23 October 2013

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 31 August 2013.

Operating highlights

- Good first half, with both businesses delivering a positive like-for-like sales performance
- Argos Transformation plan progress:
    - Internet penetration increased to 43% of Argos' total sales, with mobile commerce growing 124% to account for 16% of total sales
    - Launched both new and improved smartphone and tablet apps
    - Reached eight million customer registrations
    - Expanded 'hub & spoke' trial to around 50 stores
- Homebase Renewal plan progress:
    - Completed a further five store refits
    - Launched a next or named day delivery proposition
    - Grew multi-channel sales by 28%
    - Achieved further market share gains

Financial highlights

- Sales up 3% to £2,596m; like-for-like sales up 2.3% at Argos, and up 5.9% at Homebase
- Cash gross margin up 1% to £962m
- Operating and distribution costs held broadly flat at £936m
- Benchmark operating profit[1] up 40% to £26.4m
- Benchmark profit before tax[2] up 53% to £27.4m
- Basic benchmark earnings per share[3] up 79% to 2.5p
- Reported profit before tax of £14.2m; reported basic earnings per share of 1.6p
- Cash generation in the period of £16m with closing net cash of £412m
- Interim dividend of 1.0p (2012: 1.0p)

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

"The Group has had a good first half with both businesses delivering successive quarters of positive sales performance and market share gains. Argos performed well and recorded its fifth consecutive quarter of like-for-like sales growth. It has continued to grow its internet sales, powered by the growth in mobile commerce which now accounts for 16% of Argos' total sales. Homebase traded strongly through its peak trading period, recording its best half of like-for-like sales performance since acquisition in 2002, and has now achieved 18 consecutive quarters of market share growth in the shed sector.

We continued to manage costs well, taking action to mitigate cost growth from sales related increases, underlying cost inflation and investment in strategic initiatives. As a result, we were able to hold costs broadly flat year on year. Cash performance was also good with the Group generating £16m of cash in the period to close the half with net cash of £412m, which supports the Group's ability to fund the investment plans in both businesses.

Both Argos and Homebase are making good progress with their investment plans, and remain on track to deliver their long term strategic objectives. The Argos transformation is well underway, including the introduction of new smartphone and tablet apps, the extension of the 'hub & spoke' trial, the launch of a digital Christmas gift guide and the development of digital concept stores. Homebase has completed five store refits, and plans to complete around 10 further refits in the current financial year. These refitted stores are performing in line with our expectations. In addition, the introduction of improved delivery options has supported multi-channel sales participation, which grew by 28%.

As we look ahead to the second half of the year, we expect consumer spending will remain subdued, and whilst some macroeconomic indicators are improving, these have not yet led to an increase in household disposable income. Overall we are making good progress and are in excellent operational shape as we approach the key Christmas trading period."

1. **Benchmark operating profit** is defined as operating profit before amortisation of acquisition intangibles, retirement benefit scheme administration costs, store impairment and onerous lease charges or releases and exceptional items.

2. **Benchmark profit before tax (benchmark PBT)** is defined as profit before amortisation of acquisition intangibles, retirement benefit scheme administration costs, store impairment and onerous lease charges or releases, exceptional items, financing fair value remeasurements, financing impact on retirement 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

Analysts and investors (Home Retail Group)

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There will be a presentation today at 9.30am to analysts and investors at the Auditorium, 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 18 weeks from 1 September 2013 to 4 January 2014, will be announced by Home Retail Group on Thursday 16 January 2014.

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

26 weeks to £m	31 August 2013	1 September 2012 Restated[1]
Argos	1,716.8	1,686.4
Homebase	822.3	787.3
Financial Services	57.1	57.4
Sales	**2,596.2**	**2,531.1**
Cost of goods	(1,634.1)	(1,579.5)
Gross margin	**962.1**	**951.6**
Operating and distribution costs	(935.7)	(932.8)
Argos	7.7	3.3
Homebase	27.2	24.5
Financial Services	3.1	2.9
Central Activities	(11.6)	(11.9)
Benchmark operating profit	**26.4**	**18.8**
Group operating margin % rate	*1.0%*	*0.7%*
Net interest income (see below)	1.0	1.7
Share of post-tax results of associates	-	(2.6)
Benchmark PBT	**27.4**	**17.9**
Amortisation of acquisition intangibles	(0.9)	(0.9)
Retirement benefit scheme administration costs [1]	(1.0)	(1.0)
Net onerous lease provision releases	5.4	-
Exceptional items	(12.6)	35.0
Financing fair value remeasurements	1.2	1.3
Financing impact on retirement benefit obligations [1]	(1.8)	(2.0)
Discount unwind on non-benchmark items	(3.5)	(3.6)
Profit before tax [1]	**14.2**	**46.7**
Taxation [1]	(1.7)	(13.6)
of which: taxation attributable to benchmark PBT	*(7.8)*	*(6.5)*
Benchmark effective tax % rate	*28.5%*	*31.7%*
Profit for the period [1]	**12.5**	**33.1**
Basic benchmark EPS	**2.5p**	**1.4p**
Basic EPS [1]	**1.6p**	**4.1p**
Weighted average number of shares for basic EPS	800.0m	800.4m
Interim dividend	**1.0p**	**1.0p**
Closing net cash position	**412.2**	**316.4**

Net interest reconciliation:

Bank deposits and other interest	0.1	0.7
Financing costs charged to Financial Services	1.5	1.6
Discount unwind on benchmark items	(0.6)	(0.6)
Net interest income	**1.0**	**1.7**
Financing fair value remeasurements	1.2	1.3
Financing impact on retirement benefit obligations [1]	(1.8)	(2.0)
Discount unwind on non-benchmark items	(3.5)	(3.6)
Income statement net financing charge [1]	**(3.1)**	**(2.6)**

The above tables and those throughout this announcement have been prepared in accordance with Note 1 to the Financial Information on page 22. The Group has adopted IAS 19 (revised) during the period as set out in Note 18 on page 32. Prior year comparatives have been restated where marked 1. The restatement does not impact on Benchmark PBT.

OPERATING COMPANY REVIEWS

Argos

26 weeks to £m	31 August 2013	1 September 2012
Sales	**1,716.8**	**1,686.4**
Benchmark operating profit	**7.7**	**3.3**
Benchmark operating margin	**0.4%**	**0.2%**
Like-for-like sales change	2.3%	0.6%
Net space sales change	(0.5%)	0.0%
Total sales change	1.8%	0.6%
Gross margin movement	Down c.75bps	Down c.50bps
Benchmark operating profit change	136%	(3%)
Number of stores at period-end	737	739

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. It is underpinned by a three-year investment programme.

There are four key elements to the Transformation plan:

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

Argos is making good early progress on the Transformation programme, in both its trading performance and in building new capabilities. It is confident of achieving its FY14 Transformation plan milestones and is on track to hit its longer-term goals.

Operational review

Reposition Argos' channels for a digital future
Multi-channel sales continue to grow and now represent £899m or 52% of Argos' total sales, up from 51% last year. Total internet sales, including Check & Reserve, grew to reach 43% of Argos' total sales. Sales from both smartphones and tablets grew even more rapidly and now represent 16% of sales. The smartphone and tablet apps for both Apple and Android, have had around 1.6 million downloads since their launch, which has led to website visits from mobile devices growing by over 70%, and mobile sales growing by 124% versus last year.

Underlying its strong digital performance, Argos has improved its digital offer across both online and mobile commerce. Argos introduced a new Android tablet app, and re-launched the apps for the Android smartphone, iPhone and iPad. Further developments during the second half of the current financial year will include increased consistency in the customer journey across all digital channels with common features such as '1 click' reservation, single customer log-on and a persistent shopping trolley across all digital channels. The mobile apps will also be transactional, which will enable customers to order and pay for products for home delivery as well as reserve products for store collection.

Argos has launched its Christmas gift guide catalogue and will also shortly introduce a digital version which will contain richer content and an innovative and intuitive shopping journey. The catalogue version of the gift guide has also been enriched using augmented reality to create a more interactive and engaging customer experience.

The overall Transformation plan, and particularly digital improvement, is dependent on an ambitious technology agenda. During the first half Argos entered into a contract with Accenture for both the development and the ongoing maintenance of its systems, and Argos has successfully managed the transition to this new contract arrangement.

With around 90% of all sales still involving a store, the Argos store estate remains a key component of the Argos multi-channel model. Argos has developed a digital concept store that will enable it to test a number of new digital and store innovations such as fast-track collection for customers who have pre-paid for items online or via a mobile device. The digital concept stores will also remove the in-store laminated catalogue, paper, pens and stock check devices, replacing them instead with tablets. They will also offer a new and more flexible way to merchandise product and support supplier promotions. Additionally, these stores will trial increased levels of customer support, including specially trained members of staff equipped with technology to support customers through their journey.

