4288193

Stanhope Finance Limited

Annual Report and Financial Statements

For the 14 months ended
27 February 2010

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Contents

Stanhope Finance Limited
Directors' report for the 14 months ended 27 February 2010

The dırectors present theır report and the audıted financıal statements of the Company for the 14 months ended 27 February 2010 (the "penod")

Registered number

The regıstered number of the Company ıs 4288193

Prıncıpal actıvitıes, busıness revıew and future developments

The Company's pnncıpal actıvıty ıs to act as a financıng company It ıs envısaged that thıs wıll remaın the actıvıty of the Company for the foreseeable future

The Company extended ıts accountıng penod end durıng the penod to cover the 14 months to 27 February 2010 The prıor year covered the year to 31 December 2008 Thıs now brıngs the Company ın lıne wıth the rest of the Group

Results and dividends

The profit for the penod was £1,726,000 (year ended 31 December 2008 £25,466,000) The Company paıd an ınterım dıvıdend of £11,250,000 (year ended 31 December 2008 £20,000,000) durıng the penod The dırectors do not recommend the payment of a final dıvıdend (year ended 31 December 2008 £nıl)

International Financıal Reportıng Standards (IFRS)

The financıal statements of the Company untıl 31 December 2008 had been prepared ın accordance wıth UK Generally Accepted Accountıng Prıncıples (UK GAAP) On 1 January 2009 the Company adopted IFRS These financıal statements are therefore the first Company financıal statements to be prepared ın accordance wıth IFRS

Prıncıpal risks and uncertaintıes

From the perspectıve of the Company, the prıncıpal rısks and uncertaıntıes are ıntegrated wıth the prıncıpal rısks of Home Retaıl Group plc and are not managed separately Further dıscussıon of these rısks and uncertaıntıes ın the context of the Home Retaıl Group as a whole ıs provıded on page 32 of Home Retaıl Group's 2010 annual report whıch does not form part of thıs report

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

Key performance ındıcators

Gıven the straıghtforward nature of the busıness, the Company's dırectors are of the opınıon that analysıs usıng KPIs ıs not necessary for an understandıng of the development, performance or posıtıon of the busıness

Directors

The dırectors that held office durıng the penod were as follows

R J Ashton
D F Davıs
D N Brown

There were no appoıntments or resıgnatıons after the penod end

Stanhope Finance Limited

Directors' report for the 14 months ended 27 February 2010 (continued)

Statement of directors' responsibilities

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

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

In preparing those financial statements, the directors are required to
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

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

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

By order of the board

P A Parker
Company Secretary
1 July 2010

Independent auditors' report to the members of Stanhope Finance Limited

We have audited the financial statements of Stanhope Finance Limited for the 14 months ended 27 February 2010 which comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

Respective responsibilities of directors and auditors

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

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

Scope of the audit of the financial statements

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

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 27 February 2010 and of its profit and cash flows for the 14 months then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Andrew Paynter (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
Date 1/7/2010

Stanhope Finance Limited
Income statement
For the 14 months ended 27 February 2010

	Notes	14 months ended 27 February 2010 £'000	12 months ended 31 December 2008 £'000
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Net operating expenses		-	-
Operating profit		-	-
- Finance income		2,397	36,747
- Finance expense		-	(808)
Net financing income	7	2,397	35,939
Profit before tax		2,397	35,939
Taxation	8	(671)	(10,473)
Profit for the period attributable to equity holders of the Company		1,726	25,466

Statement of comprehensive income
For the 14 months ended 27 February 2010

	14 months ended 27 February 2010 £'000	12 months ended 31 December 2008 £'000
Profit for the period attributable to equity holders of the Company	1,726	25,466
Other comprehensive income	-	-
Total comprehensive income for the period attributable to equity holders of the Company	1,726	25,466

Stanhope Finance Limited
Balance sheet
As at 27 February 2010

	Notes	27 February 2010 £'000	31 December 2008 £'000
ASSETS			
Current assets			
Trade and other receivables	10	**450,733**	748,491
Total current assets		**450,733**	748,491
Total assets		**450,733**	748,491
LIABILITIES			
Current liabilities			
Trade and other payables	11	-	(280,880)
Current tax liabilities		-	(7,354)
Total current liabilities		-	(288,234)
Total liabilities		-	(288,234)
Net assets		**450,733**	460,257
EQUITY			
Share capital	12	**370**	370
Share premium account		**450,130**	450,130
Retained earnings		**233**	9,757
Total equity		**450,733**	460,257

The financial statements on pages 4 to 14 were approved by the Board of Directors and were signed on their behalf by

D F Davis
Director
1 July 2010

Stanhope Finance Limited
Statement of changes in equity
For the 14 months ended 27 February 2010

	Attributable to equity holders of the Company			
	Share capital £'000	**Share premium £'000**	**Retained earnings £'000**	**Total £'000**
Balance at 1 January 2009	370	450,130	9,757	460,257
Profit for the financial period	-	-	1,726	1,726
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	1,726	1,726
Transactions with owners				
Equity dividend paid during the period	-	-	(11,250)	(11,250)
Balance at 27 February 2010	**370**	**450,130**	**233**	**450,733**

