Registered number
7445750

Habitat Retail Limited
Annual Report and Financial Statements

For the 52 weeks ended
6 March 2021

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Strategic report for the 52 weeks ended 6 March 2021

Principal activities

Until the 5 February 2021 transaction with Argos Limited, (see Review of the business section below), Habitat Retail Limited (the "Company") offered a range of products for the home. The Company's brand is recognised for its unique heritage, with the majority of its products designed in-house by Habitat. Its products cover multiple categories across furniture, upholstery and home accessories. The company had a broad multi-channel proposition offering customers a choice of convenient ways to shop across its website (www.habitat.co.uk), flagship London stores, regional showrooms and Mini Habitat concessions in Sainsbury's supermarkets.

Post the 5 February 2021, Habitat Retail Limited (the "Company") will remain a non-trading entity. It is envisaged that this will remain the activity of the Company for the foreseeable future.

Review of the business and future developments

A review of the Company's business is contained in the Profit and loss account, Balance sheet and notes to the financial statements. They reflect the Company's performance for the 52 weeks ended 6 March 2021 ("year").

The Company is a part of J Sainsbury plc and its subsidiaries (the 'Group'). Over the past years the Company has not been profitable and has been financially supported by the Group. This business model was concluded to no longer be sustainable, and as a part of a Group strategy to bring the Argos and Habitat brands together Argos Limited purchased the trade, assets and liabilities of the Company on the 5 February 2021. Prior to this sale the Company was recapitalised via issuing 33,610,000 ordinary shares of £1 each to its parent Home Retail Group (UK) Limited, enabling its remaining loan obligations to be settled.

The results and dividends are discussed on page 3.

Section 172 Statement

The Board believes that it has acted in accordance with Section 172(1) of the Companies Act 2006 during the year ended 6 March 2021. When making decisions, the board of directors seek to take the course of action that it considers best leads to the success of the Company over the long term, and this includes considering the Company's stakeholders.

During the year, the Directors continued to focus on engagement with the Company's stakeholders, most notably the Group. The Directors primarily used Operating Board and finance meetings to consider and engage with the Group. These interactions informed key decisions that the Directors made during the year, such as approving the Company's financial statements.

Further details on how the Group engaged with its stakeholders, can be found in the 2021 Annual Report for J Sainsbury plc on pages 19-22.

Company performance and position

The loss for the financial period before exceptional items was £906,000 (2020: £10,457,000). At the year-end the Company had net assets of £11,000 (2020: net liabilities £33,372,000).

Principal risks and uncertainties

Performance in the retail industry is affected by general economic conditions and sector specific factors such as range and stock availability, number and location of stores, competitive activity and price fluctuations. The Board of Directors for the Group carries out regular strategic reviews including the assessment of competitor activity, customer buying patterns and market trends.

The principal risks and uncertainties of the Group, which includes the Company, are discussed on pages 32 to 45 of the Group's 2021 annual report, which does not form part of this report. The Company is a part of the Group, so most of the risks detailed in that report were relevant to the Company prior to its acquisition by Argos Limited, and were managed by the Directors on a basis consistent with, and as part of, the Group's structured risk management process.

Financial risk management

The 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- foreign exchange risk
The Company is subject to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollar and the Euro.

Market risk - interest rate risk
The Company has no exposure to interest rate fluctuations as the Company had no external borrowings from banks or other financial institutions at any point during the period and all amounts receivable and payable within the Group are non-interest bearing.

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

The Company'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. Foreign exchange counterparty limits are set for each organisation on a scale based on credit rating and maturity period.

Liquidity risk
Cash flow forecasts are produced regularly by the business to assist management in identifying future liquidity requirements.

Key performance indicators (KPIs)

Prior to the transfer of the trade, assets and liabilities of the company to Argos Limited, the KPIs used to manage the business included sales, gross margin and profitability. The Company has generated sales of £44,600,000 (2020: £46,851,000) and gross profit of £15,200,000 (2020: £16,550,000) in the year and a loss on ordinary activities before taxation of £291,000 (2020: £26,685,000).

By the order of the Board

Irina Beech
Irina Beech (Aug 25, 2021 09:08 GMT+1)

I Beech
Director
25 August 2021

Habitat Retail Limited
Directors' report for the 52 weeks ended 6 March 2021

The Directors present their report and the audited financial statements of the Company for the 52 Weeks ended 6 March 2021 ("year"). The prior financial year's financial statements were for the 52 weeks to 7 March 2020.

