29 April 2015

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 28 February 2015.

Operating highlights

- A good overall performance, with a second year of like-for-like sales growth at both Argos and Homebase.
- Argos Transformation Plan progress:
    - Completed the national roll-out of the 'hub & spoke' distribution network enabling same day collection of c.20,000 products
    - 60 digital stores now trading across three different store formats
    - Internet penetration accounted for 46% of total sales including mobile commerce which grew by 38% to represent 25% of total sales
    - Added a further c.11,000 products and 29 aspirational brands
- Homebase Productivity Plan progress:
    - Completed a comprehensive review of the Homebase business, and announced the Productivity Plan in October 2014
    - Good progress achieved in reducing the size of the store estate by 27 stores to 296 stores in a cash generative manner
    - Argos concessions now in 20 stores and Habitat concessions in 35 stores

Financial highlights

- Sales increased by 1% to £5,710m; like-for-like sales up 0.6% at Argos, and up 2.3% at Homebase
- Cash gross margin broadly flat at £2,037m
- Operating and distribution costs decreased by £14m to £1,908m
- Benchmark profit before tax increased by 14% to £132.1m
- Basic benchmark earnings per share increased by 25% to 13.0p
- Reported profit before tax increased by 32% to £93.8m; reported basic earnings per share of 9.4p
- Year-end cash balance of £309m
- Full-year dividend up 15% at 3.8p (FY14: 3.3p); final dividend of 2.8p recommended

John Coombe, Chairman of Home Retail Group, commented:

"The Group has completed another year of good financial performance, delivering both like-for-like sales and profit growth, together with a strong year-end cash balance of over £300m. Our focus on managing costs and gross margin together with our ongoing cash management were all critical in delivering this good overall financial performance. We are recommending an increase of 15% to the full-year dividend."

John Walden, Chief Executive of Home Retail Group, added:

"The Group performed well in FY15 and ahead of consensus profit expectations, achieving 14% growth in benchmark profit before tax and 25% growth in benchmark EPS. Both Argos and Homebase contributed positive like-for-like sales and profit growth for the second successive year. I believe the strategic plans we are pursuing across the Group will enable us to innovate and lead in a rapidly changing retail market."

Enquiries

Analysts and investors (Home Retail Group)

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There will be a presentation today at 9.15am 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 as a live webcast 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 1 March 2015 to 30 May 2015, will be published on 11 June 2015.

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 28 Feb 2015	52 weeks to 1 March 2014
Argos	4,096.0	4,051.1
Homebase	1,479.3	1,489.2
Financial Services	135.1	122.7
Sales	**5,710.4**	**5,663.0**
Cost of goods	(3,673.3)	(3,628.7)
Gross margin	**2,037.1**	**2,034.3**
Operating and distribution costs	(1,907.6)	(1,921.3)
Argos	129.2	112.3
Homebase	19.8	18.9
Financial Services	7.0	6.0
Central Activities	(26.5)	(24.2)
Benchmark operating profit	**129.5**	**113.0**
Net interest income	2.6	2.4
Benchmark PBT	**132.1**	**115.4**
Amortisation of acquisition intangibles	(1.8)	(1.8)
Post-employment benefit scheme administration costs	(1.9)	(1.9)
Adjustments in respect of store impairment and property provisions	0.1	2.1
Exceptional items	(35.5)	(41.4)
Financing fair value remeasurements	(1.0)	9.0
Financing impact on post-employment benefit obligations	(3.0)	(3.3)
Discount unwind on non-benchmark items	(6.7)	(6.9)
Balance sheet review	11.5	-
Profit before tax	**93.8**	**71.2**
Taxation	(22.2)	(17.2)
of which: taxation attributable to benchmark PBT	*(33.0)*	*(32.5)*
Benchmark effective tax rate	*25.0%*	*28.2%*
Profit for the year	**71.6**	**54.0**
Basic benchmark EPS	**13.0p**	**10.4p**
Basic EPS	**9.4p**	**6.8p**
Weighted average number of shares for basic EPS	764.3m	795.0m
Full-year dividend	**3.8p**	**3.3p**
Year-end cash balance	**309.3**	**331.0**

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

The Group delivered a good overall performance in FY15, achieving like-for-like sales growth in both businesses for a second consecutive year, benchmark profit before tax growth of 14% to £132.1m, and benchmark EPS growth of 25% to 13.0p.

The digital revolution continues to dramatically alter the way consumers communicate, learn, shop and are entertained. Retailing in particular is experiencing disruption and change. Many retailers are increasing their investments in an attempt to keep up with consumers, and some are innovating and adopting new ways of working to reflect a faster-paced and more technologically-driven competitive environment. Home Retail Group believes that it has an opportunity to build a leadership position as the market becomes more digital, by developing capabilities and multi-channel customer experiences that anticipate a digital future.

The Argos Transformation Plan will continue to be the Group's principal source of shareholder value over the medium term. This Plan was introduced in October 2012 after several years of eroding performance at Argos, declining advantage in its offer and operating model, and in a market context of growing digital trends – transparency of product ranges and prices, innovation across digital shopping channels, and emerging competition for faster and cheaper product fulfilment. We believed that Argos had several assets that could be leveraged to build potential competitive advantage in this context, and we introduced an ambitious Transformation Plan to 'reinvent Argos as a digital retail leader'.

We are now two years into the Argos Transformation Plan. As at the outset, the factors most critical to the successful achievement of the Plan continue to be:

- The ability for Argos to execute successfully the quantity and pace of change required across many critical areas of its operations;
- Technology development, which over the Plan term is replacing an out-dated and complex infrastructure with a comprehensive digital architecture, and installing an agile capability for developing customer experiences across digital devices; and
- Consumer take-up of new Argos propositions amid improving competitive offerings.

Argos has progressed well on its Plan. In fact, as I reflect on how far the business has come in only two years, I am pleased with how much has been achieved. Our team has accomplished a great deal, and is now operating in a faster-paced and more innovative manner. As expected in a five-year strategy with high complexity and ambition, the Plan has not unfolded exactly as we originally envisioned – with minor delays and temporary customer disruption balanced with positive new opportunities such as digital stores in small formats enabled by 'hub & spoke' distribution, and partnerships with eBay and Sainsbury's. Overall the Transformation Plan is broadly on track, and we continue to believe we can reach our ambitious operating and financial goals. Most importantly, independent of when the goals are reached, the strategic opportunity for Argos to be a retail leader in a digital future, with access to even greater long-term growth opportunity, remains compelling and achievable. FY16 will be an important year as Argos will for the first time introduce to the market several new customer propositions, enabled by new digital capabilities.

In the course of the Argos Transformation Plan, Home Retail Group is building leading capabilities that can ultimately be leveraged for the benefit of Homebase. This was an important consideration as the Group undertook a strategic review of Homebase during FY15. The review concluded that Homebase, while having several strengths to build from, also faced several challenges including:

- Inconsistent store operating standards such as merchandising, stock availability and customer service;
- An over-sized store estate in light of home improvement market trends and Homebase sales volumes;
- Product pricing that was not competitive in certain categories when considering the effectiveness of promotional programmes;
- Inconsistent performance of new propositions across reformatted stores; and
- A need to accelerate its digital and fulfilment capabilities.

On the basis of the review, in October 2014 we introduced the Homebase Productivity Plan. The key elements of the Productivity Plan include:

- Raise store operating and customer service standards;
- A 25% reduction in the Homebase store estate;
- Improvements to Homebase propositions including more Argos and Habitat concessions, and more competitive product pricing; and
- An upgraded Homebase digital offer that leverages the investments being made in Argos.

The Productivity Plan, covering the three years to FY18, will result in Homebase being a stronger business with better financial ratios, a solid foundation of store operations and customer service, improved offers and proven new customer propositions. As Argos approaches the end of its Transformation Plan in FY18, Homebase should also be well positioned for investment in its long-term growth as a digital and multi-channel leader in the home improvement sector.

Building capabilities for a digital future

During FY15 Home Retail Group made good progress in building strategic capabilities that will form the foundation of its digital and multi-channel business, particularly in the areas of technology infrastructure, digital development, and product fulfilment. As these capabilities are built first for Argos, they can later be leveraged into Homebase, Habitat, and potentially other businesses or partnerships to achieve long-term growth for the Group.

Replacing the technology infrastructure supporting Argos remains the largest element of our future investments, and the most complex challenge of the Argos Transformation Plan. Our teams have made good progress introducing new systems such as real-time stock visibility across our 'hub & spoke' store network and new online payment and content management systems. Several critical components of the infrastructure remain to be developed and introduced over the Plan term. In addition to new applications, our team has faced unanticipated pressure on the resilience and scalability of existing systems due to extreme online volumes and volatility during the FY15 peak trading period. Overall, although the journey so far has been more challenging than originally envisioned, our team is adapting well and the end state of the Group's technology infrastructure will be a unique advantage.

