

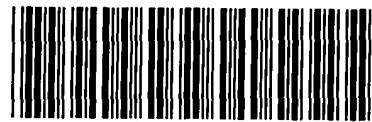
Registration Number  
NI 0011639

# Hampden Group Limited

Annual Report and Financial Statements

For the year ended  
28 February 2017

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**Hampden Group Limited**  
**Annual Report and Financial Statements**  
**For the year ended 28 February 2017**

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## Hampden Group Limited

### Strategic report for the period 28 February 2016 to 28 February 2017 ("year")

#### Principal activities

The principal trading activity of Hampden Group Limited ("the Company") is the retailing of home improvement and garden 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 Homebase retail businesses in Great Britain and the Republic of Ireland.

#### Review of the business and future developments

The results and dividends are discussed on page 2.

The Company sells home improvement and garden products from Homebase stores and on-line in Northern Ireland. The Company generated sales of £44,614,000 (2016: £38,537,000) in the year representing an increase of 15.8 per cent compared with the prior period. During the period the company made an operating profit of £6,271,000 (2016: £2,024,000 loss before exceptionals). The Company did not close any stores in the year, with the store estate remaining at 9 stores. During the year the Company focused on full separation of the business from its former owner (Home Retail Group Plc) and the reset of the Homebase stores.

The Company had net assets at the year end of £329,964,000 (2016: £327,567,000).

In addition to creating a Bunnings branded business in the UK and Ireland, management are committed to improving the underlying Homebase brand through its transition.

#### Principal risks and uncertainties

The principal risks and uncertainties affecting the Company relate to volatility in ongoing retail market conditions, competition and consumer confidence, especially in light of Brexit negotiations. The Company is also undergoing a significant amount of transformational change following the acquisition. Wesfarmers Limited ("Wesfarmers") (the ultimate parent company) has confirmed in writing that it is prepared to continue funding the working capital requirements of the Company during this transition period

#### Financial risks

Wesfarmers operates a centralised treasury function which, along with senior management and the Board of directors, is responsible for managing the market risk (foreign exchange and interest rate), credit risk and liquidity risk associated with the Company's activities. Wesfarmers operates a structured risk management process which identifies, evaluates and prioritises risks and uncertainties.

##### Foreign exchange risk

The Company is subject to foreign exchange risk with respect to euro denominated intercompany balance with a subsidiary company. Gains or losses arising from movements in the Euro exchange rate are taken through the profit and loss account in the period to which they relate.

##### Interest rate

The Company has no significant interest rate risk.

##### Credit risk

The Company has no significant concentration of credit risk.

##### Liquidity risk

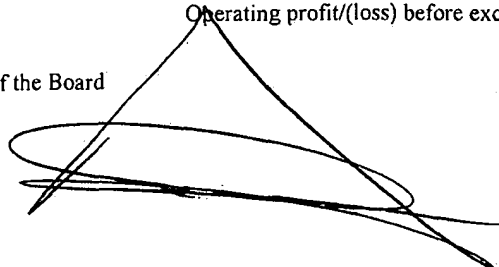
The Company's liquidity risk is managed centrally by the Wesfarmers treasury function, along with senior management and the Board of directors.

#### Key performance indicators (KPI's)

	2017	2016
No. of stores	9	9
Sales growth	15.8%	8.7%
Operating profit/(loss) before exceptionals	£6.27m	£(2.02)m

On behalf of the Board

P J C Davis  
Director



Date: 29/11/2017

**Hampden Group Limited**  
**Directors' report for the year ended 28 February 2017**

The directors present their report and the audited financial statements of the Company for the financial year 28 February 2016 to 28 February 2017 (the "year").

**Registered number**

The registered number of the Company is NI 0011639.

**Results and dividends**

The profit for the financial year was £5,445,000 (2016: £1,618,100,000 loss). The future developments and principal risks and uncertainties are discussed within the Strategic Report on page 1.

**Directors**

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

- P J C Davis
- R J Boys
- D F Davis (resigned 31 May 2016).

**Company Secretary**

A G Secretarial Limited.

**Statement of Directors' Responsibilities**

The directors are responsible for preparing the Strategic Report, 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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

Under company law the directors must not approve the financial statements unless they are satisfied 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 and up to the date of approval of the financial statements the Company maintained liability insurance for its directors.

**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 in-house news updates, briefing groups and the distribution of the Wesfarmers Group results.

## **Hampden Group Limited**

### **Directors' report for the year ended 28 February 2017 (continued)**

#### **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.

#### **Disclosure of information to auditors**

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

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 418(2) of the Companies Act 2006.

#### **Auditors**

In accordance with s485 of the Companies Act 2006, a resolution to appoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

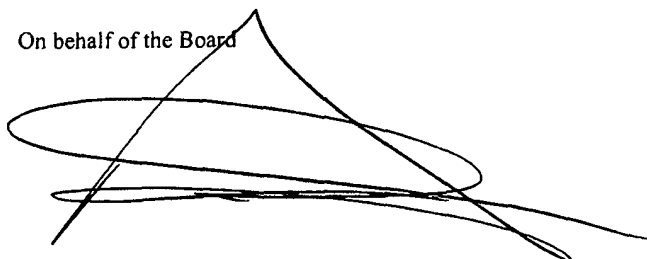
#### **Going Concern**

The directors have a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future and they have received a letter of support from Wesfarmers Limited, the ultimate parent company. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

#### **Subsequent events**

There have been no subsequent events that would require an adjustment or disclosure to the financial statements.

On behalf of the Board

A large, stylized handwritten signature in black ink, appearing to be 'P J C Davis', written over the text 'On behalf of the Board'.

P J C Davis  
Director

Date: 29/11/2017

Registered Office  
21 Arthur Street  
Belfast  
Northern Ireland  
BT1 4GA  
Registered Number: NI 011639

## **Independent auditor's report to the members of Hampden Group Limited**

### **Report on the financial statements**

We have audited the financial statements of Hampden Group Limited for the financial year 28 February 2016 to 28 February 2017 which comprise the Income statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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 and express an opinion on 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.

### **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. In addition, we read all the financial and non-financial information in the Strategic Report, the Directors' Report and the Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 28 February 2017 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; 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, based on the work undertaken in the course of the audit:

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

## **Independent auditor's report to the members of Hampden Group Limited (continued)**

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

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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.

