1 May 2013

Home Retail Group plc
Full-Year Results

Home Retail Group, the UK's leading home and general merchandise retailer, today announces its results for the 52 weeks to 2 March 2013[1].

Operating highlights

- Announced transformation plan which will reinvent Argos as a digital retail leader and reposition it from a catalogue-led to a digitally-led business
- Announced plans to invest in Homebase store refits and accelerated multi-channel capability to deliver an enhanced customer proposition
- Argos' multi-channel sales penetration increased to 51% of total sales. Internet sales grew 10% to reach 42% of Argos' total sales. Argos' website and app visits increased by 24% with mobile shopping now representing 10% of total sales
- Homebase's multi-channel sales penetration increased to 5% of total sales with Reserve and Collect sales growing by 27% and website visits increasing by 23%
- In a year of positive like-for-like sales growth, Argos returned to market share growth whilst Homebase, despite a difficult trading environment, delivered its fourth consecutive year of market share gains
- Ongoing growth and development of both exclusive and own-brand products, including the introduction of Habitat product into both Argos and Homebase

Financial highlights

- Sales broadly flat at £5,475m
- Cash gross margin down 1% to £2,002m
- Robust management of costs with operating and distribution costs reduced by a further £21m to £1,908m, as underlying cost inflation was more than offset by further cost savings
- Benchmark operating profit[2] up £6m at Argos and down £12m at Homebase
- Benchmark profit before tax[3] down 10% to £91m
- Basic benchmark earnings per share[4] down 11% to 7.7p
- Reported profit before tax of £130m; reported basic earnings per share of 11.7p
- Strong cash generation in the year of £202m, driven principally by a strong working capital performance, with a closing net cash position of £396m
- Full-year dividend of 3.0p (2012: 4.7p); final dividend of 2.0p recommended

John Coombe, Chairman of Home Retail Group, commented:

"The Group delivered a solid sales performance and very strong cash generation despite subdued consumer spending. With the Group's strong balance sheet and clear strategies for both businesses, the Board is confident that it has the appropriate plans in place and is recommending a final dividend of 2 pence per share, which together with the interim dividend of 1 pence per share makes a full year dividend of 3 pence per share."

Terry Duddy, Chief Executive of Home Retail Group, added:

"This was an encouraging year with both businesses growing their market shares. Argos delivered like-for-like sales growth for the first time in five years and multi-channel sales broke through the 50% threshold. Our strong financial position enables Argos to deliver on its transformation plan to become a digital retail leader, and for Homebase to invest in the rollout of its new proposition."

1. The previous financial year comprised 53 weeks to 3 March 2012. Management believes that in order to have a proper understanding of the performance of the business in the current financial year it is more appropriate to compare the 52 weeks of the 2012/13 financial year with the 52 weeks of the 2011/12 financial year (the 52 weeks to 25 February 2012). All comparisons in pages 1 to 20 of this report are made on this basis unless otherwise stated.

2. **Benchmark operating profit** is defined as operating profit before amortisation of acquisition intangibles, store impairment and onerous lease charges or releases and exceptional items.

3. **Benchmark profit before tax (benchmark PBT)** is defined as profit before amortisation of acquisition intangibles, store impairment and onerous lease charges or releases, exceptional items, financing fair value remeasurements, financing impact on retirement benefit obligations, the discount unwind on non-benchmark items and taxation.

4. **Basic benchmark earnings per share (benchmark EPS)** is defined as benchmark PBT less taxation attributable to benchmark PBT, divided by the weighted average number of shares in issue (excluding shares held in Home Retail Group's share trusts net of vested but unexercised share awards).

Enquiries

Analysts and investors (Home Retail Group)

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There will be a presentation today at 9.30am to analysts and investors at the King Edward Hall, Merrill Lynch Financial Centre, 2 King Edward Street, London EC1A 1HQ. The presentation can be viewed live on the Home Retail Group website www.homeretailgroup.com. The supporting slides and an indexed replay will also be available on the website later in the day.

An Interim Management Statement, covering the 13 weeks from 3 March 2013 to 1 June 2013, will be published on 13 June 2013.

Certain statements made in this announcement are forward looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from any expected future events or results referred to in these forward looking statements.

FINANCIAL SUMMARY

£m	52 weeks to 2 March 2013	52 weeks to 25 February 2012	53 weeks to 3 March 2012
Argos	3,931.3	3,872.6	3,935.3
Homebase	1,430.7	1,509.8	1,536.4
Financial Services	113.4	109.1	111.1
Sales	**5,475.4**	**5,491.5**	**5,582.8**
Cost of goods	(3,473.8)	(3,464.1)	(3,521.1)
Gross margin	**2,001.6**	**2,027.4**	**2,061.7**
Group gross margin % rate	*36.6%*	*36.9%*	*36.9%*
Operating and distribution costs	(1,908.3)	(1,929.7)	(1,950.0)
Argos	100.3	94.2	106.9
Homebase	11.0	22.8	23.8
Financial Services	6.0	6.0	6.1
Central Activities	(24.0)	(25.3)	(25.1)
Benchmark operating profit	**93.3**	**97.7**	**111.7**
Group operating margin % rate	*1.7%*	*1.8%*	*2.0%*
Net interest income (see below)	3.8	3.4	3.5
Share of post-tax results of associates	(6.0)	0.5	0.5
Benchmark PBT	**91.1**	**101.6**	**115.7**
Exceptional items	31.3	(20.3)	(20.3)
Financing fair value remeasurements	(1.1)	3.3	3.3
Financing impact on retirement benefit obligations	3.1	4.8	4.8
Discount unwind on non-benchmark items	(7.1)	(6.5)	(6.7)
Amortisation of acquisition intangibles	(1.8)	(1.2)	(1.2)
Net onerous lease provision releases	14.6	8.5	8.5
Profit before tax	**130.1**	**90.2**	**104.1**
Taxation	(36.1)	(27.6)	(31.3)
of which: taxation attributable to benchmark PBT	*(29.7)*	*(31.8)*	*(35.5)*
Benchmark effective tax % rate	*30.6%*	*31.5%*	*30.8%*
Profit for the year	**94.0**	**62.6**	**72.8**
Basic benchmark EPS	**7.7p**	**8.7p**	**10.0p**
Basic EPS	**11.7p**	**7.8p**	**9.1p**
Weighted average number of shares for basic EPS	800.6m	799.4m	799.4m
Full-year dividend	**3.0p**	**4.7p**	**4.7p**
Closing net cash position	**396.0**	**181.4**	**194.3**

Net interest reconciliation:

Bank deposits and other interest	1.9	1.7	1.8
Financing costs charged to Financial Services	3.1	3.4	3.4
Discount unwind on benchmark items	(1.2)	(1.7)	(1.7)
Net interest income	**3.8**	**3.4**	**3.5**
Financing fair value remeasurements	(1.1)	3.3	3.3
Financing impact on retirement benefit obligations	3.1	4.8	4.8
Discount unwind on non-benchmark items	(7.1)	(6.5)	(6.7)
Income statement net financing (charge)/income	**(1.3)**	**5.0**	**4.9**

The above tables and those throughout this announcement have been prepared in accordance with Note 1 to the Financial Information on page 27.

CHIEF EXECUTIVE'S STATEMENT

Against a backdrop of subdued consumer spending, the Group has achieved a good outcome to what has been a challenging year. Both our businesses delivered market share growth, although their respective total markets declined further as customers continued to face pressure on their disposable incomes.

Argos delivered its first year of like-for-like sales growth in five years, supported by its multi-channel performance with sales growth in a number of categories, most notably consumer electronics. Homebase delivered a creditable performance in its peak trading period, given the adverse impact of record poor weather conditions on its seasonal product sales and the difficult market conditions in big ticket categories.

As the UK's leading home and general merchandise retailer, we have continued to strengthen our customer propositions in an environment where shopping behaviours are changing rapidly, with both businesses improving product choice and delivering further value for our customers. In addition, the Group's strong financial position has provided us with the opportunity to commence the major programmes of capital investment to deliver the growth plans in place for both businesses as they implement their respective strategies.

On the basis of a comprehensive business review, we identified clear opportunities to transform the Argos business through our highly successful internet and mobile commerce channels, and by building on our supply chain advantages and improving our customer offer. As a consequence, we announced in October 2012 plans to reinvent Argos as a digital retail leader over the next five years, underpinned by a three-year investment programme to reposition it from a catalogue-led to a digitally-led business.

There are four key elements to the Argos transformation plan:
1. Reposition Argos' channels for a digital future;
2. Provide more product choice, which is available to customers faster;
3. Develop a customer offer that has universal appeal; and
4. Operate a leaner and more flexible cost base.

