30 April 2014

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 1 March 2014.

Operating highlights

- Good performances at both Argos and Homebase, with both businesses delivering positive like-for-like sales growth throughout the year
- Argos Transformation plan progress:
    - Increased internet penetration to 44% of Argos' total sales, including mobile commerce which grew 89% to account for 18% of total sales
    - Launched improved smartphone and tablet apps
    - Achieved 11.6 million customer registrations
    - Trialled 'hub & spoke' distribution model in 49 stores
    - Added aspirational new brands to Argos range
    - Trialled six digital concept stores
- Homebase Renewal plan progress:
    - Completed a further 12 store refits
    - Launched a next day delivery proposition
    - Grew multi-channel sales by 53%
    - Reduced the store estate in line with plans

Financial highlights

- Sales up 3% at £5,663m
- Cash gross margin up 2% to £2,034m
- Operating and distribution costs up £13m to £1,921m as a result of ongoing investment in strategic initiatives across both Argos and Homebase
- Benchmark operating profit[1] up 21% to £113.0m
- Benchmark profit before tax[2] up 27% to £115.4m
- Basic benchmark earnings per share[3] up 35% to 10.4p
- Reported profit before tax of £71.2m; reported basic earnings per share of 6.8p
- Year-end cash balance of £331m
- Full-year dividend up 10% at 3.3p (FY13: 3.0p); final dividend of 2.3p recommended

John Coombe, Chairman of Home Retail Group, commented:

"The Group has delivered a good financial performance in the year and it has maintained its strong financial position with a year-end cash balance of £331m. The Board remains mindful of both the investment needs of the Group and the importance of the dividend to our shareholders and, after careful consideration, it is recommending a final dividend of 2.3 pence and thus a full-year dividend of 3.3 pence. This represents a 10% increase against the previous year.

"I would like to take this opportunity to pay tribute to Terry Duddy who, over the last 15 years, the last seven as Chief Executive of Home Retail Group, has contributed so much to the Group. We wish Terry every success for the future. I would also like to welcome John Walden, who has been running Argos for the last two years, to the Board as our new Chief Executive."

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

"The Group has delivered a good performance in what remained a challenging market. Both retail businesses recorded positive like-for-like sales for all four reporting periods, resulting in 27% growth in Group benchmark profit before tax. We also made good progress with our strategic plans in both businesses, which will become increasingly important in a competitive retail environment where shopping behaviours are changing rapidly."

1. **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.

2. **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.

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

Enquiries

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

An Interim Management Statement, covering the 13 weeks from 2 March 2014 to 31 May 2014, will be published on 12 June 2014.

FINANCIAL SUMMARY

£m	52 weeks to 1 March 2014	52 weeks to 2 March 2013 Restated [1]
Argos	4,051.1	3,931.3
Homebase	1,489.2	1,430.7
Financial Services	122.7	113.4
Sales	**5,663.0**	**5,475.4**
Cost of goods	(3,628.7)	(3,473.8)
Gross margin	**2,034.3**	**2,001.6**
Group gross margin % rate	*35.9%*	*36.6%*
Operating and distribution costs	(1,921.3)	(1,908.3)
Argos	112.3	100.3
Homebase	18.9	11.0
Financial Services	6.0	6.0
Central Activities	(24.2)	(24.0)
Benchmark operating profit	**113.0**	**93.3**
Group operating margin % rate	*2.0%*	*1.7%*
Net interest income (see below)	2.4	3.8
Share of post-tax results of associates	-	(6.0)
Benchmark PBT	**115.4**	**91.1**
Amortisation of acquisition intangibles	(1.8)	(1.8)
Post-employment benefit scheme administration costs [1]	(1.9)	(2.1)
Adjustments in respect of store impairment and property provisions	2.1	14.6
Exceptional items	(41.4)	31.3
Financing fair value remeasurements	9.0	(1.1)
Financing impact on post-employment benefit obligations [1]	(3.3)	(4.0)
Discount unwind on non-benchmark items	(6.9)	(7.1)
Profit before tax[1]	**71.2**	**120.9**
Taxation [1]	(17.2)	(34.0)
of which: taxation attributable to benchmark PBT	*(32.5)*	*(29.7)*
Benchmark effective tax % rate	*28.2%*	*30.6%*
Profit for the year [1]	**54.0**	**86.9**
Basic benchmark EPS	**10.4p**	**7.7p**
Basic EPS [1]	**6.8p**	**10.9p**
Weighted average number of shares for basic EPS	795.0m	800.6m
Full-year dividend	**3.3p**	**3.0p**
Year-end cash balance	**331.0**	**396.0**

Net interest reconciliation:

Bank deposits and other interest	0.3	1.9
Financing costs charged to Financial Services	3.3	3.1
Discount unwind on benchmark items	(1.2)	(1.2)
Net interest income	**2.4**	**3.8**
Financing fair value remeasurements	9.0	(1.1)
Financing impact on post-employment benefit obligations [1]	(3.3)	(4.0)
Discount unwind on non-benchmark items	(6.9)	(7.1)
Income statement net financing income/(charge)[1]	**1.2**	**(8.4)**

The above tables and those throughout this announcement have been prepared in accordance with Note 1 to the Financial Information on page 26. The Group has adopted IAS 19 (revised) during the period as set out in Note 11 on page 32. Prior year comparatives have been restated where marked 1. The restatement has no impact on Benchmark PBT.

CHIEF EXECUTIVE'S STATEMENT

This is my first year-end statement as Chief Executive of Home Retail Group and I am pleased to be able to report on a year of good performance for the Group. Despite a backdrop of a subdued consumer environment throughout the year, both of our retail businesses achieved like-for-like sales growth in each of the Group's four reporting periods. The Group delivered benchmark profit before tax of £115.4m, a growth of 27% versus last year and benchmark EPS of 10.4p, an increase of 35% versus last year.

Argos delivered like-for-like sales growth with sales increases in a number of product categories, most notably electrical products including tablets, televisions, white goods and video game systems. Growth in these categories more than offset small sales declines in furniture, homewares and jewellery. Argos' multi-channel performance, particularly in mobile commerce, was a key factor in this growth.

Homebase also delivered a good sales performance including increasing sales of big ticket products throughout the year resulting from the continued investment in this area. Homebase also achieved good sales of seasonal products during the second quarter, which benefited from favourable weather conditions.

With its strong financial position the Group was able to invest in the strategic growth plans in both businesses, and has made good progress. These plans are important for the Group's future because, as one of the UK's leading home and general merchandise retailers, it participates in a competitive market where shopping behaviours are changing rapidly.

Home Retail Group is embracing the connected world, in which digital technologies are dramatically altering the way people communicate, learn, entertain and shop. Traditional retailing in particular is fundamentally changing. Customers continue to shift their shopping habits, and most of them interact with digital devices at some point in their shopping journey. They have come to expect multiple shopping channels, large product choice, low prices, and flexible options for obtaining their products, including collection in a local store and home delivery. Home Retail Group believes that it can innovate and lead in this changing market, and thereby secure for itself long-term business growth.

Digital and multi-channel leadership

Argos continued to grow its internet sales in the year, such that they now represent 44% of total Argos sales, up from 42% a year earlier. Within this, mobile commerce grew by 89% to reach 18% of total Argos sales.

Argos made a number of advances in its digital offer during the year including the introduction of 'My account', the launch of its first digital Christmas gift guide, and new tablet and smartphone apps. These apps have now been downloaded 5.5 million times.

Digital channels and multi-channel experiences are no less important for Homebase, as the role of the internet in the shopping journey for both DIY and home enhancement products is beginning to develop. Homebase's multi-channel sales grew by 53% and now represents 7% of its total sales. Homebase plans to upgrade its online and mobile experiences in FY15 which will materially improve the digital shopping journey for its customers.

The Group's portfolio of 1,057 stores remains a core component of its multi-channel offer. The Argos national store network, with 734 stores that are smaller and more efficient than traditional stores, is a potential strategic advantage in a digital future. Increasingly customers will seek local product collection, and will appreciate face-to-face customer service.

Argos trialled six digital concept stores in the third quarter of FY14, which seek to define a new role for an Argos store in the future. They showcase a number of the developments outlined in the Transformation plan announced in October 2012, including tablet-based browsers to replace in-store catalogues, streamlined customer journeys, fast track product collection and enhanced customer service.