*Ernst & Young LLP*

Peter McIver (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
1 More London Riverside, London, SE1 2AF

Date : 29/11/2017

**Hampden Group Limited**  
**Income statement**  
**For the year ended 28 February 2017**

		Year ended 28 February 2017 £'000	Year ended 27 February 2016 £'000
<b>Turnover</b>		<b>44,614</b>	<b>38,537</b>
Cost of sales		<u>( 28,935)</u>	<u>( 23,983)</u>
<b>Gross profit</b>		<b>15,679</b>	<b>14,554</b>
Net operating expenses	4	<u>( 9,408)</u>	<u>( 16,578)</u>
<b>Operating profit/(loss) before exceptional items</b>		<b>6,271</b>	<b>( 2,024)</b>
Net operating expenses - exceptional items		-	( 1,833,955)
<b>Operating profit/(loss)</b>		<u><b>6,271</b></u>	<u><b>( 1,835,979)</b></u>
Income from shares in group undertakings			197,000
Interest receivable and similar income	6	-	22,230
Interest payable and similar charges	6	<u>( 772)</u>	<u>( 1,209)</u>
Net interest receivable and similar income	6	<u>( 772)</u>	<u>21,021</u>
<b>Profit/(loss) on ordinary activities before taxation</b>		<u><b>5,499</b></u>	<u><b>( 1,617,958)</b></u>
Tax on profit/(loss) on ordinary activities	7	<u>( 54)</u>	<u>( 142)</u>
<b>Profit/(loss) for the financial period</b>		<u><b>5,445</b></u>	<u><b>( 1,618,100)</b></u>

All amounts relate to continuing activities.



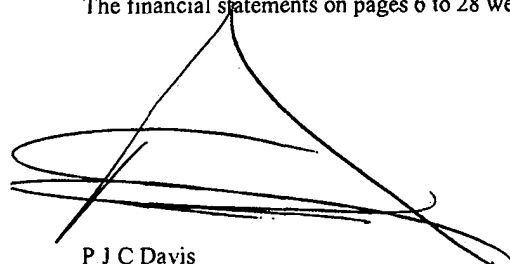
**Hampden Group Limited**  
**Statement of comprehensive income**  
**For the year ended 28 February 2017**

		Year ended 28 February 2017 £'000	Year ended 27 February 2016 £'000
	Notes		
<b>Profit/(loss) for the financial period</b>		<u>5,445</u>	<u>(1,618,100)</u>
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Remeasurement of the net defined benefit pension obligation	15	(3,646)	16
Tax credit/(charge) in respect of items not reclassified	7	<u>598</u>	<u>(46)</u>
<b>Other comprehensive expense for the year, net of tax</b>		<u>(3,048)</u>	<u>(30)</u>
<b>Total comprehensive income/(expense) for the financial year</b>		<u>2,397</u>	<u>(1,618,130)</u>

**Hampden Group Limited**  
**Balance sheet**  
**As at 28 February 2017**

		<b>28 February</b>	<b>27 February</b>
		<b>2017</b>	<b>2016</b>
		<b>£'000</b>	<b>£'000</b>
<b>ASSETS</b>	<b>Notes</b>		
<b>Non-current assets</b>			
Tangible assets	8	776	815
Investments	9	<u>340,588</u>	<u>340,588</u>
<b>Total non-current assets</b>		<u><b>341,364</b></u>	<u><b>341,403</b></u>
<b>Current assets</b>			
Stock	10	8,396	5,025
Debtors	11	<u>2,313</u>	<u>1,868</u>
Cash at bank and in hand	12	<u>432</u>	<u>266</u>
<b>Total current assets</b>		<u><b>11,141</b></u>	<u><b>7,159</b></u>
<b>Total assets</b>		<u><b>352,505</b></u>	<u><b>348,562</b></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Creditors: amounts falling due after more than one year	13	( 2,006)	( 2,258)
Provisions for liabilities	14	<u>( 3,468)</u>	<u>( 11,715)</u>
Pension liabilities	15	<u>( 4,180)</u>	<u>( 1,005)</u>
<b>Total non-current liabilities</b>		<u><b>( 9,654)</b></u>	<u><b>( 14,978)</b></u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	13	( 12,339)	( 3,182)
Provisions for liabilities	14	<u>( 548)</u>	<u>( 2,835)</u>
<b>Total current liabilities</b>		<u><b>( 12,887)</b></u>	<u><b>( 6,017)</b></u>
<b>Total liabilities</b>		<u><b>( 22,541)</b></u>	<u><b>( 20,995)</b></u>
<b>Net assets</b>		<u><b>329,964</b></u>	<u><b>327,567</b></u>
<b>Capital and reserves</b>			
Called up share capital	17	33,350	33,350
Retained earnings		<u>296,614</u>	<u>294,217</u>
<b>Total shareholders' funds</b>		<u><b>329,964</b></u>	<u><b>327,567</b></u>

The financial statements on pages 6 to 28 were approved by the Board of Directors and were signed on their behalf by:



P J C Davis  
Director

Date: 29/11/2017

**Hampden Group Limited**  
**Statement of changes in equity**  
**For the year ended 28 February 2017**

	Attributable to owners of the Company			
	Called up share capital	Share premium account	Retained earnings	Total shareholders' funds
	£'000	£'000	£'000	£'000
Balance at 28 February 2016	33,350	-	294,217	327,567
Profit for the financial year	-	-	5,445	5,445
Other comprehensive loss for the year	-	-	( 3,048)	( 3,048)
<b>Total comprehensive income for the financial year</b>	-	-	2,397	2,397
<b>Balance at 28 February 2017</b>	<b>33,350</b>	<b>-</b>	<b>296,614</b>	<b>329,964</b>

	Attributable to owners of the Company			
	Called up share capital	Share premium account	Retained earnings	Total shareholders' funds
	£'000	£'000	£'000	£'000
Balance at 1 March 2015	3,497,550	4,200	190,688	3,692,438
Loss for the financial year	-	-	( 1,618,100)	( 1,618,100)
Other comprehensive loss for the year	-	-	( 30)	( 30)
<b>Total comprehensive loss for the financial year</b>	-	-	( 1,618,130)	( 1,618,130)
Capital reduction	( 3,464,200)	( 4,200)	3,468,400	-
Dividend paid	-	-	( 1,746,741)	( 1,746,741)
<b>Total transactions with owners, recognised in equity</b>	<b>( 3,464,200)</b>	<b>( 4,200)</b>	<b>1,721,659</b>	<b>( 1,746,741)</b>
Balance at 27 February 2016	33,350	-	294,217	327,567

**Hampden Group Limited**  
**Notes to the financial statements**  
**For the year ended 28 February 2017**

**1. General information**

Hampden Group Limited ("the Company") is a private limited company incorporated and domiciled in Northern Ireland under the Companies (Northern Ireland) Order 1986. The Company's registered address is 21 Arthur Street, Belfast, BT1 4GA.