Argos made good progress with its digital capabilities during FY15, expanding the number of teams working at our London digital hub in order to become increasingly agile in the way we develop customer shopping experiences. Through the hub, Argos introduced a number of innovative digital features during the year such as its Christmas gift finder, kids Christmas app and further developments in augmented reality through Argos Scan. Argos' internet sales continued to grow during the year, such that they now represent 46% of total Argos sales, up from 44% in the prior year. Mobile commerce was up 38% to 25% of total Argos sales.

Digital capabilities are also of increasing importance to Homebase, as the role of the internet in DIY and home enhancement continues to grow. Homebase's multi-channel sales grew 10% during FY15 to account for 8% of total sales.

I am particularly pleased with our progress on product fulfilment. The speed and cost of providing customers with the products they purchase is increasingly important. With our complement of distribution centres, a national network of stores, frequent stock replenishment and economies of scale, we believe we have an opportunity to build a competitive advantage in product fulfilment. In FY15 Argos added to our capabilities by scaling its unique 'hub & spoke' distribution model nationally. This enables us to stock extended product ranges in c.150 larger 'hub' stores, and make them available for faster fulfilment in local markets. Argos also began to trial express overnight delivery on larger items, and 'hub to home' delivery which will extend our 'hub & spoke' capability with an Argos-operated local delivery network. We have more to learn about stock optimisation across this new network, as well as the operating challenges of local delivery, but we are excited by the potential of these capabilities.

Convenient multi-channel offer
On the basis of strengthening digital capabilities, Home Retail Group's retail brands endeavour to offer leading multi-channel convenience to our customers. In a digital world, convenience is being redefined to mean the ability for customers to obtain the products they desire at the location and time appropriate for each particular occasion or shopping mission.

Home Retail Group offers over 90,000 unique products across Argos, Homebase and Habitat, including a substantial element of exclusive and own brand lines. The Group attempts to meet customer needs for product choice and value by building partnerships with strong brands, and maximising its buying scale and sourcing capabilities particularly via direct import and direct sourcing of product.

Argos continued to expand its ranges during FY15 with the addition of a net c.11,000 new lines, and now offers over 53,000 general merchandise products. We made further progress in making our offer more universally appealing by extending lines of more fully featured products and aspirational brands. Argos also launched Heart of House in FY15, its new exclusive brand for better quality and value in the home categories. Homebase maintains a strong product offer as well, with over 49,000 products including a strong portfolio of exclusive brands such as Habitat, Odina, Schreiber, Hygena and Qualcast.

The presence of a local store remains important for many customers, either to meet their traditional shopping needs or as locations from which to 'click & collect' items previously ordered online. Argos remains a market leader in 'click & collect', with its c.750 convenient locations and efficient local stocking. Through its new 'hub & spoke' distribution network, which operates routes between larger 'hubs' and neighbouring 'spoke' stores, Argos enables stores of all sizes and stock holding capacities to offer the same broad range of around 20,000 products to customers on a same day basis.

The unique 'hub & spoke' model also enabled Argos to trial successfully several new store formats during FY15, including Argos digital concessions within Homebase stores, and a variety of small format digital stores such as Westfield Stratford City and Cannon Street tube station, thereby accessing locations and catchments that were not previously feasible. During FY15 Argos also expanded the number of existing stores converted to our exciting new digital format. At the end of FY15 we were trading from 60 digital stores across three different formats, and during FY16 we expect to further increase new locations and convert additional stores in the existing estate.

Although store-based collection is a growing method for fulfilling digital orders, home delivery is also a critical channel for customers and one in which Home Retail Group has generally under-participated. We expect that our successful trial of 'hub to home' delivery will conclude in FY16, and enable Argos to offer a market-leading home delivery service - more convenient delivery times, at a lower cost.

Homebase has been enhancing its fulfilment options along with its digital offer. During FY15 it further expanded the range of products available for named or next day express delivery. As Homebase progresses its Productivity Plan, it will increasingly draw on the innovative fulfilment options developed by the Group including express large item delivery, 'click & collect' of Homebase products via the Argos store estate, and eventually utilising the 'hub & spoke' model for fulfilling extended lines in store or through 'hub to home' delivery.

Outlook
Economic conditions showed signs of improvement during FY15, with low levels of inflation, increases in employment and the first signs of real wage growth for a number of years. We are hopeful that as the uncertainty of the general election passes, businesses and consumers will become more confident in the economic environment for the balance of the year. Home Retail Group will however continue to plan conservatively and assume only low levels of market-driven growth.

FY16 will be another important year in the transformation of Home Retail Group. Our sales performance in the first half is likely to be more challenging, as Argos focuses on improving its technology and customer experiences, and we anniversary both strong Argos sales in certain slowing technology categories and strong seasonal performances in both businesses. The second half should improve as we look forward to introducing new Argos digital offers in time for peak trading.

The Argos Transformation Plan and the Homebase Productivity Plan are important strategic plans for the Group as we seek to innovate and lead in a rapidly changing and increasingly competitive market, and to secure long-term business growth for our colleagues, communities and shareholders. I am pleased with our progress, our strong financial position which provides us capacity to invest, and our strategic direction which assumes a digital future that consumers increasingly seem ready to embrace.

I would like to thank our team of 47,000 Home Retail Group colleagues, especially those working in our stores, home delivery fleet, distribution and contact centres and the digital hub, who are fundamental to how our customers experience our brands. As consumers increasingly use digital technology in their interactions with us, our colleagues become even more important in providing differentiated service and as the human, local face of our business. I am proud to work with each one of them.

Sincerely,

John Walden
Chief Executive

OPERATING COMPANY REVIEWS

Argos

52 weeks to £m	28 February 2015	1 March 2014
Sales	**4,096.0**	**4,051.1**
Benchmark operating profit	**129.2**	**112.3**
Benchmark operating margin	**3.2%**	**2.8%**
Like-for-like sales change	0.6%	3.3%
Net space sales change	0.5%	(0.3%)
Total sales change	1.1%	3.0%
Gross margin rate movement	Up c.25bps	Down c.50bps
Benchmark operating profit change	15%	12%
Number of stores at year-end	755	734
Of which are digital format	60	6

In October 2012 Argos outlined a Transformation Plan to reinvent itself as a digital retail leader; transforming from a catalogue-led business to a digitally-led business. The Plan is designed to address competitive challenges, exploit emerging market opportunities and restore sustainable growth.

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

Operational review

Reposition Argos' channels for a digital future
Market growth in digital channels is expected to continue to outpace the retail market generally. By focussing on and leading in these channels, Argos believes it can secure future growth.

Argos has made significant progress in developing its digital offer in order to take advantage of a permanent shift in market trends. During FY15 it has introduced features such as a new website search engine, additional checkout functionality including stored payment cards, and an improved visibility of delivery slot options. Visits to Argos' digital channels have increased by 23% to over 900 million in FY15 and sales via the internet continued to grow such that they now represent 46% of total Argos sales. Within this, sales from mobile and tablet devices grew by 38% to account for 25% of total Argos sales. It is anticipated that these channels will continue to grow and the improvements made will position Argos to enhance further its competitive advantage in this market.

Argos introduced several innovations to its digital catalogue offer over the FY15 peak Christmas trading period, including the kids app which proved to be a big success with over 70,000 'wish lists' created. An innovative Christmas gift finder was used over one million times in the run up to Christmas, presenting customers with a wide range of products and helping them with their Christmas gift ideas.

Convenient local product collection supported by good customer service are of increasing value to customers, and Argos' store estate therefore remains a key point of competitive advantage. Argos made progress during FY15 with its three digital store formats.
- It converted a further 27 existing stores to a digital format, taking the total number of digital conversions to 33. These stores average c.15,000 square feet.

- 20 digital concessions within Homebase stores were opened, offering a convenient fulfilment proposition to customers of these stores. These concessions operate from a footprint of c.1,000 square feet.
- Seven new small format stores were opened, including a store within the Cannon Street tube station, which is designed to allow commuters to reserve their products during the day for same-day collection on their way home. These small format stores operate on a footprint of c.1,000-3,000 square feet.

The digital stores have produced encouraging results. Sales at the later iterations of digital conversion stores outperformed the rest of the store estate, having incorporated early insights from the first trial stores such as the effectiveness of the new in-store tablet based browsers, and the impact of product displays, catalogues and paper-based promotions. The Argos digital concessions in Homebase stores have also performed well and based on their trading performance so far, are expected to deliver good returns on their relatively low investment cost. The small format digital stores have also shown good early performance.