Provide more product choice, available to customers faster
Argos is well positioned through both its store estate and supply chain to cost-effectively offer a wide range of products for rapid fulfilment. Central to Argos' fulfilment advantage will be the innovative use of its store portfolio together with its replenishment capabilities, in a 'hub & spoke' distribution model. The hubs will have larger than average stock rooms, which can therefore hold a substantially wider range of product. By using delivery vans to distribute this product to a network of nearby spoke stores, customers of these stores will effectively have access to this wider product range within hours. This concept has been tested in the North East since January, and this trial has now been extended into around 50 stores enabling both the operational and customer offer aspects of this new network to be tested over the peak trading period.

Argos and eBay have also announced a trial of a UK collection service, enabling shoppers at about 50 selected eBay merchants to pick up products from 150 Argos stores throughout the UK. This trial will assess the opportunity for Argos to provide fulfilment for eBay's merchants, including the operational requirements, attractiveness to sellers and consumers, and opportunity for increased customer footfall.

Develop a customer offer that has universal appeal
Argos continues to extend its product range and build category authority, with around 10 new brands, such as Denby and Stoves, introduced in the first half and around a further 15 new brands planned to be added from January 2014. Argos is also extending its product range with a further 6,000 new lines becoming available during the Christmas peak.

Tablets continued to be a strong driver of growth in the first half of the financial year, with Argos' wide range of competitively priced products delivering a strong offer in a competitive market. Argos expect the tablet market to continue to see strong growth throughout the forthcoming peak trading period and have recently announced the launch of a new own brand tablet, 'MyTablet', in the Christmas gift guide, which will retail below the £100 price point.

Argos' convenience credentials remain strong with a range of white goods available for in-store collection. With about 450 stores stocking this offer, it is proving very popular with customers. An extended range of white goods, which is available online, has also performed strongly.

Argos has commenced the implementation of a new dynamic price optimisation tool in key categories that will automate pricing recommendations, thereby enabling faster, and more data driven, pricing decisions. Meanwhile, Argos continues to maintain a competitive price position on its highest volume lines, which are measured weekly using internet price comparisons.

Argos continues to invest in getting to know its customers better, improving customer data and analytics, which enables better targeting of its offer. Argos now has a database that has reached eight million registered customers and during the peak season Argos expects to send around 100 million customer emails with bespoke product recommendations, including around 25 campaigns each week triggered from actual online browsing behaviour.

Argos has also improved customer service through the addition of a new sales assistance role in stores, improved call management in the contact centre, and higher rates of on-time home delivery.

Operate a leaner and more flexible cost base
Argos is a leading value retailer and remains highly price competitive, supported by the Group's sourcing scale and infrastructure advantages, together with the benefit of Argos' low-cost operating model. A continued focus on keeping the operating cost base lean and flexible has resulted in further cost productivity benefits being achieved in the first half of the current financial year.

Over the next five years, Argos has around 275 store lease renewals or break clauses due. Using this flexibility, Argos continues to focus on improving its store network by relocating or closing some older stores and opening some new stores if attractive sites are identified. This ongoing review of its store portfolio will result in Argos closing around a net 5 stores in the current financial year. Argos continues to negotiate for the addition of break clauses, where one does not currently exist, during the store lease renewal process and by the end of FY18, Argos expects to have around 75% of its store estate with lease terms of five years or less.

Financial Review

Total sales in the 26 weeks to 31 August 2013 increased by 1.8% to £1,717m. Net space sales change reduced sales by 0.5% with the store portfolio remaining at 737. Like-for-like sales increased by 2.3%. Electrical products continued to deliver sales growth driven by strong growth in tablets and white goods, which together with strong sales of seasonal products in the second quarter, more than offset declines in furniture and homewares.

The gross margin rate was down by approximately 75 basis points. This was principally driven by an adverse sales mix impact, resulting from the improved performance in margin dilutive electrical products.

Total operating and distribution costs decreased by £5m with increases from the impact of increased sales, underlying cost inflation and revenue investment in strategic initiatives being more than offset by further cost savings. Benchmark operating profit was £7.7m; a £4.4m or 136% increase on the comparable period last year.

Homebase

26 weeks to £m	31 August 2013	1 September 2012
Sales	**822.3**	**787.3**
Benchmark operating profit	**27.2**	**24.5**
Benchmark operating margin	**3.3%**	**3.1%**
Like-for-like sales change	5.9%	(6.2%)
Net space sales change	(1.5%)	0.0%
Total sales change	4.4%	(6.2%)
Gross margin movement	Down c.100bps	Up c.150bps
Benchmark operating profit change	11%	(18%)
Number of stores at period-end	333	340
Of which contain a mezzanine floor	186	187
Store selling space at period-end (million sq ft)	15.3	15.6
Of which - garden centre area	3.5	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.

Operational review

Store estate and format development
Homebase has continued to trial its dramatically different store format, supported by increased levels of customer service, which creates a shopping experience where customers find ideas and inspiration for their homes and gardens. Following the evolution of the new store proposition in Ruislip and Solihull last year, five additional stores, including Battersea, were refitted in the period, with around a further ten planned for completion in the second half of the financial year. Whilst it is still early days for these stores, they are trading in line with expectations and there has been a high level of positive customer response to the refits. Each of the five stores includes a Habitat concession, providing further differentiation within the sheds market.

As part of Homebase's ongoing management of the store portfolio, a further three stores were closed in the period. This level of store closures is consistent with its plans at the start of the year. Homebase expect to close a total of around 10 stores in the current financial year and will continue to examine the opportunity for store closures, relocations or downsizes as either leases expire or lease break clauses occur. Over the next five years, Homebase has around 70 store lease renewals or break clauses due.

In Ireland, following the recent conclusion of the examinership process, two stores have been closed since the half year date and rent reductions have been achieved across the remaining 13 Irish stores.

Multi-channel offer
Multi-channel sales participation has grown by 28% year-on-year to represent 6% of Homebase's total sales. This growth has been driven by increased website traffic and 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/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 customer connectivity and to allow Homebase to offer improved services to customers whilst they are in a store.

Homebase continues to use social media to engage and interact with its customers, for example videos on Homebase's YouTube channel, which have now been viewed around 1.3m times, offer customers help, advice and useful 'how to' guides.

Exclusive brands
A key differentiator for Homebase is its strong portfolio of exclusive brands, such as Odina, Schreiber, Qualcast, Laura Ashley and Habitat. During the period, Odina has been made available to more customers, with displays now in 44 stores, up from 28 at the start of the year. The Schreiber kitchen range has been further extended to 317 stores following a low-cost investment programme incorporating either an edited display of the range or a carcass display. This year the Qualcast range has been increased to around 100 products, a 35% increase on last year, expanding the range of garden power and garden hand tool products.

In addition to the five new Habitat concessions, Habitat products are now available in around 300 stores, including ranges in furniture, paint, wallpaper and tiling. Habitat gives the Homebase customer greater choice with premium quality, contemporary styling, as well as some bestselling iconic designs.

Customer service
Homebase has continued its improvements in customer service in a number of areas during the period. A trial to improve process efficiency in stores resulted in a significant number of hours being identified that could be released and reinvested into customer service. Following the success of this trial, a roll-out will commence in the second half of the current financial year.

To further monitor and react to customer feedback, Homebase launched a customer survey tool called 'Paint Us a Picture'. This tool is designed to encourage honest and constructive feedback on all areas of customer service. Since the launch in March, over 95% of the customer responses rated their store experience as "satisfied" or "highly satisfied".

Loyalty programme
Homebase connects with about 7.1 million active Nectar customers and Nectar has a participation rate of around 65% of Homebase's sales. Over the period Homebase has delivered new trials to specific customer groups including a new 'over 60s' proposition and double value redemption enabling customers to get even greater value for their points at Homebase. Alongside this, around 20 million direct mailings and around 15 million emails, driving relevant offers to customers, have been sent resulting in greater brand engagement.

Financial review

Total sales in the 26 weeks to 31 August 2013 increased by 4.4% to £822.3m. Net space sales change reduced sales by 1.5% with three store closures reducing the store portfolio to 333. Like-for-like sales increased by 5.9%. Seasonal products benefitted from the improved weather, particularly in the second quarter, annualising against a poor summer last year. Big ticket sales were also ahead of the comparable period last year while the remaining categories were slightly down. During the period Homebase continued to increase its market share in the DIY sheds market, as reported by the independent third party, GfK, with the latest gain being its 18th consecutive quarter of market share growth.

