



Half-Year Results 2007/08

Home Retail Group plc

Results for the 26 weeks to 1 September 2007



24 October 2007

Home Retail Group plc Half-Year Results

Home Retail Group, the UK's leading home and general merchandise retailer, today announces its results for the 26 weeks to 1 September 2007. The results of the prior year's first half reflect a non-comparable financial period due to the change in year-end and also include certain financial impacts of GUS plc's ownership of Home Retail Group up to the point of demerger¹. To assist with analysis and comparison, certain pro forma information for the prior period has therefore been provided to eliminate the distortions of these two impacts on the performance of Home Retail Group.

Operating highlights

- Successful execution of trading strategies
- Supply chain initiatives continuing to provide benefits across the group
- Product, customer and operational initiatives in progress to continue driving sustainable growth
- Launch of largest ever Argos catalogue
- Homebase's new store opening programme accelerated by the acquisition of 27 Focus DIY stores
- The trialling of Argos in India and the new HomeStore&More format in the UK are proceeding to plan

Financial highlights

- Sales² up 3.0% in total to £2,736.5m (2006 pro forma: £2,656.4m), with like-for-like sales up 1.4% at Argos and down 2.5% at Homebase
- Gross margin ahead by approximately 125 basis points at Argos and approximately 300 basis points at Homebase
- Continued emphasis on operating cost control across the group with approximately 3% underlying inflation and around 1% other cost growth
- Benchmark operating profit³ up 34% to £136.1m (2006 pro forma: £101.7m), with growth of 50% at Argos and 12% at Homebase; reported operating profit of £150.4m
- Benchmark profit before tax⁴ up 40% to £149.8m (2006 pro forma: £107.2m); reported profit before tax of £169.3m
- Basic benchmark earnings per share⁵ up 41% to 11.7p (2006 pro forma: 8.3p); reported basic earnings per share of 13.2p
- Cash generation of £162.7m, benefiting principally from further improvement in working capital management; closing net cash position of £222.9m versus year-end £60.2m
- Interim dividend increased by 18% to 4.7p (2006: 4.0p)

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

"The Group has performed very strongly in the first half, both from an operational and financial point of view. There was a particularly good result at Argos with profit growth of 50%, while Homebase grew profits by 12% despite some difficult market conditions. Although we remain cautious given the uncertain consumer outlook, as we move into the key seasonal period both businesses continue to enhance their customer offers, while also benefiting from the leverage of our shared group operations."

1. **The change in both the year-end and the Group's capital structure on demerger resulted in prior year statutory reported results that are non-comparable.** The statutory reported results for the first half of the current financial year represent the 26 weeks to 1 September 2007. The statutory reported results for the first half of the prior financial year represented the results for Homebase for the seven calendar months of March to September inclusive, and the results for the rest of the Group for the six calendar months of April to September inclusive. The results for the first half of the prior financial year also reflected certain financial impacts that were a result of the fact that Home Retail Group was wholly owned by its former parent company, GUS plc, until the demerger became effective on 10 October 2006. The prior period results are not therefore representative of a financial period length comparable to this year, nor do they reflect the capital structure that Home Retail Group operated under from the date the demerger occurred.
2. **Sales** are calculated on a 26-week basis. This represents the statutory reported 26 weeks to 1 September 2007 and the comparable pro forma 26 weeks to 2 September 2006.
3. **Benchmark operating profit** is defined as operating profit before amortisation of acquisition intangibles, store impairment charges, exceptional items and costs related to demerger incentive schemes. It is calculated on a pro forma 26-week basis for the comparable period.
4. **Benchmark profit before tax (benchmark PBT)** is defined as profit before amortisation of acquisition intangibles, store impairment charges, exceptional items, costs related to demerger incentive schemes, financing fair value remeasurements, financing impact on retirement benefit balances and taxation. Net interest income within pro forma benchmark PBT is calculated to illustrate the Group's financial performance as if the demerger capital structure had existed at 31 March 2006 and had been achieved based on underlying cash flows prior to 31 March 2006. Benchmark PBT also includes Home Retail Group's share of post-tax results of joint ventures and associates. It is calculated on a pro forma 26-week basis for the comparable period.
5. **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 from the date of demerger (excluding Home Retail Group shares held in its Employee Share Ownership Trust (ESOT)). It is calculated on a pro forma 26-week basis for the comparable period.

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

FINANCIAL SUMMARY

£m	Statutory 26 weeks to 1 September 2007	Pro forma 26 weeks to 2 September 2006	Statutory period to 30 September 2006
Argos	1,835.3	1,753.6	1,794.1
Homebase	853.9	856.8	979.1
Financial Services	47.3	46.0	46.7
Sales	2,736.5	2,656.4	2,819.9
Cost of sales	(1,770.3)	(1,756.4)	(1,851.2)
Gross profit	966.2	900.0	968.7
Net operating expenses before exceptional items and costs related to demerger incentive schemes	(830.1)	(798.3)	(861.8)
Argos	99.5	66.4	72.4
Homebase	47.0	41.9	40.8
Financial Services	2.7	3.7	4.1
Central Activities	(13.1)	(10.3)	(10.4)
Benchmark operating profit	136.1	101.7	106.9
Net interest income (see below)	14.0	5.5	5.7
Share of post-tax results of joint ventures and associates	(0.3)	-	-
Benchmark PBT	149.8	107.2	112.6
Net interest costs attributable to GUS capital structure (see below)	-	(35.7)	(42.2)
Exceptional items	20.2	(16.4)	(16.4)
Costs related to demerger incentive schemes	(5.9)	-	-
Financing fair value remeasurements	(1.2)	(0.9)	(0.9)
Financing impact on retirement benefit balances	6.4	6.6	6.6
Profit before tax	169.3	60.8	59.7
Taxation	(54.8)	(23.1)	(25.1)
<i>of which: taxation attributable to benchmark PBT</i>	(48.0)	(34.8)	(36.6)
Profit for the period	114.5	37.7	34.6
Basic benchmark EPS	11.7p	8.3p	8.7p
Basic EPS	13.2p	4.3p	4.0p
Number of shares for basic EPS	868.2m	869.0m	869.0m

Net interest reconciliation:

Third party net interest income/(expense)	4.4	(3.1)	(2.6)
Financing costs charged to Financial Services	9.6	8.6	8.3
Net interest income	14.0	5.5	5.7
Interest costs attributable to GUS capital structure	-	(35.7)	(35.7)
Adjustment on merger accounting	-	-	(6.5)
Net interest costs attributable to GUS capital structure	-	(35.7)	(42.2)
Financing fair value remeasurements	(1.2)	(0.9)	(0.9)
Financing impact on retirement benefit balances	6.4	6.6	6.6
Income statement net financing income/(costs)	19.2	(24.5)	(30.8)

The above tables and those throughout this announcement have been prepared in accordance with Note 1 to the Financial Information on page 26. The basis of preparation for pro forma restatements is set out at Appendix 1 on page 17, with reconciliations between pro forma and statutory reported periods provided at Appendix 2 on page 18.

FINANCIAL SUMMARY (continued)

Sales up 3.0% to £2,737m, reflecting total growth of 4.7% at Argos and a decline of 0.3% at Homebase. Like-for-like sales were up 1.4% at Argos and down 2.5% at Homebase, while the net new space contribution was 3.3% at Argos and 2.2% at Homebase.

Gross margin ahead at both businesses. Argos' gross margin was ahead by approximately 125 basis points and Homebase's by approximately 300 basis points, with the principal drivers being ongoing supply chain initiatives and foreign exchange benefits.

Continued operating cost control. Total growth of 4%, of which underlying inflation represented approximately 3%.

Benchmark operating profit up 34% to £136m, comprising a £33m or 50% increase at Argos and a £5m or 12% increase at Homebase; Financial Services declined £1m and costs of Central Activities were £3m higher.

Benchmark PBT up 40% to £150m, which additionally reflects the £8.5m improvement in net interest income as a result of further strong cash generation.

An effective tax rate based on benchmark PBT of 32.0%.

Basic benchmark EPS up 41% to 11.7p.

Interim dividend up 18% to 4.7p per share.

Net cash of £223m at 1 September 2007. Cash generation of £163m in the half reflected further improvements in working capital management, together with the strong profit performance and lower year-on-year capital expenditure.

BUSINESS REVIEWS

To assist with analysis and comparison, the following business reviews are based on pro forma information for the first half of the prior year; this represents the 26 weeks to 2 September 2006 and is therefore a comparable financial period. The basis of preparation for pro forma restatements is set out at Appendix 1 on page 17, with reconciliations between pro forma and statutory reported results provided at Appendix 2 on pages 18 and 19.

Argos

26 weeks to	1 September 2007	2 September 2006
Sales (£m)	1,835.3	1,753.6
Benchmark operating profit (£m)	99.5	66.4
Benchmark operating margin	5.4%	3.8%
Like-for-like change in sales	1.4%	5.1%
New space contribution to sales change	3.3%	6.9%
Total sales change	4.7%	12.0%
Gross margin movement	Up c.125bps	Down c.100bps
Benchmark operating profit change	50%	n/a
Number of stores at period end	685	670
Of which Argos Extra fully stocked-in	252	214

As the UK's leading general merchandise retailer, Argos provides a highly successful and unique offer of choice, value and convenience.