During FY16 a further c.80 Argos digital concessions within Homebase are planned, together with the recently announced addition of 10 digital concessions within Sainsbury's stores, which will allow Argos to access an even wider customer base. In addition, Argos expects to convert at least 50 existing stores to digital formats.

Provide more product choice, available to customers faster
Fulfilment remains highly competitive amongst leading retailers. Argos is uniquely positioned, through its store estate and supply chain, to provide market leading fulfilment options to customers on a national scale.

The 'hub & spoke' distribution model was rolled-out across the estate during FY15. This model allows c.20,000 products to be available in all Argos stores for same day collection, enabling stores of any size and stock holding capacity to offer customers the same compelling product range. Access to a wider range of products has resulted in sales in 'spoke' stores outperforming the estate overall. However, as 'spoke' store demand increased, there was an adverse impact on 'hub' store product availability and thereby sales. During FY16 Argos will refine its stockholding policy and analytics in order to optimise working capital and maximise the sales potential of this new model.

Argos also trialled an express next day home delivery proposition for larger, two man items during FY15 with encouraging results. Further development of the system capability to extend this offer beyond the trial will be completed in FY16. In addition, a trial of a 'hub to home' distribution model commenced during FY15, utilising the 'hub & spoke' fulfilment infrastructure to offer home delivery on a same day or next day basis. Argos expects to complete systems and operational development in FY16 enabling it to begin a national roll-out.

Argos believes that other retailers could benefit from its unique, cost advantaged, national distribution and store network for 'click & collect' fulfilment. During FY15 Argos announced the extension of its agreement with eBay, which allows their merchants the option to offer product collection via an Argos store. During the year the service was extended to over 160,000 eBay sellers, and provided collection of over one million parcels, generating substantial additional footfall into Argos stores. Argos believes that it will be able to generate additional sales over the long-term through the additional footfall that this partnership creates.

Develop a customer offer that has universal appeal
Historically Argos' customer offer, meaning its products, pricing, marketing communications and customer experiences, has been biased towards less affluent customers. Argos believes that by providing an offer that is more appealing across the range of its customers, it has significant opportunity to grow its business.

A key component of creating a universally appealing offer is brand positioning and communications. During FY15 Argos launched its new brand campaign 'Get Set, Go Argos' across its customer media including traditional advertising, digital channels, catalogue and in-store marketing. This new campaign has thus far received a positive response with the measure of a consumer's likelihood to shop at Argos increasing to its highest level in three years. Customers' attitudes towards products, breadth of range and quality have all improved as a result.

Product strategies remain an important element of the Argos Transformation Plan and during FY15 a further net c.11,000 products were added to the range. In addition, Argos has continued to make good progress in its plans to fill gaps in its product ranges, and a further 29 aspirational brands such as KitchenAid kitchen appliances, Bose sound systems and Royal Worcester kitchenware were added during FY15. During FY15 Argos also launched the Heart of House brand and re-launched Chad Valley as part of its ambition to create a number of more impactful own-brands. Heart of House now offers over 1,600 traditional and contemporary furniture and homewares products.

Customers are increasingly utilising price comparison via the internet and demanding competitive pricing, as recently evidenced by Black Friday. During FY15, Argos completed its new price-optimisation tool that has enabled faster and more data driven pricing decisions to be made across its product range, helping Argos to maintain its competitive pricing position.

Financial Review

Total sales in the 52 weeks to 28 February 2015 increased by 1.1% to £4,096m. Net space increased sales by 0.5% with the store estate increasing by 21 stores to 755. Like-for-like sales increased by 0.6%. Electrical products continued to deliver sales growth driven by strong growth in VGS, TVs and mobiles, partially offset by market-driven declines in sales of tablets. This growth in electrical products, together with strong sales of seasonal products during the first half of the year, more than offset small sales declines in furniture, homewares and jewellery.

The gross margin rate increased by approximately 25 basis points. This was principally driven by a reduced level of promotional activity together with the anticipated impact of favourable currency and shipping costs, partially offset by an adverse sales mix impact from the growth in margin dilutive electrical products.

Total operating and distribution costs increased by £7m as a result of increased sales and underlying cost inflation, together with an increased level of depreciation and revenue investment as a result of the Transformation Plan strategic initiatives. These increases were partially offset by further cost saving initiatives.

Benchmark operating profit increased by £17m, or 15% to £129.2m (FY14: £112.3m).

Homebase

52 weeks to £m	28 February 2015	1 March 2014
Sales	**1,479.3**	**1,489.2**
Benchmark operating profit	**19.8**	**18.9**
Benchmark operating margin	**1.3%**	**1.3%**
Like-for-like sales change	2.3%	5.9%
Net space sales change	(3.0%)	(1.8%)
Total sales change	(0.7%)	4.1%
Gross margin rate movement	Down c.100bps	Down c.100bps
Benchmark operating profit change	5%	71%
Number of stores at year-end	296	323
Store selling space at year-end (million sq. ft.)	13.5	14.9
Of which - garden centre area	3.2	3.4
- mezzanine floor area	1.8	1.8
Sales per square foot	109	100

In October 2014 Homebase outlined an ambitious three-year Productivity Plan to position itself for long-term growth. There are three key elements to the Productivity Plan:

1. Improve store operating standards and down-size the store estate;
2. Strengthen the customer propositions; and
3. Accelerate digital capabilities, leveraging Argos' investments.

These elements give focus to Homebase's store and digital foundations and will enhance operational efficiency in order to position the business for successful future investment programmes.

Operational review

Improve store operating standards and down-size the store estate
A central aim of the Homebase Productivity Plan is to improve in-store customer experiences by raising and ensuring consistency of store operating standards. This includes standards for product availability, presentation, signage, and importantly a culture of both efficiency and great customer service among store colleagues. In support of this, during FY15 Homebase started to test in select stores different ways of improving both store operations and the customer experience. Early indications are positive and the current plan is to expand these trials over the course of FY16 and introduce improvements into the broader store estate over time.

There were 30 store closures and three store openings in the year, reducing the store estate by 27 stores to 296. Homebase expects to close around 35 additional stores in FY16, with the intention to reduce the number of Homebase stores by c.25% by the end of FY18, from the 323 as at the end of FY14.

In addition to Homebase's plans to reduce its store estate, an agreement has been reached for the sale of the Battersea freehold site to a residential property developer for £57m, of which a £30m deposit was received in FY15, with the remaining £27m being due on completion during FY16. As a result of this sale, we now anticipate that the cumulative store closure programme will be cash positive at the end of FY16.

With the store closure programme running ahead of the original plans, Homebase is now accelerating the associated cost reduction programme, which will reduce both head office support costs and infrastructure. This reaffirms the commitment to create a stronger business with a more efficient and productive operating structure.

Strengthen the customer propositions
Another key element of the Productivity Plan is to strengthen the customer proposition across the store and digital network. This includes developing more efficient promotional programmes and more competitive product pricing. Progress in FY15 was largely exploratory, with the intention to assess further pricing reductions across a wider range of products during FY16.

Homebase continues to build a strong portfolio of exclusive brands such as Habitat, Odina, Schreiber, Hygena and Qualcast and expand their presence across the store estate. Homebase's premium Odina kitchen range has now been rolled out to 73 stores, up from 49 stores at the end of FY14. The Schreiber kitchen range is now available in all stores, with the Schreiber bedroom range available in 233 stores. In addition, the popular Kitchen Essentials range offers customers more choice on kitchens and continues to be successful, delivering strong sales growth versus FY14. Homebase also continued to enhance its product ranges to support sales growth, completing significant changes such as product extensions, replacements and re-merchandising in a number of key categories such as bathrooms, paint, flooring and kitchens.

Furthermore, the Habitat brand gives the Homebase customer greater choice around premium quality and contemporary styling, as well as some bestselling iconic designs. Sales of Habitat products in Homebase, including concessions, grew by over 30% compared to FY14. There are now 35 Habitat concessions, an increase from 15 concessions at the end of FY14. A further c.50 Habitat concessions are due to open in FY16. In addition, 20 Argos digital concessions opened during FY15, with a plan for a further c.80 digital concessions in FY16.

Accelerate digital capabilities, leveraging Argos' investments
FY15 has been a foundation year for the progression of Homebase's digital business. It introduced several basic elements including a more modern look and feel to the website, simplified navigation for product categories, a new mCommerce site, along with new mobile and tablet apps for both iOS and android operating systems. Digital sales have grown by 10% year-on-year, and now represent approximately 8% of total sales.