We delivered a number of initiatives during the second half of the year. The website was refreshed in October 2012 and '1-click' Check & Reserve functionality has improved the customer journey. Trials began in January 2013 to test the 'hub and spoke' distribution model and a new Argos catalogue format. The latter enables immediate collection on a selection of lines and next day collection on an extended range of products which are available online. We are pleased with the progress that Argos has made so far on its transformation plan and further improvements will be delivered in the 2013/14 financial year.

Homebase has a clear agenda for growth, with plans for investment in refitting the majority of its stores combined with a major step forward in its multi-channel capability ensuring it improves the Homebase customer proposition. The latest concept stores in Ruislip and Solihull have begun to deliver strong financial results and customer feedback has been excellent, while improvements in multi-channel have seen sales penetration and website visits increase. We are pleased with the progress that Homebase has made so far on its enhanced proposition and further improvements will be delivered in the 2013/14 financial year.

Digital leadership and accelerating multi-channel
Home Retail Group has been at the forefront of advances in technology that have brought about a fundamental and permanent shift in the way consumers shop. Increasingly, they choose to shop online or on the move through mobile devices, principally for pick up in a local store but also for home delivery.

Argos continued to grow its multi-channel sales penetration in the year, such that it now represents £2.0bn or 51% of its total sales, up from 48% a year earlier. Internet sales grew 10% to reach 42% of Argos' total sales, with online Check & Reserve, at 31% of total sales, remaining the fastest growing channel. Argos' website and app visits increased by 24% with mobile commerce continuing to see a rapid rise in customer usage to represent 10% of Argos' total sales.

Homebase's internet sales participation has grown by 16% and now represents 5% of its total sales, driven principally by Reserve and Collect. Homebase released a refreshed website during the year to showcase its key brands, in particular the inclusion of Habitat. It also launched a transactional mobile website for home delivery items and store reservations.

New format development and store estate
Homebase has continued the evolution of its new store proposition which was initiated in Aylesford in 2011, with the refit of Ruislip and Solihull in 2012, which include Habitat and Laura Ashley concessions. Elsewhere, mezzanine and garden centre refits were undertaken to enhance further the big ticket and garden propositions.

The Group's portfolio of 1,073 stores remains a core component of its multi-channel offer. The Argos national chain of 'pick up points' are complementary to its multi-channel offer with nearly 90% of all sales continuing to involve the store in some way. With around 345 store lease renewals or break clauses due over the next five years, representing about one-third of the store portfolio, the Group has ongoing flexibility to adjust the store portfolio to strategic and market conditions.

Product leadership and exclusive brands
During the year, Argos expanded its range of own brands with a further 700 lines included in the Spring/Summer 2013 catalogue. Furthermore, Argos has extended its range of tablet computers to capture market share and enhanced its convenience credentials through its in-store white goods offer.

Homebase's exclusive brand strategy, together with its differentiated proposition has driven market share gains for the fourth consecutive year. Habitat products are now available in over 200 Homebase stores and Homebase's market-leading installation services across kitchen, bathroom and bedroom furniture ranges continue to achieve a customer recommendation rate in excess of 90%.

Compelling customer offering
The Group ensures that customers continue to receive excellent service, value and choice by maximising its buying scale and sourcing capabilities, particularly via direct import and direct sourcing of product.

Argos has maintained its commitment to being highly price competitive through the use of weekly price comparisons, ensuring its price position is better than the competition on its highest sales volume lines. This is enhanced through 'WOW' offers and the Argos Value range. Social networks also present a good opportunity to engage with our customer base via Facebook or Twitter.

Homebase continues to use a range of promotions to drive customer loyalty with its Nectar customer base exceeding 7 million active customers. Direct mail packs are also sent to customers to increase brand engagement and social media interaction via the Homebase Facebook app has seen Homebase posts viewed over 3.2 million times in the year.

Continued cost management
The Group has a strong track record of delivering significant organisational and infrastructure changes which improve the flexibility of our businesses and reduce costs, while maintaining or improving operational standards.

The Group's operational and distribution cost base peaked at £2,050m in the 2008/9 financial year. Since this time underlying cost inflation has run at 1-2% per annum, adding approximately £125m to the Group's cost base over the last four years. We have more than offset this cost increase with cost savings over the same four-year period of approximately £267m, to achieve a reported cost reduction of £142m over the same four-year period, and a reported cost base of £1,908m in the 2012/13 financial year. These cost reductions have been achieved through a rationalisation of the distribution network, store-based management restructuring programmes, headcount reductions in central office and numerous other cost efficiency initiatives together with a lower level of unit volumes. We will continue to review and challenge the Group's cost base to ensure we maintain its low-cost operating model.

Financial strength

The Group has strong cash flow characteristics with £396m of net cash as at 2 March 2013. In addition, the Group has recently agreed a £165m committed borrowing facility which is undrawn and which expires in March 2016.

Outlook

Our view of the 2013/14 financial year is that it will remain similar to 2012/13 with consumer spending continuing to be impacted by ongoing inflationary pressures and low levels of consumer confidence. However, the Group's strong financial position enables us to deliver on the transformation plan to reinvent Argos as a digital retail leader and to invest in the rollout of the Homebase proposition, and as a result, ensure that the Group is well positioned for economic recovery.

BUSINESS REVIEWS

Argos

52 weeks to £m	2 March 2013	25 February 2012
Sales	**3,931.3**	**3,872.6**
Benchmark operating profit	**100.3**	**94.2**
Benchmark operating margin	**2.6%**	**2.4%**
Like-for-like sales change	2.1%	(8.9%)
Net space sales change	(0.6%)	1.2%
Total sales change	1.5%	(7.7%)
Gross margin rate movement	Down c.50bps	Down c.50bps
Benchmark operating profit change	6%	(57%)
Number of stores at year-end	737	748

Argos outlined in October 2012 a five-year transformation plan designed to address its competitive challenges, exploit marketplace opportunities and restore it to sustainable growth. Under the plan Argos will undertake a three-year investment programme to reinvent itself as a digital retail leader, effectively moving from a catalogue-led to a digitally-led business. There are four key elements to the transformation plan:

1. Reposition Argos' channels for a digital future - Argos will develop its online, mobile and tablet channels to be the primary channels for interacting and communicating with customers. Stores and catalogues will remain important, but their roles will be adapted in order to support a digital offer;
2. Provide more product choice, which is available to customers faster – Few companies in the UK can match Argos' ability to move as many non-food products, of all shapes and sizes, into local markets on a national scale in a fast and cost efficient way. Argos is well positioned through its store estate and supply chain to offer same-day and next-day fulfilment on a wider range of products;
3. Develop a customer offer that has universal appeal – Argos has a substantial opportunity to grow the business by expanding its customer reach with a more universally appealing offer, including extended ranges of branded and own brand product; and
4. Operate a leaner and more flexible cost base – Argos will maintain its focus on costs and it will target further cost reductions to help fund the investment in the transformation plan, while continuing to take the opportunity at store lease expiration to obtain reduced terms on leases it chooses to renew. Future lease renewals provide ongoing flexibility to adjust the store portfolio to strategic and market conditions.

Operational review

Reposition Argos' channels for a digital future
Multi-channel sales continue to grow and now represent £2.0bn or 51% of Argos' total sales, up from 48% last year. Total internet orders, including Check & Reserve, grew 10% to reach 42% of Argos' total sales, with the remaining 9% of multi-channel sales comprising products either ordered in-store for home delivery, or by telephone. The fastest growing channel continues to be online Check & Reserve, which grew 11% to represent 31% of total sales.

Total website and app visits increased by 24% compared to last year. The ease of access to Argos' website through mobile devices has been a significant driver of the increase in web visits, with visits to the website from mobile devices up 116%. The Argos Apple iPhone and Android apps continue to be a popular way to access Argos' products with over 1.6m downloads of the apps in the year. The high level of visits from mobile devices has led to a significant increase in the proportion of sales through the mobile channel which have doubled in the year and now represent 10% of Argos' total sales.

A number of projects were initiated during the year to begin repositioning our channels for a digital future. The website was relaunched in October 2012 to provide improved functionality, search ability and look and feel. A '1-click' Check & Reserve function was launched in October 2012 which improves the speed and convenience of reserving products for store collection. An improved mobile site and an iPad tablet app were also launched before Christmas 2012.

In January 2013 Argos commenced a trial of a different Argos catalogue format in the North East of England, with a catalogue with a reduced number of product lines, combined with extended product ranges available online for both immediate and next-day store collection.

During the 2013/14 financial year, Argos expects to continue towards its strategic repositioning of its channels. It intends to develop a digital catalogue with the first one being launched before Christmas. A number of store trials will also start which will include more innovation with web-based browsers replacing catalogues, Wi-fi which will enable customers to use their smartphones and tablets in stores, and a fast track collection service for goods purchased online or via a mobile device.