The financial year represents the period from 28 February 2016 to 28 February 2017 (prior financial year 52 weeks to 27 February 2016).

**2. Basis of preparation**

The financial statements are presented in sterling, rounded to the nearest thousand. They are prepared on the going concern basis and under the historical cost convention modified for the revaluation of retirement benefits and share-based payments. The principal accounting policies applied in the preparation of these financial statements are set out in note 3. Unless otherwise stated, these policies have been consistently applied to all the periods presented.

These financial statements have been prepared in accordance with United Kingdom Accounting Standards, in particular, Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006 (the Act) as applicable to companies using FRS 101. FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The Company is a qualifying entity for the purposes of FRS 101. Note 21 gives details of the Company's ultimate parent and from where its consolidated financial statements prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Company has adopted the intermediate parent exemption under section 401 of the Companies Act 2006, whereby it is not required to prepare consolidated financial statements as the Company and all of its subsidiary undertakings are included in the consolidated financial statements of Wesfarmers. The Group financial statements are available in the Wesfarmers Limited 2017 Annual Report and online at [www.wesfarmers.com.au](http://www.wesfarmers.com.au).

The key disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows:

- IAS 7 Statement of cash flows
- IFRS 2 Share-based payments;
- IFRS 7 Financial Instrument disclosures;
- IAS 1 – Information on management of capital;
- IAS 24 disclosure of key management personnel compensation and for related party transactions entered into between two or more members of a group; and the
- requirement to present roll-forward reconciliations in respect of share capital (IAS 1), property, plant and equipment (IAS 16), and intangible assets (IAS 38).

A summary of the more important accounting policies is set out below.

The preparation of financial statements in conformity with FRS 101 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The critical accounting policies of the Company are described in further detail below.

**Changes in accounting standards**

There are no new standards, amendments to existing standards or interpretations which were effective for the first time during the period ended 28 February 2017 that had a material impact on the Company.

**Going concern**

This report has been prepared on a going concern basis, which assumes the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. The Company had net current liabilities of £2,043,000 (2016: £1,142,000 assets) at the period end. Wesfarmers has confirmed in writing that it continues to support the underlying trade of the Homebase group. The directors therefore have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future.

**Hampden Group Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 28 February 2017**

**2. Basis of preparation (continued)**

**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 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. 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 future taxable profits is probable.

*Pension and post-employment 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 15.

*Impairment of assets*

Assets are subject to impairment reviews whenever changes in events or circumstances indicate that an impairment may have occurred. If such an indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. In the case of store assets, a CGU may represent a single store.

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

**Hampden Group Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 28 February 2017**

**2. Basis of preparation (continued)**

**Critical accounting estimates and assumptions (continued)**

*Stock provisions*

Stock 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. Net realisable value takes into account slow moving, obsolete and defective stock. 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, insurance, 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 or the incidence of insurance claims against the Company. 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**

**Turnover**

Turnover 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 ("VAT") and discounts. Turnover is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of turnover can be measured reliably. Turnover on goods to be delivered is recognised when the customer receives delivery of the goods. Commissions receivable on the sale of services for which the Company acts as agents are included within turnover. All turnover arises in Northern Ireland.

**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.

**Income tax**

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in the income statement except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

**Current tax**

Current tax is the expected tax recoverable from or payable to the taxation authorities based on the current period's taxable income, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

**Deferred tax**

Deferred tax is recognised in respect of all temporary differences using the full liability balance sheet method.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## **Hampden Group Limited**

### **Notes to the financial statements (continued) For the year ended 28 February 2017**

#### **3. Summary of principal accounting policies (continued)**

##### **Tangible assets**

Tangible assets are held at cost, being the purchase price and other costs directly attributable to bringing the asset into use, as well as costs of dismantling and removing items and restoring the site on which they are located, less accumulated depreciation and any impairment in value. An impairment charge is recognised where the carrying value of the asset (or CGU to which the asset belongs) exceeds its recoverable amount, being the higher of the asset's fair value less costs to dispose 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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within the statement of comprehensive income.

##### **Subsequent costs**

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the entity and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day repairs and maintenance of property, plant and equipment are recognised in profit and loss as incurred.

Depreciation is charged on a straight-line basis as follows:

- freehold properties are depreciated over 20 and 40 years;
- leasehold premises are depreciated over the period of the lease;
- plant and equipment is depreciated over 3 - 20 years according to the estimated useful life of the asset;
- land 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.

##### **Investments**

Investments are included in the balance sheet at their cost of acquisition. Where appropriate, a provision is made for any impairment in their value.

##### **Debtors**

Debtors are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. A provision for impairment of debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the debtors. The amount of the provision is recognised in the balance sheet, with the cost of unrecoverable trade debtors recognised in the income statement immediately. Trade receivables are shown gross of VAT.

Receivable balances are monitored on an ongoing basis and the Company's exposure to bad debts is not significant. With respect to trade receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

**Hampden Group Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 28 February 2017**

**3. Summary of principal accounting policies (continued)**

**Stock**

Stock is stated at the lower of cost and net realisable value. The cost base in use within the Company are general retail goods valued on a weighted average basis which approximates to actual cost. Supplier income received in respect of specific stock is treated as a reduction in the cost of this inventory. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

The stocks held at the Company's retail outlets are consignment stocks that are legally owned by HHGL Limited, a subsidiary of the Company. Ownership of this consignment stock passes when the stock is sold by the Company. However the Company bears the risks and rewards of ownership of the stock and accordingly, consignment stocks, and the associated creditor, are recognised in the Company's balance sheet.

**Cash at bank and in hand**

Cash at bank and in hand relates to cash balances held by the stores.

**Creditors**

Current trade and other payables are payables which are expected to be settled within 12 months of the balance date, are inclusive of VAT (where applicable) and are classified as current liabilities. A payable is recognised when the Company has an unconditional obligation to pay a debt at a time subsequent to the date on which the transaction that created the obligation was conducted. Trade and other payables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition payables are measured at amortised cost using the effective interest rate method. Trade payables are shown gross of VAT.

**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 profit and loss account 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.

**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.

***Future operating losses***

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 virtually certain.

Provisions are made for property provisions, including 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 for other costs and income on store closures are recognised where such an outflow or inflow is likely.

Provisions are also made for the estimated cost of insurance claims incurred by the Company but not settled at the balance sheet date, restructuring costs and other liabilities.



**Hampden Group Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 28 February 2017**

**3. Summary of principal accounting policies (continued)**

**Pensions and post-retirement benefits**

The liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligations at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligations are calculated annually by independent actuaries using the projected-unit credit method. The present value of the defined benefit obligations is 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.