Homebase continued to trial the new proposition for its stores with the refit of a further 12 stores during the financial year. These stores offer more authoritative category merchandising and ranging including several branded concessions, improved kitchen, bathroom and furniture showrooms, a decorating centre and higher levels of customer service. They are delivering sales growth that is in line with expectations.

Compelling products and customer offers
The expanding impact of e-commerce has established a standard for broad product ranges, and made pricing and product availability transparent to customers. The Group offers over 80,000 products across Argos and Homebase, 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.

During the year, Argos continued to expand its ranges with the addition of around 9,000 new lines including extensions of its existing branded product ranges into higher-end models, and the introduction of new aspirational brands. Argos believes it can satisfy more of its customers' needs by developing an offer that has universal appeal, particularly beyond its entry and value lines. Argos now sells around 43,000 lines including about 5,000 exclusively branded lines.

Homebase extended its exclusive brand strategy during FY14 with further introductions of high-end Odina fitted kitchens together with Schreiber kitchens and furniture, as well as the Qualcast range of garden power and garden hand tool products. Homebase also increased the number of Habitat concessions within Homebase stores to 15, offering a breadth of premium quality and contemporary furniture, homewares, decorating products and accessories.

Beyond great products, customers increasingly expect a retailer to offer options regarding how a customer's order for products is fulfilled, via local collection or home delivery. Indeed, the cost and speed of fulfilment can be a distinguishing feature of a retail offer, and has thus become more competitive. Home Retail Group intends to leverage its distribution and logistics scale, and unique store network, to offer convenient fulfilment.

Argos has devised a unique stocking model called 'hub & spoke'. Under this model, Argos will stock larger ranges in each of around 120 'hub' stores, and operate frequent replenishment routes between a 'hub' and its four-to-six 'spoke' stores. As a result, an extended range will be available to all Argos locations, potentially within hours. During FY14 Argos trialled elements of the 'hub & spoke' model in a number of stores in the North East of England, the Manchester and Lancashire region, and London. The trials provided good operational and customer insight, and equipped Argos for further expansion of the model in the future.

Homebase launched a new express delivery proposition in FY14, which offers next day or named day delivery on a range of around 15,000 products. The offer allows customers to order products via the internet for delivery to either their home or the Homebase store of their choice. Homebase was encouraged by the take-up rates for this offer, and expects to continue to improve its home delivery and other fulfilment offerings.

Continued cost management
The Group has a strong track record of delivering organisational and infrastructure changes that have historically reduced its costs and improved the flexibility of its businesses while improving its operational standards.

While both Argos and Homebase continue to deliver cost saving initiatives, investment in the strategic initiatives in both businesses added costs during FY14 and contributed to a small increase in the Group's total costs. The Group expects costs to increase somewhat in future years as it continues to invest in its strategic growth plans. However, the Group will continue to seek cost reductions to partially mitigate these increases.

A key focus for the Group remains its store lease portfolio, which it continues to reshape to provide flexibility to adjust to changing strategies and market conditions. The Group has made good progress in this area in FY14, and with around 400 store lease renewals or break clauses due over the next five years, representing around 38% of the store portfolio, the Group has ongoing flexibility to adjust further the store portfolio as its strategies and markets require. Total lease commitments stood at £2.6bn at the end of FY14, which is a £1.7bn, or 39%, reduction from the peak total lease commitments of £4.3bn at the end of FY08.

Outlook

Although there are signs that economic conditions are beginning to improve, with recent reports of reductions in inflation, increases in employment and growing levels of consumer confidence, the Group will continue to assume a subdued consumer environment until the recovery is more broadly based. The Group has made good progress so far with its strategic plans, which its financial performance has begun to reflect. However, the plans are multi-year and they are early in their development. Many of the important systems capabilities, new customer propositions and increased financial expectations lie ahead, and the Group cannot count on external factors to drive the business forward. The Group has a strong financial position, which will enable it to invest in the Argos Transformation plan to reinvent it as a digital retail leader, and in the Homebase Renewal plan. Overall the Group is well positioned for the future.

OPERATING COMPANY REVIEWS

Argos

52 weeks to £m	1 March 2014	2 March 2013
Sales	**4,051.1**	**3,931.3**
Benchmark operating profit	**112.3**	**100.3**
Benchmark operating margin	**2.8%**	**2.6%**
Like-for-like sales change	3.3%	2.1%
Net space sales change	(0.3%)	(0.6%)
Total sales change	3.0%	1.5%
Gross margin rate movement	Down c.50bps	Down c.50bps
Benchmark operating profit change	12%	6%
Number of stores at year-end	734	737

In October 2012 Argos outlined a five-year 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 the competitive challenges, exploit the 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 lean and flexible cost base.

In what remained a challenging market environment in FY14, Argos made good progress against its key Transformation milestones and delivered a solid trading performance throughout the year.

Operational review

Reposition Argos' channels for a digital future
Internet-led sales grew to represent 44% of total Argos sales in FY14 aided by a strong performance from both mobile phones and tablets, which grew by 89% and now represent 18% of total Argos sales. Check & Reserve also continued to grow and represented 32% of total Argos sales, with the remaining 12% of internet-led sales being fulfilled through home delivery.

Underlying its strong internet performance, Argos has improved its digital offer across both online and mobile commerce. The launch of a 'My account' function has enabled Argos to improve consistency across its online channels, whilst introducing several new features such as a single customer login, '1 click' reservation and a persistent trolley. Further developments during the year included the functionality that enables customers to order products via their mobile device for home delivery.

Argos has made significant technological improvements during the course of the year which, as with all enhancements of this scale, had an element of execution risk. Argos dealt well with the risk involved and managed the challenges that arose while delivering a strong trading performance, particularly in the second half of the year. Argos has confidence in delivering the future upgrades required in this area.

Over its peak trading period Argos introduced the Christmas gift guide in both paper and digital forms. The digital version offered richer content together with a unique and intuitive shopping journey. The traditional paper gift guide was enriched with augmented reality through 'Blippar' in order to increase the level of customer interaction and to direct customers to the wider online offering.

Over the coming year Argos will build on these digital enhancements by redesigning its online checkout to accommodate flexible payment and credit options, improving search functions and making it easier for customers to find their product by showing real-time stock availability by location. Argos will also further personalise the shopping experience on its digital channels, which will improve its ability to offer relevant products and promotions to customers. In addition, a dynamic route scheduling system will be implemented which will allow customers to select accurate narrow timeslots for home delivery. Argos will also introduce a new secure payment infrastructure which will enable customers to store their card details safely with Argos for future use.

The Argos store network remains a critical part of the Argos strategy by providing customers with local convenience and an important human connection. Argos trialled six digital concept stores during the Christmas trading period that incorporated many new developments, including online prepayment, fast track product collection and a dynamic voice-driven picking system that facilitates rapid retrieval of customer orders. Argos' traditional laminated catalogues were replaced in these stores with tablet browsers which enable customers to search for products, efficiently check stock availability and streamline their store experience. The stores also incorporate the 'hub & spoke' distribution model to provide customers with access to extended product ranges for prompt collection. Early customer feedback on the digital concept stores has been encouraging, and Argos plans to extend its trial of the concept to around an additional 25 stores in FY15.

The 'hub & spoke' distribution model will allow Argos to consider different store formats that could hold little or no stock. During FY15 it will trial formats that will include Argos stores embedded within Homebase stores and a small format store within London. During FY15 Argos will also complete the roll out of the voice picking system and fast track collection across the estate.

Provide more product choice, available to customers faster
Argos is uniquely positioned, through its store estate and supply chain, to provide market-leading fulfilment options to customers on a national scale. An initial 32 store 'hub & spoke' trial in the North East provided us with good operational insight into the workings of this new model which were then implemented into a further 13 store trial in the Manchester and Lancashire region over Argos' peak trading period as well as the four London digital concept stores. In the Manchester and Lancashire trial, customers were able to take advantage of same day access to expanded product ranges from hub stores and Argos was able to test a number of different stocking options, delivery frequencies and also the ratio of the number of hub stores to the number of spoke stores. Following these trials, Argos will begin to roll out the 'hub & spoke' model during FY15.

In order to drive further improvements in stock availability, Argos is planning to pilot an enhanced home delivery offer, with time slots available for larger 'two-man' delivery items for next day delivery and will also trial a same day or next day delivery offer on 'one-man' items from hub to home.