Provide more product choice, available to customers faster
Argos is well positioned to offer cost effectively, a wide range of products for rapid fulfilment. The key to Argos' fulfilment advantage will be a 'hub and spoke' distribution model, utilising existing Argos stores and replenishment capabilities. This will enable Argos to offer market-leading immediacy of fulfilment on a wider range of products. Trials began in January 2013 to test both the operational and customer offer aspects of this new network.

Develop a customer offer that has universal appeal
Tablets were a strong driver of growth in the financial year, with Argos adding to its range of products to ensure a strong position in this competitive market. New devices from Apple, Samsung, Asus and Google have all been added to the range in the last year. Children's tablet devices from LeapPad and Vtech have also been a strong contributor to growth.

Argos has further enhanced its convenience credentials with an increased range of white goods available for in-store collection, following last year's successful trial, allowing customers to pick up a range of white goods from around 450 larger stores. Other categories which saw good growth during the year included core electricals and toys.

Argos' suite of 35 exclusive or own brands continue to extend choice and offer great value to customers, with an increase of around 700 lines in the Spring/Summer 2013 catalogue compared to last year from its Alba, Bush, Chad Valley, Hygena, Schreiber and Habitat ranges.

Customer service levels continue to improve, with measures of customer experience strong throughout the year. Argos' Aliens TV advertising campaign continues to be well received by customers, achieving high recall scores in analysis following Christmas 2012 trading. Argos' Facebook page has increased in popularity with 630,000 'likes', and Twitter is a popular way for customers to find out about Argos' latest offers.

Argos is a leading value retailer and remains highly price competitive, supported by the Group's sourcing scale and infrastructure advantages, together with the benefit of Argos' low-cost operating model. Argos' competitive price position is measured weekly using internet price comparisons to maintain a price position better than the competition on its highest volume lines. Argos offers around 900 'WOW' deals in the catalogue including some of the biggest consumer brand names.

Operate a leaner, more flexible cost base
Stores, which provide a national chain of 'pick up points', remain a key component of the Argos multi-channel model, with nearly 90% of all sales involving a store. Stores are also

strategically important to Argos' transformation plan to become a digital retail leader. However, over the next five years Argos has around 275 store lease renewals or break clauses due. Using this flexibility, Argos will focus on improving its store network by relocating or closing some older stores and opening some new stores if attractive sites are identified. In the last financial year there were 11 store closures and two relocations, leading to a reduction in the store portfolio to 737 stores. This level of store closures was consistent with its plans at the start of the year. In the 2013/14 financial year, it is expected there will be around 10 store closures, where the lease has come to an end, alongside a number of additional stores that are likely to be relocated to better sites.

Financial Review

Total sales in the 52 weeks to 2 March 2013 increased by 1.5% to £3,931m. Net space sales change reduced sales by 0.6% with 11 store closures reducing the store portfolio to 737. Like-for-like sales grew by 2.1%. Consumer electronics continued to deliver an improved sales performance driven by strong growth in tablets and e-readers, which together with good growth in white goods and core electricals more than offset the market-driven declines in the video gaming and photography categories and the weaker trading in homewares and seasonal products. Following a slight decline last year, Argos achieved an overall market share gain across the total of its tracked market categories.

The gross margin rate was down by approximately 50 basis points. The negative drivers were an adverse sales mix, resulting from the improved performance in the margin-dilutive consumer electronics category, and ongoing price investment. These reductions were partially offset by the expected benefit from a lower level of stock clearance activity and the anticipated benefit of favourable currency and reduced shipping costs.

Since June 2011 Argos has been trialling a TV shopping channel concept. Following the announcement of the Argos transformation plan in October 2012, the decision has been taken to cease operation of the channel from May 2013.

Total operating and distribution costs decreased by £10m with the impact of underlying cost inflation pressures being more than offset by further cost savings. This was a particularly strong performance given the sales growth delivered during the financial year. Benchmark operating profit was £100.3m, a £6.1m or 6% increase on the previous year's £94.2m.

Homebase

52 weeks to £m	2 March 2013	25 February 2012
Sales	**1,430.7**	**1,509.8**
Benchmark operating profit	**11.0**	**22.8**
Benchmark operating margin	**0.8%**	**1.5%**
Like-for-like sales change	(4.9%)	(2.0%)
Net space sales change	(0.3%)	(0.6%)
Total sales change	(5.2%)	(2.6%)
Gross margin rate movement	Up c.75bps	c.0bps
Benchmark operating profit change	(52%)	(52%)
Number of stores at year-end	336	341
Of which contain a mezzanine floor	186	187
Store selling space at year-end (million sq ft)	15.4	15.6
Of which - garden centre area	3.6	3.6
- mezzanine floor area	1.8	1.8

The Homebase strategy is to position itself as a clearly differentiated multi-channel home enhancement retailer, creating both a store and online experience, with a softer, more stylish, female-friendly proposition.

Homebase has commenced a trial of dramatically different store formats, supported by increased levels of staff service which creates a shopping experience where customers find ideas and inspiration for their homes and gardens. The in-store experience is supported by an enhanced multi-channel offer which improves product availability and a website which offers information, advice and inspiration. Homebase has developed a strong range of exclusive brands like Habitat, Laura Ashley, Odina, Schreiber and Qualcast which give it a clear point of customer differentiation and competitive advantage. This will accelerate the development of Homebase as a destination for a broader range of home and garden projects, securing a larger share of customer spend and a higher frequency of visit.

Operational review

New format development
Following the success of the new store proposition in Aylesford, the next evolution of this concept was opened in the Ruislip store at the end of October 2012. The learnings from Aylesford were used to improve further the proposition and included both a Habitat and a Laura Ashley concession. In December, Solihull was refitted as part of a planned downsizing, and a Habitat concession was opened in the Ewell store.

Homebase completed seven further mezzanine refits and one midi refit during the year, all of which incorporated the premium Odina and Schreiber ranges. The total number of mezzanine refits now stands at 26.

The premium Odina range is now displayed in 28 stores, with a further four stores carrying the space efficient small format solution. The Schreiber kitchen range was extended to 136 stores following a low-cost investment programme which includes an edited range on display or a carcass display showcasing construction, material quality and examples of the Schreiber range.

Homebase has continued its programme of garden centre refits, which incorporate inspirational garden displays to provide ideas, supported by practical advice from knowledgeable colleagues. 12 refits were completed in the year, bringing the total number to 34.

Accelerating multi-channel
Internet sales participation has grown by 16% year-on-year to almost 5% of Homebase's total sales. Within this, Reserve and Collect sales grew 27% to comprise 1.5% of Homebase's total sales while website visits increased by 23% over last year.

During the year, Homebase launched a refreshed website to showcase its exclusive brand strategy. In October 2012, Homebase launched a mobile website, which is transactional for both home delivery items and store reservations and which already accounts for 16% of total web visits.

Exclusive brands
A key differentiator for Homebase is its strong portfolio of exclusive brands, such as Habitat, Laura Ashley, Qualcast, Odina and Schreiber. During the year, Homebase has accelerated this strategy with Habitat and Laura Ashley concessions. The Qualcast brand has been extended into hand tools and watering products with sales growth approximately doubling year-on-year.

Habitat products are now available in over 200 Homebase stores, including ranges in furniture, paint, wallpaper and tiling. Habitat gives the Homebase customer greater choice with premium quality, contemporary styling, as well as some iconic designs that have been best sellers for many years.

Loyalty programme
Homebase connects with over 7 million active Nectar customers and Nectar has a participation rate of more than 60% of Homebase's sales. During the year promotional mechanics continued to be trialled through direct communication, targeting customers based upon their spending behaviour. Homebase continues to drive sales with events such as 'triple points' weekends and category-specific points promotions. Over 19 million direct mail packs were sent to customers to increase brand engagement resulting in significantly increased spend per customer.

As part of Homebase's social media development, in May 2012 the first ever Homebase Facebook app was launched, enabling customers to 'ask an expert a question'. Homebase posts on Facebook have been viewed over 3.2 million times in the year. Homebase has redesigned the new Homebase YouTube channel with over 1.2 million video views in the year.

Store estate
As part of Homebase's ongoing management of the store portfolio, in the last financial year there were five store closures, leading to a reduction in the store portfolio to 336 stores. This level of store closures was consistent with its plans at the start of the year. Homebase will continue to examine the opportunity for store closures, relocations or downsizes as either leases expire or lease break clauses occur. Over the next five years, Homebase has around 70 store lease renewals or break clauses due. In the 2013/14 financial year, it is expected there will be around 10 store closures.

Financial review

Total sales in the 52 weeks to 2 March 2013 decreased by 5.2% to £1,431m. Net space sales change reduced sales by 0.3% with five store closures reducing the store portfolio to 336. Like-for-like sales declined by 4.9%. Seasonal product sales were adversely impacted by record poor weather conditions, particularly in the first half of the year, while big ticket sales were lower overall, reflecting the continuing challenging market. Remaining categories were slightly down. Homebase continued to increase its market share in the DIY sheds market as reported by the independent third party, GfK, with this latest gain being its fourth consecutive year of market share growth.

