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The Argos and Homebase store cards were used for over four million customer transactions last year.


# Supporting success.


## Financial Services makes an important contribution to the success of the Group and its retail brands.


By making everyday products easier for Argos and Homebase customers to afford, its credit and insurance offers help to drive product sales and maximise profits for the Group. Customers can apply for credit whether they shop in-store, online or over the phone.

### Where can I find more information?

 Pg 40. Operational review.  
Development of the product portfolio continues.

 Pg 40. Operational review.  
Credit offers have supported growth in the retail brands.

 Pg 41. Performance.  
Store cards funded 10% of Argos sales and 5% of Homebase sales.

 Pg 41. Financial review.  
Gross store card receivables reached £482m.



## Financial Services business review

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

### Financial Services operational review

The store card operations continue to drive retail sales. £566m of Group retail sales were funded by the store cards, with the penetration rate increasing to 8.5%.

Promotional credit is a key enabler of driving gains in 'big ticket' categories. Approximately 75% of all credit sales were on promotional credit terms; the cards offer a range of three, six, nine and 12 month 'buy now, pay later' plans. The offer is also fully multi-channel, with the availability of credit being a feature on both [www.argos.co.uk](http://www.argos.co.uk) and [www.homebase.co.uk](http://www.homebase.co.uk).

There has been successful expansion of ancillary businesses. The joint venture with Barclays Bank PLC has seen good take-up of the Argos credit card launched in May 2007. Direct insurance arrangements have also seen good progress, with significant growth in pet insurance in particular.

### Financial Services financial review

Financial Services' financial objective is to achieve a return in line with financial services industry norms on the revolving (i.e. interest-bearing) element of receivables; the provision of promotional credit products is recharged at cost to the Argos and Homebase businesses. The benchmark operating result of £5.5m for the year therefore reflects this arrangement, with the cost advantage versus third-party promotional credit provision being recognised in Argos and Homebase benchmark operating profits.

Total gross receivables grew by £19m, with a £34m increase in store card operations partially funded by the £15m reduction in the planned run-off of the on-balance sheet personal loans operation.

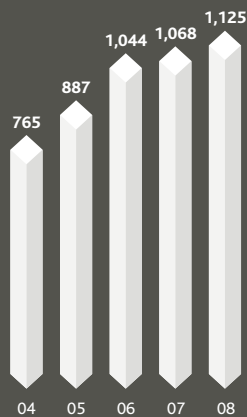
There was a small increase in provision levels over last year, driven by the run-off of personal loans; delinquency rates for the store card operations were marginally lower than the prior year. The increase in financing costs reflects the growth in receivables as well as a higher internal rate being charged to reflect the movement in funding costs. A corresponding benefit is recognised in Group net interest income.

52 weeks to	1 March 2008	3 March 2007
<b>Sales (£m)</b>	<b>95.4</b>	<b>93.2</b>
Benchmark operating profit before financing costs	25.1	22.8
Financing costs	(19.6)	(17.8)
<b>Benchmark operating profit (£m)</b>	<b>5.5</b>	<b>5.0</b>
<b>As at</b>	<b>1 March 2008</b>	<b>3 March 2007</b>
Store card gross receivables	482	448
Personal loans gross receivables	9	24
Total gross receivables	491	472
Provision	(59)	(55)
Total net receivables	432	417
Provision % of gross receivables	12.0%	11.7%

# Financial Services performance

## NUMBER OF ACTIVE STORE CARD HOLDERS ('000s)

The total number of active account holders grew to 1.1 million. The cards offer a range of 3, 6, 9 and 12 month 'buy now, pay later' plans. The offer is also fully multi-channel, with the availability of credit online being a feature on both [www.argos.co.uk](http://www.argos.co.uk) and [www.homebase.co.uk](http://www.homebase.co.uk).

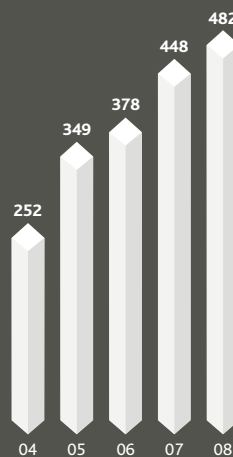


**Definitions:**  
Total number of store card accounts that have had monetary activity, either making a sale transaction, a payment or having an outstanding balance in the last six months.

**Source:**  
Measured internally.

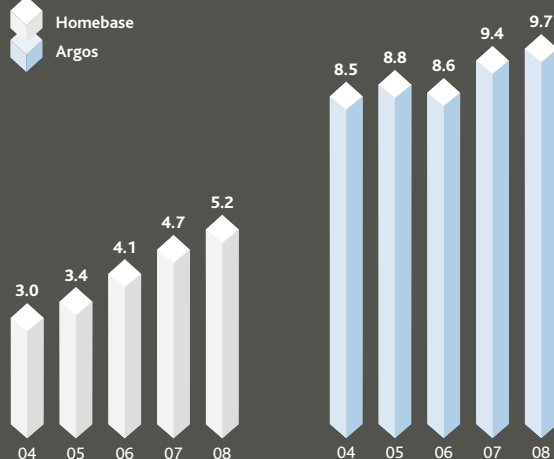
## GROSS STORE CARD RECEIVABLES (£M)

There was a £34m increase in gross store card receivables in the year driven by the continued success in the range of promotional credit products offered. 50% of total store card balances are revolving.



**Definitions:**  
Total balances outstanding on customer store card accounts.

**Source:**  
Measured internally.



## % SALES FUNDED BY STORE CARDS

Retail credit penetration has reached 9.7% at Argos and 5.2% at Homebase, supported by a competitive range of promotional credit offers. Credit offerings are available through each of the different channels; application can be made and approved in-store, online and over the phone. The level of sales funded by store cards is higher for 'big ticket' purchases as the cards enhance affordability.

**Definitions:**  
Calculated by dividing store card credit sales (including VAT), over total UK retail sales (including VAT).

**Source:**  
Measured internally.

- 06 and 07 are on a 52-week pro forma basis
- 05 onwards IFRS