Registered number

The registered number of the Company is 7445750.

Results and dividends

The loss for the financial period was £291,000 (2020: £26,685,000). The Directors do not recommend the payment of a dividend (2020: £nil). The future developments of the business, principal risks and uncertainties and financial risk management are discussed within the Strategic report on pages 1 and 2.

Directors

The Directors that held office during the year and up to the date of approval of the financial statements were as follows:

M Luck (appointed 16 December 2020, resigned 1 June 2021)
B M Richardson (appointed 16 December 2020, resigned 1 June 2021)
D W Clark (resigned 16 December 2020)
N P M A Mills-Hicks (resigned 31 January 2021)
S J Pearson (resigned 1 June 2021)
J R Brown (resigned 29 May 2020)
I Beech (appointed 1 June 2021)
Sainsburys Corporate Director Limited (appointed 1 June 2021)

There were no other appointments or resignations.

Secretary

The Company Secretaries that held office during the year and up to the date of approval of the financial statements were as follows:

Sainsbury's Corporate Secretary Limited (appointed 7 May 2021)
J Foo (resigned 7 May 2021)

Directors' liability insurance and third-party indemnification provisions

The Directors are indemnified to the extent permitted by the Articles of Association of the Company in respect of all losses arising out of or in connection with the execution of their powers, duties and responsibilities. The ultimate parent company purchased and maintained Directors' and Officers' liability insurance throughout 2019/20, which was renewed for 2020/21. The insurance covers all Directors and Officers of companies in the Group. Neither the indemnities nor insurance provide cover in the event that the Director or Officer is proved to have acted fraudulently.

Political Donations

During the period, the Company donated £nil (2020: £nil) to political organisations.

Employees

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are considered 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. Communication with all employees continues through newsletters, briefing groups and the distribution of the J Sainsbury plc 2021 results. The involvement of employees in the Company's performance is also encouraged through the Group's employee share schemes.

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.

Going Concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, due to a letter of support from J Sainsbury plc. Therefore, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Post-balance sheet events

There have been no significant events affecting the Company since the year end.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report and Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. 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 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 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;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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.

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.

Independent Auditors

Ernst & Young LLP have indicated their willingness to continue in office.

By the order of the Board

Irina Beech
Irina Beech (Aug 25, 2021 09:08 GMT+1)

I Beech
Director
25 August 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HABITAT RETAIL LIMITED

Opinion

We have audited the financial statements of Habitat Retail Limited for the 52 weeks ended 6 March 2021 which comprise the Profit and loss account, the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes 1 to 17, including a summary of significant accounting policies The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 6 March 2021 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.
Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HABITAT RETAIL LIMITED (continued)

Opinions on other matters 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; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HABITAT RETAIL LIMITED (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are frameworks which are directly relevant to specific assertions in the Financial Statements are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant tax compliance regulations in the UK.

- We understood how Company is complying with those frameworks by making enquiries of Management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of Board minutes, papers provided to the Audit Committee and any correspondence received from regulatory bodies.

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with Management from various parts of the business to understand where it considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by Management to manage earnings. We considered the programs and controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior Management monitors those programs and controls.

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations identified above. Our procedures involved understanding the process and controls to identify non-compliance, identifying journals indicating large or unusual transactions, enquiries of legal counsel, management, understanding the fact pattern in each case and documenting the positions taken by Management, and using specialists to support us in concluding on the matters identified.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Ben Marles (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Habitat Retail Limited
Profit and loss account
For the 52 weeks ended 6 March 2021

	Notes	52 Weeks ended 6 March 2021 £'000	52 Weeks ended 7 March 2020 £'000
Turnover		**44,600**	46,851
Cost of sales		**(29,400)**	(30,301)
Gross profit		**15,200**	16,550
Net operating expenses- before exceptional items	4	**(16,104)**	(27,007)
Operating loss before exceptional items		**(904)**	(10,457)
Net operating expenses -exceptional items	6	**938**	(15,804)
Operating loss after exceptional items		**34**	(26,261)
Finance Charges	8	**(325)**	(424)
Loss on ordinary activities before taxation		**(291)**	(26,685)
Tax on loss on ordinary activities	7	**-**	-
Loss for the financial year		**(291)**	(26,685)

Statement of comprehensive income
For the 52 weeks ended 6 March 2021

	52 Weeks ended 6 March 2021 £'000	52 Weeks ended 7 March 2020 £'000
Loss for the financial year	**(291)**	(26,685)
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Net change in fair value of cash flow hedges:		
- Foreign currency forward exchange contracts	**64**	281
Total comprehensive loss for the year attributable to owners of the Company	**(227)**	(26,404)

