements (continued)

Share options outstanding at the end of the year

Share options at the end of the year had the following exercise prices and remaining contractual lives

	As at 27 February 2010			
		Weighted average	Weighted average remaining lives	
Range of exercise prices £	**Number of options**	**exercise price £**	**Expected years**	**Contractual years**
1 00 1 99	**2 290 193**	**1 90**	**2 1**	**2 6**
2 00 2 99	**1 115 733**	**2 00**	**3 1**	**3 6**
3 00 3 99	**1 599 237**	**3 66**	**0 4**	**4 2**

	As at 28 February 2009			
		Weighted average	Weighted average remaining lives	
Range of exercise prices £	Number of options	exercise price £	Expected years	Contractual years
1 00 1 99	2 810 328	1 90	3 1	3 6
2 00 2 99	3 795	2 83		4 3
3 00 3 99	2 864 775	3 74	1 1	5 8

Information relating to share grant valuation techniques

The value of awards is determined as the observed market closing rate on the date awarded grants are issued to participants For the co investment scheme this occurs after the first year of performance is assessed The performance share plan s and the re investment plan s market based performance condition is included in the fair value measurement on grant date and is not revised for actual performance

All of the share awards are equity settled Under the share awards participants have an entitlement to either dividend equivalents or dividend distributions from the issue date until point of vesting The observed market rate on the day of valuation is considered inclusive of future dividend distributions

There were 1 334 301 ordinary share awards (2009 1 399 963) granted during the year with a weighted average fair value of £1 20 (2009 £1 64)

This information relates to the whole of the Homebase retail division (which includes employees of the Company Homebase Ltd and Homebase House and Garden Centre Limited)

21 Operating leases

Future aggregate minimum lease payments under non cancellable operating leases are as follows

	2010		2009	
	Land and buildings £ 000	**Equipment and vehicles £ 000**	Land and buildings £ 000	Equipment and vehicles £ 000
Less than one year	**(4 903)**	**(30)**	(5 190)	(42)
Between two and five years	**(19 026)**	**(13)**	(20 759)	(43)
More than five years	**(52 013)**		(60 381)	
Total operating leases	**(75 942)**	**(43)**	(86 330)	(85)

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22 Notes to the statement of cash flows

	52 weeks ended 27 February 2010 £ 000	52 weeks ended 28 February 2009 £ 000
Cash generated from operations		
Profit before tax	**30 538**	31 383
Adjustment for		
Income from shares in Group undertakings	**(20 988)**	
Net financing income	**(8 703)**	(39 973)
Operating profit/(loss)	**847**	(8 590)
Depreciation and amortisation	**590**	1 487
Impairment losses		6 758
Decrease in inventories	**832**	1 004
Decrease/(Increase) in receivables	**12 912**	(86 074)
(Decrease)/Increase in payables	**(13 678)**	84 571
(Decrease)/increase in provisions	**(141)**	2 779
Movement in retirement benefits	**(1 133)**	(243)
Other non cash changes	**(88)**	285
Cash generated from operations	**141**	1 977

Hampden Group Limited
Notes to the financial statements (continued)
For the 52 weeks ended 27 February 2010

23 Related party transactions

	2010	2009
	£ 000	£ 000
Transactions with immediate parent company		
Amounts owed by immediate parent company	**91 119**	88 727
Amounts owed to immediate parent company		(1 229)
Settlement of liabilities on behalf of parent company	**(404)**	
Settlement of liabilities by immediate parent company on behalf of the entity	0	1 229
Transactions with subsidiary undertakings		
Purchase of goods	**(18 851)**	(17 669)
Recharge of costs	**(20 349)**	(19 726)
(Purchase)/Sale of Assets	**(161)**	(2 000)
Interest payable	**(11)**	
Interest receivable	**9 010**	40 185
Dividends receivable	**20 988**	
Amounts owed by subsidiary undertakings	**857 626**	851 626
Amounts owed to subsidiary undertakings	**(256 638)**	(278 877)
Settlement of liabilities on behalf of subsidiary undertakings	**(70)**	
Settlement of liabilities by subsidiary undertakings on behalf of the entity	**1 168**	6 930

Hampden Group Limited
Notes to the financial statements (continued)
For the 52 weeks ended 27 February 2010

24 UK GAAP to IFRS transition

Reconciliation of equity at 1 March 2008

	Notes	UK GAAP	Transition adjustments	IFRS
ASSETS		£ 000	£ 000	£ 000
Non current assets				
Property plant & equipment	a	9 766	(631)	9 135
Investments in other companies		2 940 307		2 940 307
Deferred tax assets	b c		1 222	1 222
Trade and other receivables		846 647		846 647
Total non current assets		3 796 720	591	3 797 311
Current assets				
Inventories		6 249		6 249
Trade and other receivables	c	14 437	(4)	14 433
Cash and cash equivalents		352		352
Total current assets		21 038	(4)	21 034
Total assets		3 817 758	587	3 818 345
LIABILITIES				
Non current liabilities				
Trade and other payables	d	(1 252)	(949)	(2 201)
Provisions		(26)		(26)
Deferred tax liabilities	b		(3)	(3)
Retirement benefit obligations	c	(2 438)	(949)	(3 387)
Total non current liabilities		(3 716)	(1 901)	(5 617)
Current liabilities				
Trade and other payables	c	(246 247)	10 974	(235 273)
Current tax liabilities	c		(10 974)	(10 974)
Total current liabilities		(246 247)		(246 247)
Total liabilities		(249 963)	(1 901)	(251 864)
Net assets		3 567 795	(1 314)	3 566 481
EQUITY				
Share capital		3 497 550		3 497 550
Share premium account		4 200		4 200
Retained earnings	e	66 045	(1 314)	64 731
Total equity		3 567 795	(1 314)	3 566 481