The gross margin rate was down by approximately 100 basis points. The negative drivers were an adverse impact from a return to a more normal level of promotional sales, an adverse sales mix impact resulting principally from the strong performance of margin dilutive seasonal products and a reduction from the net impact of the movement in the US$ foreign exchange rate and sea freight costs. These reductions were partially offset by a benefit from reduced levels of stock clearance activity.

Total operating and distribution costs increased by £6m, with increases from the impact of increased sales, underlying cost inflation and revenue investment in strategic initiatives being partially offset by further cost savings. Benchmark operating profit was £27.2m; a £2.7m or 11% increase on the comparable period last year.

Financial Services

26 weeks to £m		31 August 2013	1 September 2012
Sales		**57.1**	**57.4**
Benchmark operating profit before financing costs		4.6	4.5
Financing costs		(1.5)	(1.6)
Benchmark operating profit		**3.1**	**2.9**
As at	**31 August 2013**	**2 March 2013**	**1 September 2012**
Store card gross receivables	540	547	513
Provision	(70)	(72)	(76)
Store card net receivables	470	475	437
Provision % of gross receivables	12.9%	13.2%	14.9%

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 review

In-house store card credit sales increased by 6% to £300m (2012: £284m) and represented 10.1% (2012: 9.8%) of Group retail sales. This increased level of both credit sales and penetration, is a result of specific product range support and sales increases in categories that have higher credit attachment rates such as tablets 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 principally provided through product loans from a third party provider. Including these product loans, total credit sales increased by 8% to £339m (2012: £315m) and represented 11.4% of Group retail sales. Customer use of the online account management tools continues to grow with over 700,000 registered customers.

Financial review

Total sales in the 26 weeks to 31 August 2013 decreased by 1% to £57.1m. Delinquency rates continue their trend of the last three years with a further reduction. Financing costs were marginally down versus last year, with this internal recharge being based upon UK base rates with a corresponding credit being recognised in Group net interest income. These benefits were partially offset by an increase in operating costs resulting in benchmark operating profit increasing by 7% to £3.1m (2012: £2.9m).

Store card net receivables grew by £33m versus a year ago to £470m, principally as a result of the increase in credit sales. The Group finances these receivables internally with no third party debt being required.

GROUP FINANCIAL REVIEW

Sales and benchmark operating profit
Group sales increased by 2.6% to £2,596.2m (2012: £2,531.1m) while Group benchmark operating profit increased 40% to £26.4m (2012: £18.8m). 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 were 3% lower at £11.6m (2012: £11.9m), driven by the continued control of central corporate costs.

Net interest income
Net interest income was £1.0m (2012: £1.7m). Within this, third party interest income reduced to £0.1m (2012: £0.7m) as a consequence of the Group's higher average cash balance being offset by the amortisation of the refinancing fees in respect of the Group's new bank facility.

Financing costs charged within Financial Services' benchmark operating profit together with the corresponding credit within net interest income decreased to £1.5m (2012: £1.6m). 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 £0.6m (2012: £0.6m). 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 the provision eventually matching the liability in the accounting period that it becomes due.

Share of post-tax results of associates
These amounted to £nil (2012: loss of £2.6m), 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 operation.

Benchmark PBT
Benchmark PBT increased 53% to £27.4m (2012: £17.9m) driven by the factors discussed above.

Amortisation of acquisition intangibles
A charge of £0.9m was recorded (2012: £0.9m), relating to the amortisation of the value of the brand which arose on the Habitat UK acquisition.

Retirement benefit scheme administration costs
A charge of £1.0m was recorded (2012 restated: £1.0m), 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 retirement benefit obligations.

Net onerous lease provision releases
A net credit of £5.4m (2012: £nil) was recorded, relating to onerous lease provisions that are no longer required, principally following the conclusion of the examinership process in respect of Homebase's Irish store portfolio.

Exceptional items
The exceptional charge recorded was £12.6m (2012: credit of £35.0m). This charge is a result of the ongoing programme to transform Argos into a digital retail leader combined with a number of other restructuring actions.

Financing fair value remeasurements
Certain foreign exchange movements as well as changes in the fair value of certain financial instruments are recognised in the income statement within net financing income. These amounted to a net gain of £1.2m (2012: £1.3m), which arises principally as a result of translation differences on overseas subsidiary cash balances. Equal and opposite adjustments to these translation differences are recognised as part of the movements in reserves. As required by accounting standards, the net nil exchange adjustment is split between the income statement and the statement of comprehensive income.

Financing impact on retirement benefit obligations
The financing impact on retirement benefit obligations is a net charge of £1.8m (2012 restated: £2.0m). The restatement of the 2012 comparative charge, as a result of adoption of IAS 19 (revised) for the first time during the current period, is explained in Note 18 to the financial information on page 32.

Discount unwind on non-benchmark items
A charge of £3.5m (2012: £3.6m) 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 was £14.2m (2012 restated: £46.7m).

Taxation
Taxation attributable to benchmark PBT was £7.8m (2012: £6.5m), representing an effective tax rate (excluding associates) for the period of 28.5% (52 weeks to 2 March 2013: 30.6%). The lower effective tax rate principally reflects two elements: the favourable impact of a relatively fixed level of disallowable expenditure in comparison to a higher level of profits together with the favourable impact of a 1% reduction in the UK corporation tax rate.

Taxation attributable to non-benchmark items amounted to a credit of £6.1m (2012 restated: charge of £7.1m). The total tax expense was therefore £1.7m (2012 restated: £13.6m).

Number of shares and earnings per share
The number of shares for the purpose of calculating basic earnings per share (EPS) was 800.0m (2012: 800.4m), representing the weighted average number of issued ordinary shares of 813.4m (2012: 813.4m), less an adjustment of 13.4m (2012: 13.0m) 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 23.6m (2012: 4.0m) to 823.6m (2012: 804.4m). Basic benchmark EPS is 2.5p (2012: 1.4p), with diluted benchmark EPS of 2.4p (2012: 1.4p). Reported basic EPS is 1.6p (2012 restated: 4.1p), with reported diluted EPS being 1.5p (2012 restated: 4.1p).

Dividends
At this stage of the financial year, as we approach the peak trading period, the Board announces an interim dividend of 1.0p, this is consistent with the announcement at the 1 May 2013 full year results presentation that to reflect the weighting of the Group's profit to the second half of the financial year the interim dividend would be held at 1.0p, with any changes to the full year dividend being made to the final dividend. The dividend will be paid on 22 January 2014 to shareholders on the register at the close of business on 15 November 2013.

Balance sheet

As at £m	**31 August 2013**	**2 March 2013**	**1 September 2012**
Goodwill	1,543.9	1,543.9	1,543.9
Other intangible assets	152.3	129.2	135.7
Property, plant and equipment	460.7	474.9	474.8
Inventories	965.3	941.8	1,001.1
Financial Services loan book	469.7	474.7	437.1
Other assets	197.1	198.8	187.5
	3,789.0	3,763.3	3,780.1
Trade and other payables	(1,243.9)	(1,168.7)	(1,158.0)
Provisions	(213.6)	(217.8)	(232.0)
	(1,457.5)	(1,386.5)	(1,390.0)
Invested capital	**2,331.5**	**2,376.8**	**2,390.1**
Retirement benefit obligations	(84.7)	(85.1)	(122.0)
Net tax assets	28.9	10.7	39.3
Forward foreign exchange contracts	(0.4)	34.1	(6.5)
Net cash	412.2	396.0	316.4
Net assets	**2,687.5**	**2,732.5**	**2,617.3**

Net assets as at 31 August 2013 were £2,687.5m, equivalent to 340p (2012: 327p) per share excluding shares held in Group share trusts. Invested capital as at 31 August 2013 was £2,331.5m, a reduction of £45.3m versus the balance sheet as at 2 March 2013. This reduction in invested capital was principally driven by an increase in trade and other payables associated with the increased level of inventories, together with trade and other payables timing benefits of around £50m, which are expected to unwind in the second half of the current financial year.

The reduction in net assets of £45.0m versus the balance sheet as at 2 March 2013 was driven by the reduction in invested capital together with a reduction in forward foreign exchange contracts. These reductions were partially offset by increases in both net tax assets and net cash.

