Registered number:
10698683

ARK FINCO UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 29 DECEMBER 2019

ARK FINCO UK LIMITED

COMPANY INFORMATION

Directors	H W Foster P P McGowan S R Pell
Company secretary	I Lockhart-Ross
Registered number	10698683
Registered office	80 New Bond Street London W1S 1SB
Independent auditors	Ernst & Young LLP, Statutory Auditor

ARK FINCO UK LIMITED

CONTENTS

STRATEGIC REPORT
FOR THE PERIOD ENDED 29 DECEMBER 2019

Introduction

The Directors present the Strategic report together with their Directors' report and the audited financial statements of Ark Finco UK Limited (the "Company") for the 52 weeks from 31 December 2018 to 29 December 2019 ("period"). The comparative period is the 52 weeks to 30 December 2018.

Business review

The loss for the period was £9,707 (2018: £11,402). The Company's principal activity is providing a loan facility of up to £25m for Homebase (UK & I) Holdings Limited ("Homebase"), a fellow subsidiary of Ark UK Holdings Limited ("Group"), on which it charges interest and arrangement fees. The Company in turn has a £25m loan facility with Ark Finco BVI Limited on which it also incurs interest and arrangement fees.

Key performance indicators

	52 weeks to 29 December 2019	52 weeks to 30 December 2018
Borrowings values including interest	(235,050)	(3,076,738)
Interest income	309,618	65,411
Interest expense	(318,072)	(76,733)

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have a letter of support from its parent company Ark UK Holdings Limited to assist the Company in meeting its liabilities as and when they fall due, but only to the extent that money is not otherwise available to the Company to meet such liabilities. Ark UK Holdings Limited additionally confirm that they have the ability to provide such support and will provide this support to the Company, to the extent outlined above, until 31 December 2021. The Going concern statement for Ark UK Holdings Limited can be found in their financial statements for the period ended 29 December 2019.

The financing structure is set-up to cover all costs and services incurred in providing finance to other companies in the Group, any loss is due to timings of the drawdown/repayment of borrowings.

Corporate governance statement

The Company believe that stakeholder engagement is important in maintaining high standards of business conduct and delivering a sustainable business in the long-term. As the Company provides financing solely to the Homebase business its key stakeholders are its own investors and the Homebase business. Decisions and actions taken are with the best interest of these stakeholders.

Investors & Homebase business

Access to both short term and long-term capital is critical to Homebase’s performance, supporting strategic direction, stock builds and store investments. The board is committed to maintaining good two-way communications with investors and the Homebase business to help plan for future business growth, contextualise business performance and maximise the value of their knowledge and experience in support of those plans

Corporate governance statement (continued)

Examples of engagement with stakeholders

• Monthly updates on loan balances and loan interest payable and receivable.

Main priority

• Understanding Homebase's financial performance, cash generation and potential funding needs.

Principal risks and uncertainties

The Company's principal risks and uncertainties are congruent with those of the Homebase Group, in that they are aligned with any risks associated with the success of the continuing trade of the Homebase business.

Financial risk management

Responsibility for managing financial risk lies with the Directors who assess the Company's short, medium and long term funding and liquidity requirements.

Foreign exchange risk

The Company has no foreign exchange risk.

Interest rate risk

The Company finances its operations through an external borrowing with a related party. The Group's interest rate risk is limited to changes in LIBOR applicable to short-term borrowings.

Credit risk

The Company's principal financial assets are bank and cash balances and other receivables. The credit risk on liquid funds is considered to be limited as the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Liquidity and cash flow risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

This report was approved by the board on 4 December 2020 and signed on its behalf.

P P McGowan
Director

DIRECTORS' REPORT
FOR THE PERIOD ENDED 29 DECEMBER 2019

The Directors present their report and the financial statements for the period ended 29 December 2019.

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, the 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 elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 to 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.

Principal activity

The principal activity of the Company is that of a financing company.