	Attributable to equity holders of the Company			
	Share capital £'000	**Share premium £'000**	**Retained earnings £'000**	**Total £'000**
Balance at 1 January 2008	370	450,130	4,291	454,791
Profit for the financial year	-	-	25,466	25,466
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	25,466	25,466
Transactions with owners				
Equity dividend paid during the year	-	-	(20,000)	(20,000)
Balance at 31 December 2008	370	450,130	9,757	460,257

Statement of cash flows
For the 14 months ended 27 February 2010

There were no cash movements during the period for the Company as any cash transactions were executed by other members of the Home Retail Group on behalf of the Company As a result no statement of cash flows has been presented in these financial statements

Stanhope Finance Limited
Notes to the financial statements
For the 14 months ended 27 February 2010

1. General information

Stanhope Finance Limited ("the Company") is a private limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006 The Company's registered address is Avebury, 489-499 Avebury Boulevard, Milton Keynes, MK9 2NW

The financial period represents the 14 months to 27 February 2010 with the prior period being the year to 31 December 2008

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and International Financial Reporting Interpretations Committee interpretations ("IFRICs") as adopted by the European Union They also comply with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs

2. Basis of preparation

The financial statements are presented in sterling, rounded to the nearest thousand They are prepared under the historic cost convention 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

IFRS 1 (revised), First-time adoption of International Financial Reporting Standards, has been applied in preparing these financial statements These financial statements are the first Stanhope Finance Limited financial statements to be prepared in accordance with IFRS

The financial statements of Stanhope Finance Limited until 31 December 2008 had been prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP) UK GAAP differs in certain respects from IFRS When preparing the financial statements to 27 February 2010, management has applied IFRS for the first time The comparatives have also been restated to comply with IFRS This restatement has not however had any effect on the Company's equity as at 1 January 2008 or 31 December 2008 and the net income for the comparative year has also remained unchanged

The Company is a wholly owned subsidiary of Cliffrange Limited, and is included in the consolidated financial statements of Home Retail Group plc which are publicly available

Changes in accounting standards

The Company has adopted applicable new standards and amendments to existing standards which are effective for the first time in the current period as follows

IAS 1 (revised) 'Presentation of Financial Statements' prohibits the presentation of items of income and expense in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from 'owner changes in equity' Entities can choose whether to present a single performance statement (being a statement of comprehensive income) or two statements (being an income statement and a statement of comprehensive income) The Company has elected to present two statements an income statement and a statement of comprehensive income

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

There are no other new standards or IFRICs not yet effective which are expected to have a material impact

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 best judgement at the date of the financial statements, will, by definition, seldom equal the related actual results The estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the period in which the estimates are revised and future periods where appropriate

3. Summary of principal accounting policies

Impairment of assets

Assets are subject to impairment reviews whenever changes in events or circumstances indicate that an impairment may have occurred Assets are written down to the higher of fair value less costs to sell and value-in-use Value-in-use is calculated by discounting the expected cash flows from the asset at an appropriate discount rate for the risks associated with that asset This includes estimates of both the expected cash flows and an appropriate discount rate which use management's assumptions and estimates of the future performance of the asset Differences between expectations and the actual cash flows will result in differences in the level of impairment required

A previously recognised impairment loss is reversed if there has been a significant change in the underlying assumptions used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined, net of amortisation or depreciation, if no impairment loss had been recognised in prior years

Current tax and non-current tax

Current tax and non-current tax are based on taxable profit for the year Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible

Deferred taxation

Deferred taxation is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts However, if the deferred taxation arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred taxation assets are recognised to the extent that temporary differences can be utilised either through future profits generated by the Company or through being made available via group relief

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis

Dividends

Dividends proposed 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 in the financial statements when they are paid Final dividends are recognised in the financial statements when they are approved by the shareholders

3. Summary of principal accounting policies (continued)

Financial instruments

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

4. Financial risk management

Financial risk factors

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

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

Market risk - interest rate risk

The Company's exposure to interest rate fluctuations are limited to amounts receivable and payable to Group companies This interest rate risk is managed by the Group treasury function

Credit risk

The Company monitors its group receivable balances on an ongoing basis with any provision for impairments made as required

The Company's treasury transactions are managed centrally by the Group treasury function The Group's exposure to credit risk with regard to treasury transactions is managed by dealing only with major banks and financial institutions Dealing activity is closely controlled and counterparty positions are monitored on a regular basis

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

The above policy reflects revisions which have been made during the year, to take account of developments impacting the economic climate of banks and financial institutions

4. Financial risk management (continued)

Liquidity risk

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

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

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

	At 27 February 2010				
	Less than 3 months £'000	**3 - 6 months £'000**	**6 - 12 months £'000**	**More than 12 months £'000**	**Total £'000**
Amounts owed to group undertakings					
- amounts with contractual maturity date	-	-	-	-	-
- repayable on demand	-	-	-	-	-
	-	-	-	-	-