Cash flow and net cash position

26 weeks to £m	**31 August 2013**	**1 September 2012 Restated**[1]
Benchmark operating profit	26.4	18.8
Exceptional items	(12.6)	35.0
Retirement benefit scheme administration costs [1]	(1.0)	(1.0)
Amortisation of acquisition intangibles	(0.9)	(0.9)
Net onerous lease provision releases	5.4	-
Statutory operating profit [1]	17.3	51.9
Depreciation and amortisation	65.7	64.0
Movement in trade working capital	42.8	78.7
Movement in Financial Services loan book	5.0	19.6
Financing costs charged to Financial Services	1.5	1.6
Cash flow impact of restructuring provisions	(1.9)	(3.4)
Pension scheme deficit recovery payments	(11.0)	(8.0)
Movement in retirement benefit obligations [1]	0.5	(37.5)
Other operating items	1.0	5.9
Cash flows from operating activities	**120.9**	**172.8**
Net capital expenditure	(74.8)	(25.6)
Taxation	(11.1)	(16.9)
Net interest	0.5	0.5
Other investments	10.9	(9.2)
Cash inflow before financing activities	**46.4**	**121.6**
Dividends paid	(16.0)	-
Purchase of own shares for Employee Share Trust	(14.1)	-
Net increase in cash and cash equivalents	**16.3**	**121.6**
Effect of foreign exchange rate changes	(0.1)	0.5
Increase in financing net cash	**16.2**	**122.1**
Opening financing net cash	396.0	194.3
Closing financing net cash	**412.2**	**316.4**

The Group has adopted IAS 19 (revised) during the period as set out in Note 18 on page 32. Prior year comparatives have been restated where marked 1.

Cash flows from operating activities were £120.9m (2012: £172.8m). This £51.9m decrease was principally attributable to a decrease in the cash inflow from trade working capital.

Net capital expenditure was £74.8m (2012: £25.6m), representing an increased level of investment across the Group in the previously outlined strategic plans of both businesses. Tax paid was £11.1m (2012: £16.9m). Other investment inflows of £10.9m (2012: outflow £9.2m) represent 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.

Dividends paid to shareholders amounted to £16.0m (2012: £nil) reflecting the final dividend payment of 2.0 pence. A payment of £14.1m (2012: £nil) was made to the Home Retail Group Employee Share Trust to fund the purchase of 10.0m shares. The shares contribute towards those already held by the Trust which are potentially needed to satisfy obligations arising from employee share schemes.

The Group strengthened its net cash position to £412.2m with a net cash generation of £16.2m in the first half of 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 31 August 2013 for the Group's defined benefit pension scheme obligations was a net deficit of £84.7m (2 March 2013: £85.1m).

Group financing arrangements
The Group finances its operations through a combination of retained profits, property leases, a net cash position and through access to committed bank facilities where necessary. The Group's net cash balance averaged approximately £460m (2012: approximately £350m) over the period and at 31 August 2013, the Group had £165m of undrawn, committed borrowing facilities, which expire in March 2016. In addition, as at 31 August 2013 the Group's Financial Services business held a loan book balance of £470m.

The Group has additional liabilities through its obligations to pay rents under operating leases; the operating lease charge for the last 12 months amounted to £351.6m (2012: £360.6m). Gross lease commitments stood at £2,803m at 31 August 2013 (2012: £3,092m) a reduction of £1,527m since the peak at £4,330m five years ago. Based upon the discounted cash flows of these expected future operating lease charges, the capitalised value of these liabilities is £2,173m (2012: £2,438m) utilising a discount rate of 5.0% (2012: 4.4%).

Accounting standards and use of non-GAAP measures
The Group has prepared its consolidated financial statements based on International Financial Reporting Standards for the 26 weeks ended 31 August 2013. The basis of preparation is outlined in Note 1 to the Financial Information on page 22.

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 23.

Principal risks and uncertainties
The Group set out in its 2013 Annual Report and Financial Statements the principal risks and uncertainties which could impact its performance; these remain unchanged since its publication. The Group operates a structured risk management process which identifies and evaluates risks and uncertainties and reviews mitigation activity.

On a short-term forward-looking basis over the remainder of the financial year, the main areas of potential risk and uncertainty centre on 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, failure to deliver the strategy, reliance on key personnel, failure to meet customer expectations, currency exposures, product supply and other operational processes, infrastructure development, product safety, the regulatory environment and business interruption. These risks, together with examples of mitigating activity, are set out in more detail in the 2013 Annual Report and Financial Statements on pages 30 and 31.

Appendix 1. Trading statement information as reported

	Q1 13 weeks to 2 June 2012	Q1 13 weeks to 1 June 2013
Argos		
Sales	£819m	£828m
Like-for-like sales change	(0.2%)	1.9%
Net space sales change	0.4%	(0.7%)
Total sales change	0.2%	1.2%
Gross margin movement	Down c.25bps	Down c.75bps
Homebase		
Sales	£421m	£422m
Like-for-like sales change	(8.3%)	1.4%
Net space sales change	0.2%	(1.2%)
Total sales change	(8.1%)	0.2%
Gross margin movement	Up c.225bps	Down c.200bps

	Q2 13 weeks to 1 Sept 2012	H1 26 weeks to 1 Sept 2012	Q2 13 weeks to 31 Aug 2013	H1 26 weeks to 31 Aug 2013
Argos				
Sales	£867m	£1,686m	£889m	£1,717m
Like-for-like sales change	1.4%	0.6%	2.7%	2.3%
Net space sales change	(0.4%)	0.0%	(0.3%)	(0.5%)
Total sales change	1.0%	0.6%	2.4%	1.8%
Gross margin movement	Down c.75bps	Down c.50bps	Down c.50bps	Down c.75bps
Homebase				
Sales	£366m	£787m	£400m	£822m
Like-for-like sales change	(3.7%)	(6.2%)	11.0%	5.9%
Net space sales change	(0.2%)	0.0%	(1.7%)	(1.5%)
Total sales change	(3.9%)	(6.2%)	9.3%	4.4%
Gross margin movement	Up c.75bps	Up c.150bps	c.0bps	Down c.100bps

	Q3 18 weeks to 5 Jan 2013	YTD 44 weeks to 5 Jan 2013
Argos		
Sales	£1,744m	£3,430m
Like-for-like sales change	2.7%	1.6%
Net space sales change	(1.1%)	(0.5%)
Total sales change	1.6%	1.1%
Gross margin movement	Down c.50bps	Down c.50bps
Homebase		
Sales	£453m	£1,240m
Like-for-like sales change	(3.9%)	(5.4%)
Net space sales change	(0.6%)	(0.2%)
Total sales change	(4.5%)	(5.6%)
Gross margin movement	Down c.50bps	Up c.75bps

	Q4 8 weeks to 2 Mar 2013	H2 26 weeks to 2 Mar 2013	FY 52 weeks to 2 Mar 2013
Argos			
Sales	£501m	£2,245m	£3,931m
Like-for-like sales change	5.2%	3.2%	2.1%
Net space sales change	(0.9%)	(1.0%)	(0.6%)
Total sales change	4.3%	2.2%	1.5%
Gross margin movement	Down c.75bps	Down c.50bps	Down c.50bps
Homebase			
Sales	£191m	£644m	£1,431m
Like-for-like sales change	(1.5%)	(3.2%)	(4.9%)
Net space sales change	(1.3%)	(0.8%)	(0.3%)
Total sales change	(2.8%)	(4.0%)	(5.2%)
Gross margin movement	Up c.50bps	Down c.25bps	Up c.75bps

HOME RETAIL GROUP PLC

UNAUDITED CONDENSED HALF-YEARLY FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT
For the 26 weeks ended 31 August 2013

52 weeks to 2.3.13 (restated) £m		Notes	**26 weeks to 31.8.13 £m**	26 weeks to 1.9.12 (restated) £m
5,475.4	**Revenue**	4	**2,596.2**	2,531.1
(3,743.3)	Cost of sales	5	**(1,765.8)**	(1,714.7)
1,732.1	**Gross profit**		**830.4**	816.4
(1,628.1)	Net operating expenses before exceptional items		**(800.5)**	(799.5)
31.3	Exceptional items	6	**(12.6)**	35.0
135.3	**Operating profit**		**17.3**	51.9
3.1	Finance income		**2.0**	2.5
(11.5)	Finance expense		**(5.1)**	(5.1)
(8.4)	Net financing expense	7	**(3.1)**	(2.6)
(6.0)	Share of post-tax loss of associates		**-**	(2.6)
120.9	**Profit before tax**		**14.2**	46.7
(34.0)	Taxation	8	**(1.7)**	(13.6)
86.9	**Profit for the period attributable to equity holders of the Company**		**12.5**	33.1
pence	**Earnings per share**	9	**pence**	pence
10.9	Basic		**1.6**	4.1
10.7	Diluted		**1.5**	4.1
3.0	**Dividend per share**	10	**1.0**	1.0