Financial review

Total sales in the 52 weeks to 28 February 2015 declined by 0.7% to £1,479m. Homebase closed a net 27 stores during FY15 reducing its store estate to 296 stores, with net space reducing sales by 3.0%. Like-for-like sales increased by 2.3% principally driven by growth in seasonal products during the first half of FY15 together with further growth in sales of big ticket products. Sales across the remaining product categories were broadly flat.

The gross margin rate was down by approximately 100 basis points, principally driven by an increased level of stock clearance in respect of store closures, together with an adverse sales mix impact from the growth in margin dilutive seasonal products, partially offset by the anticipated impact of favourable currency and shipping costs.

Total operating and distribution costs decreased by £21m, with increases from the impact of underlying cost inflation and cost investment in strategic initiatives being more than offset by further cost savings, principally driven by the reduction in the store estate.

Benchmark operating profit increased by £0.9m, or 5%, to £19.8m (FY14: £18.9m).

Financial Services

52 weeks to £m	28 February 2015	1 March 2014
Sales	**135.1**	**122.7**
Benchmark operating profit before financing costs	10.9	9.3
Financing costs	(3.9)	(3.3)
Benchmark operating profit	**7.0**	**6.0**
Store card gross receivables	644.1	594.2
Provisions	(64.6)	(70.1)
Store card net receivables	579.5	524.1
Provisions % of gross receivables	10.0%	11.8%

Financial Services works in conjunction with Argos and Homebase to provide their customers with the most appropriate credit offers to drive retail sales and ensure fair customer outcomes.

Operational & financial review

In-house store card credit sales increased by 4% to £711m and represented 10.7% (FY14: 10.4%) of Group retail sales. This increased level of both credit sales and credit penetration is principally as a result of a retail sales mix into higher credit attachment products such as video gaming hardware and TVs. In addition to credit sales on the Group's own store cards, credit offers for purchases at Homebase, which are greater than £1,000, are principally provided through product loans from a third party provider. Including these product loans, total credit sales increased by 6% to £800m resulting in total credit sales penetration increasing to 12.1% (FY14: 11.6%) of Group retail sales.

Store card net receivables grew by £55m versus FY14 to £580m, principally as a result of the increase in in-house credit sales. The Group finances these receivables internally with no third party debt being required.

Total sales in the 52 weeks to 28 February 2015 increased by 10% to £135m. Delinquency rates continued their downward trend of the last few years resulting in a further reduction in the bad debt cost. Financing costs were slightly higher than last year, principally due to the growth in the loan book, with a corresponding credit for this internal financing cost recharge being recognised in Group net interest income.

Overall, the improved sales performance and the reduced bad debt cost were partially offset by an increase in operating costs. Benchmark operating profit increased by 17% to £7.0m (FY14: £6.0m).

GROUP FINANCIAL REVIEW

Sales and benchmark operating profit

Group sales were up 1% at £5,710m (FY14: £5,663m) while Group benchmark operating profit increased 15% to £129.5m (FY14: £113.0m). 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. Costs for the year increased by 10% to £26.5m (FY14: £24.2m), with the increase driven principally by additional costs to support the Group's various strategic initiatives.

Benchmark net interest income

Net interest income within benchmark PBT increased 8% to £2.6m (FY14: £2.4m).

Benchmark PBT

Benchmark PBT for the year increased 14% to £132.1m (FY14: £115.4m) driven by the factors previously discussed.

Amortisation of acquisition intangibles

A charge of £1.8m (FY14: £1.8m) was recorded in the year, relating to the amortisation of the value of the brand which arose on the Habitat UK acquisition.

Post-employment benefit scheme administration costs

A charge of £1.9m (FY14: £1.9m) was recorded, in respect of the administration costs incurred by the Home Retail Group Pension Scheme.

Adjustments in respect of store impairment and property provisions

A net credit of £0.1m (FY14: £2.1m) was recorded in the year, relating to store impairment and property provisions. The net credit principally reflects a charge of £15.8m (FY14: credit of £3.0m) for impairment provisions arising on the Homebase store estate, partially offset by a £15.9m credit (FY14: charge of £0.9m) principally in respect of the release of surplus property provisions that are now no longer required following the achievement of better than anticipated deals to exit certain stores in the Homebase store estate.

Exceptional items

The exceptional charge recorded in the year was £35.5m (FY14: £41.4m). This includes a charge of £12.2m relating to the ongoing programme to transform Argos into a digital retail leader and which forms part of the previously announced c.£50m of costs expected to be incurred over the first three years of the Plan to FY16. In addition, there was a charge of £6.2m relating to a head-office restructure charge together with the planned closure of a distribution centre both of which are part of the cost reduction programme associated with Homebase's store estate reduction. There was also a Group restructuring charge of £13.0m principally relating to the previously announced costs associated with the outsourcing of the management of the Group's information systems, infrastructure and associated services. Finally, there was a charge of £4.1m principally relating to an anticipated increase in operational costs expected to be incurred in respect of administering future payment protection insurance customer redress payments.

Financing fair value remeasurements

Certain foreign exchange movements are recognised in the income statement within net financing income. These amounted to a net charge of £1.0m (FY14: credit of £9.0m), which arose principally as a result of translation differences on overseas subsidiary currency balances and the recycling of fair value gains on the sale of assets previously classified as available for sale. Equal and opposite adjustments to the translation differences are recognised as part of the movements in reserves. As required by accounting standards, the net nil exchange adjustment is split between the income statement and the statement of comprehensive income.

Financing impact on post-employment benefit obligations

The financing impact on post-employment benefit obligations is a net charge of £3.0m (FY14: £3.3m).

Discount unwind on non-benchmark items
A charge of £6.7m (FY14: £6.9m) within net financing income relates to the discount unwind on property provisions. As these provisions were items previously excluded from benchmark PBT, the discount unwind has also been excluded from benchmark PBT.

Net interest reconciliation
The following table illustrates both the benchmark and non-benchmark impact of net financing items within the income statement.

Net interest income within benchmark PBT	**2.6**	**2.4**
Financing fair value remeasurements	(1.0)	9.0
Financing impact on post-employment benefit obligations	(3.0)	(3.3)
Discount unwind on non-benchmark items	(6.7)	(6.9)
Income statement net financing (charge) / income	**(8.1)**	**1.2**

Balance sheet review
During the first half of FY15 management commenced a review of certain higher risk areas within the Argos balance sheet. Subsequent to this and following the well-publicised accounting issues in the retail sector and the recently published FRC guidance in respect of complex supplier arrangements, the review was broadened to encompass a review of the Group's balance sheet. This review resulted in a net credit of £11.5m being recognised as a one-off non-benchmark item in the current year. This amount comprises a credit of £11.3m in respect of changes to a small number of accounting estimates together with a net credit of £0.2m in respect of a small number of historic accounting errors that relate principally to trade and other payables. These adjustments all relate to Argos.

Profit before tax
The profit before tax for the year was £93.8m (FY14: £71.2m).

Taxation
Taxation attributable to benchmark PBT was £33.0m (FY14: £32.5m), representing an effective tax rate of 25.0% (FY14: 28.2%). The lower effective tax rate principally reflects two elements: a 2% reduction in the UK corporation tax rate together with the favourable impact of a relatively fixed level of disallowable expenditure for tax purposes in comparison to the Group's higher level of profits in FY15. Taxation attributable to non-benchmark items amounted to a credit of £10.8m (FY14: £15.3m). The total tax expense for the year was therefore £22.2m (FY14: £17.2m).

Number of shares and earnings per share
The number of shares for the purpose of calculating basic earnings per share (EPS) was 764.3m (FY14: 795.0m), representing the weighted average number of issued ordinary shares of 813.4m (FY14: 813.4m), less an adjustment of 49.1m (FY14: 18.4m) 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 36.0m (FY14: 26.4m) to 800.3m (FY14: 821.4m). Basic benchmark EPS is 13.0p (FY14: 10.4p), with diluted benchmark EPS of 12.4p (FY14: 10.1p). Reported basic EPS is 9.4p (FY14: 6.8p), with reported diluted EPS being 8.9p (FY14: 6.6p).

Dividends
While the Board remains mindful of the investment needs of the Group, this is balanced with the importance of the dividend to our shareholders and as a financial discipline in itself, and after careful consideration by the Board, it is recommending a final dividend of 2.8p. This takes the full-year dividend to 3.8p (FY14: 3.3p), which is a 15% increase in the full-year dividend. The final dividend, subject to approval by shareholders at the AGM, will be paid on 23 July 2015 to shareholders on the register at the close of business on 21 May 2015. As the Group's earnings profile remains heavily weighted to the seasonal Christmas trading at Argos and hence the second half of the Group's financial year, it continues to be the Board's intention to hold the interim dividend for the year ending 27 February 2016 at 1.0p.