In September, Argos and eBay announced a trial of a UK collection service, enabling shoppers at selected eBay merchants to order products for collection at around 150 Argos stores throughout the UK. This trial is still in progress with over 100 merchants having signed up to the initiative so far.

Develop a customer offer that has universal appeal
Argos continues to improve the quality of its product range whilst simultaneously rationalising its offering to suit customer needs. Argos added about 9,000 new lines during FY14, resulting in a total offering of around 43,000 lines. The new lines included several aspirational brands, such as Emma Bridgewater homeware, Oxo Kitchenware, Baby Bjorn nursery products, Monsoon accessories, Denby kitchenware and Stoves appliances. During FY15 Argos will

further expand its ranges of branded and own brand products by around an additional 15,000 lines and will launch a new line of own brand home products.

Argos implemented a new dynamic price optimisation tool in certain product categories prior to the peak trading period which has enabled faster and more data driven pricing decisions, and has helped optimise its competitive pricing position. Further developments to this tool during FY15 will include its implementation across further product categories, as well as the introduction of an enhanced commercial dashboard which will bring real-time digital and customer information to Argos' trading teams, enabling better decision-making.

Argos has continued to invest in getting to know its customers better. With the launch of 'My account', Argos has now increased its customer database to 11.6 million registered customers. The customer insight gathered as a result of the increased level of registrations has enabled a more tailored product offering based on customers' needs, and has also enabled Argos to run bespoke promotional offers based on both customers previous activity and their profiles. During FY15, Argos will continue to expand its database of registered customers, collect more customer data and use this data to further improve customer satisfaction with its offerings.

Operate a lean and flexible cost base
Argos has a strong track record of delivering significant organisational and infrastructure changes which have historically reduced its costs and improved the flexibility of the business, while maintaining or improving operational standards. During FY14 costs reduced by £5m during the first half as a result of ongoing cost reduction initiatives, but increased by £10m during the second half, resulting in a £5m increase in FY14. This second half increase is principally a result of the increased level of cost investment in strategic initiatives, for example, the opening of a digital hub in London to accommodate the newly hired digital team. Argos will continue to work hard on cost reduction initiatives, but the impact of ongoing inflationary cost pressures, further cost investments in strategic initiatives and an increased level of depreciation as a result of an increased level of capital expenditure, are expected to result in net cost increases going forward.

Argos has continued to review its store portfolio during FY14 and to negotiate lease renewals onto shorter terms in order to improve the flexibility of its store portfolio. In the past two years Argos has closed a net 14 stores and reduced the average lease term of the estate from 7.1 to 5.5 years. Over the next five years, Argos has around a further 330 lease renewals or break clauses due.

Financial Review
Total sales in the 52 weeks to 1 March 2014 increased by 3.0% to £4,051m. Net space sales change reduced sales by 0.3% with the store portfolio reducing by a net 3 stores, to 734. Like-for-like sales increased by 3.3%. Electrical products continued to deliver sales growth driven by growth in tablets, TVs and white goods, which together with strong sales of video game systems following the launch of new consoles, more than offset small declines in furniture, homewares and jewellery.

The gross margin rate was down by approximately 50 basis points. The negative drivers were an adverse sales mix impact, resulting from the growth in sales of margin dilutive electrical products, combined with a reduction from the net impact of the adverse movement in US$ exchange rate and sea freight costs. These reductions were partially offset by an improvement from a reduced level of stock clearance activity.

Total operating and distribution costs increased by £5m as a result of increased sales, underlying cost inflation and cost investment in strategic initiatives partially offset by further cost saving initiatives. Benchmark operating profit increased by £12.0m, or 12%, to £112.3m (FY13: £100.3m).

Homebase

52 weeks to £m	1 March 2014	2 March 2013
Sales	**1,489.2**	**1,430.7**
Benchmark operating profit	**18.9**	**11.0**
Benchmark operating margin	**1.3%**	**0.8%**
Like-for-like sales change	5.9%	(4.9%)
Net space sales change	(1.8%)	(0.3%)
Total sales change	4.1%	(5.2%)
Gross margin rate movement	Down c.100bps	Up c.75bps
Benchmark operating profit change	71%	(52%)
Number of stores at year-end	323	336
Of which contain a mezzanine floor	184	186
Of which are new format	15	3
Store selling space at year-end (million sq. ft.)	14.9	15.4
Of which - garden centre area	3.4	3.6
- mezzanine floor area	1.8	1.8

The Homebase strategy is to position itself as a clearly differentiated multi-channel home enhancement retailer, creating both a store and online experience, with a softer, more stylish look and feel. Homebase is progressing with its Renewal plan which incorporates store format development, an enhanced multi-channel offer, exclusive brands and increased levels of customer service. This plan accelerates the development of Homebase as a destination for a broader range of home and garden projects, securing a larger share of customer spend and a higher frequency of visit.

Operational review

Store estate and format development

Homebase has continued to trial the new format for its stores, supported by increased levels of customer service, which creates a shopping experience that helps customers find ideas and inspiration for their homes and gardens. Following the evolution of the new proposition for stores in Ruislip and Solihull last year, 12 additional proposition stores were completed during FY14 taking the total number completed to 15. These stores are achieving sales uplifts in line with expectations and there has been a high level of positive customer feedback to the refits.

As part of Homebase's on-going management of the store portfolio, there were 13 store closures during FY14 leading to a reduction in the store portfolio to 323 stores. This level of store closures was consistent with its plans at the start of the year and, over the next five years, Homebase has around a further 65 store lease renewals or break clauses due. During the year, Homebase's stores in Ireland were subject to an examinership process which resulted in two store closures and rent reductions across the remaining 13 Irish stores. Homebase will continue to examine the opportunity for store closures, relocations or downsizes.

Multi-channel offer

Multi-channel sales have grown by 53% year-on-year to represent approximately 7% of total Homebase sales. This growth has been driven by increased website traffic as a result of an increased investment in this channel as a route for customer acquisition, as well as the introduction of improved delivery options, allowing customers to order products via the internet for delivery to either their home or the Homebase store of their choice. This service is now available on either a standard three day delivery basis or as a next day or named day offer. Both services are available on around 15,000 Homebase products and have experienced good levels of uptake. Wi-Fi is now available in all stores enabling customers to browse and shop whilst in store and allowing Homebase colleagues to assist them with their shopping mission.

Step changing multi-channel is an important part of the Homebase strategy and during FY15 Homebase will launch a new website, providing exciting new developments such as improved search functionality, registration and login and a much quicker and simpler buying experience. This will be supported by the launch of new Apple and Android Apps.

Homebase continues to use social media to engage and interact with its customers, for example videos on Homebase's YouTube channel offer customers help, advice and useful 'how to' guides.

Exclusive brands
A key differentiator for Homebase remains its strong portfolio of exclusive brands, such as Habitat, Odina, Schreiber, Qualcast and Laura Ashley. Homebase has 15 Habitat concessions and Habitat products are now available to order in all stores, across ranges such as furniture, paint and wallpaper. Habitat gives the Homebase customer greater choice with premium quality, contemporary styling, as well as some bestselling iconic designs.

Homebase's premium Odina kitchen range has now been rolled out to 49 stores (FY13: 28). The mid-market Schreiber kitchen range is now available in 317 stores either as an edited display of the range or as a cabinet display that showcases construction, material quality and provides examples of the range. This year the Qualcast range has been increased to around 100 products, a 34% increase on last year, expanding the range of garden power and garden hand tool products.

Customer service & loyalty
Homebase has continued its improvements in customer service in a number of areas during the year. A trial to improve process efficiency in stores by reallocating hours from operational tasks into customer service has been completed. Following the success of this trial, the new processes have been implemented in over 70 stores during FY14 and will be rolled out to the rest of the estate during FY15.

To monitor and react to customer feedback further, Homebase launched a customer survey called 'Paint us a picture' during the year, which gives Homebase insightful and constructive feedback on all areas of customer service. Since its launch in March 2013, the number of "highly satisfied" customers has gone from 60% to 66% and new format stores have all experienced significant increases in customer satisfaction post launch.

Homebase has a database of about 7.1 million active Nectar customers and a Nectar card is used on around 65% of sales. Homebase sent around 37 million direct mailings and around 28 million emails during FY14 to drive relevant offers to customers. Individually tailored coupons issued at point of purchase are being trialled to drive higher levels of repeat sales.