The gross margin rate improved by approximately 75 basis points. The key positive drivers were the anticipated benefit of favourable currency and reduced shipping costs, a beneficial sales mix over the year and a reduced level of customer participation of promotional offers. These benefits were partially offset by an increased level of seasonal stock clearance activity.

Total operating and distribution costs reduced by £17m with the impact of underlying cost inflation pressures being more than offset by further cost savings. Benchmark operating profit was £11.0m, an £11.8m or 52% decline on the previous year's £22.8m.

Financial Services

52 weeks to £m	2 March 2013	25 February 2012
Sales	**113.4**	**109.1**
Benchmark operating profit before financing costs	9.1	9.4
Financing costs	(3.1)	(3.4)
Benchmark operating profit	**6.0**	**6.0**
	2 March 2013	**3 March 2012**
Store card gross receivables	547	535
Provision	(72)	(78)
Store card net receivables	475	457
Provision % of gross receivables	13.2%	14.7%

Financial Services works in conjunction with Argos and Homebase to provide their customers with the most appropriate credit offers to drive retail sales, and to maximise the total profit from the transaction for Home Retail Group.

Operational review

In-house store card credit sales increased by 3% to £628m (2012: £611m) and represented 10.0% (2012: 9.7%) of Group retail sales. This increased level of credit sales and penetration is a result of specific product range support and sales increases in categories that have higher credit attachment rates such as tablets and white goods. In addition to credit sales placed on the Group's own store cards, credit offers for purchases at Homebase, which are greater than £1,000, are now principally provided through product loans from a third party provider. Including these product loans, total credit sales penetration increased to 11.0% (2012: 10.6%) of Group retail sales. Customer use of the online account management tools continues to grow with over 600,000 registered customers.

Financial review

Total sales in the 52 weeks to 2 March 2013 increased by 3.9% to £113.4m. Delinquency rates continued their trend of the last three years with a further reduction, resulting in a reduced bad debt cost. Financing costs were marginally down versus last year, with this internal recharge being based upon UK base rates with a corresponding credit being recognised in Group net interest income. These benefits were offset by an increase in operating costs resulting in benchmark operating profit being flat at £6.0m (2012: £6.0m).

Store card net receivables grew by £18m versus a year ago to £475m, principally as a result of the increase in credit sales. The Group finances these receivables internally with no third party debt being required.

GROUP FINANCIAL REVIEW

Sales and benchmark operating profit

Group sales were broadly flat at £5,475m (2012: £5,492m) while Group benchmark operating profit declined 4.5% to £93.3m (2012: £97.7m). The drivers of the Argos, Homebase and Financial Services performances have been analysed as part of the preceding business reviews.

Central Activities represents the cost of central corporate functions and the investment costs of development opportunities. Costs for the year were 5% lower at £24.0m (2012: £25.3m), principally driven by the elimination of losses at the Group's UK homewares trial format, HomeStore&More, following its closure in the previous financial year, partially offset by the trading loss incurred at Habitat. Other central corporate costs were well controlled with underlying cost inflation being offset by cost saving initiatives.

Net interest income

Net interest income was £3.8m (2012: £3.4m). Within this, third party interest income for the year increased to £1.9m (2012: £1.7m) as a consequence of a higher average cash balance more than offsetting marginally lower interest rates on deposits.

Financing costs charged within Financial Services' benchmark operating profit together with the corresponding credit within net interest income decreased to £3.1m (2012: £3.4m). This internal recharge is based upon UK base rates.

The charge within net interest income in relation to the discount unwind on benchmark items was £1.2m (2012: £1.7m). This arises from the accounting treatment whereby provisions for expected future liabilities are required to be discounted back to their current value. As settlement of the liability moves closer to the present day, additional non-cash charges to unwind the discount are incurred; this will result in the absolute level of provision eventually matching the liability in the accounting period that it becomes due.

Share of post-tax results of associates

These amounted to a loss of £6.0m (2012: profit of £0.5m), principally reflecting losses from the Group's Chinese operation together with costs in respect of its closure.

On 8 March 2013 the Group sold its 33% associate stake in Ogalas Limited, which trades as 'home store + more' in the Republic of Ireland, for a cash consideration of £11m.

Benchmark PBT

Benchmark PBT for the year declined 10% to £91.1m (2012: £101.6m) driven by the factors discussed above.

Exceptional items

The exceptional credit recorded in the year was £31.3m (2012: charge of £20.3m). On 14 June 2012, the Group announced the closure of its defined benefit pension scheme to future accrual with effect from 31 January 2013. As a result of the closure, all active members of the scheme were treated as if they were deferred members, and have been offered entry into the Group's defined contribution pension scheme. A net exceptional gain of £31.3m has been recognised in the year. This includes a non-cash curtailment gain of £37.4m, arising from the one-off reduction in the scheme's liabilities as members are no longer entitled to pension benefits linked to future salary increases, offset by costs of £6.1m related to the closure of the scheme.

Financing fair value remeasurements

Certain foreign exchange movements are recognised in the income statement within net financing income. These amounted to a net loss of £1.1m (2012: gain of £3.3m), which arises principally as a result of translation differences on overseas subsidiary currency balances. The loss reflects the weakening of sterling against other currencies during the year. Equal and opposite adjustments to these translation differences are recognised as part of the movements in reserves. As required by accounting standards, the net nil exchange adjustment is therefore split between the income statement and the statement of comprehensive income.

Financing impact on retirement benefit obligations
The credit through net financing income in respect of the expected return on retirement benefit assets net of the interest expense on retirement benefit liabilities was £3.1m (2012: £4.8m). The current service cost, which the Group considers a more appropriate reflection of the cost of providing retirement benefits, is already reflected in benchmark operating profit.

Discount unwind on non-benchmark items
An expense of £7.1m (2012: £6.5m) within net financing income relates to the discount unwind on onerous lease provisions. As these provisions were items previously excluded from benchmark PBT, the discount unwind has also been excluded from benchmark PBT.

Amortisation of acquisition intangibles
A charge of £1.8m was recorded in the year (2012: £1.2m), relating to the amortisation of the value of the brand which arose on the Habitat UK acquisition.

Net onerous lease provision releases
A net credit of £14.6m (2012: £8.5m) was recorded in the year, relating to onerous lease provisions that are no longer required.

Profit before tax
The profit before tax for the year was £130.1m (2012: £90.2m).

Taxation
Taxation attributable to benchmark PBT was £29.7m (2012: £31.8m), representing an estimated effective tax rate (excluding associates) of 30.6% (2012: 31.5%). The lower effective tax rate reflects two opposing elements: the favourable impact of the 2% reduction in the UK corporation tax rate, partially offset by the adverse impact of a relatively fixed level of disallowable expenditure in comparison to a reduced level of benchmark profits.

Taxation attributable to non-benchmark items amounted to a charge of £6.4m (2012: credit of £4.2m). The total tax expense for the year was therefore £36.1m (2012: £27.6m).

Number of shares and earnings per share
The number of shares for the purpose of calculating basic earnings per share (EPS) was 800.6m (2012: 799.4m), representing the weighted average number of issued ordinary shares of 813.4m (2012: 813.4m), less an adjustment of 12.8m (2012: 14.0m) representing shares held in Group share trusts net of vested but unexercised share awards.

The calculation of diluted EPS reflects the potential dilutive effect of employee share incentive schemes. This increases the number of shares for diluted EPS purposes by 12.4m (2012: 3.9m) to 813.0m (2012: 803.3m). Basic benchmark EPS is 7.7p (2012: 8.7p), with diluted benchmark EPS of 7.6p (2012: 8.7p). Reported basic EPS is 11.7p (2012: 7.8p), with reported diluted EPS being 11.6p (2012: 7.8p).

Dividends
While basic benchmark EPS has reduced by 11%, the Group's strong financial position has resulted in a final dividend of 2.0p being recommended by the Board, taking the dividend for the year to 3.0p (2012: 4.7p). The Board is mindful of the investment needs of the Group and has set the full year dividend at a level which it believes is both sustainable and which provides flexibility to grow the dividend as earnings increase over time. Based on basic benchmark EPS of 7.7p (2012: 8.7p), dividend cover is 2.57 times (2012: 1.85 times). The final dividend, subject to approval by shareholders at the AGM, will be paid on 24 July 2013 to shareholders on the register at the close of business on 24 May 2013.

As the Group's earnings profile is heavily weighted to the seasonal Christmas trading at Argos and hence the second half of the Group's financial year, it is the Board's intention to hold the interim dividend for the year ending 1 March 2014 at 1.0p and any potential increase in the full year dividend will be reflected in the final dividend.