52 weeks to 2.3.13 (restated) £m	***Non-GAAP measures*** ***Reconciliation of profit before tax (PBT) to benchmark PBT***	*Notes*	***26 weeks to 31.8.13 £m***	*26 weeks to 1.9.12 (restated) £m*
120.9	***Profit before tax***		***14.2***	*46.7*
	Adjusted for:			
1.8	*Amortisation of acquisition intangibles*		***0.9***	*0.9*
2.1	*Retirement benefit scheme administration costs*		***1.0***	*1.0*
(14.6)	*Net onerous lease provision releases*		***(5.4)***	*-*
(31.3)	*Exceptional items*	*6*	***12.6***	*(35.0)*
1.1	*Financing fair value remeasurements*	*7*	***(1.2)***	*(1.3)*
4.0	*Financing impact on retirement benefit obligations*	*7*	***1.8***	*2.0*
7.1	*Discount unwind on non-benchmark items*	*7*	***3.5***	*3.6*
91.1	***Benchmark PBT***		***27.4***	*17.9*
pence	***Benchmark earnings per share***	*9*	***pence***	*pence*
7.7	*Basic*		***2.5***	*1.4*
7.6	*Diluted*		***2.4***	*1.4*

HOME RETAIL GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 26 weeks ended 31 August 2013

52 weeks to 2.3.13 (restated) £m		Notes	**26 weeks to 31.8.13 £m**	26 weeks to 1.9.12 (restated) £m
86.9	**Profit for the period attributable to equity holders of the Company**		**12.5**	33.1
	Items that may be reclassified subsequently to profit or loss:			
	Net change in fair value of cash flow hedges			
33.4	- Foreign currency forward exchange contracts		**(18.9)**	(1.0)
	Net change in fair value of cash flow hedges transferred to inventory			
(5.3)	- Foreign currency forward exchange contracts		**(13.8)**	(5.9)
0.6	Currency translation differences		**(2.3)**	(0.9)
(6.1)	Tax credit/(charge) in respect of items that will be or have been recycled		**8.4**	1.7
22.6			**(26.6)**	(6.1)
	Items that will not be reclassified subsequently to profit or loss:			
(8.0)	Actuarial loss in respect of defined benefit pension schemes	14	**(8.3)**	(50.2)
2.0	Fair value movements on available-for-sale financial assets		**0.3**	(0.1)
-	Tax credit in respect of items not recycled		**0.4**	9.6
(6.0)			**(7.6)**	(40.7)
16.6	**Other comprehensive income for the period, net of tax**		**(34.2)**	(46.8)
103.5	**Total comprehensive income for the period attributable to equity holders of the Company**		**(21.7)**	(13.7)

HOME RETAIL GROUP PLC

CONSOLIDATED BALANCE SHEET

At 31 August 2013

2.3.13 £m		Notes	**31.8.13 £m**	1.9.12 £m
	ASSETS			
	Non-current assets			
1,543.9	Goodwill		**1,543.9**	1,543.9
129.2	Other intangible assets		**152.3**	135.7
474.9	Property, plant and equipment		**460.7**	474.8
-	Investments in associates		**-**	8.4
40.7	Deferred tax assets		**40.6**	53.8
2.7	Trade and other receivables		**2.6**	3.8
24.4	Other financial assets	12	**23.6**	23.4
2,215.8	**Total non-current assets**		**2,223.7**	2,243.8
	Current assets			
941.8	Inventories		**965.3**	1,001.1
636.8	Trade and other receivables		**640.6**	589.0
8.3	Current tax assets		**5.3**	5.6
36.9	Other financial assets	12	**7.9**	2.5
396.0	Cash and cash equivalents		**412.2**	316.4
2,019.8	**Total current assets**		**2,031.3**	1,914.6
9.6	**Non-current assets classified as held for sale**		**-**	-
4,245.2	**Total assets**		**4,255.0**	4,158.4
	LIABILITIES			
	Non-current liabilities			
(52.6)	Trade and other payables		**(50.8)**	(54.3)
(179.5)	Provisions	13	**(175.2)**	(188.4)
(26.6)	Deferred tax liabilities		**(17.0)**	(20.1)
(85.1)	Post-employment benefits	14	**(84.7)**	(122.0)
(343.8)	**Total non-current liabilities**		**(327.7)**	(384.8)
	Current liabilities			
(1,116.1)	Trade and other payables		**(1,193.1)**	(1,103.7)
(38.3)	Provisions	13	**(38.4)**	(43.6)
(2.8)	Other financial liabilities	12	**(8.3)**	(9.0)
(11.7)	Current tax liabilities		**-**	-
(1,168.9)	**Total current liabilities**		**(1,239.8)**	(1,156.3)
(1,512.7)	**Total liabilities**		**(1,567.5)**	(1,541.1)
2,732.5	**Net assets**		**2,687.5**	2,617.3
	EQUITY			
81.3	Share capital		**81.3**	81.3
6.4	Capital redemption reserve		**6.4**	6.4
(348.4)	Merger reserve		**(348.4)**	(348.4)
31.9	Other reserves		**(7.9)**	3.8
2,961.3	Retained earnings		**2,956.1**	2,874.2
2,732.5	**Total equity**		**2,687.5**	2,617.3

HOME RETAIL GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 26 weeks ended 31 August 2013

	Attributable to equity holders of the Company					
	Share capital	**Capital redemption reserve**	**Merger reserve**	**Other reserves**	**Retained earnings**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Balance at 3 March 2013	81.3	6.4	(348.4)	31.9	2,961.3	2,732.5
Profit for the period	-	-	-	-	12.5	12.5
Other comprehensive income	-	-	-	(27.1)	(7.1)	(34.2)
Total comprehensive income for the period ended 31 August 2013	-	-	-	(27.1)	5.4	(21.7)
Transactions with owners:						
Movement in share-based compensation reserve	-	-	-	-	7.0	7.0
Net movement in own shares	-	-	-	(12.7)	(1.4)	(14.1)
Equity dividends paid during the period	-	-	-	-	(16.0)	(16.0)
Other distributions	-	-	-	-	(0.2)	(0.2)
Total transactions with owners	-	-	-	(12.7)	(10.6)	(23.3)
Balance at 31 August 2013	**81.3**	**6.4**	**(348.4)**	**(7.9)**	**2,956.1**	**2,687.5**

	Attributable to equity holders of the Company (restated)					
	Share capital	Capital redemption reserve	Merger reserve	Other reserves	Retained earnings	Total
	£m	£m	£m	£m	£m	£m
Balance at 4 March 2012	81.3	6.4	(348.4)	8.6	2,877.5	2,625.4
Profit for the period	-	-	-	-	33.1	33.1
Other comprehensive income	-	-	-	(6.1)	(40.7)	(46.8)
Total comprehensive income for the period ended 1 September 2012	-	-	-	(6.1)	(7.6)	(13.7)
Transactions with owners:						
Movement in share-based compensation reserve	-	-	-	-	5.9	5.9
Net movement in own shares	-	-	-	1.3	(1.3)	-
Equity dividends paid during the period	-	-	-	-	-	-
Other distributions	-	-	-	-	(0.3)	(0.3)
Total transactions with owners	-	-	-	1.3	4.3	5.6
Balance at 1 September 2012	81.3	6.4	(348.4)	3.8	2,874.2	2,617.3

HOME RETAIL GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 26 weeks ended 31 August 2013

52 weeks to 2.3.13 £m		Notes	**26 weeks to 31.8.13 £m**	26 weeks to 1.9.12 £m
	Cash flows from operating activities			
322.1	Cash generated from operations	15	**120.9**	172.8
(26.1)	Tax paid		**(11.1)**	(16.9)
296.0	**Net cash inflow from operating activities**		**109.8**	155.9
	Cash flows from investing activities			
(55.3)	Purchase of property, plant and equipment	11	**(33.5)**	(12.0)
(25.3)	Purchase of other intangible assets	11	**(42.3)**	(14.6)
1.9	Proceeds from the disposal of property, plant and equipment	11	**1.0**	1.0
(6.8)	Loans granted to associates	17	**-**	(6.8)
-	Loans repaid by associates	17	**1.2**	-
(4.8)	Purchase of investments	17	**-**	(2.4)
-	Disposal of investments	17	**9.7**	-
1.7	Interest received		**0.5**	0.5
(88.6)	**Net cash flows from investing activities**		**(63.4)**	(34.3)
	Cash flows from financing activities			
-	Purchase of shares for Employee Share Trust		**(14.1)**	-
(8.0)	Dividends paid	10	**(16.0)**	-
(8.0)	**Net cash used in financing activities**		**(30.1)**	-
199.4	**Net increase in cash and cash equivalents**		**16.3**	121.6
	Movement in cash and cash equivalents			
194.3	Cash and cash equivalents at the beginning of the period		**396.0**	194.3
2.3	Effect of foreign exchange rate changes		**(0.1)**	0.5
199.4	Net increase in cash and cash equivalents		**16.3**	121.6
396.0	**Cash and cash equivalents at the end of the period**		**412.2**	316.4

HOME RETAIL GROUP PLC

ANALYSIS OF NET CASH/(DEBT)

At 31 August 2013

2.3.13 *£m*	***Non-GAAP measures***	***31.8.13*** ***£m***	*1.9.12* *£m*
	Financing net cash:		
396.0	*Cash and cash equivalents*	***412.2***	*316.4*
396.0	***Total financing net cash***	***412.2***	*316.4*
	Operating net debt:		
(2,361.7)	*Off balance sheet operating leases*	***(2,173.1)***	*(2,438.1)*
(2,361.7)	***Total operating net debt***	***(2,173.1)***	*(2,438.1)*
(1,965.7)	***Total net debt***	***(1,760.9)***	*(2,121.7)*

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 £2,173.1m (2 March 2013: £2,361.7m), based upon discounting the current rentals at the estimated current long-term cost of borrowing of 5.0% (2 March 2013: 4.2%).