Argos - operational review

Biggest ever catalogue launched in July. The latest Argos catalogue has 18,100 lines, some 1,500 or 9% more than last year. The number of 'core' lines has increased by nearly 1,000, so the vast majority of the 685 stores now stock-in around 10,800 lines for immediate collection. The number of Argos Extra lines also increased by around 600 to 3,700, while the number of home delivery-only lines was broadly flat at 3,700.

Additional product categories and ranges. As well as 5,000 brand new products, there are numerous new product groups including areas of pet care, technology, leisure and eco-friendly goods. There is the biggest ever range of Apple, Sony and Dyson products, and these have also been given their own 'brand shops' with dedicated pages in the catalogue. There is a new premium own-brand homewares range – the 'Inspire' collection – as well as new premium products from brands such as Dualit and Gaggia.

The wider Argos Extra choice in even more stores. There are now 252 Argos Extra fully stocked-in stores, representing 37% of the portfolio compared to 32% a year earlier. These stores all stock-in 14,500 lines for immediate collection. There are also 64 stores that now carry an edited selection of the Argos Extra range, in order to benefit from the increased sales participation when products are available for immediate collection. In any store where a particular Extra product is not stocked-in, it can be ordered-in by the customer for later collection. Delivery of these ordered-in products to stores is via Argos' normal supply chain infrastructure.

Increased level of price investment. Argos has lowered prices in each and every edition of its catalogue since 1999. In the current catalogue, the overall price reduction is approximately 5% across the 8,000 reincluded lines, an increase on the 3% achieved in the previous Spring/Summer edition of the catalogue. Lower prices continue to be funded by the growing scale of the business and its ongoing supply chain initiatives.

Further growth of the separate 'Home' catalogue. Available in 253 stores, this now includes over 3,300 lines across 384 pages, and has 300 lines that are not in the main catalogue. Argos also now has four stores trialling furniture displays, with up to 34 room sets. Developments continue on the presentation of furniture displays that may be suitable for use across the wider store portfolio.

Multi-channel leadership continues. Check & Reserve, Argos' free service that allows immediate collection of all 14,500 stocked-in products, continues to be its fastest growing channel with online reservations growing 43%. Check & Reserve represents 12% of total sales, with a further 12% being remote orders for delivery to home. The Internet overall represents 18% of orders and grew by 28%, with phone orders representing 6%. Home delivery overall is 24% of Argos' sales, and was ahead marginally of last year notwithstanding more of the high demand consumer electronics products, particularly flat screen TVs, are stocked-in for immediate collection. Around half of all home delivery orders continue to be placed in-store.

Enhancements to www.argos.co.uk website. As part of a three-year e-commerce programme, Argos enhanced its website in September with a complete update on design and operation. The major changes included improved site navigation and greatly enhanced search functionality, as well as a new tabular format for product information and prominent links to buying guides. Other improvements include greater use of product imagery and brand logos to help category selection and filtering, and better messaging about reservations, delivery and other services which use designs that are consistent to the catalogue. Promotional areas are also more prominent, with new interactive banners and designs that are consistent to offline price cut communications.

Further convenience developments. Argos will approximately double the number of Quick Pay kiosks versus last year in readiness for peak trading. There will be a total of 1,700 across the portfolio, with the vast majority of stores therefore having at least one kiosk. Average sales participation in stores with kiosks has now reached 15%.

New stores extending customer reach. There was a net increase of five stores in the half; eight new stores opened, three were closed and one was relocated, bringing the total to 685 stores. Of the eight new store openings, four were in new catchments and four were additional stores in an existing catchment; seven of them were opened as Argos Extra stocked-in stores.

Argos - financial review

Sales in the 26 weeks to 1 September 2007 increased by 4.7% in total; like-for-like sales grew 1.4%. There was further strong growth in flat panel TVs and video games systems, on top of exceptional growth in the comparable period. There was also good growth in 'satnav' and mobile phones, however audio, VCR/DVD and landline phones continued to trend lower with the market. Seasonal categories saw a good performance in the first quarter but declined in the second quarter due to the adverse weather conditions. The contribution to sales growth from net new space was 3.3%, with expectations of a similar contribution in the second half of the year.

Gross margins were ahead by approximately 125 basis points, driven by ongoing supply chain benefits and foreign exchange benefits. Gross margin gains for the full year are expected to lessen due to a greater level of investment in lower prices in the latest catalogue.

Benchmark operating profit for the 26 weeks to 1 September 2007 grew 50% to £99.5m. Underlying operating cost inflation reduced slightly to approximately 3% from 4% last year. While there was a higher level of distribution costs as a result of the increase in overseas sourcing, other operating cost growth was held broadly flat. This was the result of continued cost control and a number of specific cost containment initiatives, together with leverage from the increase in new space in the comparable period last year. Such good levels of cost productivity are unlikely to be repeated through the peak second half trading period.

Homebase

26 weeks to	1 September 2007	2 September 2006
Sales (£m)	853.9	856.8
Benchmark operating profit (£m)	47.0	41.9
Benchmark operating margin	5.5%	4.9%
Like-for-like change in sales	(2.5%)	(3.2%)
New space contribution to sales change	2.2%	4.1%
Total sales change	(0.3%)	0.9%
Gross margin movement	Up c.300bps	Up c.200bps
Benchmark operating profit change	12%	n/a
Number of stores at period end	311	304
Of which contain a mezzanine floor	171	156

Homebase is positioning itself as the UK's leading home enhancement retailer.

Homebase - operational review

Continued gross margin progress offset weak market demand. Adverse weather conditions were the cause of the like-for-like sales decline at Homebase given its greater exposure to the seasonal ranges area of the market. To offset this, Homebase traded to maintain gross margin progress, with execution of this trading strategy being a key operational highlight in yet another set of challenging market conditions for the business.

Home enhancement offer further strengthened. The Homebase 'Furniture and Furnishings' catalogue was made available in 106 stores from August. It includes more dining room and bedroom products and more feature pages to 'create the look' which coordinates products across the broader home enhancement ranges from paint and wallpaper to furniture, lighting and accessories.

Kitchen installation roll out enhancing market share gains. The trial was extended from around 100 stores to nearly 200 by the end of the half. Installation services are helping to capture new orders and sell high-priced ranges and accessories. There is good customer feedback and recommendation levels are high for our installation service. Homebase has also recently been awarded a 'Gold Award for Excellence' by the Furniture Industry Research Association for its kitchen installation process and procedures.

Acquisition of 27 Focus DIY store properties accelerates new space opening programme. The majority of these stores have been selected where Homebase had targeted the potential to open a new store organically over the coming years. Five sites have been chosen so that the existing uninvested Homebase store can potentially be replaced by the acquired store. The properties are expected to be transferred over the period up to 31 December 2007 and will then be re-fitted to the Homebase fascia over the course of several months in readiness for the peak Spring trading period. Approximately 700 store-based colleagues previously employed by Focus will be transferred and continue their employment with Homebase.

Organic new space programme continues. Homebase continues to expect to open 10 to 15 new stores a year, the majority of them being in its smaller store format that successfully still offers an authoritative range across the broader home enhancement categories. In the first half the store portfolio increased from 310 stores to 311, as there were four new store openings and three closures; there were also two relocations completed in the period. Excluding the integration of the acquired Focus stores, the pipeline of new stores is back-end weighted this financial year; Homebase expects to open a further net nine stores in the second half, with 11 new stores and two closures planned, as well as one further relocation. We continue to believe there is the potential for a portfolio of over 450 Homebase stores across the UK and Ireland.

Format roll out trials indicate further investment opportunity. Around 100 Homebase stores have received minimal or no store refurbishment investment for a number of years. Trials carried out in seven stores have shown encouraging results on investment spend averaging around £500k per store. The results indicate that approximately 70 of the uninvested stores are suitable for this level of investment. This will involve a refit of the existing space so as to provide the proven home enhancement offer that is already successfully in place throughout the majority of the Homebase chain.

Additional trials are now in place to test further the indicated levels of investment spend. The start of a full investment programme will not commence until after the 2008 peak trading season, as effort will be concentrated on the conversion programme of the recently acquired Focus DIY stores.

New product ranges. Further range reviews have been carried out in areas including tiling, power tools and 'interior store'. The latter, which includes ranges across homewares, decorating, soft furnishings and accessories, has seen new merchandising put in place across a large number of stores and also includes more in-store 'create the look' displays. There has also been a new in-store and online campaign, called 'Eco Home', to bring together around 900 products to reduce the environmental impact across three areas of water, energy and sustainability. Extra 'eco points' have also been made available on the Spend & Save customer loyalty card.

More target marketing. Combining the strengths of its four million customer Spend & Save programme and the Ideas magazine, Homebase has rolled out its new Garden Living Club on a nationwide basis. This offers customers a seasonal magazine, discounts on Homebase product ranges and concessions on gardening events such as Hampton Court Palace flower show.