Balance sheet

As at £m	2 March 2013	3 March 2012
Goodwill	1,543.9	1,543.9
Other intangible assets	129.2	137.1
Property, plant and equipment	474.9	516.3
Inventories	941.8	933.2
Financial Services loan book	474.7	456.7
Other assets	198.8	167.4
	3,763.3	3,754.6
Trade and other payables	(1,168.7)	(1,000.7)
Provisions	(217.8)	(235.3)
	(1,386.5)	(1,236.0)
Invested capital	**2,376.8**	**2,518.6**
Retirement benefit obligations	(85.1)	(115.3)
Net tax assets	10.7	24.7
Forward foreign exchange contracts	34.1	3.1
Net cash	396.0	194.3
Net assets	**2,732.5**	**2,625.4**

Net assets as at 2 March 2013 were £2,732.5m, equivalent to 342p (2012: 328p) per share excluding shares held in Group share trusts. Invested capital as at 2 March 2013 was £2,376.8m, a reduction of £141.8m versus the balance sheet as at 3 March 2012. This reduction in invested capital was driven by a decrease in property, plant and equipment and other intangible assets, which reflects a reduced level of capital expenditure in the year with the key drivers being no new store openings and a reduced level of investment in the existing store portfolio, together with an increase in trade and other payables, principally reflecting further improvements in supplier terms. These reductions in invested capital were partially offset by increases in inventories, the Financial Services loan book and other assets.

The reduction in invested capital of £141.8m was more than offset by the reduction in retirement benefit obligations, the increase in forward foreign exchange contracts and the significant increase in net cash, the result of which was an overall increase in net assets of £107.1m.

Cash flow and net cash position

£m	52 weeks to 2 March 2013	52 weeks to 25 February 2012	53 weeks to 3 March 2012
Benchmark operating profit	93.3	97.7	111.7
Exceptional items	31.3	(20.3)	(20.3)
Amortisation of acquisition intangibles	(1.8)	(1.2)	(1.2)
Net onerous lease provision releases	14.6	8.5	8.5
Statutory operating profit	137.4	84.7	98.7
Depreciation and amortisation	124.7	125.7	126.5
Movements in trade working capital	131.9	4.7	-
Movement in Financial Services loan book	(18.0)	(4.7)	(0.6)
Financing costs charged to Financial Services	3.1	3.4	3.4
Cash flow impact of restructuring charges	(9.0)	(3.8)	(3.8)
Pension scheme deficit recovery payments	(8.0)	(10.0)	(10.0)
Movement in retirement benefit obligations	(36.3)	1.4	1.4
Other operating items	(3.7)	18.6	18.9
Cash flows from operating activities	**322.1**	**220.0**	**234.5**
Net capital expenditure	(78.7)	(130.7)	(131.0)
Acquisition of business	-	(24.5)	(24.5)
Taxation	(26.1)	(26.8)	(26.8)
Net interest	1.7	2.2	2.4
Net movement of term deposits	-	100.0	100.0
Other investments	(11.6)	(1.2)	(2.1)
Cash inflow before financing activities	**207.4**	**139.0**	**152.5**
Dividends paid	(8.0)	(117.5)	(117.5)
Other financing activities	-	0.1	0.1
Net increase in cash and cash equivalents	**199.4**	**21.6**	**35.1**
Add back: net movement of term deposits	-	(100.0)	(100.0)
Effect of foreign exchange rate changes	2.3	0.5	(0.1)
Increase/(decrease) in financing net cash	**201.7**	**(77.9)**	**(65.0)**
Opening financing net cash	194.3	259.3	259.3
Closing financing net cash	**396.0**	**181.4**	**194.3**

Cash flows from operating activities were £322.1m (2012: £220.0m). This £102.1m increase was principally attributable to a significant trade working capital inflow partially offset by an outflow in the Financial Services loan book as a result of the increase in credit sales.

Net capital expenditure was £78.7m (2012: £130.7m), representing ongoing investment across the Group in the existing store chains and further multi-channel initiatives. Tax paid was £26.1m (2012: £26.8m). Other investments of £11.6m (2012: £1.2m) principally represent equity invested in and loans granted to the Group's Chinese operation. Dividends paid to shareholders amounted to £8.0m (2012: £117.5m) representing the interim dividend payment of 1.0 pence.

The Group strengthened its net cash position to £396.0m with a net cash generation of £201.7m in the year.

Group pension arrangements
The Group's pension arrangements are operated principally through the Home Retail Group Pension Scheme, a defined benefit scheme, together with the Home Retail Group Personal Pension Plan, a defined contribution scheme.

The IAS 19 valuation as at 2 March 2013 for the defined benefit pension schemes was a net deficit of £85.1m (2012: £115.3m). The reduction in the deficit of £30.2m was driven by an increase of £69.1m in the scheme assets to £833.5m (2012: £764.4m), partially offset by an increase of £38.9m in the present value of scheme liabilities to £918.6m (2012: £879.7m). The increase in the scheme liabilities was driven principally by an increase in the assumed rate of inflation to 3.4% (2012: 3.1%) partially offset by the curtailment gain of £37.4m which was discussed within the exceptional items section.

A full actuarial valuation of the defined benefit pension scheme is carried out on behalf of the scheme's Trustee every three years by independent, qualified actuaries. The latest valuation, as at 31 March 2012, has recently been completed by the Trustee and has resulted in a deficit of £158m being agreed with the Group. A schedule of deficit recovery payments has also been agreed with the Group, with the cash flow impact of the deficit recovery payments being £22m for the financial year ending 1 March 2014 and for each of the six subsequent years.

Group financing arrangements
The Group finances its operations through a combination of cash, property leases and through access to committed bank facilities where necessary. The Group's net cash balances averaged approximately £429m (2012: approximately £320m) over the year.

Post the year-end, on 27 March 2013 the Group agreed a £165m committed unsecured borrowing facility, which is currently undrawn and which expires in March 2016. This facility replaced the previous £685m facility which had been in place since October 2006 and had never been drawn. In addition, as at 2 March 2013 the Group's Financial Services business held a net loan book balance of £475m (2012: £457m).

The Group has additional liabilities through its obligations to pay rents under operating leases; the operating lease charge for the year amounted to £353.9m (2012: £363.6m). Total lease commitments stood at £2,962m at 2 March 2013 (2012: £3,285m), which is a £1,368m reduction from the peak total lease commitments of £4,330m held at 1 March 2008. The discounted cash flows of these expected future operating lease charges is £2,362m (2012: £2,702m) based upon discounting them at the Group's estimated long-term cost of borrowing of 4.2% (2012: 3.4%).

Counterparty credit risk management
The Group's exposure to credit risk with regard to treasury transactions is managed by dealing only with major banks and financial institutions with appropriate credit ratings and within limits set for each organisation. Dealing activity is closely controlled and counterparty positions are monitored on a regular basis.

Interest rate risk management
The Group's principal objective is to manage the trade-off between the effective rate of interest and the credit risk associated with the counterparty bank or financial institution. The annual effective rate of interest earned on the Group's net cash balances decreased slightly in the 2012/13 financial year to 0.7% (2012: 0.8%).

Currency risk management
The Group's key objective is to minimise the effect of exchange rate volatility. Transactional currency exposures that could significantly impact the income statement are hedged using forward purchase contracts. Approximately one third of the Group's product costs are paid for in US dollars. The 2012/13 financial year has seen a relatively stable period of hedged rates as noted in the table below.

US dollar hedged rates	FY13	FY12	Change cents
First half	1.60	1.55	5
Second half	1.59	1.57	2
Full year	**1.59**	**1.56**	**3**

Share price and total shareholder return

The Group's share price ranged from a low of 69.2p to a high of 136.6p during the 2012/13 financial year. On 1 March 2013, the closing mid market price was 126.3p, giving a market capitalisation of £1.0 billion.

Total shareholder return (the change in the value of a share including reinvested dividends) increased by 22% over the year. This compares to an increase of 24% for the FTSE 350 General Retail index.

Accounting standards and use of non-GAAP measures

The Group has prepared its consolidated financial statements based on International Financial Reporting Standards for the 52 weeks ended 2 March 2013. The basis of preparation is outlined in Note 1 to the Financial Information on page 27.

The Group has identified certain measures that it believes provide additional useful information on the underlying performance of the Group. These measures are applied consistently but as they are not defined under GAAP they may not be directly comparable with other companies' adjusted measures. The non-GAAP measures are outlined in Note 2 to the Financial Information on page 27.

Principal risks and uncertainties

The Group will set out the principal risks and uncertainties which could impact its performance, together with examples of mitigating activity, in its 2013 Annual Report and Financial Statements; an unedited full text excerpt will also be included in the Regulatory Information Service announcement accompanying the publication of the 2013 Annual Report.