HOME RETAIL GROUP PLC

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION
For the 26 weeks ended 31 August 2013

1. Basis of preparation

The unaudited condensed half-yearly financial information comprises the results for the 26 weeks ended 31 August 2013, the 26 weeks ended 1 September 2012, and the audited consolidated results for the 52 weeks ended 2 March 2013. The audited consolidated financial information for the 52 weeks ended 2 March 2013 has been extracted from Home Retail Group plc's Annual Report and Financial Statements, which was approved by the Board of Directors on 1 May 2013 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 498 of the Companies Act 2006. The condensed half-yearly financial information is not audited or reviewed and does not constitute statutory financial statements within the meaning of Section 434 of the Companies Act 2006.

After making enquiries, the directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the condensed half-yearly financial information.

IFRS and accounting policies

This condensed half-yearly financial information for the 26 weeks ended 31 August 2013 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 condensed half-yearly financial information should be read in conjunction with Home Retail Group plc's Annual Report and Financial Statements for the 52 weeks ended 2 March 2013, 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 1 May 2013, which is available on Home Retail Group's website www.homeretailgroup.com. 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 for all 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 Group for the first time during the 26 weeks ended 31 August 2013. The impact on the Group's post-employment benefits is to replace the interest expense on retirement 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 retirement 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 18. 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 also requires specific disclosures on fair values, some of which are specifically required for financial instruments by IAS 34, thereby affecting the condensed half-yearly financial information for the period. The Group provides these disclosures in note 12. In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures.

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 recycled to profit and loss, and those that will not. This change is presentational only, and has had no impact on previously reported amounts.

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.

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION
For the 26 weeks ended 31 August 2013

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:

- Benchmark operating profit is defined as operating profit before amortisation of acquisition intangibles, retirement benefit scheme administration costs, store impairment and onerous lease charges or releases and exceptional items.
- Benchmark profit before tax (benchmark PBT) is defined as profit before amortisation of acquisition intangibles, retirement benefit scheme administration costs, store impairment and onerous lease charges or releases, exceptional items, financing fair value remeasurements, financing impact on retirement 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. Foreign currency

	Average			Closing		
	26 weeks to 31.8.13	52 weeks to 2.3.13	26 weeks to 1.9.12	**31.8.13**	2.3.13	1.9.12
The principal exchange rates used were as follows:						
Sterling to US dollar	**1.53**	1.58	1.58	**1.55**	1.50	1.59
Sterling to euro	**1.17**	1.23	1.24	**1.17**	1.15	1.26

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

The Board of Directors and Operating Board review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports, which reflect the distinct retail brands and different risks associated with the different businesses. The Group is organised into three main business segments: Argos, Homebase and Financial Services together with Central Activities. The Board of Directors and Operating Board assess the performance of the operating segments based on a combination of revenue and benchmark operating profit. Benchmark operating profit is defined within note 2.

52 weeks to 2.3.13 (restated) £m		**26 weeks to 31.8.13 £m**	26 weeks to 1.9.12 (restated) £m
	Revenue		
3,931.3	Argos	**1,716.8**	1,686.4
1,430.7	Homebase	**822.3**	787.3
113.4	Financial Services	**57.1**	57.4
-	Central Activities	**-**	-
5,475.4	**Total revenue**	**2,596.2**	2,531.1
	Benchmark operating profit/(loss)		
100.3	Argos	**7.7**	3.3
11.0	Homebase	**27.2**	24.5
6.0	Financial Services	**3.1**	2.9
(24.0)	Central Activities	**(11.6)**	(11.9)
93.3	**Total benchmark operating profit**	**26.4**	18.8
3.8	Benchmark interest	**1.0**	1.7
(6.0)	Share of post-tax loss of associates	**-**	(2.6)
91.1	**Benchmark profit before tax**	**27.4**	17.9
(1.8)	Amortisation of acquisition intangibles	**(0.9)**	(0.9)
(2.1)	Retirement benefit scheme administration costs	**(1.0)**	(1.0)
14.6	Net onerous lease provision releases	**5.4**	-
31.3	Exceptional items	**(12.6)**	35.0
(1.1)	Financing fair value remeasurements	**1.2**	1.3
(4.0)	Financing impact on retirement benefit obligations	**(1.8)**	(2.0)
(7.1)	Discount unwind on non-benchmark items	**(3.5)**	(3.6)
120.9	**Profit before tax**	**14.2**	46.7
(34.0)	Taxation	**(1.7)**	(13.6)
86.9	**Profit for the period attributable to equity holders of the Company**	**12.5**	33.1

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION
For the 26 weeks ended 31 August 2013

4. Segmental information (continued)

52 weeks to 2.3.13 £m		**26 weeks to 31.8.13 £m**	26 weeks to 1.9.12 £m
	Segment assets		
2,299.9	Argos	**2,320.4**	2,331.9
896.3	Homebase	**886.8**	886.2
500.9	Financial Services	**494.3**	461.7
103.1	Central Activities	**95.4**	102.8
3,800.2	**Total segment assets**	**3,796.9**	3,782.6
49.0	Tax assets	**45.9**	59.4
396.0	Cash and cash equivalents	**412.2**	316.4
4,245.2	**Total assets per balance sheet**	**4,255.0**	4,158.4

Segment assets include goodwill and other intangible assets, property, plant and equipment, investments in associates, inventories, trade and other receivables and other financial assets. Tax assets and cash and cash equivalents are not allocated to segments.

5. Cost of sales

52 weeks to 2.3.13 £m		**26 weeks to 31.8.13 £m**	26 weeks to 1.9.12 £m
(3,473.8)	Cost of goods	**(1,634.1)**	(1,579.5)
(269.5)	Distribution costs	**(131.7)**	(135.2)
(3,743.3)	**Total cost of sales**	**(1,765.8)**	(1,714.7)

6. Exceptional items

52 weeks to 2.3.13 £m		**26 weeks to 31.8.13 £m**	26 weeks to 1.9.12 £m
-	Argos transformation and other restructuring charges	**(12.6)**	-
31.3	Net gain on employee benefits	**-**	35.0
31.3	Exceptional items in operating profit	**(12.6)**	35.0
(7.5)	Tax on exceptional items	**2.9**	(8.5)
23.8	**Exceptional (loss)/profit after tax for the period**	**(9.7)**	26.5

Exceptional charges totalling £12.6m were incurred during the 26 weeks ended 31 August 2013, in respect of the ongoing project to transform Argos into a digital retail leader, combined with a number of other restructuring actions.

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

7. Net financing expense

52 weeks to 2.3.13 (restated) £m		**26 weeks to 31.8.13 £m**	26 weeks to 1.9.12 (restated) £m
	Finance income:		
1.9	Bank deposits and other interest	**0.1**	0.7
1.2	Financing fair value remeasurements - net exchange gains	**1.9**	1.8
3.1	**Total finance income**	**2.0**	2.5
	Finance expense:		
(8.3)	Unwinding of discounts	**(4.1)**	(4.2)
(2.3)	Financing fair value remeasurements – net exchange losses	**(0.7)**	(0.5)
(4.0)	Net interest expense on retirement benefit obligations	**(1.8)**	(2.0)
(14.6)	**Total finance expense**	**(6.6)**	(6.7)
3.1	Less: finance expense charged to Financial Services cost of sales	**1.5**	1.6
(11.5)	**Total net finance expense**	**(5.1)**	(5.1)
(8.4)	**Net financing expense**	**(3.1)**	(2.6)

Included within unwinding of discounts is a £3.5m charge (2012: £3.6m) relating to the discount unwind on exceptional onerous lease provisions.