Future developments

The Company will continue to provide financing facilities for Homebase (UK &I) Holdings Limited for the foreseeable future subject to the outcome of the decision to sell the Homebase and Bathstore businesses by the Group company shareholders, announced in November 2020.

Results and dividends

The loss for the period, after taxation, amounted to £9,707 *(2018 - loss £11,402)*.

No dividends were declared during the period.

Directors

The Directors who served during the period were:

H W Foster
P P McGowan
S R Pell

DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 29 DECEMBER 2019

Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

COVID-19 in 2020 has introduced a degree of economic uncertainty for the Company and the world economy. With the Company performance linked to the success of the Homebase business, Homebase believes that by implementing cost saving measures, making use of government support and being able to trade across stores and online in a safe way, debt levels are expected to be in line with the 2020 budget expectations by the end of the year. The Directors consider COVID-19 to be a non-adjusting event for the Company and will not have a material impact on its results for the year ending 31 December 2020.

In November 2020 the Group company shareholders announced they were commencing a process that could lead to the sale of their interest in Homebase and Bathstore in early 2021.

There are no other post balance sheet events that would require an adjustment or disclosure to the financial statements.

Auditors

Under section 487(2) of the Companies Act 2006, Ernst & Young LLP, Statutory Auditor will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 4 December 2020 and signed on its behalf.

P P McGowan
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARK FINCO UK LIMITED

Opinion

We have audited the financial statements of Ark Finco UK Limited (the 'company') for the year ended 29 December 2019 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of comprehensive income, the Statement of changes in equity and the related notes1 to 14, 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 102 "The Financial Reporting Standard applicable in the UK (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 29 December 2019 and of its loss for the year 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 below. 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 as applied to listed entities 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

Key audit matters	• Verification and measurement of listed intercompany borrowings • Impact of COVID 19 on going concern
Materiality	• Overall materiality of £4,173 which represents 0.5% of Total Assets.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	**Our response to the risk**	**Key observations communicated to the Audit Committee**
Listed intercompany borrowings including interest 2019 £235K, (2018: £3,302K) The Company has received an intercompany borrowing from Ark Finco (BVI) Limited of which the debt has been listed on the Channel Islands Securities Exchange (TISE). A complex arrangement exists between 3 (three) separate legal entities namely, Ark Finco (BVI) Limited, Ark Finco UK Limited and Homebase Group. On the 1 November 2018, Ark Finco (BVI) Limited secured a Eurobond facility of £25 million over 3 period term. £3 million had been withdrawn by Ark Finco (BVI) Limited and transferred to Ark Finco UK Limited on the 26 October 2018. At 29 December 2019 period end, the balance owed including interest to Ark Finco (BVI) Limited amounted to £235K.	Our procedures included, amongst others: - Obtaining and reading the signed borrowing agreements with the financier to develop an understanding of the terms associated with facilities, extinguishment of liability under the Credit Facility due to the Bond Deed and the amount of facility available for drawdown; -Verification of the principle intercompany liability due at the period end and arrangement fee has been confirmed through inspection and correspondence by third party bank confirmation - Recalculation of the interest payable capitalised to the intercompany liability in accordance with the terms of loan facility. -Assessing the accounting treatment of the prepaid agreement fee in accordance with FRS 102 through consultation with internal technical experts; -All existing restrictions and covenants relating to the loan facility have been assessed for any breach or non-compliance as part of the going concern considerations - Performing substantive tests to ensure completeness and existence of liability at year end and - Assessing the adequacy of the withdrawn balance and agreement fee at period end in accordance with FRS 102 presentation and disclosure requirements.	We have not noted any unusual transactions during the year and balances at the balance sheet date.