Financial review
Total sales in the 52 weeks to 1 March 2014 increased by 4.1% to £1,489m. Net space sales change reduced sales by 1.8% with 13 store closures reducing the store portfolio to 323. Like-for-like sales increased by 5.9%. After a challenging start to the year, seasonal products benefited from the improved weather in the second quarter, annualising against poor weather through the summer in the prior year. Big ticket sales were also ahead of last year, whilst remaining categories were broadly flat compared to last year.

The gross margin rate was down by approximately 100 basis points principally driven by an adverse impact from promotional sales in the first quarter and an adverse sales mix impact resulting from the strong performance of margin dilutive seasonal and big ticket products.

Total operating and distribution costs increased by £9m, as a result of increased sales, underlying cost inflation and cost investment in strategic initiatives partially offset by further cost saving initiatives. Benchmark operating profit increased by £7.9m, or by 71%, to £18.9m (FY13: £11.0m).

Financial Services

52 weeks to £m	1 March 2014	2 March 2013
Sales	**122.7**	**113.4**
Benchmark operating profit before financing costs	9.3	9.1
Financing costs	(3.3)	(3.1)
Benchmark operating profit	**6.0**	**6.0**
Store card gross receivables	594	547
Provision	(70)	(72)
Store card net receivables	524	475
Provision % of gross receivables	11.8%	13.2%

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

Operational & financial review

In-house store card credit sales increased by 8% to £681m and represented 10.4% (FY13: 10.0%) of Group retail sales. This increased level of credit sales and penetration is principally as a result of a retail sales mix into high credit attachment products such as televisions and white goods. In addition to credit sales placed on the Group's own store cards, credit offers for purchases at Homebase, which are greater than £1,000, are now principally provided through product loans from a third party provider. Including these product loans, total credit sales penetration increased to 11.6% (FY13: 11.0%) of Group retail sales. Customer use of the online account management tools continues to grow with over 800,000 registered customers.

Store card net receivables grew by £49m versus a year ago to £524m, principally as a result of the increase in credit sales. The Group finances these receivables internally with no third party debt being required. Delinquency rates improved versus the comparable period last year. Operating costs increased slightly, driven principally by increased volumes resulting in benchmark operating profit being unchanged at £6.0m (FY13: £6.0m).

In addition to benchmark operating profit there were two additional items which had a financial impact in FY14, which were as follows:

Financial Services offers Payment Protection Insurance ("PPI") to its customers. In response to an industry wide review into the handling of PPI complaints by the Financial Conduct Authority, 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, the existing provision was increased by £25m. This charge has been recognised in FY14 and taken as an exceptional item, outside of benchmark profit.

Until June 2010 Allianz Insurance provided Home Retail Group with an underwriting service for warranty products sold in both Argos and Homebase. Allianz Insurance has recently notified the Group that under a profit share arrangement relating to the run off of these historical policies, the Group is due £11.4m. This credit has been recognised in FY14 and taken as an exceptional item, outside of benchmark profit.

GROUP FINANCIAL REVIEW

Sales and benchmark operating profit

Group sales were up 3% at £5,663m (FY13: £5,475m) while Group benchmark operating profit increased 21% to £113.0m (FY13: £93.3m). 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 were broadly flat at £24.2m (FY13: £24.0m), with underlying cost inflation being offset by the continued control of central corporate costs.

Net interest income

Net interest income was £2.4m (FY13: £3.8m). Within this, third party interest income for the year declined to £0.3m (FY13: £1.9m) as a consequence of increased level of bank fees in respect of the Group's new bank facility, which were partially offset by the increased income earned on the Group's higher average cash balance.

Financing costs charged within Financial Services' benchmark operating profit, together with the corresponding credit within net interest income increased to £3.3m (FY13: £3.1m). This internal recharge is based upon UK base rates.

The charge within net interest income in relation to the discount unwind on benchmark items was £1.2m (FY13: £1.2m). This arises from the accounting treatment whereby provisions for expected future liabilities are required to be discounted back to their current value. As settlement of the liability moves closer to the present day, additional non-cash charges to unwind the discount are incurred; this will result in the absolute level of provision eventually matching the liability in the accounting period that it becomes due.

Share of post-tax results of associates

These amounted to £nil (FY13: loss of £6.0m), with the reduction being as a result of the previously disclosed disposal of the Group's 33% shareholding in Ogalas Limited, which trades as 'home store + more' in the Republic of Ireland, and the closure of the Group's Chinese joint venture.

Benchmark PBT

Benchmark PBT for the year increased 27% to £115.4m (FY13: £91.1m) driven by the factors previously discussed.

Amortisation of acquisition intangibles

A charge of £1.8m was recorded in the year (FY13: £1.8m), 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 was recorded (FY13 restated: £2.1m), in respect of the administration costs incurred by the Home Retail Group Pension Scheme. Prior to the adoption of IAS 19 (revised) this cost was charged against the expected return on plan assets within the financing impact on post-employment benefit obligations.

Adjustments in respect of store impairment and property provisions

A net credit of £2.1m (FY13: £14.6m) was recorded in the year, relating to store impairment and property provisions that are no longer required. The net credit principally reflects a £3.0m (FY13: £nil) reversal of previous impairment provisions arising on the store portfolio, combined with a £0.9m net charge (FY13: £14.6m net release) in respect of property provisions.

Exceptional items

The exceptional charge recorded in the year was £41.4m (FY13: credit of £31.3m). This charge is the net result of the following three items: a credit of £11.4m relating to Warranty Insurance and a charge of £25.0m relating to an increase to existing provisions held for PPI, both of which were discussed in more detail in the Financial Services business review, and a charge of £27.8m principally relating to the ongoing programme to transform Argos into a digital retail leader together with a number of other restructuring actions.

Financing fair value remeasurements
Certain foreign exchange movements are recognised in the income statement within net financing income. These amounted to a net gain of £9.0m (FY13: loss of £1.1m), 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 therefore 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 £3.3m (FY13 restated: £4.0m). The restatement of the FY13 comparative charge, as a result of the adoption of IAS 19 (revised) for the first time during the current period, is explained in Note 11 to the financial information on page 32.

Discount unwind on non-benchmark items
A charge of £6.9m (FY13: £7.1m) within net financing income relates to the discount unwind on onerous lease provisions. As these provisions were items previously excluded from benchmark PBT, the discount unwind has also been excluded from benchmark PBT.

Profit before tax
The profit before tax for the year was £71.2m (FY13 restated: £120.9m).

Taxation
Taxation attributable to benchmark PBT was £32.5m (FY13: £29.7m), representing an estimated effective tax rate (excluding associates) of 28.2% (FY13: 30.6%). The lower effective tax rate principally reflects two elements: a 1% reduction in the UK corporation tax rate together with the favourable impact of a relatively fixed level of disallowable expenditure in comparison to the Groups higher level of benchmark PBT in FY14.

Taxation attributable to non-benchmark items amounted to a credit of £15.3m (FY13 restated: charge of £4.3m). The total tax expense for the year was therefore £17.2m (FY13 restated: £34.0m).

Number of shares and earnings per share
The number of shares for the purpose of calculating basic earnings per share (EPS) was 795.0m (FY13: 800.6m), representing the weighted average number of issued ordinary shares of 813.4m (FY13: 813.4m), less an adjustment of 18.4m (FY13: 12.8m) 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 26.4m (FY13: 12.4m) to 821.4m (FY13: 813.0m). Basic benchmark EPS is 10.4p (FY13: 7.7p), with diluted benchmark EPS of 10.1p (FY13: 7.6p). Reported basic EPS is 6.8p (FY13 restated: 10.9p), with reported diluted EPS being 6.6p (FY13 restated: 10.7p).

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 2.3p. This takes the full-year dividend to 3.3p (FY13: 3.0p), which is a 10% increase in the full-year dividend. The final dividend, subject to approval by shareholders at the AGM, will be paid on 23 July 2014 to shareholders on the register at the close of business on 23 May 2014.

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 28 February 2015 at 1.0p.