Balance sheet

As at **£m**	**28 February** **2015**	**1 March** **2014**
Goodwill	1,543.9	1,543.9
Intangible assets	235.5	193.6
Property, plant and equipment	412.9	456.7
Inventories	963.0	902.4
Financial Services loan book	579.5	524.1
Other assets	240.8	199.7
	3,975.6	3,820.4
Trade and other payables	(1,329.5)	(1,162.7)
Provisions	(221.9)	(236.1)
	(1,551.4)	(1,398.8)
Invested capital	**2,424.2**	**2,421.6**
Post-employment benefit obligations	(114.4)	(76.6)
Net tax assets	26.7	33.0
Forward foreign exchange contracts	27.1	(35.5)
Net cash	309.3	331.0
Net assets	**2,672.9**	**2,673.5**

Net assets as at 28 February 2015 were £2,672.9m, equivalent to 354p (FY14: 343p) per share excluding shares held in Group share trusts. Invested capital as at 28 February 2015 was £2,424.2m, an increase of £2.6m versus the balance sheet as at 1 March 2014. This increase in invested capital was mainly driven by a combination of an increased level of inventories principally due to the earlier timing of Easter in 2015 which required the Group to accelerate the in-take of seasonal stock, the previously discussed increase in the Financial Services loan book together with an increase in other assets principally driven by the reclassification of Homebase's Battersea freehold from property, plant and equipment into assets held for sale. These increases were largely offset by an increase in trade and other payables, the key drivers of which were the previously discussed increased level of inventories together with the £30m deposit received in respect of the sale of Homebase's Battersea freehold store, which has been accounted for as deferred income as at 28 February 2015.

The increase in invested capital of £2.6m, together with an increase in forward foreign exchange contracts, was more than offset by the increase in post-employment benefit obligations, a reduction in net tax assets and a reduction in net cash. The overall impact of these movements was a decrease in net assets of £0.6m.

Cash flow and net cash position

£m	52 weeks to 28 February 2015	52 weeks to 1 March 2014
Benchmark operating profit	129.5	113.0
Amortisation of acquisition intangibles	(1.8)	(1.8)
Post-employment benefit scheme administration costs	(1.9)	(1.9)
Adjustments in respect of store impairment and property provisions	0.1	2.1
Exceptional items	(35.5)	(41.4)
Balance Sheet review	11.5	-
Statutory operating profit	101.9	70.0
Depreciation and amortisation	136.0	129.5
Movement in trade working capital	36.6	18.4
Movement in Financial Services loan book	(55.4)	(49.4)
Cash impact of restructuring charges	(22.8)	(28.2)
Pension scheme deficit recovery payments	(22.0)	(22.0)
Disposal of leasehold property	(9.0)	-
Cash impact of PPI customer redress payments	(8.8)	(3.6)
Financing costs charged to Financial Services	3.9	3.3
Movement in post-employment benefit obligations	1.2	(13.6)
Other operating items	41.2	56.6
Cash flows from operating activities	**202.8**	**161.0**
Net capital expenditure	(167.8)	(173.1)
Proceeds from freehold property disposal	30.0	-
Taxation	(12.1)	(17.6)
Net interest	0.7	0.6
Other investments	-	25.2
Cash inflow before financing activities	**53.6**	**(3.9)**
Dividends paid	(25.3)	(23.9)
Purchase of own shares for Employee Share Trust	(48.5)	(37.1)
Decrease in cash and cash equivalents	**(20.2)**	**(64.9)**
Effect of foreign exchange rate changes	(1.5)	(0.1)
Decrease in financing net cash	**(21.7)**	**(65.0)**
Opening financing net cash	331.0	396.0
Closing financing net cash	**309.3**	**331.0**

Cash flows from operating activities were £202.8m (FY14: £161.0m). This £41.8m increase was principally attributable to an increased operating profit performance together with a cash inflow from trade working capital partially offset by the cost of exit associated with certain stores in the Homebase store estate.

Net capital expenditure was £167.8m (FY14: £173.1m), representing the continued higher level of investment across the Group in the strategic initiatives of both retail businesses. Proceeds from a freehold property disposal were £30.0m (FY14: £nil), representing the deposit received in respect of the anticipated sale of the freehold relating to Homebase's Battersea store. Tax paid was £12.1m (FY14: £17.6m). The reduction to £nil in other investments (FY14: £25.2m) is a reflection of the non-repeat of cash received in the prior year relating to both the disposal of the Group's 33% shareholding in Ogalas Limited, which trades as 'home store + more' in the Republic of Ireland and the receipt of a loan repayment in respect of the Groups, now closed, Chinese joint venture.

Dividends paid to Shareholders amounted to £25.3m (FY14: £23.9m). A payment of £50.0m (FY14: £37.4m) was made to the Home Retail Group Employee Share Trust to fund the purchase of 26.8m shares. The shares are in addition to those already held by the Trust and are needed to satisfy obligations arising from various employee share schemes, a significant proportion of which relate to the save-as-you-earn plans offered to all the Group's colleagues. This payment was partially offset by the cash receipt in respect of the exercise of a small number of share options resulting in a net cash out-flow of £48.5m (FY14: £37.1m)

The Group's financing net cash position at 28 February 2015 was £309.3m, a decrease of £21.7m over the year.

Group pension arrangements
The Group's pension arrangements are operated principally through the Home Retail Group Pension Scheme, a defined benefit scheme, which was closed to future accrual with effect from 31 January 2013, together with the Home Retail Group Personal Pension Plan, a defined contribution scheme.

The IAS 19 valuation as at 28 February 2015 for the defined benefit pension schemes was a net deficit of £114.4m (FY14: £76.6m). The increase in the deficit of £37.8m was driven by an increase of £135.3m in the present value of scheme liabilities to £1,103.7m (FY14: £968.4m), partially offset by an increase of £97.5m in the scheme assets to £989.3m (FY14: £891.8m). The increase in the scheme liabilities was driven principally by a decrease in the real discount rate to 0.5% (FY14: 1.1%).

A full actuarial valuation of the defined benefit pension scheme is carried out every three years with interim reviews in the intervening years. The last full actuarial valuation of the scheme was carried out as at 31 March 2012 and resulted in a deficit of £158m. The full actuarial valuation of the scheme as at 31 March 2015 has just commenced, with the results of this valuation expected around the time of the FY16 financial year end.

Group financing arrangements
The Group finances its operations through a combination of cash, property leases and access to committed bank facilities where necessary. The Group's net cash balances averaged approximately £451m (FY14: approximately £516m) over the year.

Post the year-end, on 26 March 2015, the Group agreed a new £250m committed unsecured borrowing facility, which is currently undrawn and which expires in March 2019. This facility replaces the previous £165m facility which had been in place since March 2013 and had never been drawn. In addition, as at 28 February 2015 the Group's Financial Services business held a net loan book balance of £580m (FY14: £524m).

The Group has additional liabilities through its obligations to pay rents under operating leases. The operating lease charge for the year amounted to £333.4m (FY14: £347.9m). Total lease commitments stood at £2,342m at 28 February 2015 (FY14: £2,627m), which is a £1,988m, or 46%, reduction from the peak total lease commitments of £4,330m held at 1 March 2008. Based upon the discounted cash flows of these expected future operating lease charges, the capitalised value of these liabilities is £1,914m (FY14: £2,046m) utilising a discount rate of 4.1% (FY14: 5.0%).

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 quarter of the Group's product costs are paid for in US dollars. The hedged rates achieved during FY15 compared to FY14 are noted in the table below.

US dollar hedged rates	**FY15**	**FY14**	**Change cents**
First half	1.55	1.57	c.(2)
Second half	1.61	1.57	c.4
Full year	**1.58**	**1.57**	**c.1**

Share price and total shareholder return
The Group's share price ranged from a low of 159.5p to a high of 223.3p during FY15. On 27 February 2015, the closing mid-market price was 202.4p, giving a market capitalisation of £1.6 billion.

Total shareholder return (the change in the value of a share including reinvested dividends) increased by 5% over the year. This compares to an increase of 8% 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 28 February 2015. 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 2015 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 2015 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 both the Argos Transformation Plan and the Homebase Productivity Plan, 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 2015 Annual Report and Financial Statements is expected to be available at www.homeretailgroup.com and posted to shareholders on or around 2 June 2015. The Annual General Meeting will be held from 11.00am on Wednesday 1 July 2015 at the Holiday Inn Milton Keynes, 500 Saxon Gate West, Milton Keynes, MK9 2HQ.