The Group operates a structured risk management process which identifies and evaluates risks and uncertainties and reviews mitigating activity. The main areas of potential risk and uncertainty centre on the execution and delivery of the Argos transformation plan and the Homebase proposition, together with the impact on sales volumes and thereby profitability in relation to economic conditions and overall consumer demand. Other potential risks and uncertainties around sales and/or profit growth include the cost of goods and services to the Group, competitor activity, seasonal weather patterns, infrastructure development, reliance on key personnel, failure to meet customer expectations, currency exposures, product supply and other operational processes, product safety, the regulatory environment and business interruption.

Annual report and annual general meeting

The 2013 Annual Report and Financial Statements is expected to be available at www.homeretailgroup.com and posted to shareholders on or around 1 June 2013. The Annual General Meeting will be held from 11.00am on Wednesday 3 July 2013 at the Jurys Inn Milton Keynes, Midsummer Boulevard, Milton Keynes MK9 2HP.

Appendix 1. Trading statement comparables

	Q1 13 weeks to 2 June 2012
Argos	
Sales	£819m
Like-for-like sales change	(0.2%)
Net space sales change	0.4%
Total sales change	0.2%
Gross margin movement	Down c.25bps
Homebase	
Sales	£421m
Like-for-like sales change	(8.3%)
Net space sales change	0.2%
Total sales change	(8.1%)
Gross margin movement	Up c.225bps

	Q2 13 weeks to 1 Sept 2012	**H1 26 weeks to 1 Sept 2012**
Argos		
Sales	£867m	£1,686m
Like-for-like sales change	1.4%	0.6%
Net space sales change	(0.4%)	0.0%
Total sales change	1.0%	0.6%
Gross margin movement	Down c.75bps	Down c.50bps
Homebase		
Sales	£366m	£787m
Like-for-like sales change	(3.7%)	(6.2%)
Net space sales change	(0.2%)	0.0%
Total sales change	(3.9%)	(6.2%)
Gross margin movement	Up c.75bps	Up c.150bps

	Q3 18 weeks to 5 Jan 2013	**YTD 44 weeks to 5 Jan 2013**
Argos		
Sales	£1,744m	£3,430m
Like-for-like sales change	2.7%	1.6%
Net space sales change	(1.1%)	(0.5%)
Total sales change	1.6%	1.1%
Gross margin movement	Down c.50bps	Down c.50bps
Homebase		
Sales	£453m	£1,240m
Like-for-like sales change	(3.9%)	(5.4%)
Net space sales change	(0.6%)	(0.2%)
Total sales change	(4.5%)	(5.6%)
Gross margin movement	Down c.50bps	Up c.75bps

	Q4 8 weeks to 2 Mar 2013	**H2 26 weeks to 2 Mar 2013**	**FY 52 weeks to 2 Mar 2013**
Argos			
Sales	£501m	£2,245m	£3,931m
Like-for-like sales change	5.2%	3.2%	2.1%
Net space sales change	(0.9%)	(1.0%)	(0.6%)
Total sales change	4.3%	2.2%	1.5%
Gross margin movement	Down c.75bps	Down c.50bps	Down c.50bps
Homebase			
Sales	£191m	£644m	£1,431m
Like-for-like sales change	(1.5%)	(3.2%)	(4.9%)
Net space sales change	(1.3%)	(0.8%)	(0.3%)
Total sales change	(2.8%)	(4.0%)	(5.2%)
Gross margin movement	Up c.50bps	Down c.25bps	Up c.75bps

Consolidated income statement

For the 52 weeks ended 2 March 2013

		52 weeks ended 2 March 2013			53 weeks ended 3 March 2012		
		Before exceptional items	**Exceptional items (note 3)**	**After exceptional items**	Before exceptional items	Exceptional items (note 3)	After exceptional items
	Notes	**£m**	**£m**	**£m**	£m	£m	£m
Revenue		**5,475.4**	**-**	**5,475.4**	5,582.8	-	5,582.8
Cost of sales		**(3,743.3)**	**-**	**(3,743.3)**	(3,794.0)	-	(3,794.0)
Gross profit		**1,732.1**	**-**	**1,732.1**	1,788.8	-	1,788.8
Net operating expenses		**(1,626.0)**	**31.3**	**(1,594.7)**	(1,669.8)	(20.3)	(1,690.1)
Operating profit/(loss)		**106.1**	**31.3**	**137.4**	119.0	(20.3)	98.7
- Finance income		**47.2**	**-**	**47.2**	53.3	-	53.3
- Finance expense		**(48.5)**	**-**	**(48.5)**	(48.4)	-	(48.4)
Net financing (expense)/income	4	**(1.3)**	**-**	**(1.3)**	4.9	-	4.9
Share of post-tax (loss)/profit of associates		**(6.0)**	**-**	**(6.0)**	0.5	-	0.5
Profit/(loss) before tax		**98.8**	**31.3**	**130.1**	124.4	(20.3)	104.1
Taxation		**(28.6)**	**(7.5)**	**(36.1)**	(34.6)	3.3	(31.3)
Profit/(loss) for the year attributable to equity holders of the Company		**70.2**	**23.8**	**94.0**	89.8	(17.0)	72.8
Earnings per share				**pence**			pence
- Basic	6			**11.7**			9.1
- Diluted	6			**11.6**			9.1
				pence			pence
Proposed final dividend per share				**2.0**			-
Interim dividend per share				**1.0**			4.7
Proposed total dividend per share				**3.0**			4.7

Non-GAAP measures		***52 weeks ended 2 March 2013***	*53 weeks ended 3 March 2012*
Reconciliation of profit before tax (PBT) to benchmark PBT	*Notes*	***£m***	*£m*
Profit before tax		***130.1***	*104.1*
Adjusted for:			
Exceptional items	*3*	***(31.3)***	*20.3*
Financing fair value remeasurements	*4*	***1.1***	*(3.3)*
Financing impact on retirement benefit obligations	*4*	***(3.1)***	*(4.8)*
Discount unwind on non-benchmark items	*4*	***7.1***	*6.7*
Amortisation of acquisition intangibles		***1.8***	*1.2*
Net onerous lease provision releases	*7*	***(14.6)***	*(8.5)*
Benchmark PBT		***91.1***	*115.7*
Benchmark earnings per share		***pence***	*pence*
- Basic	*6*	***7.7***	*10.0*
- Diluted	*6*	***7.6***	*10.0*

Consolidated statement of comprehensive income

For the 52 weeks ended 2 March 2013

	52 weeks ended 2 March 2013 £m	53 weeks ended 3 March 2012 £m
Profit for the year attributable to equity holders of the Company	**94.0**	72.8
Other comprehensive income:		
Net change in fair value of cash flow hedges		
- Foreign currency forward exchange contracts	**33.4**	10.8
Net change in fair value of cash flow hedges transferred to inventory		
- Foreign currency forward exchange contracts	**(5.3)**	9.3
Actuarial loss on defined benefit pension schemes	**(17.2)**	(121.2)
Fair value movements on available-for-sale financial assets	**2.0**	0.2
Currency translation differences	**0.6**	(3.3)
Tax (charge)/credit in respect of items taken directly to equity	**(4.0)**	24.7
Other comprehensive income for the year, net of tax	**9.5**	(79.5)
Total comprehensive income for the year attributable to equity holders of the Company	**103.5**	(6.7)

Consolidated balance sheet

At 2 March 2013

	Notes	**2 March 2013 £m**	3 March 2012 £m
ASSETS			
Non-current assets			
Goodwill		**1,543.9**	1,543.9
Other intangible assets		**129.2**	137.1
Property, plant and equipment		**474.9**	516.3
Investment in associates		**-**	8.3
Deferred tax assets		**40.7**	50.6
Trade and other receivables		**2.7**	3.8
Other financial assets		**24.4**	17.4
Total non-current assets		**2,215.8**	2,277.4
Current assets			
Inventories		**941.8**	933.2
Trade and other receivables		**636.8**	594.6
Current tax assets		**8.3**	0.8
Other financial assets		**36.9**	8.3
Cash and cash equivalents		**396.0**	194.3
Total current assets		**2,019.8**	1,731.2
Non-current assets classified as held for sale		**9.6**	-
Total assets		**4,245.2**	4,008.6
LIABILITIES			
Non-current liabilities			
Trade and other payables		**(52.6)**	(55.8)
Provisions	7	**(179.5)**	(187.5)
Deferred tax liabilities		**(26.6)**	(21.9)
Retirement benefit obligations		**(85.1)**	(115.3)
Total non-current liabilities		**(343.8)**	(380.5)
Current liabilities			
Trade and other payables		**(1,116.1)**	(944.9)
Provisions	7	**(38.3)**	(47.8)
Other financial liabilities		**(2.8)**	(5.2)
Current tax liabilities		**(11.7)**	(4.8)
Total current liabilities		**(1,168.9)**	(1,002.7)
Total liabilities		**(1,512.7)**	(1,383.2)
Net assets		**2,732.5**	2,625.4
EQUITY			
Share capital		**81.3**	81.3
Capital redemption reserve		**6.4**	6.4
Merger reserve		**(348.4)**	(348.4)
Other reserves		**31.9**	8.6
Retained earnings		**2,961.3**	2,877.5
Total equity		**2,732.5**	2,625.4