Balance sheet

As at **£m**	**1 March** **2014**	**2 March** **2013**
Goodwill	1,543.9	1,543.9
Intangible assets	193.6	129.2
Property, plant and equipment	456.7	474.9
Inventories	902.4	941.8
Financial Services loan book	524.1	474.7
Other assets	199.7	198.8
	3,820.4	3,763.3
Trade and other payables	(1,162.7)	(1,168.7)
Provisions	(236.1)	(217.8)
	(1,398.8)	(1,386.5)
Invested capital	**2,421.6**	**2,376.8**
Post-employment benefit obligations	(76.6)	(85.1)
Net tax assets	33.0	10.7
Forward foreign exchange contracts	(35.5)	34.1
Net cash	331.0	396.0
Net assets	**2,673.5**	**2,732.5**

Net assets as at 1 March 2014 were £2,673.5m, equivalent to 343p (FY13: 342p) per share excluding shares held in Group share trusts. Invested capital as at 1 March 2014 was £2,421.6m, an increase of £44.8m versus the balance sheet as at 2 March 2013. This increase in invested capital was principally driven as a result of an increase in the combined value of intangible assets and property, plant and equipment, which reflects the increased level of capital expenditure in the year, principally as a result of the strategic investment initiatives in both Argos and Homebase. In addition, as previously discussed there was also an increase in the Financial Services loan book. The increase in invested capital was partially offset by both a reduction in inventories and an increase in provisions.

The increase in invested capital of £44.8m was more than offset by the reduction in forward foreign exchange contracts and the reduction in net cash, the result of which was an overall decrease in net assets of £59.0m.

Cash flow and net cash position

£m	52 weeks to 1 March 2014	52 weeks to 2 March 2013 Restated [1]
Benchmark operating profit	113.0	93.3
Exceptional items	(41.4)	31.3
Post-employment benefit scheme administration costs [1]	(1.9)	(2.1)
Amortisation of acquisition intangibles	(1.8)	(1.8)
Adjustments in respect of store impairment and property provisions	2.1	14.6
Statutory operating profit [1]	70.0	135.3
Depreciation and amortisation	129.5	124.7
Movement in trade working capital	18.4	131.9
Movement in Financial Services loan book	(49.4)	(18.0)
Financing costs charged to Financial Services	3.3	3.1
Cash flow impact of restructuring charges	(28.2)	(9.0)
Pension scheme deficit recovery payments	(22.0)	(8.0)
Movement in post-employment benefit obligations [1]	(13.6)	(34.2)
Other operating items	53.0	(3.7)
Cash flows from operating activities	**161.0**	**322.1**
Net capital expenditure	(173.1)	(78.7)
Taxation	(17.6)	(26.1)
Net interest	0.6	1.7
Other investments	25.2	(11.6)
Cash inflow before financing activities	**(3.9)**	**207.4**
Dividends paid	(23.9)	(8.0)
Purchase of own shares for Employee Share Trust	(37.1)	-
Net (decrease)/increase in cash and cash equivalents	**(64.9)**	**199.4**
Effect of foreign exchange rate changes	(0.1)	2.3
(Decrease)/increase in financing net cash	**(65.0)**	**201.7**
Opening financing net cash	396.0	194.3
Closing financing net cash	**331.0**	**396.0**

The Group has adopted IAS 19 (revised) during the period as set out in Note 11 on page 32. Prior year comparatives have been restated where marked 1

Cash flows from operating activities were £161.0m (FY13: £322.1m). This £161.1m decrease was principally attributable to a decrease in the cash inflow from trade working capital combined with an increase in the Financial Services loan book. There was also an increase in the outflow in respect of restructuring charges and pension scheme deficit recovery payments. Other operating items principally relate to the adding back of the non-cash impact of the exceptional charges.

Net capital expenditure was £173.1m (FY13: £78.7m), representing an increased level of investment across the Group in the previously outlined strategic initiatives of both retail businesses. Tax paid was £17.6m (FY13: £26.1m). Other investments inflow of £25.2m (FY13: outflow £11.6m) principally reflects the cash received in respect of 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 £23.9m (FY13: £8.0m). A payment of £37.4m (FY13: £nil) was made to the Home Retail Group Employee Share Trust to fund the purchase of 22.5m shares. The shares are in addition to those already held by the Trust and are needed to satisfy obligations arising from employee share schemes, a significant proportion of which relate to the save-as-you-earn plans offered to the Group's c.50,000 colleagues. This payment was partially offset by the cash receipt in respect of the exercise of a small number of share options.

The Group's financing net cash position at 1 March 2014 was £331.0m, a decrease of £65.0m 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 1 March 2014 for the defined benefit pension schemes was a net deficit of £76.6m (FY13: £85.1m). The reduction in the deficit of £8.5m was driven by an increase of £58.3m in the scheme assets to £891.8m (FY13: £833.5m), partially offset by an increase of £49.8m in the present value of scheme liabilities to £968.4m (FY13: £918.6m). The increase in the scheme liabilities was driven principally by a decrease in the assumed discount rate to 4.4% (FY13: 4.7%).

Group financing arrangements

The Group finances its operations through a combination of cash, property leases and through access to committed bank facilities where necessary. The Group's net cash balances averaged approximately £516m (FY13: approximately £429m) over the year.

The Group has a £165m committed unsecured borrowing facility, which is currently undrawn and which expires in March 2016. In addition, as at 1 March 2014 the Group's Financial Services business held a net loan book balance of £524m (FY13: £475m).

The Group has additional liabilities through its obligations to pay rents under operating leases; the operating lease charge for the year amounted to £347.9m (FY13: £353.9m). Total lease commitments stood at £2,627m at 1 March 2014 (FY13: £2,962m), which is a £1,703m, or 39%, 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 £2,046m (FY13: £2,362m) utilising a discount rate of 5.0% (FY13: 4.2%).

Counterparty credit risk management

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

Interest rate risk management

The Group's principal objective is to manage the trade-off between the effective rate of interest and the credit risk associated with the counterparty bank or financial institution. The annual effective rate of interest earned on the Group's net cash balances was unchanged in FY14 at 0.7% (FY13: 0.7%).

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. FY14 has seen a relatively stable period of hedged rates as noted in the table below.

US dollar hedged rates	**FY14**	**FY13**	**Change cents**
First half	1.57	1.60	c.(3)
Second half	1.57	1.59	c.(2)
Full year	**1.57**	**1.59**	**c.(2)**

Share price and total shareholder return

The Group's share price ranged from a low of 121.7p to a high of 207.6p during FY14. On 28 February 2014, the closing mid-market price was 196.2p, giving a market capitalisation of £1.6 billion.

Total shareholder return (the change in the value of a share including reinvested dividends) increased by 58% over the year. This compares to an increase of 48% 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 1 March 2014. The basis of preparation is outlined in Note 1 to the Financial Information on page 26.

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 26.

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 2014 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 2014 Annual Report.

The Group operates a structured risk management process which identifies and evaluates risks and uncertainties and reviews mitigating activity. The main areas of potential risk and uncertainty centre on the execution and delivery of the Argos Transformation plan and the Homebase Renewal 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 2014 Annual Report and Financial Statements is expected to be available at www.homeretailgroup.com and posted to shareholders on or around 30 May 2014. The Annual General Meeting will be held from 11.00am on Wednesday 2 July 2014 at the Jurys Inn Milton Keynes, Midsummer Boulevard, Milton Keynes MK9 2HP.