Appendix 1. Trading statement comparables

	Q1 13 weeks to 31 May 2014
Argos	
Sales	£868m
Like-for-like sales change	4.9%
Net space sales change	(0.1%)
Total sales change	4.8%
Gross margin movement	Down c.25bps
Homebase	
Sales	£445m
Like-for-like sales change	7.9%
Net space sales change	(2.4%)
Total sales change	5.5%
Gross margin movement	Down c.50bps

	Q2 13 weeks to 30 Aug 2014	H1 26 weeks to 30 Aug 2014
Argos		
Sales	£901m	£1,769m
Like-for-like sales change	1.2%	2.9%
Net space sales change	0.2%	0.1%
Total sales change	1.4%	3.0%
Gross margin movement	Up c.25bps	c.0bps
Homebase		
Sales	£390m	£835m
Like-for-like sales change	0.1%	4.1%
Net space sales change	(2.9%)	(2.6%)
Total sales change	(2.8%)	1.5%
Gross margin movement	Down c.75bps	Down c.75bps

	Q3 18 weeks to 3 Jan 2015	YTD 44 weeks to 3 Jan 2015
Argos		
Sales	£1,822m	£3,591m
Like-for-like sales change	0.1%	1.5%
Net space sales change	0.7%	0.4%
Total sales change	0.8%	1.9%
Gross margin movement	Up c.25bps	c.0bps
Homebase		
Sales	£451m	£1,286m
Like-for-like sales change	0.6%	2.9%
Net space sales change	(3.3%)	(2.9%)
Total sales change	(2.7%)	0.0%
Gross margin movement	Down c.100bps	Down c.75bps

	Q4 8 weeks to 28 Feb 2015	H2 26 weeks to 28 Feb 2015	FY 52 weeks to 28 Feb 2015
Argos			
Sales	£505m	£2,327m	£4,096m
Like-for-like sales change	(5.0%)	(1.1%)	0.6%
Net space sales change	1.0%	0.8%	0.5%
Total sales change	(4.0%)	(0.3%)	1.1%
Gross margin movement	Up c.100bps	Up c.25bps	Up c.25bps
Homebase			
Sales	£193m	£644m	£1,479m
Like-for-like sales change	(0.9%)	0.1%	2.3%
Net space sales change	(3.8%)	(3.4%)	(3.0%)
Total sales change	(4.7%)	(3.3%)	(0.7%)
Gross margin movement	Down c.225bps	Down c.150bps	Down c.100bps

Consolidated income statement

For the 52 weeks ended 28 February 2015

		52 weeks ended 28 February 2015			52 weeks ended 1 March 2014		
		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		**5,710.4**	**-**	**5,710.4**	5,663.0	-	5,663.0
Cost of sales		**(3,937.4)**	**-**	**(3,937.4)**	(3,899.2)	-	(3,899.2)
Gross profit		**1,773.0**	**-**	**1,773.0**	1,763.8	-	1,763.8
Net operating expenses		**(1,635.6)**	**(35.5)**	**(1,671.1)**	(1,652.4)	(41.4)	(1,693.8)
Operating profit/(loss)		**137.4**	**(35.5)**	**101.9**	111.4	(41.4)	70.0
- Finance income		**3.4**	**-**	**3.4**	10.5	-	10.5
- Finance expense		**(11.5)**	**-**	**(11.5)**	(9.3)	-	(9.3)
Net financing income/(expense)	4	**(8.1)**	**-**	**(8.1)**	1.2	-	1.2
Profit/(loss) before tax		**129.3**	**(35.5)**	**93.8**	112.6	(41.4)	71.2
Taxation		**(29.3)**	**7.1**	**(22.2)**	(26.6)	9.4	(17.2)
Profit/(loss) for the year attributable to equity holders of the Company		**100.0**	**(28.4)**	**71.6**	86.0	(32.0)	54.0
Earnings per share				**pence**			pence
- Basic	6			**9.4**			6.8
- Diluted	6			**8.9**			6.6
				pence			pence
Proposed final dividend per share				**2.8**			2.3
Interim dividend per share				**1.0**			1.0
Proposed total dividend per share				**3.8**			3.3

Non-GAAP measures		***52 weeks ended 28 February 2015***	*52 weeks ended 1 March 2014*
Reconciliation of profit before tax (PBT) to benchmark PBT	*Notes*	***£m***	*£m*
Profit before tax		***93.8***	*71.2*
Adjusted for:			
Amortisation of acquisition intangibles		***1.8***	*1.8*
Post-employment benefit scheme administration costs		***1.9***	*1.9*
Adjustments in respect of store impairment and property provisions		***(0.1)***	*(2.1)*
Exceptional items	*3*	***35.5***	*41.4*
Financing fair value remeasurements	*4*	***1.0***	*(9.0)*
Financing impact on post-employment benefit obligations	*4*	***3.0***	*3.3*
Discount unwind on non-benchmark items	*4*	***6.7***	*6.9*
Balance sheet review		***(11.5)***	*-*
Benchmark PBT		***132.1***	*115.4*
Benchmark earnings per share		***pence***	*pence*
- Basic	*6*	***13.0***	*10.4*
- Diluted	*6*	***12.4***	*10.1*

Consolidated statement of comprehensive income

For the 52 weeks ended 28 February 2015

	52 weeks ended 28 February 2015	52 weeks ended 1 March 2014
	£m	£m
Profit for the year attributable to equity holders of the Company	**71.6**	54.0
Items that may be reclassified subsequently to profit or loss:		
Net change in fair value of cash flow hedges		
- Foreign currency forward exchange contracts	**49.1**	(72.2)
Net change in fair value of cash flow hedges transferred to inventory		
- Foreign currency forward exchange contracts	**(3.3)**	13.7
Fair value movements on available-for-sale financial assets	**0.7**	1.1
Fair value movements on available-for-sale financial assets transferred to the income statement	**-**	(3.4)
Currency translation differences	**(1.5)**	(3.6)
Tax (charge)/credit in respect of items that will be or have been recycled	**(9.1)**	13.1
	35.9	(51.3)
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of the net defined benefit liability	**(55.6)**	(23.8)
Tax credit in respect of items not recycled	**11.1**	3.3
	(44.5)	(20.5)
Other comprehensive income for the year, net of tax	**(8.6)**	(71.8)
Total comprehensive income for the year attributable to equity holders of the Company	**63.0**	(17.8)

Consolidated balance sheet

At 28 February 2015

	Notes	**28 February 2015 £m**	1 March 2014 £m
ASSETS			
Non-current assets			
Goodwill		**1,543.9**	1,543.9
Other intangible assets		**235.5**	193.6
Property, plant and equipment		**412.9**	456.7
Deferred tax assets		**44.6**	41.3
Trade and other receivables		**1.4**	1.8
Other financial assets		**10.6**	9.9
Total non-current assets		**2,248.9**	2,247.2
Current assets			
Inventories		**963.0**	902.4
Trade and other receivables		**790.0**	712.1
Current tax assets		**13.2**	10.4
Other financial assets		**30.0**	1.0
Cash and cash equivalents		**309.3**	331.0
Total current assets		**2,105.5**	1,956.9
Non-current assets classified as held for sale		**18.3**	-
Total assets		**4,372.7**	4,204.1
LIABILITIES			
Non-current liabilities			
Trade and other payables		**(46.4)**	(47.4)
Provisions	7	**(126.2)**	(190.0)
Deferred tax liabilities		**(24.3)**	(12.9)
Post-employment benefits		**(114.4)**	(76.6)
Total non-current liabilities		**(311.3)**	(326.9)
Current liabilities			
Trade and other payables		**(1,283.1)**	(1,115.3)
Provisions	7	**(95.7)**	(46.1)
Other financial liabilities		**(2.9)**	(36.5)
Current tax liabilities		**(6.8)**	(5.8)
Total current liabilities		**(1,388.5)**	(1,203.7)
Total liabilities		**(1,699.8)**	(1,530.6)
Net assets		**2,672.9**	2,673.5
EQUITY			
Share capital		**81.3**	81.3
Capital redemption reserve		**6.4**	6.4
Merger reserve		**(348.4)**	(348.4)
Other reserves		**(61.5)**	(52.3)
Retained earnings		**2,995.1**	2,986.5
Total equity		**2,672.9**	2,673.5