Risk	**Our response to the risk**	**Key observations communicated to the Audit Committee**
Impact of COVID 19 on going concern Refer to Accounting policies (page 14); and Note 14 of the Financial Statements (page 19) The Company is relying on parental support to continue as a going concern and has obtained a letter of support to this effect. The risk arises over the parent's ability to continue to support the Company given the impact of Covid 19 and the resulting uncertainties regarding liquidity.	Our procedures included: Review of the letter of support from the Parent entity (Ark UK Holdings Limited) to ensure no conditions are attached. Assessment of the Company's cash flow needs to evaluate the level of support needed from the Parent. Audit of the Parent's ability to support the Company through performance of the following: -Testing the clerical accuracy of the model prepared by the management; -Challenged the key assumptions underpinning the parent's model by: - assessing the financial impacts of Covid-19 on forecast consumer behaviour and the parent's trading performance; - corroborating against historical data and information obtained during the audit; and - assessing the historic forecasting accuracy of the management by comparing actual results against historic forecasts. -With assistance from our valuation specialists, assessing the impact of reasonably possible downside scenarios on the Parent's financial position, including requesting management to perform additional sensitivity analysis to reflect a more severe or prolonged period of uncertainty. This included an assessment of the likelihood of the 'reverse stress test' scenario; -Assessing the mitigating actions available to management. We also considered which mitigating actions were within the control of management and which are dependent on third parties or other future actions; and -Review of the sufficiency of the Company's disclosure concerning the going concern basis and uncertainties arising thereon.	We conclude that the Company is reliant on parental support and the parent has sufficient financial resources to support the Company and therefore the going concern assessment and disclosures are appropriate.

In the prior year, our auditor's report included a key audit matter in relation to verification and measurement of listed intercompany borrowings. In the current year, there has been no change to our key audit matter conclusion.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality
The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the company to be £4,137 (2018: £21,174), which is 0.5% (2018: 0.5%) of Total Assets. We believe that Total Assets provides us with the most relevant basis due to no material operations or activity conducted by the Company, resulting in losses for the period and the principle balance being cash earned through intercompany.

During the course of our audit, we reassessed initial materiality and [explain reason for change in final materiality from original assessment at planning].

Performance materiality
The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 75% (2018: 50%) of our planning materiality, namely £3,013 (2018: £10,587). We have set performance materiality at this percentage as this is the second year audit with no material changes to the operations of the Company.

Reporting threshold
An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £207 (2018: £1,059), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 4, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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.

In connection with our audit of the financial statements, 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 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 or a material misstatement of the other information. 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.

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 year 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 3, 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.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARK FINCO UK LIMITED

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.

Ernst & Young LLP

Peter McIver (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date: 07/12/2020

PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 29 DECEMBER 2019

	Note	Year ended 29 December 2019 £	*Period ended 30 December 2018 £*
Administrative expenses		**(1,253)**	*(80)*
Operating loss		**(1,253)**	*(80)*
Interest receivable and similar income	5	**309,618**	*65,411*
Interest payable and similar expenses	7	**(318,072)**	*(76,733)*
Loss before tax		**(9,707)**	*(11,402)*
Loss for the financial period		**(9,707)**	*(11,402)*

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 29 DECEMBER 2019

	Note	Year ended 29 December 2019 £	*Period ended 30 December 2018 £*
Loss for the financial period		**(9,707)**	*(11,402)*
Other comprehensive income			
Total comprehensive expense for the period		**(9,707)**	*(11,402)*

ARK FINCO UK LIMITED
REGISTERED NUMBER:10698683

BALANCE SHEET
AS AT 29 DECEMBER 2019

	Note		**29 December 2019 £**		*30 December 2018 £*
Current assets					
Debtors: amounts falling due within one year	9	**662,565**		*1,017,856*	
Cash at bank and in hand	10	**164,857**		*3,216,980*	
		827,422		*4,234,836*	
Creditors: amounts falling due within one year	11	**(848,530)**		*(4,246,237)*	
Net current liabilities			**(21,108)**		*(11,401)*
Total assets less current liabilities			**(21,108)**		*(11,401)*
Net liabilities			**(21,108)**		*(11,401)*
Capital and reserves					
Called up share capital	12		**1**		*1*
Profit and loss account			**(21,109)**		*(11,402)*
			(21,108)		*(11,401)*

The financial statements were approved by the board on 4 December 2020 and were signed on its behalf by