Appendix 1. Trading statement comparables

	Q1 13 weeks to 1 June 2013
Argos	
Sales	£828m
Like-for-like sales change	1.9%
Net space sales change	(0.7%)
Total sales change	1.2%
Gross margin movement	Down c.75bps
Homebase	
Sales	£422m
Like-for-like sales change	1.4%
Net space sales change	(1.2%)
Total sales change	0.2%
Gross margin movement	Down c.200bps

	Q2 13 weeks to 31 Aug 2013	H1 26 weeks to 31 Aug 2013
Argos		
Sales	£889m	£1,717m
Like-for-like sales change	2.7%	2.3%
Net space sales change	(0.3%)	(0.5%)
Total sales change	2.4%	1.8%
Gross margin movement	Down c.50bps	Down c.75bps
Homebase		
Sales	£400m	£822m
Like-for-like sales change	11.0%	5.9%
Net space sales change	(1.7%)	(1.5%)
Total sales change	9.3%	4.4%
Gross margin movement	c.0bps	Down c.100bps

	Q3 18 weeks to 4 Jan 2014	YTD 44 weeks to 4 Jan 2014
Argos		
Sales	£1,808m	£3,525m
Like-for-like sales change	3.8%	3.1%
Net space sales change	(0.2%)	(0.4%)
Total sales change	3.6%	2.7%
Gross margin movement	Down c.50bps	Down c.50bps
Homebase		
Sales	£464m	£1,286m
Like-for-like sales change	4.7%	5.4%
Net space sales change	(2.4%)	(1.8%)
Total sales change	2.3%	3.6%
Gross margin movement	Down c.75bps	Down c.100bps

	Q4 8 weeks to 1 Mar 2014	H2 26 weeks to 1 Mar 2014	FY 52 weeks to 1 Mar 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

Consolidated income statement

For the 52 weeks ended 1 March 2014

		52 weeks ended 1 March 2014			52 weeks ended 2 March 2013 (restated)		
		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		**5,663.0**	**-**	**5,663.0**	5,475.4	-	5,475.4
Cost of sales		**(3,899.2)**	**-**	**(3,899.2)**	(3,743.3)	-	(3,743.3)
Gross profit		**1,763.8**	**-**	**1,763.8**	1,732.1	-	1,732.1
Net operating expenses		**(1,652.4)**	**(41.4)**	**(1,693.8)**	(1,628.1)	31.3	(1,596.8)
Operating profit/(loss)		**111.4**	**(41.4)**	**70.0**	104.0	31.3	135.3
- Finance income		**10.5**	**-**	**10.5**	3.1	-	3.1
- Finance expense		**(9.3)**	**-**	**(9.3)**	(11.5)	-	(11.5)
Net financing income/(expense)	4	**1.2**	**-**	**1.2**	(8.4)	-	(8.4)
Share of post-tax loss of associates		**-**	**-**	**-**	(6.0)	-	(6.0)
Profit/(loss) before tax		**112.6**	**(41.4)**	**71.2**	89.6	31.3	120.9
Taxation		**(26.6)**	**9.4**	**(17.2)**	(26.5)	(7.5)	(34.0)
Profit/(loss) for the year attributable to equity holders of the Company		**86.0**	**(32.0)**	**54.0**	63.1	23.8	86.9
Earnings per share				**pence**			pence
- Basic	6			**6.8**			10.9
- Diluted	6			**6.6**			10.7
				pence			pence
Proposed final dividend per share				**2.3**			2.0
Interim dividend per share				**1.0**			1.0
Proposed total dividend per share				**3.3**			3.0

Non-GAAP measures		***52 weeks ended 1 March 2014***	*52 weeks ended 2 March 2013*
Reconciliation of profit before tax (PBT) to benchmark PBT	*Notes*	***£m***	*£m*
Profit before tax		***71.2***	*120.9*
Adjusted for:			
Amortisation of acquisition intangibles		***1.8***	*1.8*
Post-employment benefit scheme administration costs		***1.9***	*2.1*
Adjustments in respect of store impairment and property provisions		***(2.1)***	*(14.6)*
Exceptional items	*3*	***41.4***	*(31.3)*
Financing fair value remeasurements	*4*	***(9.0)***	*1.1*
Financing impact on post-employment benefit obligations	*4*	***3.3***	*4.0*
Discount unwind on non-benchmark items	*4*	***6.9***	*7.1*
Benchmark PBT		***115.4***	*91.1*
Benchmark earnings per share		***pence***	*pence*
- Basic	*6*	***10.4***	*7.7*
- Diluted	*6*	***10.1***	*7.6*

Consolidated statement of comprehensive income

For the 52 weeks ended 1 March 2014

	52 weeks ended 1 March 2014	52 weeks ended 2 March 2013 (restated)
	£m	£m
Profit for the year attributable to equity holders of the Company	**54.0**	86.9
Items that may be reclassified subsequently to profit or loss:		
Net change in fair value of cash flow hedges		
- Foreign currency forward exchange contracts	**(72.2)**	33.4
Net change in fair value of cash flow hedges transferred to inventory		
- Foreign currency forward exchange contracts	**13.7**	(5.3)
Fair value movements on available-for-sale financial assets	**1.1**	2.0
Fair value movements on available-for-sale financial assets transferred to the income statement	**(3.4)**	-
Currency translation differences	**(3.6)**	0.6
Tax credit/(charge) in respect of items that will be or have been recycled	**13.1**	(6.1)
	(51.3)	24.6
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of the net defined benefit liability	**(23.8)**	(8.0)
Tax credit in respect of items not recycled	**3.3**	-
	(20.5)	(8.0)
Other comprehensive income for the year, net of tax	**(71.8)**	16.6
Total comprehensive income for the year attributable to equity holders of the Company	**(17.8)**	103.5

Consolidated balance sheet

At 1 March 2014

	Notes	**1 March 2014 £m**	2 March 2013 £m
ASSETS			
Non-current assets			
Goodwill		**1,543.9**	1,543.9
Other intangible assets		**193.6**	129.2
Property, plant and equipment		**456.7**	474.9
Investment in associates		**-**	-
Deferred tax assets		**41.3**	40.7
Trade and other receivables		**1.8**	2.7
Other financial assets		**9.9**	24.4
Total non-current assets		**2,247.2**	2,215.8
Current assets			
Inventories		**902.4**	941.8
Trade and other receivables		**712.1**	636.8
Current tax assets		**10.4**	8.3
Other financial assets		**1.0**	36.9
Cash and cash equivalents		**331.0**	396.0
Total current assets		**1,956.9**	2,019.8
Non-current assets classified as held for sale		**-**	9.6
Total assets		**4,204.1**	4,245.2
LIABILITIES			
Non-current liabilities			
Trade and other payables		**(47.4)**	(52.6)
Provisions	7	**(190.0)**	(179.5)
Deferred tax liabilities		**(12.9)**	(26.6)
Post-employment benefits		**(76.6)**	(85.1)
Total non-current liabilities		**(326.9)**	(343.8)
Current liabilities			
Trade and other payables		**(1,115.3)**	(1,116.1)
Provisions	7	**(46.1)**	(38.3)
Other financial liabilities		**(36.5)**	(2.8)
Current tax liabilities		**(5.8)**	(11.7)
Total current liabilities		**(1,203.7)**	(1,168.9)
Total liabilities		**(1,530.6)**	(1,512.7)
Net assets		**2,673.5**	2,732.5
EQUITY			
Share capital		**81.3**	81.3
Capital redemption reserve		**6.4**	6.4
Merger reserve		**(348.4)**	(348.4)
Other reserves		**(52.3)**	31.9
Retained earnings		**2,986.5**	2,961.3
Total equity		**2,673.5**	2,732.5

Consolidated statement of changes in equity

For the 52 weeks ended 1 March 2014

	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**

	Attributable to equity holders of the Company (restated)					
	Share capital £m	Capital redemption reserve £m	Merger reserve £m	Other Reserves £m	Retained earnings £m	Total £m
Balance at 4 March 2012	81.3	6.4	(348.4)	8.6	2,877.5	2,625.4
Profit for the year	-	-	-	-	86.9	86.9
Other comprehensive income	-	-	-	21.9	(5.3)	16.6
Total comprehensive income for the year ended 2 March 2013	-	-	-	21.9	81.6	103.5
Transactions with owners:						
Movement in share-based compensation reserve	-	-	-	-	11.9	11.9
Net movement in own shares	-	-	-	1.4	(1.4)	-
Equity dividends paid during the year	-	-	-	-	(8.0)	(8.0)
Other distributions	-	-	-	-	(0.3)	(0.3)
Total transactions with owners	-	-	-	1.4	2.2	3.6
Balance at 2 March 2013	81.3	6.4	(348.4)	31.9	2,961.3	2,732.5

Further details on equity movements are shown in note 8.