Consolidated statement of changes in equity

For the 52 weeks ended 28 February 2015

	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 2 March 2014	81.3	6.4	(348.4)	(52.3)	2,986.5	2,673.5
Profit for the year	-	-	-	-	71.6	71.6
Other comprehensive income	-	-	-	35.6	(44.2)	(8.6)
Total comprehensive income for the year ended 28 February 2015	-	-	-	35.6	27.4	63.0
Transactions with owners:						
Movement in share-based compensation reserve	-	-	-	-	8.6	8.6
Net movement in own shares	-	-	-	(44.8)	(3.7)	(48.5)
Tax credit related to share-based compensation reserve	-	-	-	-	1.9	1.9
Equity dividends paid during the year	-	-	-	-	(25.3)	(25.3)
Other distributions	-	-	-	-	(0.3)	(0.3)
Total transactions with owners	-	-	-	(44.8)	(18.8)	(63.6)
Balance at 28 February 2015	**81.3**	**6.4**	**(348.4)**	**(61.5)**	**2,995.1**	**2,672.9**

	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 3 March 2013	81.3	6.4	(348.4)	31.9	2,961.3	2,732.5
Profit for the year	-	-	-	-	54.0	54.0
Other comprehensive income	-	-	-	(49.0)	(22.8)	(71.8)
Total comprehensive income for the year ended 1 March 2014	-	-	-	(49.0)	31.2	(17.8)
Transactions with owners:						
Movement in share-based compensation reserve	-	-	-	-	14.5	14.5
Net movement in own shares	-	-	-	(35.2)	(1.9)	(37.1)
Tax credit related to share-based compensation reserve	-	-	-	-	5.5	5.5
Equity dividends paid during the year	-	-	-	-	(23.9)	(23.9)
Other distributions	-	-	-	-	(0.2)	(0.2)
Total transactions with owners	-	-	-	(35.2)	(6.0)	(41.2)
Balance at 1 March 2014	81.3	6.4	(348.4)	(52.3)	2,986.5	2,673.5

Further details on equity movements are shown in note 8.

Consolidated statement of cash flows

For the 52 weeks ended 28 February 2015

	Notes	**52 weeks ended 28 February 2015 £m**	52 weeks ended 1 March 2014 £m
Cash flows from operating activities			
Cash generated from operations	9	**211.8**	161.0
Tax paid		**(12.1)**	(17.6)
Disposal of leasehold property		**(9.0)**	-
Cash flows from operating activities		**190.7**	143.4
Purchase of property, plant and equipment		**(81.2)**	(72.5)
Purchase of other intangible assets		**(93.3)**	(102.8)
Proceeds from the disposal of property, plant and equipment - freehold property		**30.0**	-
Proceeds from the disposal of property, plant and equipment - other		**6.7**	2.2
Loans repaid by associates		**-**	3.5
Disposal of investments		**-**	21.7
Interest received		**0.7**	0.6
Net cash used in investing activities		**(137.1)**	(147.3)
Cash flows from financing activities			
Purchase of shares for Employee Share Trust		**(50.0)**	(37.4)
Proceeds from disposal of shares held by Employee Share Trust		**1.5**	0.3
Dividends paid		**(25.3)**	(23.9)
Net cash used in financing activities		**(73.8)**	(61.0)
Net decrease in cash and cash equivalents		**(20.2)**	(64.9)
Movement in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		**331.0**	396.0
Effect of foreign exchange rate changes		**(1.5)**	(0.1)
Net decrease in cash and cash equivalents		**(20.2)**	(64.9)
Cash and cash equivalents at the end of the year		**309.3**	331.0

Analysis of net cash/(debt)

At 28 February 2015

Non-GAAP measures	28 February 2015 £m	1 March 2014 £m
Financing net cash:		
Cash and cash equivalents	***309.3***	*331.0*
Total financing net cash	***309.3***	*331.0*
Operating net debt:		
Off balance sheet operating leases	***(1,914.4)***	*(2,046.2)*
Total operating net debt	***(1,914.4)***	*(2,046.2)*
Total net debt	***(1,605.1)***	*(1,715.2)*

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 gross lease commitments are £2,342.2m (2014: £2,627.1m), the discounted value of these leases is £1,914.4m (2014: £2,046.2m) based upon discounting the existing lease commitments at the Group's estimated long-term cost of borrowing of 4.1% (2014: 5.0%).

Notes

For the 52 weeks ended 28 February 2015

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 28 February 2015 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 2015, 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 2015. The financial year represents the 52 weeks to 28 February 2015 (prior financial year 52 weeks to 1 March 2014).

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 adopted by Home Retail Group are set out in Home Retail Group plc's Annual Report and Financial Statements dated 1 March 2014. With the exception of those changes in accounting standards which are effective for the first time for the current period, as detailed below, these policies have been consistently applied to all the periods presented.

Changes in accounting standards

There are no new standards, amendments to existing standards or interpretations which are effective for the first time during the year ended 28 February 2015 that have a material impact on the Group.

At the balance sheet date there are a number of new standards and amendments to existing standards in issue but not yet effective, including IFRS 15 'Revenue from contracts with customers' which is effective for periods beginning on or after 1 January 2017 and IFRS 9 'Financial Instruments', which is effective for periods beginning on or after 1 January 2018. The Group has not early-adopted any of these new standards or amendments to existing standards and the Group will assess their full impact in due course. There are no other new standards, amendments to existing standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

2. NON-GAAP FINANCIAL INFORMATION

Home Retail Group has identified certain measures that it believes will assist the understanding of the performance of the business. The measures are not defined under IFRS and they may not be directly comparable with other companies' adjusted measures. The non-GAAP measures are not intended to be a substitute for, or superior to, any IFRS measures of performance but Home Retail Group has included them as it considers them to be important comparables and key measures used within the business for assessing performance. The following are the key non-GAAP measures identified by Home Retail Group:

Exceptional items

Items which are both non-recurring and material in either size or nature 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 and/or losses on the disposal of businesses.

Benchmark measures

The Group uses the following terms as measures which are not formally recognised under IFRS:

- Benchmark operating profit is defined as operating profit before amortisation of acquisition intangibles, post-employment benefit scheme administration costs, store impairment and onerous lease charges or releases and costs or income associated with store closures and exceptional items.
- Benchmark profit before tax (benchmark PBT) is defined as profit before amortisation of acquisition intangibles, post-employment benefit scheme administration costs, store impairment and onerous lease charges or releases and costs or income associated with store closures, exceptional items, financing fair value remeasurements, financing impact on post-employment benefit obligations, the discount unwind on non-benchmark items and taxation.
- 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).

These measures are considered useful in that they provide 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.

3. EXCEPTIONAL ITEMS	**52 weeks ended 28 February 2015 £m**	52 weeks ended 1 March 2014 £m
Argos transformation and other restructuring charges	**(31.4)**	(27.8)
Customer redress - Payment Protection Insurance	**(4.1)**	(25.0)
Warranty insurance	**-**	11.4
Exceptional items in operating profit	**(35.5)**	(41.4)
Tax on exceptional items in profit before tax	**7.1**	9.4
Exceptional loss after tax for the year	**(28.4)**	(32.0)

Exceptional restructuring charges totalling £31.4m (FY14: £27.8m) were incurred during the 52 weeks ended 28 February 2015. These charges relate to £12.2m (FY14: £19.0m) in Argos in respect of the ongoing project to transform Argos into a digital retail leader; £6.2m (FY14: £6.2m) in Homebase in respect of costs incurred as part of a Homebase head office restructuring program together with the closure of a distribution centre in FY16 which were both related to the recently announced store exit program; and Group restructuring costs of £13.0m (FY14: £2.6m) principally relating to the transitioning to Fujitsu of Information Systems infrastructure and services that support the Group's operations.

Financial Services offers Payment Protection Insurance to its customers. In response to an industry wide review by the Financial Conduct Authority, a full investigation was undertaken in FY14 with the support of an independent expert. As a result, an exceptional charge of £25.0m was recognised. In FY15 an additional charge of £4.1m has been recognised. This charge principally reflects an anticipated increase in the operational costs expected to be incurred in respect of administering future customer redress payments.

Until June 2010, Allianz Insurance provided Home Retail Group an underwriting service for warranty products sold in both Argos and Homebase. Allianz Insurance notified Home Retail Group in FY14 that under a profit share arrangement relating to the run off of these historical policies, the Group was due commission income of £11.4m.

Notes

For the 52 weeks ended 28 February 2015

4. NET FINANCING INCOME/(EXPENSE)	**52 weeks ended 28 February 2015**	52 weeks ended 1 March 2014
	£m	£m
Finance income:		
Bank deposits	**0.7**	0.3
Financing fair value remeasurements - net exchange gains	**2.7**	6.8
Financing fair value remeasurements - available–for-sale financial assets	**-**	3.4
Total finance income	**3.4**	10.5
Finance expense:		
Unwinding of discounts	**(7.5)**	(8.1)
Financing fair value remeasurements - net exchange losses	**(3.7)**	(1.2)
Interest expense on post-employment benefit liabilities	**(3.0)**	(3.3)
Other finance expense	**(1.2)**	-
Total finance expense	**(15.4)**	(12.6)
Less: finance expense charged to Financial Services cost of sales	**3.9**	3.3
Total net finance expense	**(11.5)**	(9.3)
Net financing income/(expense)	**(8.1)**	1.2

Included within unwinding of discounts is a £6.7m charge (2014: £6.9m) relating to the discount unwind on non-benchmark property provisions.

