

Notes to the Parent Company financial statements

For the 52 weeks ended 1 March 2008

1. GENERAL INFORMATION

The Company was incorporated and registered in England and Wales on 30 June 2006 under the Companies Act as a public limited company by shares with the name Hackplimco (no. 116) plc and with registered number 5863533. The Company changed its name to ARG Holdings (UK) plc pursuant to a special resolution passed on 13 July 2006 and then changed its name to Home Retail Group plc pursuant to a special resolution on 11 September 2006. The registered office of the Company is Avebury, 489-499 Avebury Boulevard, Milton Keynes MK9 2NW.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

Basis of accounting

These separate financial statements of Home Retail Group ('the Company') are presented as required by the Companies Act 1985 (the Act), and were approved by the Board on 30 April 2008. They have been prepared on a going concern basis and under the historical cost convention modified for the revaluation of certain financial instruments, and in accordance with the Companies Act 1985 and applicable UK Generally Accepted Accounting Principles (UK GAAP).

The Company is the ultimate parent entity of Home Retail Group ('the Group'). The Company's financial statements are included in Home Retail Group plc's consolidated financial statements for the 52 weeks ended 1 March 2008. As permitted by section 230 of the Act, the Company has not presented its own profit and loss account. The Company has also taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (Revised 1996) 'Cash Flow Statements'. The Company is also exempt under the terms of FRS 8 'Related Party Disclosures' from disclosing transactions with other members of the Home Retail Group.

The Company has applied the provisions for merger relief under section 131 of the Act. As a consequence no share premium was recorded in respect of the shares issued. The investment in Home Retail Group (UK) Limited has also been recorded at the nominal value of shares issued under the provision of section 133 of the Act (provision supplementing section 131 of the Act).

Changes in accounting standards

The Company has adopted FRS 29, 'Financial instruments: Disclosures'. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly. There is no prior period adjustment to reserves resulting from adopting this standard, as its provisions relate to disclosure only. The Company has also adopted FRS 28 'Corresponding Amounts'. There has been no material effect of adopting this standard.

Financial instruments

The Company classifies its financial instruments in the following categories: financial assets at fair value through profit or 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 and re-evaluates this position at every reporting date. The Company may use interest rate swaps to manage its interest rate exposure against borrowings from subsidiary undertakings.

Financial assets and liabilities at fair value through profit or loss

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

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.

Deferred tax

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred taxation assets and liabilities have not been discounted.

Dividend distribution

Final dividends recommended by the Board of Directors and unpaid at the year-end are not recognised in the financial statements, until they have been approved by the shareholders at the Annual General Meeting. Interim dividends are recognised when paid.

Share-based payments

The Company operates a number of equity-settled, share-based compensation plans for the benefit of employees of its subsidiary companies. 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 Company revisits the vesting estimate at each balance sheet date. Non-market performance conditions are included in the vesting estimate. Expenses are incurred over the vesting period and are recharged in full to the employing subsidiary companies. Fair value is measured at the date of grant using whichever of the Black-Scholes, Monte Carlo model and 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.

Notes to the Parent Company financial statements continued

For the 52 weeks ended 1 March 2008

3. PROFIT AND LOSS ACCOUNT DISCLOSURES

The Company's loss on ordinary activities was £6.6m (2007: £1.7m profit). Details of the remuneration of directors are given in the auditable part of the directors' remuneration report and were paid by another Group company. There were no non-audit services.

No directors received any remuneration from the Company during either period. The Company has no employees. Further information on directors' remuneration which forms part of the audited Group financial statements can be found in the directors' remuneration report.

4. DIVIDENDS

	52 weeks ended 1 March 2008 £m	Short period ended 3 March 2007 £m
Amounts recognised as distributions to equity holders		
Final dividend of 9.0p per share for the short period ended 3 March 2007	78.1	—
Interim dividend of 4.7p per share (2007: 4.0p)	40.8	34.6
Ordinary dividends on equity shares	118.9	34.6

A final dividend in respect of the period ended 1 March 2008 of 10.0p per share, amounting to a total final dividend of £86.8m, has been recommended by the Board of Directors, and is subject to approval by the shareholders at the Annual General Meeting. This would make a total dividend for the period of 14.7p per share, amounting to £127.6m. The recommended dividend has not been included as a liability at 1 March 2008 in accordance with FRS 21 'Events after the balance sheet date'. It will be paid on 23 July 2008 to shareholders who are on the register of members at close of business on 23 May 2008. The Home Retail Group Employee Share Ownership Trust ('ESOT') has waived its entitlement to dividends in the amount of £1.3m (2007: £0.7m).