The Company contributes to the defined contribution Homebase Personal Pension Plan operated by HHGL Limited, its subsidiary. 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 period in which contributions are payable.

**Financial instruments**

The Company holds financial instruments for the following purposes:

Financing: to raise finance for the Company's operations or to invest surplus funds. The principal types of instruments used include: cash and share issues.

Operational: the Company's activities generate financial instruments, including cash, trade receivables and trade payables.

Risk management: to reduce risks arising from the financial instruments described above, forward exchange contracts are entered into by Wesfarmers on behalf of the Company, where appropriate.

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.

**Non-derivative assets**

Non-derivative financial assets comprise trade and other receivables, cash and cash equivalents.

Receivables and cash deposits are initially recognised on the date that they are originated. All other financial assets are recognised initially on the date at which the Company becomes a party to the contractual provisions of the instrument.

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, and are included in current assets.

A financial asset is derecognised when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

**Non-derivative financial assets and liabilities at fair value through profit and loss**

Financial assets and liabilities at fair value through profit and loss are so designated by management on initial recognition. Derivatives are generally designated as hedges. Financial assets and liabilities at fair value through profit or 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.

Financial assets and liabilities are offset and the net amount presented in the combined statement of financial position when, and only when, there is a legal right to offset the amounts and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

**Hampden Group Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 28 February 2017**

**3. Summary of principal accounting policies (continued)**

**Non-derivative financial assets and liabilities at fair value through profit and loss (continued)**

At the end of each reporting period, it is assessed whether there is any objective evidence that an item in the Company's financial assets might be impaired by considering factors such as debtor's financial problems and breaches of contract terms. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in the income statement and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. If a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

**Non-derivative financial liabilities**

Non-derivative financial liabilities comprise trade and other payables. All financial liabilities are recognised initially when the contractual provisions of the instrument apply. A financial liability is derecognised when its contractual obligations are discharged, cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the Balance Sheet when, and only when, there is both a legal right to offset the amounts and the intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

**Financial risks**

Responsibility for managing liquidity risk lies with Wesfarmers treasury in consultation with senior management and the Board of directors, who assess the Company's short, medium and long term funding and liquidity requirements. The Company's ultimate UK parent, Bunnings (UK & I) Holdings Limited, manages liquidity risk within the Company's subsidiaries by drawing down on external facility when necessary and is determined through monitoring the Company's forecast and actual cash flows.

***Market risk***

The Company operates within Northern Ireland. It is exposed to foreign currency risk from purchases in currencies other than the British pound charged by its British subsidiary, HHGL Limited, including those in Euros, American dollar and Australian dollar.

***Credit risk***

The Company does not itself hedge currency exposures but market risk is partially mitigated through Wesfarmers hedging activity and it does not speculate on future currency movements.

The Company aims to mitigate the risk that its counterparties will default on their obligations, resulting in a financial loss to the Company, by dealing with creditworthy counterparties. The Company is exposed to credit risk primarily through its receivables balances with customers. However, due to the nature of the way the Company trades, receivables balances due from customers are not usually significant.

Customers who wish to trade on credit terms are subject to credit verification procedures, including an assessment of their independent credit rating, financial position, past experience and industry reputation. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for impairment, represents the Company's maximum exposure to credit risk.

**Fair value estimation**

The fair value of financial instruments traded in organised active financial markets is based on quoted market prices at the close of business on the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price; the appropriate quoted market price for financial liabilities is the current offer price. The fair value of financial instruments for which there is no quoted market price is determined by a variety of methods incorporating assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

**Hampden Group Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 28 February 2017**

**3. Summary of principal accounting policies (continued)**

**Fair value estimation (continued)**

The nominal value less estimated credit adjustments of trade debtors and creditors are assumed to approximate to their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

**Commercial income**

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

**Marketing and advertising income.** Marketing and advertising income is recognised once agreed with a supplier and over the period set out in the specific agreement.

**Volume-based rebates.** Income is recognised through the year based on forecasts for expected sales or purchase volumes, informed by current performance, trends and the terms of the supplier agreement. Income is invoiced throughout the year in accordance with the specific supplier terms. The majority of those arrangements run for one calendar year.

**4. Net operating expenses**

	Year ended 28 February 2017 £'000	Year ended 27 February 2016 £'000
<b>Expenses by function</b>		
Selling costs	(8,311)	( 11,787)
Administrative expenses	(1,097)	( 1,838,746)
<b>Net operating expenses</b>	<b>( 9,408)</b>	<b>( 1,850,533)</b>
	Year ended 28 February 2017 £'000	Year ended 27 February 2016 £'000
Profit/(loss) on ordinary activities before taxation is stated after (charging)/crediting:		
Operating lease rentals:		
Plant and equipment	( 3)	( 11)
Property	( 4,499)	( 4,457)
Cost of stocks recognised as an expense in cost of sales	( 26,562)	( 20,251)
Write down of stock	( 1,239)	( 369)
Depreciation of tangible assets (note 8)	( 203)	( 392)
Release of onerous lease provisions *	10,596	2,835
Restructuring costs	( 354)	-
Impairment of investment in subsidiary undertaking *	-	( 1,837,000)
Release of accrued closure costs re: defined benefit scheme *	-	210
Auditors' remuneration:		
Company audit	( 11)	( 11)

No non-audit fees were incurred in the year

\*Classified as exceptional income/(loss) in the prior period with the impairment of investment charge of £(1,837,000,000) arising from the corporate restructuring activity undertaken by Home Retail Group Plc upon disposal of the Company to Wesfarmers.

**Hampden Group Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 28 February 2017**

**5. Employee costs and employee numbers**

	Year ended 28 February 2017 £'000	Year ended 27 February 2016 £'000
<b>Employee costs</b>		
Wages and salaries	( 4,361)	( 3,705)
Social security costs	( 205)	( 168)
Other pension costs	( 73)	( 85)
Share-based payments	-	( 39)
	<u>( 4,639)</u>	<u>( 3,997)</u>

The monthly average number of persons employed by the Company during the period including directors and those employed on a part-time basis, was made up as follows:

	Year ended 28 February 2017 Number of employees	Year ended 28 February 2017 Number of full time equivalents	Year ended 27 February 2016 Number of employees	Year ended 27 February 2016 Number of full time equivalents
<b>Average number of employees</b>				
Stores	405	204	364	155
Administration and other	5	3	36	36
	<u>410</u>	<u>207</u>	<u>400</u>	<u>191</u>

No emoluments were paid to the directors for their services to the Company (2016: nil). The remuneration paid by other group companies for their services as directors of this company has been apportioned as £nil.