Habitat Retail Limited
Balance sheet
As at 6 March 2021

	Notes	2021 £'000	2020 £'000
ASSETS			
Fixed Assets			
Tangible assets	9	-	1,980
Right-of-use assets	10	-	738
Total fixed assets		-	2,718
Current assets			
Stocks	11	-	11,799
Debtors and other assets	12	-	1,988
Other financial assets		-	239
Cash at bank		11	5,526
Total current assets		11	19,552
Total assets		11	22,270
LIABILITIES			
Long-term liabilities			
Lease liability	10	-	(8,811)
Total long-term liabilities		-	(8,811)
Current liabilities			
Other financial liabilities		-	(302)
Lease liability	10	-	(2,033)
Creditors - amounts falling due within one year	13	-	(44,496)
Total current liabilities		-	(46,831)
Total liabilities		-	(55,642)
Net assets		11	(33,372)
Capital and reserves			
Called up share capital	14	**98,110**	64,500
Profit and loss account		**(98,099)**	(97,808)
Hedging reserve		-	(64)
Total equity		11	(33,372)

The financial statements on pages 8 to 21 were approved by the Board of Directors and were signed on their behalf by

Irina Beech
Irina Beech (Aug 25, 2021 09:08 GMT+1)

Irina Beech
Director
25 August 2021

Registered number

7445750

Habitat Retail Limited
Statement of changes in equity
For the 52 weeks ended 6 March 2021

		Attributable to owners of the Company		
	Called up share capital	**Hedging Reserve**	**Profit and loss account**	**Total shareholders' deficit**
	£'000	**£'000**	**£'000**	**£'000**
Balance at 7 March 2020	64,500	(64)	(97,808)	(33,372)
Loss for the financial year	-	-	(291)	(291)
Other comprehensive income	-	64	-	64
Total comprehensive loss for the year	-	-	(291)	(227)
Issuance of shares	33,610	-	-	33,610
Balance at 6 March 2021	**98,110**	**-**	**(98,099)**	**11**

		Attributable to owners of the Company		
	Called up share capital	**Hedging Reserve**	**Profit and loss account**	**Total shareholders' funds/(deficit)**
	£'000	**£'000**	**£'000**	**£'000**
Balance at 9 March 2019	64,500	(345)	(71,123)	(6,968)
Loss for the financial year	-	-	(26,685)	(26,685)
Other comprehensive income	-	281	-	281
Total comprehensive loss for the year	-	281	(26,685)	(26,404)
Balance at 7 March 2020	**64,500**	**(64)**	**(97,808)**	**(33,372)**

Habitat Retail Limited
Notes to the financial statements
For the 52 weeks ended 6 March 2021

1. GENERAL INFORMATION

Habitat Retail 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 Company is a part of J Sainsbury plc group.

The financial year represents the 52 Weeks to 6 March 2021 (prior financial year 52 weeks to 7 March 2020).

2. BASIS OF PREPARATION

The financial statements are presented in sterling, rounded to the nearest thousand. They are prepared under the historic cost convention modified for the revaluation of certain financial instruments. As noted in the Directors' report on page 4, the financial statements are prepared on a going concern basis as the Directors have received assurances of continuing financial support from J Sainsbury plc.

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.

The Company's financial statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006. 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 adopted International Financial Reporting Standards (IFRS).

The Company is a qualifying entity for the purposes of FRS 101. Note 16 gives details of the Company's ultimate parent and from where it's consolidated financial statements prepared in accordance with IFRS may be obtained.

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

- Statement of cash flows.
- IFRS 2 Share-based payments; IFRS 7 Financial Instrument disclosures; IAS 1 – Information on management of capital; IAS 8 disclosures in respect of new standards and interpretations that have been issued but which are not yet effective; IAS 24 disclosure of key management personnel compensation and for related party transactions entered into between two or more members of a group; the requirement to present roll-forward reconciliations in respect of share capital (IAS 1), property, plant and equipment (IAS 16), intangible assets (IAS 38).

Changes in accounting standards
The Company has considered the following amendments to published standard that are effective for the Company for the financial year beginning 8 March 2020 and concluded that they are either not relevant to the Company or that they do not have a significant impact on the Company's financial statements other than disclosures.