Successful transfer of a national distribution centre. Homebase has relocated its national distribution centre for small items and high-value products to a new 350,000 square foot site at Wellingborough. The four-month migration programme required the relocation of around 10,000 product lines from approximately 300 suppliers.

Homebase - financial review

Sales in the 26 weeks to 1 September 2007 declined by 0.3% in total; like-for-like sales declined by 2.5%. The benefit of warm weather in the first two months of the half saw good growth of seasonal categories, but this was more than offset by the adverse weather conditions over the following four months. Non-seasonal categories were generally stable through the half, with kitchen sales continuing to see good growth.

The contribution to sales growth from net new space was 2.2%, at the lower end of the 2% to 3% rate of organic net new space contribution expected for the full financial year due to the planned later phasing of store openings.

Gross margins were ahead by approximately 300 basis points, driven principally by ongoing supply chain initiatives and foreign exchange benefits, as well as further improvements in stock management procedures.

Benchmark operating profit for the 26 weeks to 1 September 2007 grew 12% to £47.0m. Underlying operating cost inflation reduced slightly to approximately 3% from 4% last year. A one-off increase in distribution costs as a result of the successful relocation of one of Homebase's distribution centres was approximately offset by the one-off benefit from store-related property transactions in the half. Other operating cost growth was approximately 2%, principally reflecting additional investment in new space.

In relation to the 27 acquired Focus DIY store properties, there will be transitional operating costs incurred from the date of transfer to the re-commencement of trading the properties. The current estimate of the costs to be incurred in the second half of this financial year is approximately £15m. This also includes an element of closure costs in respect of the potential five relocations of existing Homebase stores to newly acquired Focus properties. These transitional costs are expected to be recorded as an exceptional item and will therefore be excluded from Homebase's benchmark operating profit and group benchmark PBT.

Financial Services

26 weeks to	1 September 2007	2 September 2006
Sales (£m)	47.3	46.0
Benchmark operating profit before financing costs	12.3	12.3
Financing costs	(9.6)	(8.6)
Benchmark operating profit (£m)	2.7	3.7

	1 September 2007	3 March 2007	30 September 2006
Store card gross receivables	437	448	394
Personal loans gross receivables	16	24	38
Other gross receivables	-	-	15
Total gross receivables	453	472	447
Provision	(54)	(55)	(52)
Net receivables	399	417	395
Provision % of gross receivables	11.9%	11.7%	11.6%

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 ensure the maximum possible profit from the transaction for Home Retail Group.

Financial Services - operational review

Credit offers help to drive market share gains in 'big ticket' categories. Store card sales have increased by £1m per week year-on-year in the first half, and funded 8% of group retail sales overall. Successful initiatives are in place to provide appropriate credit offers in areas such as kitchen sales and installation services, and in consumer electronics ranges. The offer is also fully multi-channel, with around 20% of sales on the Argos website being spent on the Argos card.

Internal provision of promotional credit at cost is a key competitive advantage.

Approximately 75% of credit sales during the half have been driven by promotional credit offers. Financial Services' financial objective is to achieve a return on the revolving (i.e. interest bearing) element of receivables in line with financial services industry norms and to recover costs on the provision of promotional credit products to Argos and Homebase customers. The retail businesses are therefore receiving a competitive advantage in the form of the provision of promotional credit products at cost.

Product portfolio development continues. During the half, a new Argos credit card was launched as part of the joint venture arrangement with Barclays Bank PLC. It offers a unique three-month interest-free credit period on all purchases and access to an exclusive loyalty scheme, and can be applied for via all customer channels. Also as part of the joint venture, Argos personal loans were relaunched with the latest edition of the catalogue.

Financial Services - financial review

Store card gross receivables grew by over £40m versus last year, driven by the continued success of the range of promotional credit products offered. In the half, store card gross receivables declined by £11m due to normal seasonality patterns. The continued planned run-off of the on-balance sheet personal loans operation saw a £22m reduction in gross receivables versus last year (an £8m reduction in the half).

Benchmark operating profit before financing costs was flat versus the same period last year; growth was held back by reduced income of about £3m relating to the lowering of customer late payment fees that began from December 2006. Provision levels are broadly in line with the same period last year. The higher financing costs reflect the growth in receivables as well as a higher internal rate charged to reflect the movement in funding costs. A corresponding benefit is recognised in the Group net interest income line.

New development opportunities

In February 2007, Home Retail Group signed heads of terms to develop the Argos retail format in India through a franchise arrangement with a joint venture company owned by leading Indian retailers Shopper's Stop Ltd and Hypercity Retail India Private Ltd. Under the terms of the arrangement, Argos is providing its brand, catalogue and multi-channel expertise and IT support. The business, trading under the 'HyperCITY-Argos' brand name, is based largely on the existing Argos multi-channel proposition.

During the eight months since signing, the team involved has put together the first catalogue, containing 4,700 lines, in readiness for release this month. There will be an initial six stores open in the Mumbai region, testing a range of store formats. There will also be a non-transactional website, www.hypercityargos.com, available shortly, and the first stages of the home delivery and call centre operations are in place.

In April 2007, Home Retail Group acquired a 33% stake in an Irish out-of-town homewares business, 'home store + more'. The investment of £6.8m (Euro 10m) is being used to fund an agreed plan to expand the chain in Ireland, at a rate of approximately three stores a year over the next few years. The business is trading in line with management expectations and it opened a third Irish store in July.

Separate from this investment, Home Retail Group is developing its own homewares format in the UK. The first UK 'HomeStore&More' store opened this month in Aylesbury, Buckinghamshire. Home Retail Group expects the initial pilot phase to include at least one additional store to be opened during the second half of the financial year.

Central Activities

26 weeks to	1 September 2007	2 September 2006
Central Activities (£m)	(13.1)	(10.3)

Central Activities represents the cost of central corporate functions and the investment costs of new development opportunities. Cost growth of £2.8m in the half principally reflects the first stages of the new development opportunities; as previously disclosed, these costs are expected to total approximately £5m in the current year and a similar level next year.

GROUP FINANCIAL REVIEW

Sales and operating profit

Sales for the Group grew 3% to £2,736.5m (2006 pro forma: £2,656.4m) and benchmark operating profit grew 34% to £136.1m (2006 pro forma: 101.7m). Group benchmark operating margin was 5.0% (2006 pro forma: 3.8%). The drivers of this performance have been analysed as part of the preceding business reviews.

Net interest income

Net interest income was £14.0m (2006 pro forma: £5.5m). Interest income of £4.4m (2006 pro forma: expense of £3.1m) was earned on Home Retail Group's improved net cash position. A further credit of £9.6m (2006 pro forma: £8.6m) reflects the financing costs charged within Financial Services' benchmark operating profit.

In the first half of last year, interest costs attributable to the GUS capital structure prior to the demerger were £35.7m and have been excluded from 2006 pro forma benchmark PBT.

Share of post-tax results of joint ventures and associates

These amounted to a loss of £0.3m (2006: nil). The movement is principally due to the initial start-up costs incurred by the joint venture with Barclays Bank PLC.

Costs related to demerger incentive schemes

These amounted to £5.9m (2006: nil). As previously announced, these costs are expected to amount to a maximum of £40m, to be charged to the income statement over the three-year period commencing from the date of demerger, and are excluded from benchmark PBT.

Exceptional items

An exceptional income of £20.2m was recorded in the first half of the year. This represents the release of an accrual in respect of previous GUS-related long-term incentive schemes which were settled in June 2007. In the first half of last year, an exceptional cost of £16.4m was incurred in relation to demerger-related costs and the waiver of a loan due from Experian.

In the second half of the year, an exceptional item of approximately £15m is expected to be recorded in relation to the transitional costs of integrating the acquired Focus DIY store properties.

Financing fair value remeasurements

Changes in the fair value of certain financial instruments are recognised in the income statement within net financing costs. These amounted to charges of £1.2m (2006: £0.9m).

Financing impact on retirement benefit balances

The credit through net financing costs in respect of the excess of expected return on retirement benefit assets over the interest expense on retirement benefit liabilities amounted to £6.4m (2006: £6.6m).

The current service cost, which Home Retail Group believes to be a fairer reflection of the cost of providing retirement benefits, is already reflected in benchmark operating profit.

Profit before tax

Benchmark profit before tax grew 40% to £149.8m (2006 pro forma: £107.2m). Reported profit before tax was £169.3m (2006: £59.7m).

Taxation

Taxation attributable to benchmark PBT was £48.0m (2006 pro forma: £34.8m), representing an effective tax rate (excluding joint ventures and associates) of 32.0% (2006: 32.5%). The improvement in the effective rate largely reflects a growth in profits while the absolute level of disallowable expenditure for tax purposes has remained broadly level.

The reported effective tax rate is 32.4% (2006: 42.0%), representing a total tax expense for the period of £54.8m (2006: £25.1m).

