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Registered number: 00533033

HHGL LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 27 DECEMBER 2020**

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HHGL LIMITED

COMPANY INFORMATION

Directors	D G McGloughlin A C Coleman
Company secretary	S Tudor
Registered number	00533033
Registered office	500-600 Witan Gate House Milton Keynes, UK MK9 1BA
Independent auditors	Ernst & Young LLP London

HHGL LIMITED

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HHGL LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 27 DECEMBER 2020

Introduction

The Directors present the Strategic report together with their Directors' report and the audited financial statements of HHGL Limited (the "Company") for the period from 30 December 2019 to 27 December 2020 ("period").

HHGL Limited is an indirect subsidiary of Homebase (UK & I) Holdings Limited (the "Group" or "Homebase") and is the primary Homebase trading company in Great Britain.

Business review

Financial headlines:

HHGL Limited has delivered an EBITDA profit before exceptionals of £61m in the period, compared to £4.1m in 2019. A reconciliation of EBITDA to the operating profit is shown on page 19. This result marks the conclusion of the management team's turnaround strategy that started in June 2018, and the beginning of a three-year growth plan.

Like for like sales for the year were up 11.3 per cent, reflecting the very positive customer response to the new ranges and improvements in shopkeeping.

The gross margin rate improved by 2.6 per cent as customers continued to respond well to new ranges, improved end-to-end stock management and improvements to both in-store and online shopping experiences. The year ended with 135 Homebase stores trading, with all stores profitable at a contribution profit level. At year-end, the Company had a positive net cash balance of £83m (2019: £16.2m) and remained debt-free.

The Company did not take the Government loans available as part of the COVID-19 pandemic support measures but did access the Job Retention Scheme and business rates relief. It also deferred VAT payments which started to be repaid from April 2021 and will be fully repaid by January 2022. The collective support from these schemes was used to help offset the significant impact and losses from the temporary closure of all Homebase stores during the peak trading period. It has also offset incremental costs due to the pandemic, including multi-million pound greenlife stock write-offs due to the store closures, with this product donated to charities and good causes, changes to operations to support new shopping patterns, additional PPE, cleaning and other health and safety measures deployed in stores to help keep customers and team members safe.

Key performance drivers:

Like most businesses in the UK, operations and results were impacted significantly by COVID-19, with periods of store closures, reduced trading, changes in demand and incremental operational costs, including delivery and customer support services. Plans were adjusted in response to changes in legislation. Despite all these challenges, the team has been able to deliver many of the improvements that were planned to the customer journeys both digitally and in-store.

2020 was set to be a transformational year for Homebase, building on the strong platform and turnaround to date, inspiring customers, new and old, with refreshed and expanded ranges, product innovation, store investments and improved shopkeeping. Before the initial lockdown at the end of March the Company was in a strong position with EBITDA ahead of the equivalent 2019 period.

As the full effect of the COVID-19 pandemic hit in late March 2020, the safety of team members and customers was put first, with stores shut temporarily in the UK for six weeks, including over the critical Easter trading period, trading online only for the majority of this period.