P P McGowan
Director

The notes on pages 9 to 15 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 29 DECEMBER 2019

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 31 December 2018	1	(11,402)	(11,401)
Comprehensive expense for the period			
Loss for the period	-	(9,707)	(9,707)
Total comprehensive expense for the period	-	(9,707)	(9,707)
At 29 December 2019	1	(21,109)	(21,108)

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 DECEMBER 2018

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2018	1	-	1
Comprehensive expense for the period			
Loss for the period	-	(11,402)	(11,402)
Total comprehensive expense for the period	-	(11,402)	(11,402)
At 30 December 2018	1	(11,402)	(11,401)

1. General information

The Company is a private company limited by shares and is incorporated in England & Wales. The registered office is 80 New Bond Street, London, W1S 1SB.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The Company has taken advantage of the exemption afforded by FRS 102.33.1A not to disclose transactions between wholly owned members of the group. The Company is a qualifying entity as defined by FRS 102 and has taken advantage of the following exemptions available to qualifying entities which are relevant to its financial statements:

- the requirement to prepare a cash flow statement;
- the disclosure requirements of Section 26 paragraphs 26.18 (b), 26.19 to 26.21 and 26.23.

2.2 Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have a letter of support from its parent company Ark UK Holdings Limited to assist the Company in meeting its liabilities as and when they fall due, but only to the extent that money is not otherwise available to the Company to meet such liabilities. Ark UK Holdings Limited additionally confirm that they have the ability to provide such support and will provide this support to the Company, to the extent outlined above, until 31 December 2021. The Going concern statement for Ark UK Holdings Limited can be found in their financial statements for the period ended 29 December 2019.

The financing structure is set-up to cover all costs and services incurred in providing finance to other companies in the Group, any loss is due to timings of the drawdown/repayment of borrowings.

2.3 Interest income

Interest income is recognised in the Profit and Loss Account using the effective interest method.

2.4 Finance costs

Finance costs are charged to the Profit and Loss Account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.5 Borrowing costs

All borrowing costs are recognised in the Profit and Loss Account in the period in which they are incurred.

2. Accounting policies (continued)

2.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.8 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.9 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and potentially the disclosure of contingent liabilities. The resulting accounting estimates, which are based on management's judgement at the date of the financial statements, will, by definition, seldom equal the related actual results. No significant estimate or judgement has been applied in the preparation of these financial statement.

4. Employees

The Company has no employees other than the Directors, who did not receive any remuneration *(2018 - £NIL)*.

5. Interest receivable

	Year ended 29 December 2019 £	*Period ended 30 December 2018 £*
Interest receivable from borrowings	**309,618**	*65,411*
	309,618	*65,411*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 29 DECEMBER 2019

6. Auditors remuneration

Audit fees of £30,000 have been paid by another group company and not recharged to the Company (December 2018: £25,000)

7. Interest payable and similar expenses

	Year ended 29 December 2019 £	*Period ended 30 December 2018 £*
Interest payable on borrowings	**318,072**	*76,733*
	318,072	*76,733*

8. Taxation

	Year ended 29 December 2019 £	*Period ended 30 December 2018 £*
Total current tax	**-**	*-*

Factors affecting tax charge for the period

The tax assessed for the period is lower than *(2018 - lower than)* the standard rate of corporation tax in the UK of 19% *(2018 - 19.06%)*. The differences are explained below:

	Year ended 29 December 2019 £	*Period ended 30 December 2018 £*
Loss on ordinary activities before tax	**(9,707)**	*(11,402)*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (2018 - 19.0%)	**1,844**	*2,166*
Effects of:		
Losses and deferred tax not recognised	**(1,844)**	*(2,166)*
Total tax charge for the period	**-**	*-*

Factors that may affect future tax charges

The income tax expense for the period is based on the United Kingdom statutory rate of corporation tax for the period of 19.0% (2018: 19.0%).