Number of shares and earnings per share

The number of shares for the purpose of calculating basic earnings per share in the half is 868.2m (2006: 869.0m), representing the weighted average number of issued ordinary shares of 877.4m (2006: 877.4m), less the weighted average ordinary shares held in Home Retail Group's Employee Share Ownership Trust (ESOT) of 9.2m (2006: 8.4m).

The calculation of diluted EPS reflects the potential dilutive effect of employee share incentive schemes in place post demerger. This increases the number of shares for diluted EPS purposes by 8.7m (2006: 7.6m) to 876.9m (2006: 876.6m).

Basic benchmark EPS is 11.7p (2006 pro forma: 8.3p), with diluted benchmark EPS of 11.6p (2006 pro forma: 8.3p). Reported basic EPS is 13.2p (2006: 4.0p), with reported diluted EPS of 13.1p (2006: 3.9p).

Dividends

Home Retail Group's dividend policy is to progressively reduce dividend cover over the medium term to around two times, based on full-year basic benchmark EPS. There will be an approximate one-third, two-third split between interim and final dividend payments.

An interim dividend of 4.7p (2006: 4.0p) is today being announced, representing growth of 18%. This will be paid on 23 January 2008 to shareholders on the register at the close of business on 16 November 2007 (an ex-dividend date of 14 November 2007).

Cash flow

Cash flows from operating activities (before incurring outflows related to interest, tax, investing and financing activities) were £373.3m in the half (2006: £409.2m). The principal drivers of the strong cash generation have been the growth in profits together with continued good management of working capital.

Net capital expenditure in the half was £70.5m (2006: £88.0m), with a further £6.8m of investment spend in relation to the HomeStore&More acquisition (2006: nil). Tax paid was £57.2m (2006: £31.2m).

Other cash flows in the half were £4.5m of net interest received, £78.1m of dividends paid, £1.5m outflow from other financing activities and a £1.0m outflow in relation to the effect of foreign exchange rate changes. These other cash flows in the first half last year are non-comparable due to impacts of the demerger.

The Group's net cash position at 1 September 2007 was therefore £222.9m, an increase of £162.7m on the opening net cash position at 3 March 2007 of £60.2m. During the period the Group used cash balances to repay in full a £225m borrowing arrangement inherited from GUS plc on demerger.

Post the half-year balance sheet date, a cash payment of £40m was made to purchase 27 Focus DIY leasehold store properties. There will be a further approximate £30m of capital expenditure in the second half of the financial year to refit these properties.

Balance sheet

As at	1 Sept 2007	3 March 2007	30 Sept 2006
Goodwill	1,878.9	1,878.9	1,878.9
Intangible assets	76.3	73.4	83.3
Property, plant and equipment	685.1	691.6	685.9
Inventories	929.9	906.4	932.5
Instalment receivables	398.8	416.8	394.8
Other trading assets	192.2	188.3	154.7
	<u>4,161.2</u>	<u>4,155.4</u>	<u>4,130.1</u>
Trade and other payables	(1,178.5)	(1,059.1)	(1,127.9)
Other trading liabilities	(90.8)	(84.5)	(102.1)
	<u>(1,269.3)</u>	<u>(1,143.6)</u>	<u>(1,230.0)</u>
Invested capital	2,891.9	3,011.8	2,900.1
Retirement benefit assets	59.5	9.3	21.9
Net tax (liabilities)/assets	(14.8)	(2.6)	4.2
Net cash	222.9	60.2	34.4
Reported net assets	3,159.5	3,078.7	2,960.6

Reported net assets amounted to £3,159.5m, an increase of £80.8m on the year-end balance sheet at 3 March 2007. This is equivalent to 364p per share, excluding shares held in the ESOT. The major movements on the balance sheet are a £162.7m increase in net cash versus the year-end position, generated in part by continued good management of working capital which contributed to the £119.4m increase in trade and other payables.

Accounting standards and use of non-GAAP measures

The Group has prepared its consolidated financial statements under International Financial Reporting Standards for the 26 weeks ended 1 September 2007. Accounting policies are outlined in Note 1 to the Financial Information on page 26.

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

Principal risks and uncertainties

The Group has set out in its annual report a number of risks and uncertainties which could impact the performance of the Group. The Group operates a structured risk management process which identifies, evaluates and prioritises risks and uncertainties and reviews mitigation activity.

On a short-term forward-looking basis over the remainder of the financial year, the main area of potential risk and uncertainty centres on the impact on sales growth and thereby profitability in relation to economic conditions and overall consumer demand. Other potential risks and uncertainties around sales and/or profit growth include product supply and liability, business interruption, infrastructure development, people, the regulatory environment and currency. These risks, together with examples of mitigating activity, are set out in more detail in the annual report.

Appendix 1. Basis of preparation for pro forma restatements

Reporting periods

Home Retail Group previously reported as part of GUS plc on a calendar year-end to 31 March, with the Interim Results reported as the six months to 30 September. Within this, to avoid distortion in the financial results relating to the timing of Easter, Homebase was consolidated on a non-coterminous 12 months to 28 February basis. At the Interim Results, Homebase was therefore consolidated on a seven months to 30 September basis, with the second half of its financial year comprising only a five-month period.

As a result of the change in year-end, Home Retail Group reported on a statutory basis the financial period ended 3 March 2007. This included the results for Homebase from 1 March 2006 (approximately 12 months) and the results for the rest of the Group from 1 April 2006 (approximately 11 months). The new financial reporting periods are the 26-week period commencing 4 March 2007 and ending on 1 September 2007 (as announced today) and the 52-week period ending on 1 March 2008 (to be announced on 30 April 2008).

For comparative purposes, H1 2006/07 on a pro forma basis is the 26-week period commencing 5 March 2006 and ending on 2 September 2006; FY 2006/07 restated on a pro forma basis is the 52-week period commencing 5 March 2006 and ending on 3 March 2007. Reconciliations between pro forma and statutory reported periods are shown at Appendix 2 on pages 18 and 19.

The timing of trading statements has also changed as a result of the new year-end. At Appendix 3 on page 20, trading statement comparables on the new basis are provided.

Central Activities

Central Activities represents the cost of central corporate functions. As part of GUS, Home Retail Group was not recharged for these types of costs. However, for the purposes of preparing demerger financial information, an approximation was made of the amount of GUS corporate head office costs to apportion to Home Retail Group. These apportioned costs were not representative of either the historical costs Home Retail Group would have incurred or the costs it will incur going forward.

As part of the pro forma restatements, Home Retail Group has therefore approximated the additional costs of central corporate functions it would have incurred over and above that apportioned to it by GUS. This has been done on the basis it had operated as a standalone plc through the periods being restated.

Capital structure and net interest

As part of the demerger, Home Retail Group was allocated pro forma net debt as at 31 March 2006 of £200m. For the purposes of preparing pro forma results, net interest income has been calculated to illustrate the impact on the Group's financial performance as if this capital structure had existed at 31 March 2006 and had been achieved based on the underlying cash flows prior to 31 March 2006. The additional net interest costs attributable to the actual GUS capital structure that was in place over the periods are shown separately.

Other income statement items

Other non-trading income statement items have not been restated as they are not impacted by the change of year-end. These are principally exceptional items, costs related to demerger incentive schemes and financing fair value remeasurements.

Appendix 2. Reconciliations between pro forma and statutory reported periods

H1 2006/07 £m	6 months to 30 Sept 2006	Pro forma restatement	26 weeks to 2 Sept 2006
Argos	1,794.1	(40.5)	1,753.6
Homebase	979.1	(122.3)	856.8
Financial Services	46.7	(0.7)	46.0
Sales	2,819.9	(163.5)	2,656.4
Cost of sales	(1,851.2)	94.8	(1,756.4)
Gross profit	968.7	(68.7)	900.0
Net operating expenses before exceptional items and costs related to demerger incentive schemes	(861.8)	63.5	(798.3)
Argos	72.4	(6.0)	66.4
Homebase	40.8	1.1	41.9
Financial Services	4.1	(0.4)	3.7
Central Activities	(10.4)	0.1	(10.3)
Benchmark operating profit	106.9	(5.2)	101.7
Net interest income (see below)	5.7	(0.2)	5.5
Share of post-tax results of joint ventures and associates	-	-	-
Benchmark PBT	112.6	(5.4)	107.2
Net interest costs attributable to GUS capital structure (see below)	(42.2)	6.5	(35.7)
Exceptional items included in operating profit	(16.4)	-	(16.4)
Costs related to demerger incentive schemes	-	-	-
Financing fair value remeasurements	(0.9)	-	(0.9)
Financing impact on retirement benefit balances	6.6	-	6.6
Profit before tax	59.7	1.1	60.8
Taxation	(25.1)	2.0	(23.1)
<i>of which: taxation attributable to benchmark PBT</i>	<i>(36.6)</i>	<i>1.8</i>	<i>(34.8)</i>
Profit for the period	34.6	3.1	37.7
Basic benchmark EPS	8.7p	(0.4p)	8.3p
Basic EPS	4.0p	0.3p	4.3p
Number of shares for basic EPS	869.0m	-	869.0m

Net interest reconciliation:

Third party net interest expense	(2.6)	(0.5)	(3.1)
Financing costs charged to Financial Services	8.3	0.3	8.6
Net interest income	5.7	(0.2)	5.5
Interest costs attributable to GUS capital structure	(35.7)	-	(35.7)
Adjustment on merger accounting (note a)	(6.5)	6.5	-
Financing costs charged to Financial Services	-	-	-
Net interest costs attributable to GUS capital structure	(42.2)	6.5	(35.7)
Financing fair value remeasurements	(0.9)	-	(0.9)
Financing impact on retirement benefit balances	6.6	-	6.6
Income statement net financing costs	(30.8)	6.3	(24.5)

- a. Information previously provided in the demerger prospectus dated 14 September 2006 and the Interim Results released on 21 November 2006 was required to be produced on an 'aggregated basis' containing certain 'carve out adjustments'. The financial statements were subsequently required to be prepared on a retrospective 'consolidated' basis; as a result, merger accounting and certain reclassification adjustments have been made to reverse "carve out" entries between GUS group companies that were not actually accounted for in the individual statutory demerged entities.