- Amendments to IFRS 3 'Business Combinations' on the definition of a business
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' on the definition of material
- Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' on the Interest Rate Benchmark Reform

The Company has noted the exemption granted in the 'COVID-19-related rent concessions' amendment to IFRS 16 'Leases'. This exemption applies for periods commencing on or after 1 June 2020, with an option to early adopt. The Company has elected not to apply the exemption granted as the Company has not received material COVID-19-related rent concessions as a lessee.

Standards and revisions effective for future periods:
The following standards and revisions will be effective for future periods:

- Amendments to IFRS 3 'Business Combinations' with reference to the Conceptual Framework
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to IAS 16 'Property, Plant and Equipment' on Proceeds before Intended Use
- Amendments to IAS 1 'Presentation of Financial Statements' on the classification of liabilities as current or non-current
- IFRS 17 'Insurance Contracts'

The Company has considered the impact of the remaining above standards and revisions and have concluded that they will not have a significant impact on the Company's financial statements.

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. 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:

Impairment of assets
At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment (PPE), right-of-use assets, and finite-lived intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs to dispose and its value in use, is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount and an impairment loss is recognised immediately in the income statement.

Where there has been a change in the estimates used to determine the recoverable amount and an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. An impairment loss reversal is recognised immediately in the income statement.

Stock provisions
Inventory is carried at the lower of cost and net realisable value which requires the estimation of the eventual sales price of goods to customers in the future. 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 represent the best estimate of the liability at the balance sheet date, the actual liability being dependent on future events such as the outcome of a claim. 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

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

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, rebates, discounts and expected returns. 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. The Company operates a variety of sales promotion schemes that give rise to goods being sold at a discount to the standard retail price. Commissions receivable on the sale of services for which the Company acts as agents are included within Turnover.

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 less accumulated depreciation and any impairment in value. An impairment charge is recognised where the carrying value of the asset exceeds its recoverable amount, being the higher of the asset's fair value less costs to sell and its value-in-use. Value-in-use calculations are performed using cash flow projections discounted at a rate taking account of the specific risks inherent within the Company's business.

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

- leasehold premises are depreciated over the period of the lease;
- plant, vehicles and equipment are depreciated over 2 to 10 years according to the estimated life of the asset;
- land is not depreciated; and
- assets under 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.

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any subsequent remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial costs incurred, and lease payments made at or before the commencement date less any incentives received.

The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease and are measured at the present to be made over the lease term, discounted using the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease (a break clause), if it is reasonably certain not to be exercised.

The lease payments include fixed payments, including in-substance fixed payments, less any lease incentives receivable. Agreements which contain both lease and non-lease components are reviewed, and non-lease components such as cleaning and maintenance services are excluded from the lease payments used to measure the lease liabilities.

After the commencement date of the lease, the lease liability is subsequently measured at amortised cost using the effective interest rate method. The carrying amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured when there is a change in the future lease payments due to a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the low-value asset recognition exemption to groups of underlying leases that are considered uniformly low value (i.e. below £5,000). Lease payments on short-term leases and leases of low-value assets are expensed to the profit and loss account, as well as costs relating to variable lease payments dependent on performance of usage and 'out of contract' payments.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs to dispose and its value in use, is estimated in order to determine the extent of the 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. Non-store assets, including depots and IT assets, are reviewed separately.

Any impairment loss is recognised in the profit and loss account in the year in which it occurs. Where an impairment loss, other than an impairment loss on goodwill, subsequently reverses due to a change in the original estimate, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, or its original carrying value less notional accumulated depreciation if lower.

Debtors

Trade debtors are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. A provision for impairment of trade 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 debtors. The amount of the provision is recognised in the balance sheet, with the cost of unrecoverable trade debtors recognised in the profit and loss account immediately.

Stocks

Stock is stated at the lower of cost and net realisable value. The cost basis in use within the Company are general retail goods valued on a standard cost or weighted average basis which approximates to actual cost. Commercial income received in respect of specific stock is treated as a reduction in the cost of this stock. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Cost includes all direct expenditure and other appropriate costs incurred in bringing stock to their present location and condition.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are classified as current liabilities if payment is due within one year. They are recognised initially at fair value and subsequently re-measured at amortised cost.

Current tax

Current tax is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the profit and loss account 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 tax 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 tax 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.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

Provision for liabilities

Provisions are recognised when:

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

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

Financial instruments

The Company classifies its financial instruments in the following categories: financial assets and financial liabilities 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.

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. Loans and receivables comprise trade and other debtors, cash at bank and in hand in the balance sheet.