Hampden Group Limited
Notes to the financial statements (continued)
For the 52 weeks ended 27 February 2010

24 UK GAAP to IFRS transition (continued)

Reconciliation of equity at 28 February 2009

		UK GAAP	Transition adjustments	IFRS
ASSETS		£ 000	£ 000	£ 000
Non current assets				
Property plant & equipment		2 889		2 889
Investments in other companies		2 940 307		2 940 307
Deferred tax assets	b c		2 822	2 822
Trade and other receivables	c	848 162	(1 519)	846 643
Total non current assets		3 791 358	1 303	3 792 661
Current assets				
Inventories		5 244		5 244
Trade and other receivables		95 004		95 004
Cash and cash equivalents		330		330
Total current assets		100 578		100 578
Total assets		3 891 936	1 303	3 893 239
LIABILITIES				
Non current liabilities				
Trade and other payables	d f	(1 051)	(1 980)	(3 031)
Provisions	f	(2 805)	364	(2 441)
Retirement benefit obligations	c	(2 166)	(842)	(3 008)
Total non current liabilities		(6 022)	(2 458)	(8 480)
Current liabilities				
Trade and other payables	c f	(282 523)	697	(281 826)
Provisions	f		(364)	(364)
Current tax liabilities	c		(362)	(362)
Total current liabilities		(282 523)	(29)	(282 552)
Total liabilities		(288 545)	(2 487)	(291 032)
Net assets		3 603 391	(1 184)	3 602 207
EQUITY				
Share capital		3 497 550		3 497 550
Share premium account		4 200		4 200
Retained earnings	e	101 641	(1 184)	100 457
Total equity		3 603 391	(1 184)	3 602 207

24 UK GAAP to IFRS transition (continued)

Reconciliation of profit and loss for the 52 weeks ended 28 February 2009

	Notes	UK GAAP £ 000	Transition adjustments £ 000	IFRS £ 000
Revenue		38 710		38 710
Cost of sales		(21 138)		(21 138)
Gross profit		17 572		17 572
Net operating expenses before exceptional items	d	(16 695)	(697)	(17 392)
Operating profit before exceptional items		877	(697)	180
Net operating expenses exceptional items	a	(9 401)	631	(8 770)
Operating loss		(8 524)	(66)	(8 590)
Finance income	g	40 187	344	40 531
Finance expense	g	(214)	(344)	(558)
Net financing income		39 973		39 973
Profit/(loss) before tax		31 449	(66)	31 383
Taxation	b	3 944	196	4 140
Profit for the year attributable to the equity holders of the Company		35 393	130	35 523
Other comprehensive income		203		203
Total comprehensive income for the year attributable to equity holders of the Company		35 596	130	35 726

Explanation of transition adjustments

(a) The testing of stores tangible assets (property plant and equipment) for impairment under UK GAAP at 1 March 2008 aggregated the store Income Generating Units onto a regional basis These regions consisted of neighbouring stores which in many instances have overlapping trading areas Under IFRS a cash generating unit (CGU) is now defined as the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets Each individual store is therefore a CGU and this has created an adjustment as at 1 March 2008 to reflect the impairment of property plant and equipment in a number of individual stores As at 1 March 2008 property plant and equipment has been reduced by £631k with the charge being undertaken directly to equity

As at 28 February 2009 the property plant and machinery impairment provisions under UK GAAP and IFRS were in line The exceptional charge of £631k in the UK GAAP profit and loss account has therefore reversed under IFRS resulting in an exceptional credit of £631k to the income statement

(b) The transition adjustments with regards to rent incentives (d) have had the impact of changing the tax base of the Company This had the effect of changing deferred tax balances as the adjustments relate to timing issues only

(c) Current tax liabilities included within trade and other payables and deferred tax assets included within retirement benefit obligation and trade and other recoverables under UK GAAP have been classified separately under IFRS

24 UK GAAP to IFRS transition (continued)

(d) Under UK GAAP property lease incentives are spread up to the point of the next rent review which is typically 5 years Under IFRS property lease incentives are spread over the life of the lease This creates an additional lease incentive accrual under IFRS as compared to UK GAAP as the incentive is being released over a longer period An adjustment as at 1 March 2008 of £949k has therefore been made to increase non current trade and other payables with the reverse going through reserves As at 28 February 2009 the lease incentive adjustment to non current trade and other payables increased to £1 646k with £949k being debited to opening reserves and £697k charged to the income statement for the year

(e) These GAAP adjustments represent the cumulative reserves effect of all UK GAAP to IFRS transition adjustments

(f) Classification of non current portion of provisions and rent incentives under IFRS

(g) The expected return on retirement benefit assets which was netted off interest expense on retirement benefit liabilities under UK GAAP has been classified as finance income under IFRS

25 Ultimate parent undertakings

The Company's immediate parent undertaking is Home Retail Group (UK) Limited a company registered in England and Wales by virtue of its 100% shareholding in the Company

The Company's ultimate and controlling party is Home Retail Group plc a company registered in England and Wales The largest and smallest group of undertakings for which group financial statements have been prepared was that of Home Retail Group plc Copies of these financial statements are available from its registered office at 489 499 Avebury Boulevard Milton Keynes MK9 2NW