	At 31 December 2008				
	Less than 3 months £'000	3 - 6 months £'000	6 - 12 months £'000	More than 12 months £'000	Total £'000
Amounts owed to group undertakings					
- amounts with contractual maturity date	-	-	-	-	-
- repayable on demand	(280,880)				(280,880)
	(280,880)	-	-	-	(280,880)

Capital risk management

The Company is not subject to any externally imposed capital requirements

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

Stanhope Finance Limited
Notes to the financial statements (continued)
For the 14 months ended 27 February 2010

5. Net operating expenses

Costs of £2,600 (year ended 31 December 2008 £2,600) for the annual audit of the financial statements of the Company are borne by Argos Limited, and no recharge is made to the Company

6. Directors' emoluments and employee information

The Company had no employees in either period

No director received emoluments in respect of their services to the Company during the period (year ended 31 December 2008 £nil)

7. Net financing income/(expense)

	14 months ended 27 February 2010 £'000	12 months ended 31 December 2008 £'000
Finance income		
Interest from group undertakings	**2,397**	36,747
Total finance income	**2,397**	36,747
Finance expense		
Interest to group undertakings	-	(808)
Total finance expense	-	(808)
Net financing income	**2,397**	35,939

8. Taxation

	14 months ended 27 February 2010 £'000	12 months ended 31 December 2008 £'000
Analysis of charge in the period		
Current tax:		
UK corporation tax	(671)	(10,473)
Total tax charge in income statement	(671)	(10,473)

Factors affecting the tax charge

The effective tax rate for the period of 28 0% (year ended 31 December 2008 29 1%), is the same/higher than the standard rate of corporation tax in the UK of 28 0% (year ended 31 December 2008 28 0%) The differences are explained below

	14 months 27 February 2010 £'000	12 months 31 December 2008 £'000
Profit before tax	2,397	35,939
Profit before tax multiplied by the standard rate of corporation tax in the UK	(671)	(10,063)
Effects of		
Expenses not deductible for taxation purposes	-	(226)
Transfer pricing adjustments	(6,836)	
Rate change impact	-	(184)
Loss relief surrendered for nil consideration	6,836	-
Total tax charge in income statement	(671)	(10,473)

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

9. Dividends

	14 months ended 27 February 2010 £'000	12 months ended 31 December 2008 £'000
Amounts recognised as distributions to equity holders		
Interim dividend of £30 41 per share (year ended 31 December 2008 £54 05) for the current period	(11,250)	(20,000)

10. Trade and other receivables

	27 February 2010		31 December 2008	
	Current £'000	Non-current £'000	Current £'000	Non-current £'000
Amounts owed by group undertakings	450,733	-	748,491	-

On 24 January 2009 the loan due for repayment, as shown in note 11, was repaid and as a result the group undertaking receivable balance became a non-interest bearing balance

The amounts owed by group undertakings are unsecured, repayable on demand and non-interest bearing (31 December 2008 4 91%)

No balances owed by group undertakings are past due

11. Trade and other payables

	27 February 2010		31 December 2008	
	Current	Non-current	Current	Non-current
	£'000	£'000	£'000	£'000
Amounts owed to group undertakings	-	-	(280,880)	-

Amounts owed to group undertakings are unsecured, repayable on demand and non-interest bearing

12. Share capital

	27 February 2010 £'000	31 December 2008 £'000
Authorised:		
370,000 (2008 370,000) ordinary shares at £1 each	**370**	370
Allotted, called-up and fully paid:		
370,000 (2008 370,000) ordinary shares at £1 each	**370**	370

13. Related party transactions

	27 February 2010 £'000	31 December 2008 £'000
Transactions with immediate parent company		
Dividends paid in the period	**(11,250)**	(20,000)
Amounts owed by immediate parent company - gross	**450,733**	-
Less provision for impairment of receivables	-	-
Amounts owed by group undertakings - net	**450,733**	-
Transactions with other related parties		
Interest receivable	**2,397**	36,747
Interest payable	-	(808)
Corporation tax creditor transferred to other related parties	**8,025**	10,878
Amounts owed by other related parties - gross	-	748,491
Less provision for impairment of receivables	-	-
Amounts owed by other related parties - net	-	748,491
Amounts owed to other related parties	-	(280,880)

14. UK GAAP to IFRS transition

The financial statements of Stanhope Finance Limited until 31 December 2008 had been prepared in accordance with UK GAAP UK GAAP differs in certain respects from IFRS When preparing the financial statements to 27 February 2010, management has applied IFRS for the first time The comparatives have also been restated to comply with IFRS This restatement has not however had any effect on the Company's equity as at 1 January 2008 or 31 December 2008 and the net income for the comparative year has also remained unchanged

15. Ultimate parent undertakings

The Company's immediate parent undertaking is Cliffrange Limited, a company registered in England and Wales, by virtue of its 100% shareholding in the Company

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