Appendix 2 (continued)

FY 2006/07 £m	Short period to 3 March 2007	Pro forma restatement	52 weeks to 3 March 2007
Argos	3,912.8	251.2	4,164.0
Homebase	1,606.3	(12.1)	1,594.2
Financial Services	87.6	5.6	93.2
Sales	5,606.7	244.7	5,851.4
Cost of sales	(3,680.5)	(171.7)	(3,852.2)
Gross profit	1,926.2	73.0	1,999.2
Net operating expenses before exceptional items and costs related to demerger incentive schemes	(1,592.5)	(47.3)	(1,639.8)
Argos	300.9	24.1	325.0
Homebase	51.2	2.2	53.4
Financial Services	4.5	0.5	5.0
Central Activities	(22.9)	(1.1)	(24.0)
Benchmark operating profit	333.7	25.7	359.4
Net interest income (see below)	n/a	16.6	16.6
Share of post-tax results of joint ventures and associates	0.7	-	0.7
Benchmark PBT	n/a	42.3	376.7
Net interest costs attributable to GUS capital structure (see below)	(21.0)	(18.2)	(39.2)
Exceptional items included in operating profit	(22.7)	-	(22.7)
Costs related to demerger incentive schemes	(5.8)	-	(5.8)
Financing fair value remeasurements	(0.1)	-	(0.1)
Financing impact on retirement benefit balances	12.1	0.2	12.3
Profit before tax	296.9	24.3	321.2
Taxation	(109.5)	(8.0)	(117.5)
<i>of which: taxation attributable to benchmark PBT</i>	<i>n/a</i>	<i>n/a</i>	<i>(122.1)</i>
Profit for the period	187.4	16.3	203.7
Basic benchmark EPS	n/a	n/a	29.3p
Basic EPS	21.6p	1.8p	23.4p
Number of shares for basic EPS	869.6m	-	869.6m

Net interest reconciliation:

Third party net interest expense	n/a	(1.2)	(1.2)
Financing costs charged to Financial Services	n/a	17.8	17.8
Net interest income	n/a	16.6	16.6
Interest costs attributable to GUS capital structure	(44.3)	(1.8)	(46.1)
Exceptional finance income	6.9	-	6.9
Financing costs charged to Financial Services	16.4	(16.4)	-
Net interest costs attributable to GUS capital structure	(21.0)	(18.2)	(39.2)
Financing fair value remeasurements	(0.1)	-	(0.1)
Financing impact on retirement benefit balances	12.1	0.2	12.3
Income statement net financing costs	(9.0)	(1.4)	(10.4)

Appendix 3. Restatement of trading statement comparables

	Q1		
	13 weeks to		
	3 June 2006		
Argos			
Sales	£855m		
Like-for-like change in sales	6.1%		
Net new space contribution to sales change	8.0%		
Total sales change	14.1%		
Guidance on gross margin movement	Down c.100bps		
Homebase			
Sales	£441m		
Like-for-like change in sales	(4.7%)		
Net new space contribution to sales change	3.6%		
Total sales change	(1.1%)		
Guidance on gross margin movement	Up c.200bps		
	Q2	H1	
	13 weeks to	26 weeks to	
	2 Sept 2006	2 Sept 2006	
Argos			
Sales	£899m	£1,754m	
Like-for-like change in sales	4.5%	5.1%	
Net new space contribution to sales change	6.3%	6.9%	
Total sales change	10.8%	12.0%	
Guidance on gross margin movement	Down c.100bps	Down c.100bps	
Homebase			
Sales	£416m	£857m	
Like-for-like change in sales	(1.5%)	(3.2%)	
Net new space contribution to sales change	4.6%	4.1%	
Total sales change	3.1%	0.9%	
Guidance on gross margin movement	Up c.150bps	Up c.200bps	
	Q3	YTD	
	18 weeks to	44 weeks to	
	6 Jan 2007	6 Jan 2007	
Argos			
Sales	£1,873m	£3,627m	
Like-for-like change in sales	(0.1%)	2.5%	
Net new space contribution to sales change	4.5%	5.6%	
Total sales change	4.4%	8.1%	
Guidance on gross margin movement	Up c.50bps	Down c.25bps	
Homebase			
Sales	£519m	£1,376m	
Like-for-like change in sales	(2.8%)	(3.0%)	
Net new space contribution to sales change	3.0%	3.6%	
Total sales change	0.2%	0.6%	
Guidance on gross margin movement	Up c.350bps	Up c.250bps	
	Q4	H2	FY
	8 weeks to	26 weeks to	52 weeks to
	3 Mar 2007	3 Mar 2007	3 Mar 2007
Argos			
Sales	£537m	£2,410m	£4,164m
Like-for-like change in sales	3.0%	0.8%	2.4%
Net new space contribution to sales change	3.8%	4.4%	5.5%
Total sales change	6.8%	5.2%	7.9%
Guidance on gross margin movement	Up c.50bps	Up c.50bps	c.0 bps
Homebase			
Sales	£218m	£737m	£1,594m
Like-for-like change in sales	9.9%	0.6%	(1.4%)
Net new space contribution to sales change	3.4%	3.1%	3.6%
Total sales change	13.3%	3.7%	2.2%
Guidance on gross margin movement	Up c.500bps	Up c.400bps	Up c.300bps

HOME RETAIL GROUP PLC

UNAUDITED CONDENSED HALF-YEARLY FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

For the 26 weeks ended 1 September 2007

Short period to 3.3.07 £m		Notes	26 weeks to 1.9.07 £m	Six months to 30.9.06 £m
5,606.7	Revenue	4	2,736.5	2,819.9
(3,680.5)	Cost of sales		(1,770.3)	(1,851.2)
1,926.2	Gross profit		966.2	968.7
(1,598.3)	Net operating expenses before exceptional items		(836.0)	(861.8)
(22.7)	Exceptional items	5	20.2	(16.4)
(1,621.0)	Net operating expenses		(815.8)	(878.2)
305.2	Operating profit	4	150.4	90.5
55.5	- Finance income		30.3	30.3
(71.4)	- Finance expense		(11.1)	(61.1)
(15.9)	Net financing income/(costs) before exceptional items		19.2	(30.8)
6.9	Exceptional finance income	5	-	-
(9.0)	Net financing income/(costs)	6	19.2	(30.8)
0.7	Share of post-tax results of joint ventures and associates		(0.3)	-
296.9	Profit before tax		169.3	59.7
(109.5)	Taxation	7	(54.8)	(25.1)
187.4	Profit for the period attributable to equity shareholders		114.5	34.6
pence	Earnings per share	8	pence	pence
21.6	- Basic		13.2	4.0
21.4	- Diluted		13.1	3.9
13.0	Proposed dividend per share	9	4.7	4.0

All activities relate to continuing operations

Short period to 3.3.07 £m	Non-GAAP measures		26 weeks to 1.9.07 £m	Six months to 30.9.06 £m
296.9	Profit before tax		169.3	59.7
15.8	Effect of exceptional items	5	(20.2)	16.4
0.1	Effect of financing fair value remeasurements	6	1.2	0.9
(12.1)	Effect of financing impact on retirement benefit balances	6	(6.4)	(6.6)
5.8	Effect of demerger incentive schemes		5.9	-
306.5	Benchmark PBT		149.8	70.4
pence	Benchmark earnings per share	8	pence	pence
23.7	- Basic		11.7	5.1
23.5	- Diluted		11.6	5.1

HOME RETAIL GROUP PLC

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the 26 weeks ended 1 September 2007

Short period to		26 weeks to	Six months to
3.3.07		1.9.07	30.9.06
£m		£m	£m
	Net income/(expense) recognised directly in equity		
(2.7)	Fair value (losses)	(1.2)	(6.1)
(18.3)	Actuarial gains/(losses) in respect of defined benefit pension schemes	50.0	(4.5)
0.9	Currency translation differences	(1.1)	(0.4)
10.0	Tax (charge)/credit in respect of items taken directly to equity	(14.6)	3.2
(10.1)	Net income/(expense) recognised directly in equity for the period	33.1	(7.8)
187.4	Profit for the period attributable to equity shareholders	114.5	34.6
177.3	Total recognised income for the period attributable to equity shareholders	147.6	26.8