Consolidated statement of cash flows

For the 52 weeks ended 1 March 2014

	Notes	**52 weeks ended 1 March 2014 £m**	52 weeks ended 2 March 2013 £m
Cash flows from operating activities			
Cash generated from operations	9	**161.0**	322.1
Tax paid		**(17.6)**	(26.1)
Net cash inflow from operating activities		**143.4**	296.0
Cash flows from investing activities			
Purchase of property, plant and equipment		**(72.5)**	(55.3)
Purchase of other intangible assets		**(102.8)**	(25.3)
Proceeds from the disposal of property, plant and equipment		**2.2**	1.9
Loans granted to associates		**-**	(6.8)
Loans repaid by associates		**3.5**	-
Purchase of investments		**-**	(4.8)
Disposal of investments		**21.7**	-
Interest received		**0.6**	1.7
Net cash used in investing activities		**(147.3)**	(88.6)
Cash flows from financing activities			
Purchase of shares for Employee Share Trust		**(37.4)**	-
Proceeds from disposal of shares held by Employee Share Trust		**0.3**	-
Dividends paid		**(23.9)**	(8.0)
Net cash used in financing activities		**(61.0)**	(8.0)
Net (decrease)/increase in cash and cash equivalents		**(64.9)**	199.4
Movement in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		**396.0**	194.3
Effect of foreign exchange rate changes		**(0.1)**	2.3
Net (decrease)/increase in cash and cash equivalents		**(64.9)**	199.4
Cash and cash equivalents at the end of the year		**331.0**	396.0

Analysis of net cash/(debt)

At 1 March 2014

Non-GAAP measures	***1 March 2014 £m***	*2 March 2013 £m*
Financing net cash:		
Cash and cash equivalents	***331.0***	*396.0*
Total financing net cash	***331.0***	*396.0*
Operating net debt:		
Off balance sheet operating leases	***(2,046.2)***	*(2,361.7)*
Total operating net debt	***(2,046.2)***	*(2,361.7)*
Total net debt	***(1,715.2)***	*(1,965.7)*

The Group uses the term 'total net debt' to highlight the Group's aggregate net indebtedness to banks and other financial institutions together with debt-like liabilities, notably operating leases. The capitalised value of these leases is £2,046.2m (2013: £2,361.7m), based upon discounting the existing lease commitments at the Group's estimated long-term cost of borrowing of 5.0% (2013: 4.2%).

Notes

For the 52 weeks ended 1 March 2014

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 1 March 2014 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 2014, 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 2014. The financial year represents the 52 weeks to 1 March 2014 (prior financial year 52 weeks to 2 March 2013).

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 2 March 2013. 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

In June 2011, the IASB issued amendments to IAS 19 'Employee Benefits' (IAS 19 (revised)). The revised standard is effective for the first time during the 52 weeks to 1 March 2014 and is required to be applied retrospectively. The impact on the Group's post-employment benefits is to replace the interest expense on post-employment benefit obligations and the expected return on plan assets with a single net interest amount that is calculated by applying the discount rate to the net post-employment benefit surplus or deficit; currently a net deficit for the Group. In addition, the administration costs of the Home Retail Group Pension Scheme, previously charged against the expected return on plan assets, are now charged within operating costs. Prior year comparatives have been restated, and the impact of these restatements is set out in note 11. As the Group has always recognised actuarial gains and losses immediately, there has been no change to the Group's net assets as a result of the adoption of IAS 19 (revised), so no restatement of the balance sheet is required. The adjustments to the income statement resulting from adoption of IAS 19 (revised) relate only to items previously excluded from the Group's reported benchmark profit before tax, so the adoption of IAS 19 (revised) has had no impact on reported benchmark profit before tax.

The Group has also adopted IFRS 13 'Fair Value Measurement', issued by the IASB in May 2011, and the amendment to IAS 1 'Presentation of Financial Statements', issued in June 2011. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. The application of IFRS 13 has not impacted the fair value measurements carried out by the Group. IFRS 13 requires specific disclosures on fair values which are provided within the Group's Annual Report and Financial Statements 2014.

In accordance with the amendment to IAS 1, the consolidated statement of comprehensive income is now required to group together those items that may subsequently be reclassified to profit and loss, and those that will not. This change is presentational only, and has had no impact on previously reported amounts.

There are no other new standards, amendments to existing standards or interpretations which are effective for the first time during the year ended 1 March 2014 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 9 'Financial Instruments', which is being issued in phases by the IASB. Until IFRS 9 is finalised, its full requirements remain uncertain, so it is not currently possible to assess the impact of its adoption on the Group's financial statements. 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 material and non-recurring are presented as exceptional items within their relevant income statement line. The separate reporting of exceptional items helps provide a better indication of underlying performance of the Group. Examples of items which may be recorded as exceptional items are restructuring costs and the profits 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:

Notes

For the 52 weeks ended 1 March 2014

- 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 1 March 2014 £m**	52 weeks ended 2 March 2013 £m
Argos transformation and other restructuring charges	**(27.8)**	-
Customer redress - Payment Protection Insurance	**(25.0)**	-
Warranty Insurance	**11.4**	-
Net gain on employee benefits	**-**	31.3
Exceptional items in operating profit	**(41.4)**	31.3
Tax on exceptional items in profit before tax	**9.4**	(7.5)
Exceptional (loss)/profit after tax for the year	**(32.0)**	23.8

Exceptional charges totalling £27.8m were incurred during the 52 weeks ended 1 March 2014, in respect of the ongoing project to transform Argos into a digital retail leader, combined with a number of other restructuring actions.

Financial Services offers Payment Protection Insurance to its customers. In response to an industry wide review by the Financial Conduct Authority, 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, there has been an increase to the existing provision of £25.0m.

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 commission income of £11.4m.

The Home Retail Group defined benefit pension scheme closed to future accrual with effect from 31 January 2013. This led to a net gain of £31.3m for the 52 weeks ended 2 March 2013, which included a non-cash curtailment gain of £37.4m, offset by costs of £6.1m related to closure of the scheme.

Notes

For the 52 weeks ended 1 March 2014

4. NET FINANCING INCOME/(EXPENSE)	**52 weeks ended 1 March 2014 £m**	52 weeks ended 2 March 2013 (restated) £m
Finance income:		
Bank deposits	**0.3**	1.9
Financing fair value remeasurements - net exchange gains	**6.8**	1.2
Financing fair value remeasurements – available for sale financial assets	**3.4**	-
Total finance income	**10.5**	3.1
Finance expense:		
Unwinding of discounts	**(8.1)**	(8.3)
Financing fair value remeasurements – net exchange losses	**(1.2)**	(2.3)
Interest expense on post-employment benefit liabilities	**(3.3)**	(4.0)
Total finance expense	**(12.6)**	(14.6)
Less: finance expense charged to Financial Services cost of sales	**3.3**	3.1
Total net finance expense	**(9.3)**	(11.5)
Net financing income/(expense)	**1.2**	(8.4)

Included within unwinding of discounts is a £6.9m charge (2013: £7.1m) relating to the discount unwind on non-benchmark property provisions.

5. DIVIDENDS	**52 weeks ended 1 March 2014 £m**	52 weeks ended 2 March 2013 £m
Amounts recognised as distributions to equity holders		
Final dividend of 2.0p per share (2013: nil) for the prior year	**(16.0)**	-
Interim dividend of 1.0p per share (2013: 1.0p) for the current year	**(7.9)**	(8.0)
Ordinary dividends on equity shares	**(23.9)**	(8.0)

A final dividend in respect of the year ended 1 March 2014 of 2.3p per share (2013: 2.0p), amounting to a total final dividend of £17.9m, 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 3.3p per share, amounting to £25.8m. The final dividend of 2.3p per share will be paid on 23 July 2014 to shareholders who are on the register of members at close of business on 23 May 2014. The Home Retail Group Employee Share Trust (EST) has waived its entitlement to dividends to the amount of £0.5m (2013: £0.1m).