**6. Net interest (payable)/receivable and similar income**

	Year ended 28 February 2017 £'000	Year ended 27 February 2016 £'000
<b>Interest receivable and similar income</b>		
Interest from group undertakings	-	22,230
<b>Total interest receivable and similar income</b>	<u>-</u>	<u>22,230</u>
<b>Interest (payable)/receivable and similar charges</b>		
Unwinding of discounts in provisions (note 14)	( 743)	( 902)
Financing fair value remeasurements - net exchange losses	-	( 264)
Net interest expense on retirement benefit obligations (note 15)	( 29)	( 43)
<b>Total interest (payable)/receivable and similar charges</b>	<u>( 772)</u>	<u>( 1,209)</u>
<b>Net interest (payable)/receivable and similar income</b>	<u>( 772)</u>	<u>21,021</u>

**7. Tax on profit/(loss) on ordinary activities**

	Year ended 28 February 2017 £'000	Year ended 27 February 2016 £'000
<b>Analysis of charge in the period</b>		
<b>Total current tax charge</b>	<u>-</u>	<u>-</u>

**Hampden Group Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 28 February 2017**

**7. Tax on profit/(loss) on ordinary activities (continued)**

	Year ended 28 February 2017 £'000	Year ended 27 February 2016 £'000
<b>Deferred tax:</b>		
Reversal of temporary differences	( 64)	( 115)
Adjustments in respect of previous years	7	( 14)
Effect of change in tax rate	3	( 13)
<b>Total deferred tax charge (note 16)</b>	<b>( 54)</b>	<b>( 142)</b>
<b>Total tax charge in income statement</b>	<b>( 54)</b>	<b>( 142)</b>

	Year ended 28 February 2017 £'000	Year ended 27 February 2016 £'000
<b>Tax included in other comprehensive income</b>		
Items that will not be reclassified subsequently to profit and loss		
Post-employment benefit obligations credit/(charge)	598	( 46)
<b>Total tax credit/(charge) in other comprehensive income</b>	<b>598</b>	<b>( 46)</b>

**Factors affecting the tax charge**

The effective tax rate for the period of 1% (2016: 0.01%), is lower (2016: lower) than the standard rate of corporation tax in the UK of 20% (2016: 20.08%). The differences are explained below:

	Year ended 28 February 2017 £'000	Year ended 27 February 2016 £'000
Profit/(loss) on ordinary activities before taxation	5,499	(1,617,958)
Profit/(loss) on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK (see above)	(1,100)	324,886
Effects of:		
Expenses not deductible for taxation purposes	(9)	39,550
Impairment of investment	-	(368,870)
Transfer pricing adjustments	-	1,482
Adjustment in respect of previous years	7	(14)
Rate change impact of tax	3	(13)
Loss relief surrendered by group companies for £nil consideration	1,045	2,837
<b>Total tax charge in profit and loss account</b>	<b>(54)</b>	<b>(142)</b>

**Factors that may affect future tax charges**

The income tax expense for the period is based on the United Kingdom statutory rate of corporation tax for the year of 20% (2016: 20.08%). The impact of the changes in statutory rates relates to the reduction in the UK corporation tax rate from 20% to 17% from 1 April 2020. This change has resulted in a deferred tax credit of £3,000 to the income statement and a charge of £131,000 to the statement of comprehensive

**Hampden Group Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 28 February 2017**

**8. Tangible assets**

	<b>Short leasehold properties</b>	<b>Plant &amp; equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>			
At 28 February 2016	5,895	16,688	22,583
Additions	-	164	164
<b>At 28 February 2017</b>	<b>5,895</b>	<b>16,852</b>	<b>22,747</b>
<b>Accumulated depreciation</b>			
At 28 February 2016	( 5,895)	( 15,873)	( 21,768)
Charge for the year	-	( 203)	( 203)
<b>At 28 February 2017</b>	<b>( 5,895)</b>	<b>( 16,076)</b>	<b>( 21,971)</b>
<b>Net book value at 28 February 2017</b>	<b>-</b>	<b>776</b>	<b>776</b>
Net book value at 27 February 2016	-	815	815

Tangible assets are subject to impairment reviews whenever changes in events or circumstances indicate that an impairment may have occurred. Store assets are written down to the higher of fair value less costs to dispose and value-in-use. From this review, there are shortfalls in future cashflows for a number of stores over the remainder of the lease terms when compared with the net book values of the stores' fixed assets. The property, plant and equipment for those stores has therefore been written down to their recoverable amount, being their value-in-use.

**9. Investments**

	<b>Subsidiaries</b>
	<b>£'000</b>
<b>Cost</b>	
At 28 February 2016	340,588
<b>At 28 February 2017</b>	<b>340,588</b>
<b>Accumulated impairment</b>	
At 28 February 2016	-
Charge for period	-
<b>At 28 February 2017</b>	<b>-</b>
<b>Net book value at 28 February 2017</b>	<b>340,588</b>
Net book value at 27 February 2016	340,588

**10. Stock**

	<b>28 February 2017</b>	<b>27 February 2016</b>
	<b>£'000</b>	<b>£'000</b>
Finished goods	<b>8,396</b>	<b>5,025</b>

Trading stock on 28 February 2017 represents consignment stock of £8,465,000 (2016: £5,025,000) which is legally owned by HHGL Limited, a subsidiary of the Company. The Company bears substantially all of the risks and rewards of trading this stock. Ownership of the consignment stocks passes from HHGL Limited to the Company when the Company sells the stock.

There have been no reversals in the period (2016: £nil) to the inventory provision.

**Hampden Group Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 28 February 2017**

<b>11. Debtors</b>	<b>28 February 2017 £'000</b>	<b>27 February 2016 £'000</b>
<b>Amounts falling due after more than one year:</b>		
Deferred tax (note 16)	1,044	500
<b>Amounts falling due within one year:</b>		
Trade debtors	2	1
Less provision for impairment of debtors	-	-
	<u>2</u>	<u>1</u>
Other debtors	136	275
Prepayments and accrued income	1,131	1,092
<b>Total Debtors</b>	<u><b>2,313</b></u>	<u><b>1,868</b></u>

Amounts owed by group undertakings were net settled as part of the restructure discussed on page 1.