HOME RETAIL GROUP PLC

GROUP BALANCE SHEET

At 1 September 2007

3.3.07 £m	Notes	1.9.07 £m	30.9.06 £m
ASSETS			
Non-current assets			
1,878.9		1,878.9	1,878.9
73.4		76.3	83.3
691.6		685.1	685.9
9.2		8.0	0.5
74.4		48.0	109.0
18.0		10.6	24.9
9.3	11	59.5	21.9
8.5		14.7	5.5
2,763.3		2,781.1	2,809.9
Current assets			
906.4		929.9	932.5
569.4		557.7	518.6
3.0		3.0	7.0
283.8		222.9	264.0
1,762.6		1,713.5	1,722.1
4,525.9		4,494.6	4,532.0
LIABILITIES			
Non-current liabilities			
(34.0)		(39.5)	(33.8)
-		-	(229.2)
(57.1)		(63.1)	(56.3)
(44.8)		(42.7)	(66.6)
(135.9)		(145.3)	(385.9)
Current liabilities			
(1,025.1)		(1,139.0)	(1,094.1)
(223.6)		-	(0.4)
(25.2)		(22.9)	(36.5)
(2.2)		(4.8)	(9.3)
(35.2)		(23.1)	(45.2)
(1,311.3)		(1,189.8)	(1,185.5)
(1,447.2)		(1,335.1)	(1,571.4)
3,078.7		3,159.5	2,960.6
EQUITY			
87.7		87.7	2,895.6
(348.4)		(348.4)	(348.4)
(11.4)		(13.9)	(8.3)
3,350.8		3,434.1	421.7
3,078.7	12	3,159.5	2,960.6

HOME RETAIL GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT

For the 26 weeks ended 1 September 2007

Short period to 3.3.07 £m	Notes	26 weeks to 1.9.07 £m	Six months to 30.9.06 £m
Cash flows from operating activities			
620.9 Cash generated from operations	13	373.3	409.2
13.6 Interest received		8.1	3.6
(51.4) Interest paid		(3.6)	(51.4)
(101.6) Tax paid		(57.2)	(31.2)
481.5 Net cash inflow from operating activities		320.6	330.2
Cash flows from investing activities			
(134.1) Purchase of property, plant and equipment	10	(57.6)	(75.1)
3.8 Proceeds from the disposal of property, plant and equipment	10	1.3	2.1
(28.3) Purchase of intangible assets		(14.2)	(15.0)
- Purchase of investment		(6.8)	-
(8.1) Loan to joint venture		-	-
(3.8) Disposal of subsidiary – net of cash disposed		-	-
(170.5) Net cash flows used in investing activities		(77.3)	(88.0)
Cash flows from financing activities			
(6.1) Purchase of own shares		-	-
(50.3) Payment of amounts to GUS plc		-	(50.3)
- Repayment of borrowings		(225.0)	-
(1.2) Repayment of finance leases		(0.1)	(0.8)
(62.0) Home Retail Group share of GUS plc final dividend	9	-	(62.0)
(34.6) Dividends paid	9	(78.1)	-
(154.2) Net cash flows used in financing activities		(303.2)	(113.1)
156.8 Net (decrease)/increase in cash and cash equivalents		(59.9)	129.1
Movement in cash and cash equivalents			
130.0 Cash and cash equivalents at the beginning of the period		283.8	130.0
(3.0) Effect of foreign exchange rate changes		(1.0)	4.9
156.8 Net (decrease)/increase in cash and cash equivalents		(59.9)	129.1
283.8 Cash and cash equivalents at end of the period		222.9	264.0

HOME RETAIL GROUP PLC

ANALYSIS OF NET DEBT

As at 1 September 2007

3.3.07 £m	Non-GAAP measures	1.9.07 £m
	Financing net cash/(debt)	
283.8	Cash and cash equivalents	222.9
(223.6)	Loans and borrowings	-
60.2	Total financing net cash/(debt)	222.9
	Operating net debt	
(2,920.1)	Property leases	(2,947.8)
(2,920.1)	Total operating net debt	(2,947.8)
(2,859.9)	Total net debt	(2,724.9)
	Deduct:	
2,920.1	Operating leases that are off balance sheet	2,947.8
60.2	Total net cash/(debt) reflected in balance sheet	222.9

The Group uses the term net debt which provides the Group's aggregate net indebtedness to banks and other financial institutions together with debt-like liabilities, notably property leases.

The capitalised value of these property leases is £2,947.8m (3 March 2007: £2,920.1m) based upon discounting the current rentals at the estimated current long term cost of borrowing of 5.7% (3 March 2007: 5.4%).

The analysis of net debt has not been provided as at 30 September 2006, as it is non comparable given the demerger of the Group from GUS plc in October 2006.

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION

For the 26 weeks ended 1 September 2007

1. Basis of preparation

The unaudited condensed half-yearly financial information comprises the results for the 26 weeks ended 1 September 2007 and six months ended 30 September 2006, and the audited consolidated results for the period from 1 April 2006 to 3 March 2007 (the 'short period').

Previously, Home Retail Group prepared its financial information for the financial year for the 12 months to 31 March except for the results of Homebase which were included for the 12 months to 28 or 29 February each year, with adjustments to reflect the balance sheet movements in cash to the end of March. This was done to facilitate comparability of the income statement by avoiding the distortions that would arise relating to changes in the timing of Easter. In order to align the year end across the Group, the Board of Directors decided to amend the Group's financial year to a 52-week period ending on the Saturday closest to the end of February. Therefore, following the change of accounting reference date, the most recent audited financial statements were prepared for the short period ended 3 March 2007.

Prior to this change in accounting reference date, the Group's half-yearly financial information was prepared for the six months to 30 September. In line with the change in the Group's financial year to a 52-week period ending on the Saturday closest to the end of February, the unaudited condensed half-yearly financial information included within this report comprises the results for the 26-week period ended 1 September 2007, with comparatives representing the six months ended 30 September 2006.

In the comparative period for the six months ended 30 September 2006, Homebase results were included for the seven months from 1 March 2006 to 30 September 2006. This approach was followed prior to the above change in accounting reference date, to facilitate comparability of the income statement by avoiding the distortions that would arise relating to changes in the timing of Easter.

The audited consolidated financial information for the short period from 1 April 2006 to 3 March 2007 has been extracted from Home Retail Group plc's Annual Report and Financial Statements, which was approved by the Board of Directors on 2 May 2007 and delivered to the Registrar of Companies. The report of the Group's auditors, PricewaterhouseCoopers LLP, on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 237 of the Companies Act 1985.

The condensed half-yearly financial information is not audited and does not constitute statutory accounts. This financial information has been formally reviewed by the Group's auditors, PricewaterhouseCoopers LLP, and their report is set out on page 35.

Home Retail Group reorganisation

Home Retail Group demerged from its parent company, GUS plc, with effect from 10 October 2006. Shares in Home Retail Group were admitted to the Official List of the Financial Services Authority and to trading on the London Stock Exchange's market for listed securities on 11 October 2006. All Home Retail Group companies which were owned by GUS plc prior to demerger were transferred under the new ultimate parent company, Home Retail Group plc, prior to 11 October 2006. The introduction of this new ultimate parent company constituted a group reconstruction and has been accounted for using merger accounting principles. Therefore, although the Group reorganisation did not become effective until 10 October 2006, the financial information for the comparative periods, the short period from 1 April 2006 to 3 March 2007 and the six months ended 30 September 2006, are presented as if the current Group structure had always been in place.

On 12 October 2006, the nominal amount of the Company's 877,445,001 issued ordinary shares was reduced from 330p to 10p by way of a court-approved capital reduction scheme in accordance with section 135 of the Companies Act 1985.

IFRS and accounting policies

This condensed consolidated half-yearly financial information for the 26 weeks ended 1 September 2007 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The half-yearly condensed consolidated financial report should be read in conjunction with Home Retail Group plc's Annual Report and Financial Statements for the short period from 1 April 2006 to 3 March 2007, which have been prepared in accordance with International Financial Reporting Standards ('IFRSs') and International Financial Reporting Interpretations Committee ('IFRIC') interpretations as adopted by the European Union.

The accounting policies adopted by Home Retail Group are set out in Home Retail Group plc's Annual Report and Financial Statements, dated 2 May 2007, which is available on Home Retail Group's website www.homeretailgroup.com. These policies have been consistently applied for all periods presented.

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION

For the 26 weeks ended 1 September 2007

Changes in accounting standards

A number of new standards, amendments and interpretations are effective for the current period, but have had no material impact on the results or financial position of the Group, as disclosed within this report.

IFRS 7, 'Financial instruments: Disclosures' and IAS 1, the 'Capital disclosure amendment' to IAS 1 'Presentation of financial statements' are both effective for annual periods beginning on or after 1 January 2007. As this half yearly financial information contains only condensed financial statements, full IFRS 7 disclosures are not required at this stage. The full IFRS 7 disclosures, including the sensitivity analysis to market risk and capital disclosures required by the amendment of IAS 1, will be given in the annual financial statements.

