24 October 2012

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 2012 and also outlines its transformation plan for Argos following the completion of a comprehensive business review.

Operating highlights

- Ongoing investment initiatives in both businesses to maintain leadership in multi-channel retailing:
  - Argos multi-channel sales penetration increased to 51% of total sales. Online Check & Reserve, at 30% of total sales, remains the fastest growing channel
  - Argos is the second most visited internet retailer in the UK with over 440 million site visits in the last 12 months
  - Argos mobile shopping represented 7% of total sales, contributing in excess of £100m of sales in the period
  - Homebase multi-channel sales penetration increased to 5% of total sales with Reserve and Collect sales growing by 31%
- Ongoing growth and development in both exclusive and own-brand products, including the introduction of Habitat product

Financial highlights

- Sales down 1% to £2,531m
- Cash gross margin down 2% to £952m
- Robust management of costs with operating and distribution costs reduced by £11m to £933m
- Benchmark operating profit[1] down 29% to £19m
- Benchmark profit before tax[2] down 37% to £18m
- Basic benchmark earnings per share[3] down 44% to 1.4p
- Reported profit before tax of £51m; reported basic earnings per share of 4.6p
- Strong cash generation in the period of £122m with closing net cash position of £316m
- Interim dividend of 1.0p (2011: 4.7p)

Argos business review

- Comprehensive business review undertaken over the last six months, looking at all aspects of the Argos business
- Review identified considerable strengths and strong customer franchise but a need to invest to restore Argos to sustainable growth
- The transformation plan which will reinvent Argos as a digital retail leader and reposition it from a catalogue-led business to a digitally-led business has four key elements:
  - Reposition Argos' channels for a digital future
  - Provide more product choice, available to customers faster
  - Develop a customer offer that has universal appeal
  - Operate a leaner and more flexible cost base
- Five-year plan is underpinned by a three-year investment programme, targeting £4.5 billion of sales by FY18
- The plan results in a total capital investment in Argos of c.£100 million per annum which in turn leads to a total Group capital investment of c.£175 million per annum over the next three financial years
- The Group aims to maintain a positive net cash position throughout the three-year investment phase of the plan

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

"Against a challenging consumer backdrop, Argos has had a solid first half of the year supported by its multi-channel performance, with sales growth driven most notably by an improvement in consumer electronics. Homebase delivered a creditable performance in its peak trading period, given the adverse impact of poor weather conditions on its seasonal product sales and the difficult market conditions in big ticket categories.

"During the first half of the year we took additional action to control costs, tightly managed our working capital and delivered a strong cash performance which has strengthened the Group's financial position. Market conditions remain fragile and hence we will continue to plan cautiously, however we are in good operational shape as we approach our peak trading period.

"We continue to strengthen our customer propositions in an environment where customer shopping behaviours are changing rapidly, with both businesses improving product choice and delivering further value for our customers.

"We have also concluded a comprehensive business review of Argos which highlighted a clear opportunity to transform the business through increased investment in digital technologies. The transformation plan aims to deliver growth by repositioning Argos as a digitally-led business from a catalogue-led business, leading the market growth of digital commerce through online, mobile and tablet, and offering customers more products with the fastest, most convenient fulfilment options. This plan provides the right approach for Argos to achieve a long-term sustainable performance and profit recovery."

1. **Benchmark operating profit** is defined as operating profit before amortisation of acquisition intangibles, 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, 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 King Edward Hall, Merrill Lynch Financial Centre, 2 King Edward Street, London EC1A 1HQ. The presentation can be viewed live on the Home Retail Group website www.homeretailgroup.com. The supporting slides and an indexed replay will also be available on the website later in the day.

An Interim Management Statement, covering the 18 weeks from 2 September 2012 to 5 January 2013, will be announced by Home Retail Group on Thursday 17 January 2013.

FINANCIAL SUMMARY

26 weeks to £m	1 September 2012	27 August 2011
Argos	1,686.4	1,675.7
Homebase	787.3	839.6
Financial Services	57.4	52.2
Sales	**2,531.1**	**2,567.5**
Cost of goods	(1,579.5)	(1,597.2)
Gross margin	**951.6**	**970.3**
Group gross margin % rate	*37.6%*	*37.8%*
Operating and distribution costs	(932.8)	(943.8)
Argos	3.3	3.4
Homebase	24.5	29.9
Financial Services	2.9	3.0
Central Activities	(11.9)	(9.8)
Benchmark operating profit	**18.8**	**26.5**
Group operating margin % rate	*0.7%*	*1.0%*
Net interest income (see below)	1.7	1.8
Share of post-tax results of associates	(2.6)	-
Benchmark PBT	**17.9**	**28.3**
Exceptional items	35.0	-
Financing fair value remeasurements	1.3	2.3
Financing impact on retirement benefit obligations	1.4	2.2
Discount unwind on non-benchmark items	(3.6)	(3.4)
Amortisation of acquisition intangibles	(0.9)	-
Profit before tax	**51.1**	**29.4**
Taxation	(14.6)	(9.0)
of which: taxation attributable to benchmark PBT	*(6.5)*	*(8.4)*
Benchmark effective tax % rate	*31.7%*	*29.7%*
Profit for the period	**36.5**	**20.4**
Basic benchmark EPS	**1.4p**	**2.5p**
Basic EPS	**4.6p**	**2.6p**
Weighted average number of shares for basic EPS	800.4m	799.0m
Interim dividend	**1.0p**	**4.7p**
Closing net cash position	**316.4**	**200.5**