Consolidated statement of changes in equity

For the 52 weeks ended 2 March 2013

	Attributable to equity holders of the Company					
	Share capital £m	**Capital redemption reserve £m**	**Merger reserve £m**	**Other Reserves £m**	**Retained earnings £m**	**Total £m**
Balance at 4 March 2012	81.3	6.4	(348.4)	8.6	2,877.5	2,625.4
Profit for the year	-	-	-	-	94.0	94.0
Other comprehensive income	-	-	-	21.9	(12.4)	9.5
Total comprehensive income for the year ended 2 March 2013	-	-	-	21.9	81.6	103.5
Transactions with owners:						
Movement in share-based compensation reserve	-	-	-	-	11.9	11.9
Net movement in own shares	-	-	-	1.4	(1.4)	-
Equity dividends paid during the year	-	-	-	-	(8.0)	(8.0)
Other distributions	-	-	-	-	(0.3)	(0.3)
Total transactions with owners	-	-	-	1.4	2.2	3.6
Balance at 2 March 2013	**81.3**	**6.4**	**(348.4)**	**31.9**	**2,961.3**	**2,732.5**

	Attributable to equity holders of the Company					
	Share capital £m	Capital redemption reserve £m	Merger reserve £m	Other Reserves £m	Retained earnings £m	Total £m
Balance at 27 February 2011	81.3	6.4	(348.4)	(5.6)	3,007.5	2,741.2
Profit for the year	-	-	-	-	72.8	72.8
Other comprehensive income	-	-	-	11.4	(90.9)	(79.5)
Total comprehensive income for the year ended 3 March 2012	-	-	-	11.4	(18.1)	(6.7)
Transactions with owners:						
Movement in share-based compensation reserve	-	-	-	-	8.9	8.9
Net movement in own shares	-	-	-	2.8	(2.7)	0.1
Equity dividends paid during the year	-	-	-	-	(117.5)	(117.5)
Other distributions	-	-	-	-	(0.6)	(0.6)
Total transactions with owners	-	-	-	2.8	(111.9)	(109.1)
Balance at 3 March 2012	81.3	6.4	(348.4)	8.6	2,877.5	2,625.4

Further details on equity movements are shown in note 8.

Consolidated statement of cash flows

For the 52 weeks ended 2 March 2013

	Notes	**52 weeks ended 2 March 2013 £m**	53 weeks ended 3 March 2012 £m
Cash flows from operating activities			
Cash generated from operations	9	**322.1**	234.5
Tax paid		**(26.1)**	(26.8)
Net cash inflow from operating activities		**296.0**	207.7
Cash flows from investing activities			
Acquisition of business		**-**	(24.5)
Purchase of property, plant and equipment		**(55.3)**	(97.1)
Proceeds from the disposal of property, plant and equipment		**1.9**	3.9
Purchase of other intangible assets		**(25.3)**	(37.8)
Loans granted to associates		**(6.8)**	(1.2)
Purchase of investments		**(4.8)**	(0.9)
Disposal of investments		**-**	100.0
Interest received		**1.7**	2.4
Net cash used in investing activities		**(88.6)**	(55.2)
Cash flows from financing activities			
Proceeds from disposal of shares held by Employee Share Trust		**-**	0.1
Dividends paid		**(8.0)**	(117.5)
Net cash used in financing activities		**(8.0)**	(117.4)
Net increase in cash and cash equivalents		**199.4**	35.1
Movement in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		**194.3**	159.3
Effect of foreign exchange rate changes		**2.3**	(0.1)
Net increase in cash and cash equivalents		**199.4**	35.1
Cash and cash equivalents at the end of the year		**396.0**	194.3

Analysis of net cash/(debt)

At 2 March 2013

Non-GAAP measures	2 March 2013 £m	3 March 2012 £m
Financing net cash:		
Cash and cash equivalents	***396.0***	*194.3*
Total financing net cash	***396.0***	*194.3*
Operating net debt:		
Off balance sheet operating leases	***(2,361.7)***	*(2,701.7)*
Total operating net debt	***(2,361.7)***	*(2,701.7)*
Total net debt	***(1,965.7)***	*(2,507.4)*

The Group uses the term 'total net debt' to highlight the Group's aggregate net indebtedness to banks and other financial institutions together with debt-like liabilities, notably operating leases. The capitalised value of these leases is £2,361.7m (2012: £2,701.7m), based upon discounting the existing lease commitments at the Group's estimated long-term cost of borrowing of 4.2% (2012: 3.4%).

Notes

For the 52 weeks ended 2 March 2013

1. BASIS OF PREPARATION

The financial information, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows and related notes, is derived from the full Group consolidated financial statements for the 52 weeks to 2 March 2013 and does not constitute full accounts within the meaning of Section 435 (1) and (2) of the Companies Act 2006. The Group's Annual Report and Financial Statements 2013, on which the auditors have given an unqualified audit report and which does not contain a statement under Section 498 (2) or (3) of the Companies Act 2006, will be delivered to the Registrar of Companies in due course, and made available to shareholders in June 2013. The financial year represents the 52 weeks to 2 March 2013 (prior financial year 53 weeks to 3 March 2012).

The Group consolidated financial statements are presented in sterling, rounded to the nearest hundred thousand. They are prepared on a going concern basis and under the historic cost basis modified for the revaluation of certain financial instruments, share-based payments and post-employment benefits. The principal accounting policies applied in the preparation of these consolidated financial statements are consistent with those described in the Annual Report and Financial Statements 2012. These policies have been consistently applied to all the periods presented.

2. NON-GAAP FINANCIAL INFORMATION

Exceptional items

Items which are both material and non-recurring are presented as exceptional items within their relevant income statement line. The separate reporting of exceptional items helps provide a better indication of underlying performance of the Group. Examples of items which may be recorded as exceptional items are restructuring costs and the profits/losses on the disposal of businesses.

Benchmark profit before tax (benchmark PBT)

The Group uses the term benchmark PBT as a measure which is not formally recognised under IFRS. Benchmark PBT is defined as profit before amortisation of acquisition intangibles, store impairment and onerous lease charges or releases, exceptional items, financing fair value remeasurements, financing impact on retirement benefit obligations, the discount unwind on non-benchmark items and taxation. This measure is considered useful in that it provides investors with an alternative means to evaluate the underlying performance of the Group's operations.

Total net debt

The Group uses the term 'total net debt' which is considered useful in that it highlights the Group's aggregate net indebtedness to banks and other financial institutions together with debt-like liabilities, notably operating leases.

Notes
For the 52 weeks ended 2 March 2013

3. EXCEPTIONAL ITEMS	**52 weeks ended 2 March 2013 £m**	53 weeks ended 3 March 2012 £m
Net gain on employee benefits	**31.3**	-
Reorganisation and restructuring charges	**-**	(20.3)
Exceptional items in operating profit	**31.3**	(20.3)
Tax on exceptional items in profit before tax	**(7.5)**	3.3
Exceptional tax	**(7.5)**	3.3
Exceptional profit/(loss) after tax for the year	**23.8**	(17.0)

The Home Retail Group defined benefit pension scheme closed to future accrual with effect from 31 January 2013. This has led to a net gain of £31.3m, which includes a non-cash curtailment gain of £37.4m, offset by costs of £6.1m related to closure of the scheme.

Reorganisation and restructuring actions announced during the 53 weeks to 3 March 2012 included the closure of the Group's UK homewares trial format, HomeStore&More, and one of the Group's distribution warehouses.

4. NET FINANCING (EXPENSE)/INCOME	**52 weeks ended 2 March 2013 £m**	53 weeks ended 3 March 2012 £m
Finance income:		
Bank deposits and other interest	**1.9**	1.8
Expected return on retirement benefit assets	**44.1**	48.0
Financing fair value remeasurements - net exchange gains	**1.2**	3.5
Total finance income	**47.2**	53.3
Finance expense:		
Unwinding of discounts	**(8.3)**	(8.4)
Financing fair value remeasurements – net exchange losses	**(2.3)**	(0.2)
Interest expense on retirement benefit liabilities	**(41.0)**	(43.2)
Total finance expense	**(51.6)**	(51.8)
Less: finance expense charged to Financial Services cost of sales	**3.1**	3.4
Total net finance expense	**(48.5)**	(48.4)
Net financing (expense)/income	**(1.3)**	4.9

Included within unwinding of discounts is a £7.1m charge (2012: £6.7m) relating to the discount unwind on non-benchmark onerous lease provisions.