<b>12. Cash at bank and in hand</b>	<b>28 February 2017 £'000</b>	<b>27 February 2016 £'000</b>
Cash at bank and in hand	<u>432</u>	<u>266</u>

**13. Creditors**

	<b>Amounts falling due within one year</b>	<b>Amounts falling due after more than one year</b>	<b>Amounts falling due within one year</b>	<b>Amounts falling due after more than one year</b>
	<b>28 February 2017 £'000</b>	<b>28 February 2017 £'000</b>	<b>27 February 2016 £'000</b>	<b>27 February 2016 £'000</b>
Amounts owed to group undertakings	(10,966)	-	(585)	-
Accruals and deferred income	(1,343)	(2,006)	(2,450)	(2,258)
Other creditors	(30)	-	(147)	-
	<u>(12,339)</u>	<u>(2,006)</u>	<u>(3,182)</u>	<u>(2,258)</u>

Long-term creditors have been discounted where the time value of money is material.

Amounts owed to group undertakings at the period end are unsecured, repayable on demand and non-interest bearing.

**14. Provisions for liabilities**

	<b>Property £'000</b>	<b>Insurance £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
At 28 February 2016	(14,435)	(82)	(33)	(14,550)
Released to the income statement	10,595	1	-	10,596
Utilised during the period	661	17	357	1,035
Restructuring charge to the income statement	-	-	(354)	(354)
Discount unwind	(743)	-	-	(743)
<b>At 28 February 2017</b>	<u><b>(3,922)</b></u>	<u><b>(64)</b></u>	<u><b>(30)</b></u>	<u><b>(4,016)</b></u>

**Hampden Group Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 28 February 2017**

**14. Provisions for liabilities (continued)**

Analysed as	28 February 2017 £'000	27 February 2016 £'000
Amounts falling due within one year	(548)	(2,835)
Amounts falling due after more than one year	(3,468)	(11,715)
	<u>(4,016)</u>	<u>(14,550)</u>

Property provisions comprise obligations on onerous leases together with other costs or income associated with store closures. In respect of onerous leases, provision is made for onerous lease contracts on stores that have either closed, or for trading stores where projected future trading revenue is insufficient to cover the costs of operating the store on an ongoing basis, in which case the lower of the lease exit cost and the net cost of running the store to the end of the lease term is provided (a value-in-use calculation). Where the value-in-use calculation is lower, the provision is based on the present value of expected future cash flows relating to rents, rates and other property costs to the end of the lease terms net of expected trading or sublet income. The value-in-use calculations estimate discrete store cash flows in line with the latest approved budgets for the first five years and then assume constant growth in store cash flows up to the end of the lease. The assumptions behind the value-in-use calculations are inherently uncertain and, whilst they are based on management's best estimate of future trading conditions, the actual outcome could be materially different to the provision. The key assumptions included in the calculations are the approved budgets, the discount rates and the long term cash flow growth rates.

This provision is expected to be utilised over the life of the leases.

The Company incurred restructuring costs as the Homebase business carried out changes to align to the Bunnings operating model.

A provision is made at the year-end for the estimated costs of insurance claims incurred by the Company but not settled at the balance sheet date, including the costs of claims that have arisen but have not yet been reported to the Company. The estimated cost of claims includes expenses to be incurred in settling claims. The majority of this provision is expected to be utilised within one year.

**15. Post-employment benefits**

Pension arrangements for employees are operated through a defined benefit scheme (the Hampden Group plc Pension Scheme) and a defined contribution scheme (the Homebase Personal Pension Plan). The defined benefit scheme has been closed to new entrants since 2004, and was closed to accrual of future service benefits on 31 January 2014.

The Company contributes to the defined contribution Homebase Personal Pension Plan. 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 profit or loss during the year in which contributions are payable.

**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 2015 by independent, qualified actuaries, KPMG LLP, using the projected unit method and resulted in a deficit of £1,812,000. The deficit recovery plan agreed with the Trustees provides for payments of £500,000 per annum in equal monthly instalments until 31 March 2018. The next full actuarial valuation of the scheme is being carried out as at 31 March 2018.

The valuation used for IAS 19 has been based on the most recent actuarial funding valuations and has been updated by KPMG LLP as at 28 February 2017 to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at 28 February 2017.

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

	28 February 2017 £'000	27 February 2016 £'000
Opening deficit in the scheme	(1,005)	(1,478)
Total net charge recognised in the income statement	(29)	(43)
Actuarial (loss)/gain recognised in the statement of comprehensive income	(3,646)	16
Contributions paid by employer	500	500
<b>Deficit in the scheme at 28 February 2017 and 27 February 2016</b>	<u><b>(4,180)</b></u>	<u><b>(1,005)</b></u>



**Hampden Group Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 28 February 2017**

**15. Post-employment benefits (continued)**

The Company's defined benefit scheme closed to accrual of future service benefits on 31 January 2014. As a result, all previously active members of the scheme are now treated as deferred members. The effect of the closure is that these members are no longer entitled to pension benefits linked to future salary increases. This amounted to a change in benefit accruing to those members and resulted in a one-off reduction in the ultimate liabilities in respect of these individuals.

During the period, the Company has paid contributions totalling £500,000 (2016: £500,000) to the Hampden Group defined benefit pension plan including £500,000 (2016: £500,000) 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 2012 actuarial valuation. The estimated amount of contributions expected to be paid by the Company during the next financial year is £500,000, all of which relates to the deficit recovery plan.

The amounts recognised in the balance sheet are determined as follows:

	28 February 2017 £'000	27 February 2016 £'000
Fair value of scheme assets	15,747	13,991
Present value of funded scheme liabilities	( 19,927)	( 14,996)
Deficit in funded scheme	( 4,180)	( 1,005)
<b>Retirement benefit obligations recognised in the balance sheet</b>	<b>( 4,180)</b>	<b>( 1,005)</b>

The weighted average duration of the defined benefit obligation at 28 February 2017 is approximately 24 years (2016: 24 Years).

The defined benefit obligation at 28 February 2017 can be approximately attributed to the scheme members as follows: Active members 0% (2016: 0%); deferred members 89% (2016: 89%); pensioner members 11% (2016: 11%). All benefits are vested at 28 February 2017 (unchanged from 28 February 2016).

An allowance is made in 2016 for a Guaranteed Annuity Policy (GAR) held by the Scheme. This GAR Policy has been allowed for by writing up the asset value, and the fair value of scheme assets shown above includes the additional value that the GAR Policy provides the scheme. At the period end, the value of the GAR Policy is £2,000,000 (2016: £1,350,000).

The amounts recognised in the income statement were as follows:

	2017 £'000	2016 £'000
Interest expense on retirement benefit obligations	( 29)	( 43)
<b>Total net charge recognised in the income statement</b>	<b>( 29)</b>	<b>( 43)</b>

Contributions to the Company's defined contribution pension arrangements are in addition to those set out in this note and are charged directly to the income statement.