8. Taxation

52 weeks to 2.3.13 (restated) £m		**26 weeks to 31.8.13 £m**	26 weeks to 1.9.12 (restated) £m
(32.2)	UK tax	**(1.1)**	(13.2)
(1.8)	Overseas tax	**(0.6)**	(0.4)
(34.0)	**Total tax expense**	**(1.7)**	(13.6)

The statutory tax charge for the period of £1.7m (2012: £13.6m) is based on an estimated annual benchmark effective rate of tax of 28.5% (2012: 31.7%), which is adjusted for the tax impact of non-benchmark items arising during the half year, to derive the effective tax rate for the half year of 12.0% (2012: 28.6%).

The benchmark effective rate of tax is defined as the tax on benchmark PBT divided by benchmark PBT (excluding associates). The current year benchmark effective rate of tax includes the favourable impact of a 1% reduction to the UK corporation tax rate from 24% to 23%.

Closing deferred tax has been calculated at the substantively enacted UK corporation tax rate of 21% effective from 1 April 2014 (2012: 23%). The effect of the substantively enacted 2% reduction in the UK corporation tax rate from 23% to 21% is a deferred tax charge of £2.0m. Of this charge, £0.4m has been charged to the income statement and £1.6m has been charged directly to the consolidated statement of comprehensive income.

The further proposed reduction in the main rate of UK corporation tax by 1% to 20% has been enacted and is effective from 1 April 2015. The impact of future rate reductions on the net deferred tax asset is not material for each future year at the balance sheet date. The Group will assess the impact of the reduction in the rate in line with its accounting policy in respect of deferred tax at each balance sheet date.

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION
For the 26 weeks ended 31 August 2013

9. Basic and diluted earnings per share (EPS)

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

52 weeks to 2.3.13 (restated) £m	**Earnings**	**26 weeks to 31.8.13 £m**	26 weeks to 1.9.12 (restated) £m
86.9	**Profit after tax for the financial period**	**12.5**	33.1
	Adjusted for:		
1.8	Amortisation of acquisition intangibles	**0.9**	0.9
2.1	Retirement benefit scheme administration costs	**1.0**	1.0
(14.6)	Net onerous lease provision releases	**(5.4)**	-
(31.3)	Exceptional items	**12.6**	(35.0)
1.1	Financing fair value remeasurements	**(1.2)**	(1.3)
4.0	Financing impact on retirement benefit obligations	**1.8**	2.0
7.1	Discount unwind on non-benchmark items	**3.5**	3.6
7.1	Attributable taxation (credit)/charge	**(4.3)**	7.0
(2.7)	Non-benchmark tax credit in respect of prior years	**(2.2)**	-
(0.1)	Tax rate change	**0.4**	0.1
61.4	**Benchmark profit after tax for the financial period**	**19.6**	11.4
millions	**Weighted average number of shares**	**millions**	millions
800.6	Number of ordinary shares for the purpose of basic EPS	**800.0**	800.4
12.4	Dilutive effect of share incentive awards	**23.6**	4.0
813.0	**Number of ordinary shares for the purpose of diluted EPS**	**823.6**	804.4
pence	**EPS**	**pence**	pence
10.9	Basic EPS	**1.6**	4.1
10.7	Diluted EPS	**1.5**	4.1
7.7	Basic benchmark EPS	**2.5**	1.4
7.6	Diluted benchmark EPS	**2.4**	1.4

Basic earnings per share 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 period, excluding ordinary shares held in Home Retail Group's share trusts net of vested but unexercised share awards. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares.

10. Dividend

An interim dividend of 1.0 pence (2012: 1.0 pence) per Home Retail Group plc ordinary share, amounting to a total interim dividend of £7.9m (2012: £8.0m), has been announced (but not provided) and will be paid on 22 January 2014 to shareholders on the register at the close of business on 15 November 2013.

In July 2013, a final dividend of 2.0 pence (2012: nil) per Home Retail Group plc ordinary share, amounting to a total final dividend of £16.0m (2012: £nil), was paid to shareholders.

11. Capital expenditure

In the period, there were additions to property, plant and equipment of £33.5m (2012: £12.0m) and disposals of property, plant and equipment generated proceeds of £1.0m (2012: £1.0m). In the period, there were additions to intangible assets of £42.3m (2012: £14.6m). Capital commitments contracted but not provided for by the Group amounted to £20.1m (2012: £10.4m).

12. Financial instruments

IFRS 13 requires disclosure of fair value measurements by level of the following measurement hierarchy:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Assets				
Available-for-sale financial assets	21.1	-	2.5	23.6
Forward foreign exchange contracts	-	7.9	-	7.9
Total assets	**21.1**	**7.9**	**2.5**	**31.5**
Liabilities				
Forward foreign exchange contracts	-	(8.3)	-	(8.3)
Total liabilities	**-**	**(8.3)**	**-**	**(8.3)**

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The fair value of the level 2 forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The available-for-sale financial asset within the level 3 hierarchy is measured at cost less impairment. The impairment has been calculated to write down the asset to its recoverable value based on the actual financial position of the Group's associate. The fair value measurement is hence not sensitive to changes in inputs.

The movements in level 3 financial assets during the period are:

	£m
Balance at 3 March 2013	3.7
Disposals	(1.2)
Balance at 31 August 2013	**2.5**

There have been no transfers of assets or liabilities between levels of the fair value hierarchy.

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION
For the 26 weeks ended 31 August 2013

13. Provisions

	Onerous leases £m	Insurance £m	Restructuring £m	Other £m	Total £m
At 3 March 2013	(144.7)	(41.5)	(11.8)	(19.8)	(217.8)
Exchange differences	0.8	-	-	-	0.8
Charged to the income statement	(7.4)	(4.8)	-	(2.5)	(14.7)
Released to the income statement	12.8	-	-	-	12.8
Utilised during the period	1.2	4.2	1.9	2.2	9.5
Discount unwind	(4.1)	-	-	(0.1)	(4.2)
At 31 August 2013	**(141.4)**	**(42.1)**	**(9.9)**	**(20.2)**	**(213.6)**

2.3.13 £m	Analysed as:	31.8.13 £m	1.9.12 £m
(38.3)	Current	**(38.4)**	(43.6)
(179.5)	Non-current	**(175.2)**	(188.4)
(217.8)		**(213.6)**	(232.0)

The onerous lease provision covers potential liabilities for onerous lease contracts for 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.

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 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 the Group’s UK homewares trial format, HomeStore&More, and one of the Group’s distribution warehouses.

Other provisions include legal claims, potential customer redress in respect of financial services products and other sundry provisions.

14. Post-employment benefits

As at the balance sheet date, the Group's defined benefit pension scheme obligations were £930.2m (2 March 2013: £918.6m) and the market value of the scheme assets was £845.5m (2 March 2013: £833.5m), resulting in a net deficit of £84.7m (2 March 2013: £85.1m).

52 weeks to 2.3.13 (restated) £m		**26 weeks to 31.8.13 £m**	26 weeks to 1.9.12 (restated) £m
(115.3)	Opening net deficit	**(85.1)**	(115.3)
(14.5)	Current service cost	**(0.2)**	(8.2)
(2.1)	Retirement benefit scheme administration costs	**(1.0)**	(1.0)
37.4	Curtailment gain	**-**	39.3
(4.0)	Financing impact on retirement benefit obligations	**(1.8)**	(2.0)
(8.0)	Actuarial loss	**(8.3)**	(50.2)
21.4	Contributions paid by the Group	**11.7**	15.4
(85.1)	**Closing net deficit**	**(84.7)**	(122.0)

The material assumptions used to assess the Group's defined benefit pension scheme obligations have been updated by independent qualified actuaries as at the period end. The most significant of these are the discount rate and the rate of inflation which are 4.7% (2 March 2013: 4.7%) and 3.4% (2 March 2013: 3.4%) respectively.

Contributions paid by the Group total £11.7m (2012: £15.4m), including £11.0m (2012: £8.0m) as part of the deficit recovery plan agreed with the scheme trustees following the completion of the 31 March 2012 actuarial valuation.