5. DIVIDENDS	**52 weeks ended 28 February 2015**	52 weeks ended 1 March 2014
	£m	£m
Amounts recognised as distributions to equity holders		
Final dividend of 2.3p per share (2014: 2.0p) for the prior year	**(17.8)**	(16.0)
Interim dividend of 1.0p per share (2014: 1.0p) for the current year	**(7.5)**	(7.9)
Ordinary dividends on equity shares	**(25.3)**	(23.9)

A final dividend in respect of the year ended 28 February 2015 of 2.8p per share (2014: 2.3p), amounting to a total final dividend of £21.2m, 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 3.8p per share, amounting to £28.7m. The final dividend of 2.8p per share will be paid on 23 July 2015 to shareholders who are on the register of members at close of business on 22 May 2015. The Home Retail Group Employee Share Trust (EST) has waived its entitlement to dividends to the amount of £1.5m (2014: £0.5m).

Notes

For the 52 weeks ended 28 February 2015

6. BASIC AND DILUTED EARNINGS PER SHARE (EPS)

Basic EPS 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 EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares.

	52 weeks ended 28 February 2015	52 weeks ended 1 March 2014
Earnings	**£m**	£m
Profit after tax for the financial year	**71.6**	54.0
Adjusted for:		
Amortisation of acquisition intangibles	**1.8**	1.8
Post-employment benefit scheme administration costs	**1.9**	1.9
Adjustments in respect of store impairment and property provisions	**(0.1)**	(2.1)
Exceptional items	**35.5**	41.4
Financing fair value remeasurements	**1.0**	(9.0)
Financing impact on post-employment benefit obligations	**3.0**	3.3
Discount unwind on non-benchmark items	**6.7**	6.9
Balance sheet review	**(11.5)**	-
Attributable taxation credit	**(7.8)**	(6.9)
Non-benchmark tax credit in respect of prior years	**(3.0)**	(8.2)
Tax rate change	**-**	(0.2)
Benchmark profit after tax for the financial year	**99.1**	82.9
Weighted average number of shares	**millions**	millions
Number of ordinary shares for the purpose of basic EPS	**764.3**	795.0
Dilutive effect of share incentive awards	**36.0**	26.4
Number of ordinary shares for the purpose of diluted EPS	**800.3**	821.4
EPS	**pence**	pence
Basic EPS	**9.4**	6.8
Diluted EPS	**8.9**	6.6
Basic benchmark EPS	**13.0**	10.4
Diluted benchmark EPS	**12.4**	10.1

Notes
For the 52 weeks ended 28 February 2015

7. PROVISIONS

	Property £m	Insurance £m	Restructuring £m	PPI customer redress £m	Other £m	Total £m
At 2 March 2014	(151.8)	(38.1)	(9.5)	(33.7)	(3.0)	(236.1)
Charged to the income statement	(23.9)	(5.0)	(31.4)	(4.1)	-	(64.4)
Released to the income statement	39.8	2.0	-	-	-	41.8
Utilised during the year - cash	12.0	5.6	22.8	8.8	2.8	52.0
Utilised during the year - non cash	-	-	1.1	-	-	1.1
Transfer from accruals	(1.4)	-	(3.8)	-	(5.7)	(10.9)
Exchange differences	2.4	-	-	-	-	2.4
Discount unwind	(7.8)	-	-	-	-	(7.8)
At 28 February 2015	**(130.7)**	**(35.5)**	**(20.8)**	**(29.0)**	**(5.9)**	**(221.9)**

Analysed as:	**2015 £m**	2014 £m
Current	**(95.7)**	(46.1)
Non-current	**(126.2)**	(190.0)
	(221.9)	(236.1)

Property provisions comprise obligations in respect of onerous leases together with other costs or income associated with store closures. In respect of onerous leases, provision is made for onerous lease contracts on stores that have either closed, or where projected future trading income is insufficient to cover the lower of exit cost or cost of continuing to trade the store. Where the cost of continuing to trade the store 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 which have not been 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 operational costs to be incurred in administering future claims. The majority of this provision is expected to be utilised over the period to 2019.

The restructuring provision relates to a number of actions undertaken by the Group during the current and prior years. Actions currently being undertaken by the Group include: the ongoing project to transform Argos into a digital retail leader; the Homebase Productivity Plan which includes head office restructuring costs and costs associated with the closure of a distribution centre in FY16; and Group restructuring costs principally relating to the transitioning to Fujitsu of Information Systems infrastructure and services that support the Group's operations.

Financial Services offers Payment Protection Insurance (PPI) to its customers. In response to an industry wide review by the Financial Conduct Authority, a full investigation was undertaken in FY14 with the support of an independent expert. As a result, an exceptional charge of £25.0m was recognised. In FY15 an additional charge of £4.1m has been recognised. This charge principally reflects an anticipated increase in the operational costs expected to be incurred in respect of administering future customer redress payments. Redress payments have begun to be made, resulting in the partial utilisation of this provision in FY15. The customer redress provision comprises the estimated cost of making redress payments to customers in respect of past sales of PPI policies, including the related operational costs of administering these claims. The eventual cost is dependent upon response rates, uphold rates, redress costs, claim handling costs and those costs associated with claims that are subsequently referred to the Financial Ombudsman Service. The provision represents management's best estimate of future costs and will remain under review. Had management used different assumptions, a larger or smaller provision charge would have resulted. The most significant assumption is the expected response rate to the customer contact exercise which has been estimated at 35%. If the response rate is one percentage point higher/(lower) than estimated then the provision at 28 February 2015 would have increased/(decreased) by approximately £1m. This provision is expected to be utilised within one year.

Notes

For the 52 weeks ended 28 February 2015

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 net debit arising on the movement in own shares of £44.8m (2014: debit of £35.2m) represents the purchase, and subsequent utilisation, 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 28 February 2015, the EST held 57,975,907 (2014: 34,025,109) shares with a market value of £117.3m (2014: £66.8m). The shares in the EST are held within equity of the Group at a cost of £100.8m (2014: £55.8m). During the 52 weeks ended 28 February 2015, 26.8m additional shares were purchased for a cost of £50.0m (2014: £37.4m). Dividends on these shares 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 28 February 2015, the Trust held 557,938 (2014: 602,332) shares with a market value of £1.1m (2014: £1.2m). These shares are held within equity of the Group at a cost of £2.3m (2014: £2.5m). No additional shares were purchased during the year (2014: nil).

9. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash generated from operations	**52 weeks ended 28 February 2015 £m**	52 weeks ended 1 March 2014 £m
Profit before tax	**93.8**	71.2
Net financing expense/(income)	**8.1**	(1.2)
Operating profit	**101.9**	70.0
Profit on sale of property, plant and equipment and other intangible assets	**(1.5)**	(0.2)
Depreciation and amortisation	**136.0**	129.5
Impairment charge/(reversal)	**15.8**	(3.0)
Finance expense charged to Financial Services cost of sales	**3.9**	3.3
(Increase)/decrease in inventories	**(60.6)**	39.4
Increase in trade and other receivables	**(23.0)**	(25.2)
Increase in payables	**120.2**	4.2
Movement in trade working capital	**36.6**	18.4
Working capital impact of restructuring charges	**-**	1.3
Increase in Financial Services loan book	**(55.4)**	(49.4)
Movement in total working capital	**(18.8)**	(29.7)
(Decrease)/increase in provisions	**(13.0)**	12.4
Movement in post-employment benefit obligations	**(20.8)**	(35.6)
Share-based payment expense (net of dividend equivalent payments)	**8.3**	14.3
Cash generated from operations	**211.8**	161.0

Notes

For the 52 weeks ended 28 February 2015

10. RELATED PARTIES

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

During the year, the Group received nil (2014: £3.5m) by way of loan repayment from its associates. At 28 February 2015, the amounts owed by its associates to the Group totalled £0.1m (2014: £0.1m), net of accumulated impairment losses totalling £3.9m (2014: £3.9m) 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 26 March 2015, the Group entered into a new unsecured multi-currency revolving credit facility of £250m with a syndicate of banks. This facility is for a minimum term of four years. On the same day, the Group cancelled its existing £165m facility, which was due to expire on 27 March 2016.

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 28 February 2015 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

John Walden
Chief Executive
29 April 2015

Richard Ashton
Finance Director
29 April 2015