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

	28 February 2017 £'000	27 February 2016 £'000
Selling costs	-	-
Administrative expenses	-	-
Interest payable and similar charges (note 6)	( 29)	( 43)
<b>Total net charge recognised in the profit and loss account</b>	<b>( 29)</b>	<b>( 43)</b>

Analysis of the amounts recognised in the statement of comprehensive income:

	28 February 2017 £'000	27 February 2016 £'000
Return on scheme assets excluding interest income	1,474	( 793)
Actuarial losses arising from changes in demographic assumptions	-	( 33)
Actuarial (loss)/gain arising from changes in financial assumptions	( 5,120)	779
Experience gains on liabilities	-	63
<b>Actuarial (loss)/gain recognised in the statement of comprehensive income</b>	<b>( 3,646)</b>	<b>16</b>

**Hampden Group Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 28 February 2017**

**15. Post-employment benefits (continued)**

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

	2017	2016
	%	%
Discount rate	2.6	3.8
Inflation assumption RPI	3.2	3.1
Inflation assumption CPI	2.2	2.1
Pension increases:		
• Fixed 3% increases	3.0	3.0
• RPI capped at 5% pa	3.0	3.0
• RPI capped at 5% pa (subject to a minimum of 3%)	3.7	3.7

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

The impact of changing material assumptions is as follows:

		2017	2016
	Increase / decrease in assumptions	Indicative effect on scheme liabilities £'000	Indicative effect on scheme liabilities £'000
Rate of price inflation	0.25%	+/- 700	+/- 520
Rate of increase for pensions in payment	0.25%	+/- 200	+/- 130
Rate of increase for deferred pensions	0.25%	+/- 500	+/- 390
Discount rate	0.25%	-/+ 1,200	-/+ 830
Life expectancy	1 year	+ 600	+ 400

The above sensitivities are applied to adjust the defined benefit obligations at the end of the reporting period. Whilst the analysis does not take account of the full distribution of cashflows expected under the scheme, it does provide an approximation to the sensitivity of the assumptions shown.

The discount rate is based on yields on high quality corporate bonds of equivalent currency and term to the defined benefit obligation, or a suitable proxy.

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

- 22.8 years at age 65 for a male currently aged 65 (2016: 22.7)
- 24.9 years at age 65 for a female currently aged 65 (2016: 24.8)
- 24.4 years at age 65 for a male currently aged 50 (2016: 24.3)
- 26.7 years at age 65 for a female currently aged 50 (2016: 26.6)

The major categories of scheme assets are as follows:

	28 February 2017			27 February 2016		
	Fair Value of quoted assets £'000	Fair Value of unquoted assets £'000	Percentage of scheme assets %	Fair Value of quoted assets £'000	Fair Value of unquoted assets £'000	Percentage of scheme assets %
Market value of scheme assets:						
Equities	4,117	-	26	3,229	-	23
Diversified growth fund	5,702	-	36	5,765	-	41
Index-linked government bonds	1,644	-	11	1,297	-	9
Cash and cash equivalents	361	-	2	487	-	4
Value of Guaranteed Annuity Rate policy	-	2,000	13	-	1,350	10
With-profits Fund	-	1,923	12	-	1,863	13
<b>Fair value of scheme assets</b>	<b>11,824</b>	<b>3,923</b>	<b>100</b>	<b>10,778</b>	<b>3,213</b>	<b>100</b>

**Hampden Group Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 28 February 2017**

**15. Post-employment benefits (continued)**

**Investment strategy**

Investment risk is managed by diversifying the assets across asset classes whose return patterns are not highly correlated.

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

	2017 £'000	2016 £'000
Opening defined benefit liabilities	( 14,996)	( 15,496)
Interest expense	( 549)	( 538)
Actuarial (losses)/gains arising from changes in financial assumptions	( 5,120)	779
Actuarial losses arising from changes in demographic assumptions	-	( 33)
Experience gains on liabilities	-	63
Benefits paid	738	229
<b>Closing defined benefit liabilities</b>	<b>( 19,927)</b>	<b>( 14,996)</b>

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

	2017 £'000	2016 £'000
Opening fair value of scheme assets	13,991	14,018
Interest income	520	495
Return on scheme assets excluding interest income	1,474	( 793)
Contributions paid by the Company	500	500
Benefits paid	( 738)	( 229)
<b>Closing fair value of scheme assets</b>	<b>15,747</b>	<b>13,991</b>

The pension scheme assets include neither assets from the Company's own financial instruments, nor any property occupied by, or used by, the Company (2016: £ nil).

The actual return on scheme assets was a loss of £1,994,000 (2016: £298,000 loss)

**Risks**

The Company is exposed to a number of risks in relation to its defined benefit scheme, the most significant ones being longevity risk, interest rate risk, market (investment) risk and currency risk.

**Defined contribution scheme**

The pension contribution costs to this defined contribution scheme in 2017 were £44,000 (2016: £42,000).

The total outstanding pension contributions at the balance sheet date were £6,000 (2016: £6,000).

**16. Deferred tax**

The movements on the deferred tax account are as follows:

	28 February 2017 £'000	27 February 2016 £'000
Opening deferred tax assets	500	688
Income statement charge	(54)	(142)
Deferred tax credited to statement of comprehensive income.	598	(46)
<b>Closing deferred tax asset</b>	<b>1,044</b>	<b>500</b>

The deferred tax amounts recognised are as follows:

	28 February 2017 £'000	27 February 2016 £'000
<b>Deferred tax assets:</b>		
Deferred tax asset to be recovered after more than one year	1,044	500

**Hampden Group Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 28 February 2017**

**16. Deferred tax (continued)**

The closing deferred tax has been calculated at the enacted rate of 18% (2016: 18%) which differs from the UK corporation tax rate applied to the current year adjusted profits at 20%.

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

	Asset provision	Accelerated tax depreciation	Other temporary differences	Total
	£'000	£'000	£'000	£'000
<b>Deferred tax assets:</b>				
At 1 March 2015	6	386	296	688
Income statement charge	(5)	(33)	(91)	(129)
Deferred tax credited to statement of comprehensive income	-	-	(46)	(46)
Rate change impact	-	(35)	22	(13)
At 28 February 2016	1	318	181	500
Income statement credit/ (charge)	-	37	(94)	(57)
Deferred tax charged to statement of comprehensive income	-	-	729	729
Rate change impact	-	(23)	(105)	(128)
At 28 February 2017	1	332	711	1,044

Deferred tax assets are recognised for tax loss carry-forwards and other temporary differences to the extent that temporary differences can be utilised either through future taxable profits generated by the Company, or through being made available via group relief.