Notes

For the 52 weeks ended 1 March 2014

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 1 March 2014	52 weeks ended 2 March 2013 (restated)
Earnings	**£m**	£m
Profit after tax for the financial year	**54.0**	86.9
Adjusted for:		
Amortisation of acquisition intangibles	**1.8**	1.8
Post-employment benefit scheme administration costs	**1.9**	2.1
Adjustments in respect of store impairment and property provisions	**(2.1)**	(14.6)
Exceptional items	**41.4**	(31.3)
Financing fair value remeasurements	**(9.0)**	1.1
Financing impact on post-employment benefit obligations	**3.3**	4.0
Discount unwind on non-benchmark items	**6.9**	7.1
Attributable taxation (credit)/charge	**(6.9)**	7.1
Non-benchmark tax credit in respect of prior years	**(8.2)**	(2.7)
Tax rate change	**(0.2)**	(0.1)
Benchmark profit after tax for the financial year	**82.9**	61.4
Weighted average number of shares	**millions**	millions
Number of ordinary shares for the purpose of basic EPS	**795.0**	800.6
Dilutive effect of share incentive awards	**26.4**	12.4
Number of ordinary shares for the purpose of diluted EPS	**821.4**	813.0
EPS	**pence**	pence
Basic EPS	**6.8**	10.9
Diluted EPS	**6.6**	10.7
Basic benchmark EPS	**10.4**	7.7
Diluted benchmark EPS	**10.1**	7.6

Notes
For the 52 weeks ended 1 March 2014

7. PROVISIONS

	Property £m	Insurance £m	Restructuring £m	Customer redress £m	Other £m	Total £m
At 3 March 2013	(150.9)	(41.5)	(11.8)	(12.3)	(1.3)	(217.8)
Exchange differences	2.4	-	-	-	-	2.4
Charged to the income statement	(36.3)	(5.1)	(0.7)	(25.0)	(2.5)	(69.6)
Released to the income statement	35.4	2.0	0.3	-	-	37.7
Utilised during the year	5.9	6.5	2.7	3.6	0.8	19.5
Discount unwind	(8.3)	-	-	-	-	(8.3)
At 1 March 2014	**(151.8)**	**(38.1)**	**(9.5)**	**(33.7)**	**(3.0)**	**(236.1)**

Analysed as:	**2014 £m**	2013 £m
Current	**(46.1)**	(38.3)
Non-current	**(190.0)**	(179.5)
	(236.1)	(217.8)

Property provisions principally comprise obligations on 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 value-in-use. Where the value-in-use calculation is lower, the provision is based on the present value of expected future cash flows relating to rents, rates and other property costs to the end of the lease terms net of expected trading or sublet income. The majority of this provision is expected to be utilised over the period to 2020.

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

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. Actions announced during prior years, to improve the operational efficiency of the Group and drive further cost productivity included the closure of one of the Group's distribution warehouses. The majority of this provision is expected to be utilised within one year.

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 has been undertaken with the support of an independent expert, which will result in a customer redress exercise being carried out. As a result, there has been an increase to the existing provision of £25.0m. 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 administrative expenses. 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 1 March 2014 would have increased/(decreased) by approximately £1m. This provision is expected to be utilised within three years.

Opening balances have been reclassified to reflect the new categorisation of the provisions.

Notes

For the 52 weeks ended 1 March 2014

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 £35.2m (2013: credit of £1.4m) 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 1 March 2014, the EST held 34,025,109 (2013: 12,762,196) shares with a market value of £66.8m (2013: £16.1m). The shares in the EST are held within equity of the Group at a cost of £55.8m (2013: £20.4m). During the 52 weeks ended 1 March 2014, 22.5m additional shares were purchased for a cost of £37.4m (2013: nil). 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 1 March 2014, the Trust held 602,332 (2013: 651,283) shares with a market value of £1.2m (2013: £0.8m). These shares are held within equity of the Group at a cost of £2.5m (2013: £2.7m). No additional shares were purchased during the year (2013: nil).

9. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash generated from operations	**52 weeks ended 1 March 2014 £m**	52 weeks ended 2 March 2013 (restated) £m
Profit before tax	**71.2**	120.9
Adjustments for:		
Share of post-tax loss of associates	**-**	6.0
Net financing (income)/expense	**(1.2)**	8.4
Operating profit	**70.0**	135.3
(Profit)/loss on sale of property, plant and equipment and other intangible assets	**(0.2)**	0.2
Depreciation and amortisation	**129.5**	124.7
Reversal of impairment losses	**(3.0)**	-
Finance expense charged to Financial Services cost of sales	**3.3**	3.1
Decrease/(increase) in inventories	**39.4**	(8.6)
(Increase)/decrease in receivables	**(74.6)**	(40.9)
Increase in payables	**5.5**	163.4
Movement in working capital	**(29.7)**	113.9
Increase/(decrease) in provisions	**12.4**	(24.5)
Movement in post-employment benefit obligations	**(35.6)**	(42.2)
Share-based payment expense (net of dividend equivalent payments)	**14.3**	11.6
Cash generated from operations	**161.0**	322.1

Notes

For the 52 weeks ended 2 March 2013

10. RELATED PARTIES

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

During the year, the Group granted loans totalling £nil (2013: £6.8m) to its associates, received £3.5m (2013: £nil) by way of loan repayment from its associates and invested £nil (2013: £2.4m) in the share capital of its associates. At 1 March 2014, the amounts owed by its associates to the Group totalled £0.1m (2013: £3.7m), net of accumulated impairment losses totalling £3.9m (2013: £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. RESTATEMENT OF PRIOR PERIOD INFORMATION

The Group has adopted IAS 19 (revised) during the period. The impact on the Group's post-employment benefits is to replace the interest expense on post-employment benefit obligations and the expected return on plan assets with a single net interest amount that is calculated by applying the discount rate to the net post-employment benefit surplus or deficit. In addition, the administration costs of the Home Retail Group Pension Scheme, previously charged against the expected return on plan assets, are now charged within operating costs. Prior year comparatives have been restated as follows:

Impact on income statement

	52 weeks to 2 March 2013		
	As previously reported	Prior period adjustment	As restated
	£m	£m	£m
Operating profit	137.4	(2.1)	135.3
Finance income	47.2	(44.1)	3.1
Finance expense	(48.5)	37.0	(11.5)
Net financing expense	(1.3)	(7.1)	(8.4)
Share of post-tax loss of associates	(6.0)	-	(6.0)
Profit before tax	130.1	(9.2)	120.9
Taxation	(36.1)	2.1	(34.0)
Profit for the period	94.0	(7.1)	86.9
Impact on earnings per share	pence	pence	pence
Basic	11.7	(0.8)	10.9
Diluted	11.6	(0.9)	10.7

Impact on non-GAAP measures

Reconciliation of profit before tax (PBT) to benchmark PBT

	52 weeks to 2 March 2013		
	As previously reported	*Prior period adjustment*	*As restated*
	£m	*£m*	*£m*
Profit before tax	*130.1*	*(9.2)*	*120.9*
Adjusted for:			
Amortisation of acquisition intangibles	*1.8*	*-*	*1.8*
Post-employment benefit scheme administration costs	*-*	*2.1*	*2.1*
Adjustments in respect of store impairment and property provisions	*(14.6)*	*-*	*(14.6)*
Exceptional items	*(31.3)*	*-*	*(31.3)*
Financing fair value remeasurements	*1.1*	*-*	*1.1*
Financing impact on post-employment benefit obligations	*(3.1)*	*7.1*	*4.0*
Discount unwind on non-benchmark items	*7.1*	*-*	*7.1*
Benchmark PBT	*91.1*	*-*	*91.1*
Impact on benchmark earnings per share	*pence*	*pence*	*pence*
Basic	*7.7*	*-*	*7.7*
Diluted	*7.6*	*-*	*7.6*

Notes

For the 52 weeks ended 2 March 2013

Impact on consolidated statement of comprehensive income

	52 weeks to 2 March 2013		
	As previously reported	Prior period adjustment	As restated
	£m	£m	£m
Profit for the period attributable to equity holders of the Company	94.0	(7.1)	86.9
Other comprehensive income:			
Net change in fair value of cash flow hedges			
- Foreign currency forward exchange contracts	33.4	-	33.4
Net change in fair value of cash flow hedges transferred to inventory			
- Foreign currency forward exchange contracts	(5.3)	-	(5.3)
Remeasurement of the net defined benefit liability	(17.2)	9.2	(8.0)
Fair value movements on available-for-sale financial assets	2.0	-	2.0
Currency translation differences	0.6	-	0.6
Tax charge in respect of items taken directly to equity	(4.0)	(2.1)	(6.1)
Other comprehensive income for the period, net of tax	9.5	7.1	16.6
Total comprehensive income for the period attributable to equity holders of the Company	103.5	-	103.5

12. POST BALANCE SHEET EVENTS

On 11 April 2014, the Group entered into an agreement to partner with Fujitsu to provide the Information Systems infrastructure and services that support the Group's operations. Costs of approximately £12m, associated with transitioning these services to Fujitsu, are expected to be incurred in the year ending 28 February 2015. This charge will be taken as an exceptional item, outside of benchmark profit.

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 1 March 2014 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	Richard Ashton
Chief Executive	Finance Director
30 April 2014	30 April 2014