Non-GAAP financial information

Exceptional items
Items which are both non-recurring and material in either size or nature are presented as exceptional items within the profit and loss account. The separate reporting of exceptional items helps provide a better indication of underlying performance of the company. Examples of items which may be recorded as exceptional items are impairment charges and restructuring costs.

4. NET OPERATING EXPENSES

	Notes	**52 Weeks ended 6 March 2021 £'000**	52 Weeks ended 7 March 2020 £'000
Loss before tax is stated after charging:			
Cost of inventories recognised as an expense in cost of sales		**(28,540)**	(29,197)
Write down of inventories		**(859)**	(1,104)
Depreciation of tangible assets	9	**(120)**	(526)
Impairment of tangible assets	9	**-**	(1,973)
Amortisation of intangible assets		**-**	(1,057)
Impairment of intangible assets		**-**	(4,973)
Depreciation of right of use asset	10	**(738)**	(1,770)
Impairment of right of use asset	10	**-**	(8,858)
Auditors' remuneration:			
Fees payable for audit		**(20)**	(20)

Of the total operating expenses of £16,104,000 (2020: £27,007,000), £7,483,000 (2020: £16,024,000) relates to administrative costs and the remaining are selling costs. The amortisation of intangibles is included within the total operating costs.

5. EMPLOYEE COSTS AND EMPLOYEE NUMBERS

The colleagues who work in the Habitat business are employed by other companies in the J Sainsbury plc group, namely Argos Limited and Sainsbury's Supermarkets Limited. A full recharge of their employment costs is made to the Company.

This amounted to £4,396,000 in the period for an average of 141 colleagues (2020: £6,851,000 for an average of 173 colleagues).

	52 Weeks ended 6 March 2021 £'000	52 Weeks ended 7 March 2020 £'000
Directors' emoluments		
Aggregate emoluments	-	-

Retirement benefits are accruing to none (2020: none) of the Directors under a defined benefit scheme. During the year none (2020: none) of the Directors exercised share options, and no (2020: none) Director received shares or became entitled to receive shares under long-term incentive schemes.

6.EXCEPTIONAL ITEM

Property strategy programme
The Company identified an impairment indicator following the Group's Capital Markets Day in September 2019 triggering an impairment charge of £15.8 million in the prior year, relating to unprofitable and marginally profitable sites for which the cash flows no longer support the carrying amount. An impairment adjustment of £0.9m credit was recognised against the charge in the current year.

An impairment charge of £nil (2020: £4.97 million) has been recognised on intangible assets, £nil (2020: £1.97 million) on property, plant and equipment, and right-of-use assets of £nil (2020: £8.86 million charge).

7. TAX ON LOSS ON ORDINARY ACTIVITIES

	52 Weeks ended 6 March 2021 £'000	52 Weeks ended 7 March 2020 £'000
Analysis of charge in the year		
Total deferred tax charge	-	-
Total tax charge in the profit and loss account	-	-

Factors affecting the tax charge

The income tax expense for the year is based on the United Kingdom statutory rate of corporation tax for the period of 19.0% (2020: 19.0%) The effective tax rate for the period of nil (2020: nil) is lower than the standard rate of corporation tax in the UK (2020: lower than). The differences are explained below:

	52 Weeks ended 6 March 2021 £'000	52 Weeks ended 7 March 2020 £'000
Loss before taxation	**(291)**	(26,685)
Loss before tax multiplied by the standard rate of corporation tax in the UK	**(55)**	(5,070)
Effects of:		
Expenses not deductible for taxation purposes	**9**	42
Adjustments in respect of prior periods	-	11
Group relief surrendered for nil consideration	**151**	4,656
Rate change impact	**(75)**	17
Impairment of fixed assets	-	209
Temporary differences not recognised	**(30)**	135
Total tax charge in the profit and loss account	-	-

Deferred Tax

A deferred tax asset has not been recognised in respect of fixed asset temporary differences of £Nil (2020: £3,797,299) due to uncertainty regarding the future profitability of the Company.

8. FINANCE CHARGE

The finance charge comprises the interest on leases £325,000 (2020: £424,000) incurred as a result of the adoption of IFRS16.

9. TANGIBLE ASSETS

	Short leasehold £'000	Plant & Equipment £'000	Total £'000
Cost			
At 7 March 2020	3,079	3,021	6,100
Additions	5	-	5
Disposals	(3,084)	(3,021)	(6,105)
At 6 March 2021	-	-	-
Accumulated depreciation			
At 7 March 2020	(2,015)	(2,105)	(4,120)
Charge for the period	(46)	(74)	(120)
Disposals	2,061	2,179	4,240
At 6 March 2021	-	-	-
Net book value at 6 March 2021	-	-	-
Net book value at 7 March 2020	1,064	916	1,980

10. RIGHT OF USE ASSETS AND LEASES

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period.

