



Home Retail Group plc
End of Year Trading Statement

Home Retail Group, the UK’s leading home and general merchandise retailer, announces details of the final eight-week trading period for the financial year ended 1 March 2014.

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

“The positive sales performance in the last few weeks of our financial year concludes a good year for both Argos and Homebase, with both businesses having delivered like-for-like sales growth throughout the year. As a result of this recent trading performance, we now expect Group benchmark profit before tax to be slightly ahead of the top end of the current range of market expectations of £107m to £111m. The cash outflow for the year will also be slightly better than previous guidance, resulting in a closing net cash position of around £330m.

“We have made good progress with the investment plans in both businesses during the current financial year and we have a clear agenda for growth. However, although there are signs that economic conditions may be beginning to improve, we will continue to plan for a subdued consumer environment.

“It has been a very exciting time leading the Group over the last 15 years. Digital technology, together with changes in consumer behaviour, have fundamentally changed the face of retailing in recent times, and both Argos and Homebase have well defined plans and strong management teams in place to be leaders in both digital trends and changes in the way people shop. I would like to thank our 50,000 colleagues for their huge commitment and support.”

	Latest period (8 weeks to 1 March 2014)	H2 (26 weeks to 1 March 2014)	Full year (52 weeks to 1 March 2014)
Argos			
Sales	£526m	£2,334m	£4,051m
Like-for-like sales change	5.2%	4.1%	3.3%
Net space sales change	0.0%	(0.1%)	(0.3%)
Total sales change	5.2%	4.0%	3.0%
Gross margin movement	c.0bps	Down c.50bps	Down c.50bps
Homebase			
Sales	£203m	£667m	£1,489m
Like-for-like sales change	9.3%	5.9%	5.9%
Net space sales change	(2.4%)	(2.3%)	(1.8%)
Total sales change	6.9%	3.6%	4.1%
Gross margin movement	Down c.75bps	Down c.75bps	Down c.100bps

Argos

Total sales at Argos grew by 5.2% to £526m. Net closed space had no material impact on sales in the period; four stores closed in the period resulting in a net reduction in the store portfolio of 3 stores in the current financial year to 734.

Like-for-like sales increased by 5.2% in the period. Electrical products continued to deliver a positive sales performance, principally as a result of sales growth in video gaming, TVs, small domestic appliances and white goods. Sales across the remaining product categories were broadly flat year on year with the exception of jewellery which experienced a small decline.

Internet sales for the full-year represented 44% of total Argos sales, up from 42% for the same period last year. Within this, mobile commerce sales grew by 89% to represent 18% of total Argos sales.

There was no change to the gross margin rate compared to the same period last year, with the continued adverse sales mix impact and the anticipated impact of adverse currency and shipping costs being offset by a number of small positive items.

Homebase

Total sales at Homebase grew by 6.9% to £203m. Net closed space reduced sales by 2.4% in the period; there were no further store closures in the period, resulting in a reduction in the store portfolio of 13 stores in the current financial year to 323.

Like-for-like sales increased by 9.3% in the period driven by further growth in big ticket sales as well as growth across the remaining product categories.

The approximate 75 basis point gross margin decline was driven principally by the sales mix impact from the growth in big ticket products.

Exceptional Items

Payment Protection Insurance

The Group's Financial Services division has historically offered Payment Protection Insurance (PPI) to its customers. In response to an industry wide review by the Financial Conduct Authority (FCA), a full investigation has been undertaken with the support of an independent expert, which will result in a customer redress exercise being carried out. As a result, we expect to increase the existing provision by c.£25m. This charge will be recognised in the current financial year and it will be taken as an exceptional item, outside of benchmark profit.

Warranty Insurance

Until June 2010 Allianz Insurance provided Home Retail Group an underwriting service for warranty products sold in both Argos and Homebase. Allianz Insurance has recently notified Home Retail Group that under a profit share arrangement relating to the run off of these historical policies, the Group is due c.£11m. This credit will be recognised in the current financial year and it will be taken as an exceptional item, outside of benchmark profit.

Other

Employee Share Trust share purchase

A cash payment of £15.5m was made to the Home Retail Group Employee Share Trust during the period to fund the purchase of 8.4m shares. The shares are in addition to those already held by the Trust and are needed to satisfy obligations arising from employee share schemes, the majority of which relate to the save-as-you-earn plans offered to the Group's c.50,000 colleagues. A cumulative payment of £37.4m to fund the purchase of 22.5m shares has been made in the current financial year.

No other material events, transactions or impacts on the Group's financial position have taken place since the previously announced 31 August 2013 balance sheet date.

Enquiries

Analysts and investors (Home Retail Group)

Richard Ashton	Finance Director	01908 600 291
Mark Willis	Director of Investor Relations	

Media (RLM Finsbury)

Rollo Head	020 7251 3801
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There will be a conference call for analysts and investors to discuss this statement at 8.30am this morning. The call can be listened to live on the Home Retail Group website www.homeretailgroup.com. An indexed replay will also be available on the website later in the day.

Home Retail Group will announce its full-year results on Wednesday 30 April 2014.

Information in this announcement is based upon unaudited management accounts. In addition, certain statements made 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.