Notes

For the 52 weeks ended 2 March 2013

5. DIVIDENDS	**52 weeks ended 2 March 2013 £m**	53 weeks ended 3 March 2012 £m
Amounts recognised as distributions to equity holders		
Final dividend of nil per share (2012: 10.0p) for the prior year	**-**	(79.9)
Interim dividend of 1.0p per share (2012: 4.7p) for the current year	**(8.0)**	(37.6)
Ordinary dividends on equity shares	**(8.0)**	(117.5)

A final dividend in respect of the year ended 2 March 2013 of 2.0p per share, amounting to a total final dividend of £16.0m, has been proposed by the Board of Directors, and is subject to approval by the shareholders at the Annual General Meeting. This would make a total dividend for the year of 3.0p per share, amounting to £24.0m. The proposed dividend has not been included as a liability at 2 March 2013 in accordance with IAS 10 'Events after the Balance Sheet Date'. It will be paid on 24 July 2013 to shareholders who are on the register of members at close of business on 24 May 2013. The Home Retail Group Employee Share Trust (EST) has waived its entitlement to dividends in the amount of £0.1m (2012: £2.1m).

6. BASIC AND DILUTED EARNINGS PER SHARE (EPS)

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares held in Home Retail Group's share trusts, net of vested but unexercised share awards. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares.

Earnings	**52 weeks ended 2 March 2013 £m**	53 weeks ended 3 March 2012 £m
Profit after tax for the financial year	**94.0**	72.8
Adjusted for:		
Exceptional items	**(31.3)**	20.3
Financing fair value remeasurements	**1.1**	(3.3)
Financing impact on retirement benefit obligations	**(3.1)**	(4.8)
Discount unwind on non-benchmark items	**7.1**	6.7
Amortisation of acquisition intangibles	**1.8**	1.2
Net onerous lease provision releases	**(14.6)**	(8.5)
Attributable taxation	**9.2**	0.5
Non-benchmark tax credit in respect of prior years	**(2.7)**	(4.8)
Tax rate change	**(0.1)**	0.1
Benchmark profit after tax for the financial year	**61.4**	80.2

Weighted average number of shares	**millions**	millions
Number of ordinary shares for the purpose of basic EPS	**800.6**	799.4
Dilutive effect of share incentive awards	**12.4**	3.9
Number of ordinary shares for the purpose of diluted EPS	**813.0**	803.3

EPS	**pence**	pence
Basic EPS	**11.7**	9.1
Diluted EPS	**11.6**	9.1
Basic benchmark EPS	**7.7**	10.0
Diluted benchmark EPS	**7.6**	10.0

Notes

For the 52 weeks ended 2 March 2013

7. PROVISIONS	**Onerous leases £m**	**Insurance £m**	**Restructuring £m**	**Other £m**	**Total £m**
At 4 March 2012	(153.5)	(46.7)	(24.3)	(10.8)	(235.3)
Exchange differences	(1.9)	-	-	-	(1.9)
Charged to the income statement	(21.0)	(5.5)	-	(11.8)	(38.3)
Released to the income statement	35.6	2.0	-	0.4	38.0
Utilised during the year	4.4	8.7	12.5	2.7	28.3
Discount unwind	(8.3)	-	-	(0.3)	(8.6)
At 2 March 2013	**(144.7)**	**(41.5)**	**(11.8)**	**(19.8)**	**(217.8)**

Analysed as:	**2013 £m**	2012 £m
Current	**(38.3)**	(47.8)
Non-current	**(179.5)**	(187.5)
	(217.8)	(235.3)

The onerous lease provision covers potential liabilities for onerous lease contracts for stores that have either closed, or where projected future trading income is insufficient to cover the lower of exit cost or value-in-use. Where the value-in-use calculation is lower, the provision is based on the present value of expected future cash flows relating to rents, rates and other property costs to the end of the lease terms net of expected trading or sublet income. The majority of this provision is expected to be utilised over the period to 2020.

Provision is made for the estimated costs of insurance claims incurred by the Group but not settled at the balance sheet date, including the costs of claims that have arisen but have not yet been reported to the Group. The estimated cost of claims includes expenses to be incurred in settling claims. The majority of this provision is expected to be utilised over the period to 2018.

A number of organisational changes were announced during the 53 weeks to 3 March 2012 to improve the operational efficiency of the Group and drive further cost productivity. These actions included the closure of the Group's UK homewares trial format, HomeStore&More, and one of the Group's distribution warehouses. The majority of this provision is expected to be utilised within one year.

Other provisions include legal claims, potential customer redress in respect of financial services products and other sundry provisions. The majority of these provisions are expected to be utilised over the period to 2016.

Notes

For the 52 weeks ended 2 March 2013

8. NOTES TO THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Capital redemption reserve
The capital redemption reserve arose as a result of the share buy-back programme that was undertaken during the year ended 26 February 2011.

Merger reserve
The merger reserve arose on the demerger of the Group from GUS plc during 2006.

Other reserves
Other reserves principally consist of shares held in trust, the hedging reserve and the translation reserve.

The movement in own shares of £1.4m (2012: £2.8m) represents the utilisation or sale of shares held for the purpose of satisfying obligations arising from the Group's share-based compensation schemes. Shares in Home Retail Group plc are held in the following trusts:

Home Retail Group Employee Share Trust (EST)
The EST provides for the issue of shares to Group employees under share option and share grant schemes (with the exception of the Share Incentive Plan). At 2 March 2013, the EST held 12,762,196 (2012: 13,525,067) shares with a market value of £16.1m (2012: £14.1m). The shares in the EST are held within equity of the Group at a cost of £20.4m (2012: £21.6m). No additional shares were purchased during the year (2012: nil). Dividends on shares held by the EST are waived.

Home Retail Group Share Incentive Scheme Trust
The Home Retail Group Share Incentive Scheme Trust provides for the issue of shares to Group employees under the Share Incentive Plan. At 2 March 2013, the Trust held 651,283 (2012: 698,305) shares with a market value of £0.8m (2012: £0.7m). These shares are held within equity of the Group at a cost of £2.7m (2012: £2.9m). No additional shares were purchased during the year (2012: nil).

9. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash generated from operations	52 weeks ended 2 March 2013 £m	53 weeks ended 3 March 2012 £m
Profit before tax	**130.1**	104.1
Adjustments for:		
Share of post-tax loss/(profit) of associates	**6.0**	(0.5)
Net financing expense/(income)	**1.3**	(4.9)
Operating profit	**137.4**	98.7
Loss on sale of property, plant and equipment	**0.2**	1.8
Depreciation and amortisation	**124.7**	126.5
Finance expense charged to Financial Services cost of sales	**3.1**	3.4
(Increase)/decrease in inventories	**(8.6)**	85.8
(Increase)/decrease in receivables	**(40.9)**	16.1
Increase/(decrease) in payables	**163.4**	(102.5)
Movement in working capital	**113.9**	(0.6)
(Decrease)/increase in provisions	**(24.5)**	5.0
Movement in retirement benefit obligations	**(44.3)**	(8.6)
Share-based payment expense (net of dividend equivalent payments)	**11.6**	8.3
Cash generated from operations	**322.1**	234.5

Notes

For the 52 weeks ended 2 March 2013

10. RELATED PARTIES

The Group's related parties are its associates and key management personnel.

During the year, the Group granted loans totalling £6.8m (2012: £1.2m) to its associates and invested £2.4m (2012: £nil) in the share capital of its associates. At 2 March 2013, the amounts owed by its associates to the Group totalled £3.7m (2012: £1.1m), after taking account of impairment losses totalling £3.9m (2012: £nil) following the decision to close HH Retail Limited, the Group's associate in China.

During the year, there were no material transactions or balances between the Group and its key management personnel or members of their close families.

11. POST BALANCE SHEET EVENTS

On 8 March 2013, the Group completed the sale of its 33% stake in Ogalas Limited, an Irish company trading as 'home store + more' in the Republic of Ireland. The Group received £9.7m for its shareholding and a loan repayment of £1.2m. After taking account of transaction costs, the proceeds approximate to the carrying value of the Group's investment in Ogalas Limited so no material profit or loss is expected on the sale, prior to the recycling of approximately £1m of exchange gains from the Group's translation reserve. As a result, the Group's interest in Ogalas Limited, reported as an associate, has been reclassified to non-current assets held for sale in the Group's balance sheet as at 2 March 2013.

On 27 March 2013, the Group entered into a new unsecured three-year multi-currency revolving credit facility of £165m with a syndicate of banks. On the same day, the Group cancelled its existing £685m facility.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the Group 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 Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Group financial statements are required by law to give a true and fair view of the state of affairs and of the profit or loss of the Group for that year.

The preliminary results for the 52 weeks ended 2 March 2013 have been extracted from the annual report and the Group financial statements.

In preparing the Group financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the Group financial statements comply with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the Group financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

A list of current directors of Home Retail Group plc is maintained on the Home Retail Group website, www.homeretailgroup.com.

By order of the Board

Terry Duddy
Chief Executive
1 May 2013

Richard Ashton
Finance Director
1 May 2013