	Land & Buildings £'000	Total £'000
At 7 March 2020	738	738
Depreciation charge	(738)	(738)
At 6 March 2021	-	-

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2021 £'000	2020 £'000
At 7 March 2020	(10,844)	(15,424)
Additions	-	3,571
Interest expense	(325)	(424)
Payments	2,329	1,433
Adjustment to leases	8,840	-
At 6 March 2021	-	(10,844)
Current	-	(2,033)
Non-current	-	(8,811)
Total Lease Liabilities	-	(10,844)

10. RIGHT OF USE ASSETS AND LEASES (continued)

The following are the amounts recognised in profit or loss:

	2021 £'000	2020 £'000
Depreciation of right-of-use assets	738	1,770
Interest on lease liabilities	325	424
Impairment of right-of-use assets	-	8,858
Expenses relating to short term leases	-	426
Total amount recognised in profit or loss	**1,063**	11,478

Lease maturity analysis:

	2021 £'000	2020 £'000
Contractual undiscounted cash flows		
Less than one year	-	(2,358)
One to five years	-	(5,554)
More than five years	-	(5,495)
Total undiscounted lease liability	-	(13,407)
Lease liabilities included in the statement of financial position	-	(10,844)
Current	-	(2,033)
Non-current	-	(8,811)

11. STOCKS

	2021 £'000	2020 £'000
Finished goods	-	11,799

12. DEBTORS AND OTHER ASSETS

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Trade debtors	-	77
Amounts owed by group undertakings	-	138
VAT and other taxes	-	167
Prepayments and accrued income	-	1,606
Total	-	1,988

The carrying values of current trade and other debtors are a reasonable approximation of their fair values due to their short-term nature. There is no concentration of credit risk with respect to trade debtors, as the Company has a broad customer base. The maximum exposure to credit risk at the reporting date is the fair value of each class of debtor mentioned above. The Company does not hold any collateral as security.

The balances owed by group undertakings are trading in nature, non-interest bearing and repayable on demand.

13. CREDITORS

	Amounts falling due within one year 2021 £'000	Amounts falling due after one year 2021 £'000	Amounts falling due within one year 2020 £'000	Amounts falling due after one year 2020 £'000
Trade creditors	-	-	(2,855)	-
Amounts owed to group undertakings	-	-	(37,948)	-
Accruals and deferred income	-	-	(3,693)	-
Total	-	-	(44,496)	-

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

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

14. CALLED UP SHARE CAPITAL

	2021 £'000	2020 £'000
Allotted, called-up and fully paid:		
98,110,000 (2020: 64,500,000) ordinary shares at £1 (2020: £1) each	**98,110**	64,500

During the year the company issued 33,610,000 ordinary shares of £1 each to Home Retail Group (UK) Limited. The shares are issued as fully paid in consideration for the release and discharge of outstanding loan with Home Retail Group (UK) Limited.

15. COMMITMENTS

The Company had no capital commitments at the year-end or the prior year-end

16. ULTIMATE PARENT UNDERTAKINGS

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

The Company's ultimate parent and controlling party is J Sainsbury 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 J Sainsbury plc. Copies of these financial statements are available from its registered office at J Sainsbury plc, 33, Holborn, London, EC1N 2HT.

17. DISPOSAL OF BUSINESS

On 5 February 2021 Argos Limited purchased Habitat Retail Limited trade, assets and liabilities. Prior to the sale on 4 February 2021, Habitat Retail Limited issued share capital of £33.6m to Home Retail Group (UK) Limited, to offset the loan against Argos Limited. Habitat Retail Limited paid surplus cash of (£37.2m) to Argos Limited, offsetting a portion of the loan of (£69.7m) Habitat Retail Limited owed Argos Limited. As a result, Habitat Retail Limited repaid in full the outstanding loan balance of (£33.6m) with Argos Limited.

Fair value of identifiable assets and liabilities disposed of	***£'000***
Inventory	3,046
Trade and other receivables	1,389
Cash and cash equivalents	2
Trade and other payables	(3,033)
Lease liability	(1,404)
Net identifiable assets and liabilities	-
Goodwill on acquisition	-
Total consideration	-