IFRIC 8, 'Scope of IFRS 2' and IFRIC 11, 'IFRS 2 - Group and Treasury Share Transactions' have not had any impact on the recognition of share-based payments in the Group.

IFRIC 9, 'Re-assessment of embedded derivatives' and IFRIC 10, 'Interim Financial Reporting and Impairment' have not had any impact on the Group.

At the balance sheet date a number of new standards, amendments and interpretations were in issue but not yet effective.

The Group has not early-adopted IFRS 8, 'Operating segments', which is effective for annual periods beginning on or after 1 January 2009, subject to EU endorsement. This standard will be fully considered in due course.

IFRIC 12, 'Service Concession Arrangements' is effective for periods beginning on or after 1 January 2008 but will not have any impact on the Group.

IFRIC 13, 'Customer Loyalty Programmes' and IFRIC 14, 'IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' are effective for periods beginning on or after 1 July 2008 and 1 January 2008 respectively. The impact of these interpretations on the Group will be fully considered in due course.

2. Use of non-GAAP measures

Home Retail Group has identified certain measures that it believes will assist 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 the underlying performance of the Group. Examples of items which may be recorded as exceptional items are impairment charges, restructuring costs and the profits/losses on the disposal of businesses.

Benchmark profit before tax ('PBT')

The Group uses the term benchmark PBT as a measure which is not formally recognised under IFRS. Benchmark PBT is defined as profit before amortisation of acquisition intangibles, store impairment charges, exceptional items, financing fair value remeasurements, financing impact on retirement benefit balances and one-off demerger incentive costs.

Net debt

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

HOME RETAIL GROUP PLC

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION

For the 26 weeks ended 1 September 2007

3. Foreign currency

	Average			Closing		
	26 weeks to	Six months to	Short period to	26 weeks to	30.9.06	3.3.07
	1.9.07	30.9.06	3.3.07	1.9.07	30.9.06	3.3.07

The principal exchange rates used were as follows:

Sterling to US dollar	1.99	1.84	1.90	2.02	1.87	1.94
Sterling to euro	1.47	1.45	1.48	1.48	1.47	1.48

Assets and liabilities of overseas undertakings are translated into sterling at the rates of exchange ruling at the balance sheet date and the income statement is translated into sterling at average rates of exchange.

4. Segmental information

Home Retail Group's primary reporting format is by business segment. This is in line with the current management structure, which reflects the different risks associated with the different businesses. The Group is organised into three main business segments: Argos, Homebase and Financial Services. Central Activities represents the cost of central corporate functions and the investment costs of new development opportunities.

26 weeks ended 1 September 2007

	Notes	Argos £m	Homebase £m	Financial Services £m	Central Activities £m	Total £m
Revenue		1,835.3	853.9	47.3	-	2,736.5
Operating profit						
Operating profit before exceptional items		99.5	47.0	2.7	(19.0)	130.2
Exceptional items	5	-	-	-	20.2	20.2
Segmental result		99.5	47.0	2.7	1.2	150.4

The results for Financial Services are after deducting funding costs of £9.6m (2006: £8.3m).

Six months ended 30 September 2006

	Notes	Argos £m	Homebase £m	Financial Services £m	Central Activities £m	Total £m
Revenue		1,794.1	979.1	46.7	-	2,819.9
Operating profit						
Operating profit before exceptional items		72.4	40.8	4.1	(10.4)	106.9
Exceptional items	5	-	-	-	(16.4)	(16.4)
Segmental result		72.4	40.8	4.1	(26.8)	90.5

Short period ended 3 March 2007

	Notes	Argos £m	Homebase £m	Financial Services £m	Central Activities £m	Total £m
Revenue		3,912.8	1,606.3	87.6	-	5,606.7
Operating profit						
Operating profit before exceptional items		300.9	51.2	4.5	(28.7)	327.9
Exceptional items	5	-	(4.1)	-	(18.6)	(22.7)
Segmental result		300.9	47.1	4.5	(47.3)	305.2

The results for Financial Services are after deducting funding costs of £16.4m.

HOME RETAIL GROUP PLC

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION

For the 26 weeks ended 1 September 2007

5. Exceptional items

Short period to 3.3.07 £m		26 weeks to 1.9.07 £m	Six months to 30.9.06 £m
-	Accrual release relating to incentive schemes ^(a)	20.2	-
(11.3)	Costs relating to the demerger of Home Retail Group and Experian ^(b)	-	(9.1)
(7.3)	Waiver of loan due from Experian ^(c)	-	(7.3)
(4.1)	Store impairment charges ^(d)	-	-
(22.7)	Exceptional items in operating profit	20.2	(16.4)
6.9	Exceptional finance income ^(e)	-	-
(15.8)	Total exceptional items	20.2	(16.4)

(a) Represents the release of an accrual in respect of previous GUS-related long-term incentive schemes which were settled in June 2007.

(b) Demerger-related expenditure including costs in relation to early vesting of share incentive schemes, banking set up fees and other professional fees.

(c) Represents a loan due from Experian which was waived as part of the demerger process.

(d) IFRS requires individual stores to be designated as cash generating units for the purposes of testing for impairment. For the short period to 3 March 2007, this resulted in a net impairment charge in respect of the Homebase store portfolio of £4.1m.

(e) Fair value gain made on transfer of interest rate swap novated from GUS plc on demerger.

6. Net financing income/(costs)

Short period to 3.3.07 £m		Note	26 weeks to 1.9.07 £m	Six months to 30.9.06 £m
	Finance income			
13.8	Bank deposits		8.6	5.6
37.8	Expected return on retirement benefit assets		21.7	20.7
3.9	Interest receivable from GUS group companies		-	4.0
55.5	Total finance income		30.3	30.3
	Finance expense			
(11.1)	Interest cost of perpetual securities		(3.3)	(5.6)
(1.9)	Discount unwind on provisions		(0.9)	(1.4)
(0.1)	Financing fair value remeasurements		(1.2)	(0.9)
(25.7)	Interest expense on retirement benefit liabilities		(15.3)	(14.1)
(1.5)	Interest expense on OFT fine		-	(1.2)
(47.5)	Interest payable to GUS group companies		-	(46.2)
(87.8)	Total finance expense		(20.7)	(69.4)
16.4	Less: finance expense charged to Financial Services cost of sales	4	9.6	8.3
(71.4)	Total net finance expense		(11.1)	(61.1)
(15.9)	Net financing income/(costs) pre exceptional		19.2	(30.8)
6.9	Exceptional finance income		-	-
(9.0)	Net financing income/(costs)		19.2	(30.8)

The Group repaid loans and borrowings totalling £225.0m in June 2007.

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION

For the 26 weeks ended 1 September 2007

7. Taxation

Short period to 3.3.07 £m		26 weeks to 1.9.07 £m	Six months to 30.9.06 £m
(105.1)	UK tax	(53.3)	(24.1)
(4.4)	Overseas tax	(1.5)	(1.0)
(109.5)	Total tax expense	(54.8)	(25.1)

The tax charge for the period of £54.8m (2006: £25.1m) is based on an estimated effective rate of tax of 32.4% (2006: 42.0%).

The effective rate of tax based on benchmark PBT, defined as the total tax expense, adjusted for the tax impact of non-benchmark items, divided by benchmark PBT (excluding joint ventures and associates), is 32.0% (2006: 37.1%). The benchmark effective tax rate excludes a one-off £0.4m deferred tax charge for the prospective reduction in the UK corporation tax rate from 30% to 28%.

8. Basic and diluted earnings per share ('EPS')

The calculation of basic and diluted EPS is based on the following data:

Short period to 3.3.07 £m		Note	26 weeks to 1.9.07 £m	Six months to 30.9.06 £m
Earnings				
187.4	Profit after tax for the financial period		114.5	34.6
15.8	Effect of exceptional items	5	(20.2)	16.4
0.1	Effect of financing fair value remeasurements		1.2	0.9
(12.1)	Net financing impact on pension balances		(6.4)	(6.6)
5.8	Demerger incentive schemes		5.9	-
9.2	Attributable taxation		6.8	(1.0)
206.2	Benchmark profit after tax for the financial period		101.8	44.3
millions	Number of shares		millions	millions
869.6	Number of ordinary shares for the purpose of basic EPS		868.2	869.0
7.6	Dilutive effect of shares incentive awards		8.7	7.6
877.2	Number of ordinary shares for the purpose of diluted EPS		876.9	876.6
pence	EPS		pence	pence
21.6	Basic EPS		13.2	4.0
21.4	Diluted EPS		13.1	3.9
23.7	Basic benchmark EPS		11.7	5.1
23.5	Diluted benchmark EPS		11.6	5.1

Basic and diluted EPS have been calculated on the basis of the number of Home Retail Group plc ordinary shares in issue at the date of demerger for the pre-demerger period together with the weighted average number of shares post demerger, excluding ordinary shares held in Home Retail Group's Employee Share Option Trust ('ESOT').