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION
For the 26 weeks ended 31 September 2013

15. Notes to the consolidated statement of cash flows

52 weeks to 2.3.13 (restated) £m		**26 weeks to 31.8.13 £m**	26 weeks to 1.9.12 (restated) £m
	Cash generated from operations:		
120.9	Profit before tax	**14.2**	46.7
	Adjustments for:		
6.0	Share of post-tax loss of associates	**-**	2.6
8.4	Net financing expense	**3.1**	2.6
135.3	Operating profit	**17.3**	51.9
0.2	(Profit)/loss on sale of property, plant and equipment	**(0.1)**	0.2
124.7	Depreciation and amortisation	**65.7**	64.0
3.1	Finance expense charged to Financial Services cost of sales	**1.5**	1.6
(8.6)	Increase in inventories	**(23.5)**	(67.9)
(40.9)	(Increase)/decrease in receivables	**(2.2)**	6.0
163.4	Increase in payables	**73.5**	160.2
113.9	Movement in working capital	**47.8**	98.3
(24.5)	Decrease in provisions	**(7.6)**	(3.3)
(42.2)	Movement in retirement benefit obligations	**(10.5)**	(45.5)
11.6	Share-based payment expense (net of dividend equivalent payments)	**6.8**	5.6
322.1	**Cash generated from operations**	**120.9**	172.8

16. 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.

17. Related parties

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

During the period, the Group completed the sale of its 33% stake in Ogalas Limited, an Irish company trading as 'home store + more' in the Republic of Ireland, and reported as an associate. The Group received £9.7m (2012: £nil) for its shareholding and a loan repayment of £1.2m (2012: £nil). In addition, the Group granted loans totalling £nil (2012: £6.8m) to its associates and invested £nil (2012: £2.4m) in the share capital of its associates.

At 31 August 2013, the amounts owed by its associates to the Group totalled £2.5m (2012: £7.2m).

During the period, there were no material transactions or balances between the Group and its key management personnel or members of their close families.

18. 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 retirement 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 retirement 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 2.3.13			26 weeks to 1.9.12		
	As previously reported	Prior period adjustment	As Restated	As previously reported	Prior period adjustment	As Restated
	£m	£m	£m	£m	£m	£m
Operating profit	137.4	(2.1)	135.3	52.9	(1.0)	51.9
Finance income	47.2	(44.1)	3.1	24.2	(21.7)	2.5
Finance expense	(48.5)	37.0	(11.5)	(23.4)	18.3	(5.1)
Net financing income/(expense)	(1.3)	(7.1)	(8.4)	0.8	(3.4)	(2.6)
Share of post-tax loss of associates	(6.0)	-	(6.0)	(2.6)	-	(2.6)
Profit before tax	130.1	(9.2)	120.9	51.1	(4.4)	46.7
Taxation	(36.1)	2.1	(34.0)	(14.6)	1.0	(13.6)
Profit for the period	94.0	(7.1)	86.9	36.5	(3.4)	33.1
Impact on earnings per share	pence	pence	pence	pence	pence	pence
Basic	11.7	(0.8)	10.9	4.6	(0.5)	4.1
Diluted	11.6	(0.9)	10.7	4.5	(0.4)	4.1

Impact on non-GAAP measures

Reconciliation of profit before tax (PBT) to benchmark PBT

	52 weeks to 2.3.13			*26 weeks to 1.9.12*		
	As previously reported	*Prior period adjustment*	*As Restated*	*As previously reported*	*Prior period adjustment*	*As Restated*
	£m	*£m*	*£m*	*£m*	*£m*	*£m*
Profit before tax	*130.1*	*(9.2)*	*120.9*	*51.1*	*(4.4)*	*46.7*
Adjusted for						
Amortisation of acquisition intangibles	*1.8*	*-*	*1.8*	*0.9*	*-*	*0.9*
Retirement benefit scheme administration costs	*-*	*2.1*	*2.1*	*-*	*1.0*	*1.0*
Net onerous lease provision releases	*(14.6)*	*-*	*(14.6)*	*-*	*-*	*-*
Exceptional items	*(31.3)*	*-*	*(31.3)*	*(35.0)*	*-*	*(35.0)*
Financing fair value remeasurements	*1.1*	*-*	*1.1*	*(1.3)*	*-*	*(1.3)*
Financing impact on retirement benefit obligations	*(3.1)*	*7.1*	*4.0*	*(1.4)*	*3.4*	*2.0*
Discount unwind on non-benchmark items	*7.1*	*-*	*7.1*	*3.6*	*-*	*3.6*
Benchmark PBT	*91.1*	*-*	*91.1*	*17.9*	*-*	*17.9*
Impact on benchmark earnings per share	*pence*	*pence*	*pence*	*pence*	*pence*	*pence*
Basic	*7.7*	*-*	*7.7*	*1.4*	*-*	*1.4*
Diluted	*7.6*	*-*	*7.6*	*1.4*	*-*	*1.4*

18. Restatement of prior period information (continued)

Impact on consolidated statement of comprehensive income

	52 weeks to 2.3.13			26 weeks to 1.9.12		
	As previously reported	Prior period adjustment	As Restated	As previously reported	Prior period adjustment	As Restated
	£m	£m	£m	£m	£m	£m
Profit for the period attributable to equity holders of the Company	94.0	(7.1)	86.9	36.5	(3.4)	33.1
Other comprehensive income:						
Net change in fair value of cash flow hedges						
- Foreign currency forward exchange contracts	33.4	-	33.4	(1.0)	-	(1.0)
Net change in fair value of cash flow hedges transferred to inventory						
- Foreign currency forward exchange contracts	(5.3)	-	(5.3)	(5.9)	-	(5.9)
Actuarial loss in respect of defined benefit pension schemes	(17.2)	9.2	(8.0)	(54.6)	4.4	(50.2)
Fair value movements on available-for-sale financial assets	2.0	-	2.0	(0.1)	-	(0.1)
Currency translation differences	0.6	-	0.6	(0.9)	-	(0.9)
Tax credit/(charge) in respect of items taken directly to equity	(4.0)	(2.1)	(6.1)	12.3	(1.0)	11.3
Other comprehensive income for the period, net of tax	9.5	7.1	16.6	(50.2)	3.4	(46.8)
Total comprehensive income for the period attributable to equity holders of the Company	103.5	-	103.5	(13.7)	-	(13.7)

HOME RETAIL GROUP PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors confirm that this condensed half-yearly financial information 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, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed half-yearly financial information, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

The directors of Home Retail Group plc are listed in the Home Retail Group plc Annual Report and Financial Statements 2013. There have been no changes of director 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	Richard Ashton
Chief Executive	Finance Director
23 October 2013	23 October 2013

HOME RETAIL GROUP PLC

SHAREHOLDER INFORMATION

Registrar

For all enquiries and shareholder administration (other than for American Depositary Receipts), please contact Capita Registrars:
Postal address: Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
email: homeretailgroup@capitaregistrars.com
Telephone: 0871 664 0437* (from abroad +44 20 8639 3377).
Text phone: 0871 664 0532* (from abroad +44 20 8639 2062).
Fax number: 0871 664 0438 (from abroad +44 1484 600 914).
*Calls cost 10p per minute plus network extras

American Depositary Receipt (ADR)

Home Retail Group's ADR programme is administered by Citibank and ADR enquiries may be directed to:
Postal address: Citibank Shareholder Services, P.O. Box 43077, Providence, Rhode Island 02940-3077, USA.
email: Citibank@shareholders-online.com
Telephone (toll free): 1-877-Citi-ADR (248-4237)
Telephone (international): 1-781-575-4555
Website: www.citi.com/dr

Electronic communications

Shareholders can register to receive reports and notifications by email, browse shareholder information and submit voting instructions at www.homeretailgroup-shares.com. This service is provided by Capita Registrars.

Home Retail Group plc website

Investor relations information, such as webcasts of results presentations to analysts and investors and accompanying slides, is available at www.homeretailgroup.com.

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 22 January 2014, should return a completed and signed DRIP mandate form to be received by the Registrar, by no later than 28 December 2013. For further details, please contact Capita Registrars.

Share price information

The latest Home Retail Group share price is available on the Home Retail Group website, at www.homeretailgroup.com.

Share dealing facility

Investors can buy or sell Group shares through Capita Share Dealing Services. Go to www.capitadeal.com or call 0871 664 0454 (calls cost 10p per minute plus network extras) between 8.30 am and 4.30 pm weekdays.

Financial calendar

Interim ex-dividend date	13 November 2013
Interim Management Statement	16 January 2014
Interim dividend paid	22 January 2014
Full-year trading statement	13 March 2014
Full-year results for the 52 weeks to 1 March 2014	30 April 2014
Final ex-dividend date	21 May 2014
Interim Management Statement	12 June 2014
Final dividend paid	23 July 2014

Registered office

Home Retail Group plc, Avebury, 489 - 499 Avebury Boulevard, Milton Keynes MK9 2NW