9. Debtors

	29 December 2019 £	*30 December 2018 £*
Amortised arrangement fee charge, borrowings from Ark Finco BVI Limited	**611,111**	*944,444*
Other debtors	**51,454**	*73,412*
	662,565	*1,017,856*

The three year arrangement fee of £1m for borrowings from Ark Finco BVI Limited is amortised on a straight line basis over the term of the facility. The remaining balance is £0.6m.

10. Cash and cash equivalents

	29 December 2019 £	*30 December 2018 £*
Cash at bank and in hand	**164,857**	*3,216,980*
	164,857	*3,216,980*

11. Creditors: Amounts falling due within one year

	29 December 2019 £	*30 December 2018 £*
Ark Finco BVI Limited borrowings	**235,050**	*3,076,738*
Amortised arrangement fee income, loans to Homebase (UK & I) Holdings Limited	**611,111**	*944,444*
Other creditors	**2,369**	*225,055*
	848,530	*4,246,237*

11. Creditors: Amounts falling due within one year

On 1 November 2018 the Company secured a £25m eurobond facility from Ark Finco BVI Limited, listed on the Channel Islands Securities Exchange (TISE). This facility is for 3 years and carries an interest rate of 2% plus LIBOR on the first £5m drawn-down, 4.75% plus LIBOR on amounts draw-down above this and 0.9% on undrawn amounts. These facilities are secured by fixed and floating charges over the assets, investments and intellectual property assets of the Company.

The initial three year arrangement fee of £1m for loans to Homebase (UK & I) Holdings Limited is amortised on a straight line basis over the term of the facility. The remaining balance is £0.6m.

12. Share capital

	29 December 2019 £	*30 December 2018 £*
Allotted, called up and fully paid		
1 *(2018 - 1)* Ordinary share of £1.00	**1**	*1*

13. Related party transactions

During the period the Company had the following transactions and balances with companies related by virtue of common control:

Related party transactions:	In relation to:	**29 December 2019 £**	30 December 2018 £
Ark Finco BVI Limited	Borrowing	**3,459,760**	4,153,471
Amcomri LLP	Borrowing	**-**	10
Filefigure 30 Limited	Borrowing	**-**	44
Related party balances:			
Ark Finco BVI Limited	Borrowing	**235,050**	3,076,738
Amcomri LLP	Borrowing	**10**	10
Filefigure 30 Limited	Borrowing	**44**	44

In February 2019 £3.2m was paid to Ark Finco BVI Limited in part settlement of the loan balance.

The Company has taken advantage of the exemptions in Section 33.1a of FRS102 and has not disclosed transactions with wholly owned members of the Group under Ark UK Group Limited. The Directors are not aware of any related party transactions that are required to be disclosed that are not otherwise disclosed in the financial statements.

14. Post balance sheet events

COVID-19 in 2020 has introduced a degree of economic uncertainty for the Company and the world economy. With the Company performance linked to the success of the Homebase business, Homebase believes that by implementing cost saving measures, making use of government support and being able to trade across stores and online in a safe way, debt levels are expected to be in line with the 2020 budget expectations by the end of the year. The Directors consider COVID-19 to be a non-adjusting event for the Company and will not have a material impact on its results for the year ending 31 December 2020.

In November 2020 the Group company shareholders announced they were commencing a process that could lead to the sale of their interest in Homebase and Bathstore in early 2021.

There are no other post balance sheet events that would require an adjustment or disclosure to the financial statements.

15. Controlling party

The Company's immediate parent undertaking is Ark UK Holdings Limited, a company registered in England and Wales, by virtue of its 100% shareholding in the Company. The ultimate controlling party is considered to by Paul McGowan who is also the Executive Chairman of Hilco Capital Limited. The registered office of Ark UK Holdings Limited is 80 New Bond Street, London, W1S 1SB.

The smallest Group of undertakings for which Group financial statements have been drawn up will be that headed by Ark UK Holdings Limited and the largest Group of undertakings will be that headed by Ark UK Group Limited, a company registered in England and Wales. The first time that Ark Finco UK Limited will appear in Ark UK Group Limited financial statements will be those produced for 29 December 2019.