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION

For the 26 weeks ended 1 September 2007

9. Dividend

An interim dividend of 4.7 pence (2006: 4.0 pence) per Home Retail Group plc ordinary share has been proposed (but not provided) and will be paid on 23 January 2008 to shareholders on the register at the close of business on 16 November 2007. The amount absorbed by this dividend is £40.8m (2006: £34.6m).

In July 2007, a final dividend of 9.0 pence per Home Retail Group plc ordinary share was paid to shareholders. The amount absorbed by this dividend was £78.1m. In August 2006, £62m was paid to GUS plc as Home Retail Group's share of the GUS plc final dividend in respect of the year ended 31 March 2006.

10. Capital expenditure

In the period, there were additions to intangible assets of £14.2m (2006: £15.0m).

In the period, there were additions to property, plant and equipment of £57.6m (2006: £75.1m) and disposals of property, plant and equipment generated proceeds of £1.3m (2006: £2.1m).

Capital commitments contracted but not provided for by the Group amounted to £69.8m.

11. Post employment benefits

As at the balance sheet date, the obligation in respect of the Argos defined benefit pension plans was £599.1m (3 March 2007: £628.0m) and the market value of the plan assets was £658.6m (3 March 2007: £637.3m), resulting in a net surplus on the plans of £59.5m (3 March 2007: £9.3m).

The increase in the value of the surplus arises almost entirely due to changes in the underlying actuarial assumptions. The assumed discount rate has increased to 5.5% (3 March 2007: 4.9%), giving rise to a decrease to the defined benefit obligation. This reduction is partly offset by the impact of increases in the assumptions for the rate of inflation, to 3.3% (3 March 2007: 3.1%), and for the rate of increases for salaries, to 4.6% (3 March 2007: 4.4%), which results in a net £50.0m actuarial gain reported in the Statement of Recognised Income and Expense. There has been no change in the mortality assumptions used.

During the period, the Group has paid contributions totalling £7.0m (2006: £7.3m) to the Argos defined benefit pension plans.

12. Reconciliation of movements in equity

3.3.07 £m	1.9.07 £m	30.9.06 £m
187.4 Profit for the period attributable to shareholders	114.5	34.6
(10.1) Movements in Statement of Recognised Income and Expense	33.1	(7.8)
16.3 Movement in share-based compensation reserve	11.3	8.0
(6.1) Net movement in own shares	-	-
(34.6) Equity dividends paid during the period	(78.1)	-
(24.1) Other movements	-	(24.1)
128.8 Increase in net equity	80.8	10.7
2,949.9 Opening net equity	3,078.7	2,949.9
3,078.7 Closing net equity	3,159.5	2,960.6

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION

For the 26 weeks ended 1 September 2007

13. Notes to the consolidated cash flow statement

Short period to 3.3.07 £m	26 weeks to 1.9.07 £m	Six months to 30.9.06 £m
Cash generated from operations:		
305.2 Operating profit	150.4	90.5
0.9 Loss on sale of property, plant and equipment	0.1	-
1.1 Loss on sale of subsidiary	-	-
146.4 Depreciation and amortisation	73.9	77.0
4.1 Impairment losses	-	-
16.4 Finance expense charged to Financial Services cost of sales	9.6	8.3
(23.4) (Increase) in inventories	(23.5)	(51.5)
(42.7) (Increase)/decrease in receivables	24.7	26.9
193.3 Increase in payables	113.4	239.9
127.2 Movement in working capital	114.6	215.3
(6.3) Increase/(decrease) in provisions for liabilities and charges	7.2	3.9
10.0 Movement in retirement benefits	6.2	6.2
15.9 Share-based payment expense	11.3	8.0
620.9 Cash generated from operations	373.3	409.2
Reconciliation of net increase in cash and cash equivalents to movement in net debt:		
(178.0) Net cash/(debt) at the beginning of the period	60.2	(178.0)
(3.0) Effect of foreign exchange rate changes	(1.0)	4.9
156.8 Net (decrease)/increase in cash and cash equivalents	(59.9)	129.1
84.4 Decrease in debt	223.6	78.4
60.2 Net cash at the end of the period	222.9	34.4

14. Seasonality

The retail sales for Argos and Homebase are subject to seasonal fluctuations. Demand for Argos products is highest during the months of November and December, whilst demand for Homebase products is highest through the spring, at Easter and during the summer months and, for big ticket items, during the January sales.

15. Related parties

The Group's related parties are its joint ventures and associates, key management personnel and the Argos defined benefit pension plans. The only material transactions between the Group and any of these parties were in relation to the Argos defined benefit pension plans, and are set out in note 11.

In the prior periods, GUS plc and other GUS related companies were related parties until the demerger which came into effect on 10 October 2006. In the six months to 30 September 2006 the Group purchased services totalling £5.6m from these related parties and was charged £7.0m in respect of corporate head office costs borne by GUS plc. At 30 September 2006 a balance of £10.0m was owed to the Group by these related parties. Following the demerger these companies are no longer related parties, however this balance remains outstanding at the balance sheet date.

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION

For the 26 weeks ended 1 September 2007

16. Post balance sheet events

On 11 October 2007, the Group announced that it had signed a contract for the purchase of 27 leasehold properties from Focus DIY, for a purchase price of £40m in cash. The properties are expected to be transferred to Home Retail Group over the period up to 31 December 2007. No other infrastructure and no merchandise stock are being acquired as part of the transaction. The re-fit capital investment is expected to amount to approximately £30m. There will also be an amount of transitional operating costs incurred from the date of transfer to the re-commencement of trading the properties. The current estimate of the level of these costs to be incurred in the second half of this financial year is approximately £15m. Staff previously employed by Focus will be transferred from Focus and continue employment with Homebase. It is impracticable to provide further information regarding this acquisition at this time due to the proximity of the transaction to the date of this report.

17. Home Retail Group website

The maintenance and integrity of the Home Retail Group website, www.homeretailgroup.com, is the responsibility of the Company's directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the condensed half-yearly financial information since it was initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8.

The directors of Home Retail Group plc are listed in the Home Retail Group plc Annual Report and Financial Statements 2007. There have been no changes of directors since the Annual Report. A list of current directors is maintained on the Home Retail Group website www.homeretailgroup.com.

By order of the Board

Terry Duddy
Chief Executive
24 October 2007

Richard Ashton
Finance Director
24 October 2007

INDEPENDENT REVIEW REPORT TO HOME RETAIL GROUP PLC

Introduction

We have been instructed by the Company to review the financial information for the 26 weeks ended 1 September 2007 which comprises the consolidated interim balance sheet as at 1 September 2007 and the related consolidated interim income statement, cash flows and recognised income and expense for the 26 weeks then ended and related notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of Home Retail Group plc are prepared in accordance with IFRSs as adopted by the European Union. The financial information included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the 26 weeks ended 1 September 2007.

PricewaterhouseCoopers LLP
Chartered Accountants
London

24 October 2007

Notes:

- (a) The maintenance and integrity of the Home Retail Group plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the web site.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

HOME RETAIL GROUP PLC

SHAREHOLDER INFORMATION

Registrar

Enquiries concerning holdings of the Company's shares and notification of the holder's change of address should be referred to Equiniti (formerly Lloyds TSB Registrars), Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA (telephone: 0845 603 9903).

Electronic communications

Shareholders can arrange to receive email notification that important documents, such as the Company's annual reports and notices of shareholder meetings, are available electronically and to submit voting instructions on-line in the run up to Annual General Meetings, by registering at www.shareview.co.uk. The service is provided by Equiniti and gives access to a comprehensive range of shareholder information, including dividend payment details.

Home Retail Group plc website

A full range of investor information is available at www.homeretailgroup.com. This includes webcasts of results presentations given to analysts and fund managers together with the slides accompanying those presentations.

Dividend reinvestment plan

The Home Retail Group Dividend Reinvestment Plan ('DRIP') enables shareholders to use their cash dividends to purchase Home Retail Group shares. Shareholders who wish to participate in the DRIP for the first time, in respect of the interim dividend to be paid on 23 January 2008, should return a completed and signed DRIP mandate form to be received by the Registrar, by no later than 2 January 2008. For further details, please contact Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA (telephone: 0870 241 3018).

Share price information

The latest Home Retail Group share price is available on the Home Retail Group website, as well as through other information services such as Ceefax, Teletext and also on the Financial Times Cityline Service telephone 0906 843 2740 (calls charged at 60p per minute).

Share dealing facility

Existing or potential investors can buy or sell Home Retail Group ordinary shares using an Internet or telephone share dealing service provided by Equiniti by logging onto www.shareview.co.uk or by calling 0870 850 0582 between 8.30am and 4.30pm weekdays.

Financial calendar

Interim ex-dividend date	14 November 2007
Interim Management Statement	17 January 2008
Interim dividend to be paid	23 January 2008
Full-year trading statement	13 March 2008
Full-year results for the 52 weeks to 1 March 2008	30 April 2008
Final ex-dividend date	21 May 2008
Interim Management Statement	12 June 2008
Final dividend to be paid	23 July 2008

Registered office

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