5. INVESTMENTS IN GROUP SUBSIDIARIES

	2008 £m	2007 £m
Cost:		
At beginning of the period	2,895.6	—
Acquisition of Home Retail Group (UK) Limited	—	2,895.6
At end of the period	2,895.6	2,895.6

In 2007, as part of a scheme of arrangement under section 425 of the Companies Act 1985, the Company issued shares to the public shareholders of Experian Group Limited in return for the receipt of the shares in Home Retail Group (UK) Limited. Home Retail Group (UK) Limited is a 100% owned subsidiary incorporated within the UK and is a Group holding company.

6. DEBTORS

	2008 £m	2007 £m
Amounts owed by Group companies	161.6	179.4
Taxation	2.2	—
	163.8	179.4

The amounts owed by Group companies are unsecured, repayable on demand, and have interest rates linked to LIBOR.

Notes to the Parent Company financial statements continued

For the 52 weeks ended 1 March 2008

7. CREDITORS – AMOUNTS FALLING DUE IN ONE YEAR

	2008 £m	2007 £m
Amounts owed to Group companies	(297.9)	(208.5)
Taxation	–	(0.7)
Other financial liabilities	–	(0.5)
	(297.9)	(209.7)

The amounts owed to Group companies includes an unsecured loan of £191.5m (2007: £208.5m) taken out on 10 October 2006 with Stanhope Finance Limited, a Group company. Interest is fixed and charged at 4.91%. The amounts owed to Group companies are repayable on demand. The other financial liability represented the market value of an interest rate swap novated from GUS plc at nil consideration.

8. CALLED-UP SHARE CAPITAL

	2008 Number of shares	2008 £m	2007 Number of shares	2007 £m
Authorised:				
Ordinary share capital of 10p each	2,000,500,000	200.1	2,000,500,000	200.1
	2008 Number of shares m	2008 £m	2007 Number of shares m	2007 £m
Allotted, called-up and fully paid:				
At beginning of the period	877.4	87.7	877.4	2,895.6
Reduction in nominal value of shares from 330p to 10p	–	–	–	(2,807.9)
At end of the period	877.4	87.7	877.4	87.7

Notes to the Parent Company financial statements continued

For the 52 weeks ended 1 March 2008

9. RESERVES

	Treasury and ESOP shares £m	Profit and loss account £m	Total £m
At 4 March 2007	(6.1)	2,783.7	2,777.6
Loss for the financial period	–	(6.6)	(6.6)
Net movement in own shares	0.1	–	0.1
Equity dividends paid during the period	–	(118.9)	(118.9)
Movement in share-based compensation reserve	–	21.6	21.6
At 1 March 2008	(6.0)	2,679.8	2,673.8

	Treasury and ESOP shares £m	Profit and loss account £m	Total £m
Profit for the financial period	–	1.7	1.7
Reduction in nominal value of shares	–	2,807.8	2,807.8
Net movement in own shares	(6.1)	–	(6.1)
Equity dividends paid during the period	–	(34.6)	(34.6)
Movement in share-based compensation reserve	–	8.8	8.8
At 3 March 2007	(6.1)	2,783.7	2,777.6

Net movement in own shares represents the purchase, and subsequent utilisation or sale, of shares for the purpose of satisfying obligations arising from Home Retail Group plc share-based compensation schemes. Shares in Home Retail Group plc are held in the following Trusts which have been established since demerger:

Home Retail Group Employee Share Ownership Trust (ESOT)

The ESOT provides for the issue of shares to Group employees under share option and share grant schemes (with the exception of the Share Incentive Plan). At 1 March 2008, the ESOT held 9,206,387 shares with a market value of £23.8m. The shares in the Trust are held in the balance sheet of the Company at nil value. The shares were acquired as part of the demerger from GUS plc at no cost. Dividends on these shares are waived.

Home Retail Group Share Incentive Scheme Trust

The Home Retail Group Share Incentive Scheme Trust provides for the issue of shares to Group employees under the Share Incentive Plan. At 1 March 2008, the Trust held 1,425,505 shares with a market value of £3.7m. These shares are held in the balance sheet of the Company at a cost of £6.0m. No additional shares were purchased in the period.

10. COMMITMENTS

On 12 July 2006, Argos Limited, a subsidiary of the Company, entered into a five-year multi-currency revolving loan facility, which was subsequently extended by a further year, of £700m with a syndicated group of banks. On 27 October 2006 the Company acceded to this facility as a borrower and a guarantor. As at the balance sheet date there were no drawings made under this facility.

The Company acts as guarantor of the loans between Stanhope Finance Limited and Homebase Group Limited (£150m) and Home Retail Group Card Services Limited (£100m). These companies are all members of the Home Retail Group.

There are no capital or operating lease commitments.