**17. Called up share capital**

	28 February 2017	27 February 2016
	£'000	£'000
<b>Authorised:</b>		
60,000,000,000 (2016: 60,000,000,000) ordinary shares at 10p each	6,000,000	6,000,000
<b>Allotted, called-up and fully paid:</b>		
333,500,520 ordinary shares at 10p each	33,350	33,350

**18. Operating leases**

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

	28 February 2017	28 February 2017	27 February 2016
	Land and buildings £'000	Equipment and vehicles £'000	Land and buildings £'000
Less than one year	(4,715)	(15)	(4,715)
Between one and five years	(18,862)	(12)	(18,862)
More than five years	(24,627)	-	(29,369)
<b>Total operating leases</b>	<b>(48,204)</b>	<b>(27)</b>	<b>(52,946)</b>

**Hampden Group Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 28 February 2017**

**19. Capital commitments**

Capital expenditure for which contracts have been placed:

28 February 2017 £'000	27 February 2016 £'000
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Tangible assets	-	8
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**20. Contingent liabilities**

The Company had guaranteed the lease obligation on a store owned by its indirectly held subsidiary undertaking, HHGL Limited. The annual lease payments made by HHGL Limited and which have been guaranteed by the Company amount to €900,000 (2016: €900,000). The remaining life of this guaranteed lease is 8 years.

**21. Ultimate parent undertakings**

The Company's immediate parent undertaking is Bunnings (UK & I) Holdings Limited, a company registered in England and Wales, by virtue of its 100% shareholding in the Company.

The Company's ultimate parent and controlling party is Wesfarmers Limited, a company registered in Australia. Wesfarmers Limited is the largest group of undertakings for which group financial statements were prepared, the most recent statements have been drawn up to 30 June 2017. Copies of the Wesfarmers Limited 2017 Annual Report for the year ended 30 June 2017 are available from its registered office at Level 14, Brookfield Place Tower 2, 123 St Georges Terrace, Perth, Western Australia, 6000 or online at [www.wesfarmers.com.au](http://www.wesfarmers.com.au).

**22. Subsidiary and related undertakings**

Undertaking	Address of the undertaking	Direct/indirect holding	Percentage of ordinary shares held
Homebase Group Limited	Witan Gate House, 500 - 600 Witan Gate, Milton Keynes, MK9 1BA	Direct	100
Fifthgrange Limited	Witan Gate House, 500 - 600 Witan Gate, Milton Keynes, MK9 1BA	Indirect	100
Iconford Limited	Witan Gate House, 500 - 600 Witan Gate, Milton Keynes, MK9 1BA	Indirect	100
Beddington House (No.4) Limited	Witan Gate House, 500 - 600 Witan Gate, Milton Keynes, MK9 1BA	Indirect	100
Homebase Card Handling Services Limited	Witan Gate House, 500 - 600 Witan Gate, Milton Keynes, MK9 1BA	Indirect	100
HHGL Limited (formerly Homebase Limited)	Witan Gate House, 500 - 600 Witan Gate, Milton Keynes, MK9 1BA	Indirect	100
HHGL (ROI) Limited (formerly Homebase House and Garden Centre Limited)	Riverside One, Sir John Rogerson's Quay, Dublin 2. D02X576	Direct	15.37
HHGL (ROI) Limited (formerly Homebase House and Garden Centre Limited)	Riverside One, Sir John Rogerson's Quay, Dublin 2. D02X576	Indirect	84.63
Index Limited	Witan Gate House, 500 - 600 Witan Gate, Milton Keynes, MK9 1BA	Indirect	100
Texas Services Limited	Witan Gate House, 500 - 600 Witan Gate, Milton Keynes, MK9 1BA	Indirect	100
Homebase Spend & Save Limited	Witan Gate House, 500 - 600 Witan Gate, Milton Keynes, MK9 1BA	Indirect	100
Focal Point (Lighting) Limited	Witan Gate House, 500 - 600 Witan Gate, Milton Keynes, MK9 1BA	Indirect	100
MI Home Limited	Witan Gate House, 500 - 600 Witan Gate, Milton Keynes, MK9 1BA	Indirect	100
Modern Interiors Limited	Witan Gate House, 500 - 600 Witan Gate, Milton Keynes, MK9 1BA	Indirect	100
Texas (NI) Limited	21 Arthur Street, Belfast, Northern Ireland, BT1 4GA	Indirect	100
Homebase (NI) Limited	21 Arthur Street, Belfast, Northern Ireland, BT1 4GA	Indirect	100
Homebase Group (2000) Limited	Witan Gate House, 500 - 600 Witan Gate, Milton Keynes, MK9 1BA	Indirect	100
Beddington House Holdings Limited	Witan Gate House, 500 - 600 Witan Gate, Milton Keynes, MK9 1BA	Indirect	100
Homebase Holdings Limited	Witan Gate House, 500 - 600 Witan Gate, Milton Keynes, MK9 1BA	Indirect	100
Home Charm Group Limited	Witan Gate House, 500 - 600 Witan Gate, Milton Keynes, MK9 1BA	Indirect	100

**Hampden Group Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 28 February 2017**

**22. Subsidiary and related undertakings (continued)**

Undertaking	Address of the undertaking	Direct/indirect holding	Percentage of ordinary shares
Home Charm Group Trustees Limited	Witan Gate House, 500 - 600 Witan Gate, Milton Keynes, MK9 1BA	Indirect	100
Homebase Direct Limited	Witan Gate House, 500 - 600 Witan Gate, Milton Keynes, MK9 1BA	Indirect	100
Texas Homecare (Northern Ireland) Limited	21 Arthur Street, Belfast, Northern Ireland, BT1 4GA	Indirect	100
Texas Homecare Installation Services Limited	Witan Gate House, 500 - 600 Witan Gate, Milton Keynes, MK9 1BA	Indirect	100
Texas Installations Limited	Witan Gate House, 500 - 600 Witan Gate, Milton Keynes, MK9 1BA	Indirect	100
Texas Homecare Limited	Witan Gate House, 500 - 600 Witan Gate, Milton Keynes, MK9 1BA	Indirect	100
Quickinstant Limited	Witan Gate House, 500 - 600 Witan Gate, Milton Keynes, MK9 1BA	Indirect	100
Sandfords Limited	Witan Gate House, 500 - 600 Witan Gate, Milton Keynes, MK9 1BA	Indirect	100
Trend Decor Limited	Witan Gate House, 500 - 600 Witan Gate, Milton Keynes, MK9 1BA	Indirect	100
Lexden BH (Colchester) Limited	Witan Gate House, 500 - 600 Witan Gate, Milton Keynes, MK9 1BA	Indirect	100
Lexden BH Limited	44 Esplanade, St. Helier, Jersey, JE4 9WG	Indirect	100