Net interest reconciliation:

Bank deposits and other interest	0.7	1.0
Financing costs charged to Financial Services	1.6	1.7
Discount unwind on benchmark items	(0.6)	(0.9)
Net interest income	**1.7**	**1.8**
Financing fair value remeasurements	1.3	2.3
Financing impact on retirement benefit obligations	1.4	2.2
Discount unwind on non-benchmark items	(3.6)	(3.4)
Income statement net financing income	**0.8**	**2.9**

The above tables and those throughout this announcement have been prepared in accordance with Note 1 to the Financial Information on page 24.

ARGOS BUSINESS REVIEW

Argos undertook a comprehensive review of the business in the first half of the year. This was a wide ranging review and drew upon the considerable expertise within the business, supplemented with third party specialist support. It highlighted the need to invest in and transform the business, repositioning Argos from a catalogue-led business to a digitally-led business, and restoring Argos to sustainable growth.

Markets and competition

The UK non-food market has experienced a cyclical downturn over the last few years as consumer disposable income has fallen, with less affluent households, considered to be Argos' core customers, having been hardest hit. In addition, some of Argos' key product categories have declined at a faster rate than the overall non-food market.

At the same time, as this economic slowdown occurred, competitors have invested in their propositions and the retail marketplace has structurally altered. Online commerce has grown rapidly with expanded product ranges and more dynamic and transparent pricing on branded goods. Fast and convenient fulfilment has increased in importance with next day home delivery and click and collect in store becoming standard offers. Additionally, some competitors have built substantial new square footage of non-food retail space across the UK.

Both the marketplace and technology have changed considerably in the last few years and Argos expects that this change will continue in the future, particularly with consumers now rapidly adopting new mobile and online technology. It is against this market backdrop that the Argos business review was undertaken.

Summary of the business review

Argos faces some challenges:

- Investment by online and multi-channel competitors has elevated customer expectations and begun to challenge Argos' historic advantages;
- Customer preference is shifting from stores and catalogue channels to faster growing digital channels in which Argos needs to improve its growth rates;
- The Argos offer is biased toward less affluent customer segments, notwithstanding participation across all socio-economic groups; and
- Argos' systems and processes are engineered to optimise a catalogue business, thereby constraining its ability to compete in a dynamic, digital marketplace.

However, Argos does have a number of unique advantages in a rapidly shifting retail market:

- Broad consumer reach and acceptance with over 70% of UK households shopping at Argos at least once a year;
- Multiple channels, both store-based and online. Argos is the second most visited internet retailer in the UK;
- Cost efficient store model with a nationwide local market presence; and
- Efficient supply chain, optimised for the movement of high volumes of individual product lines, including real time stock availability.

The review concluded that although Argos has considerable strengths and a strong customer franchise, it needs to invest to reposition the business and restore it to sustainable growth.

Reinvention of Argos as a digital retail leader

In order to address the competitive challenges, exploit marketplace opportunities and restore sustainable growth, Argos has developed a five-year transformation plan to reinvent itself as a digital retail leader. The plan is underpinned by a three-year investment programme during which period Argos aims to transform itself from a catalogue-led business to a digitally-led business.

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.

1. Reposition Argos' channels for a digital future
Argos will develop its online, mobile and tablet channels to be the primary channels for interacting and communicating with customers. Stores and catalogues will remain important but their roles will be adapted in order to support a digital offer.

Repositioning Argos channels for a digital future requires work across all channels, especially to create a world class digital customer experience. As part of this, building a contemporary multi-channel IT infrastructure is a key component. This new IT infrastructure will ensure the consistency of applications and data across the many interfaces with the customer. Another important part of the digital infrastructure will be the ability to collect customer data on a large scale. By tracking customer interactions across channels, Argos will be able to provide customers with more relevant and personalised offers, a significant improvement from its current approach.

Having a strong local presence will be strategically important in a digitally-led future and Argos is well positioned with its store estate. The stores will be focused on product pick-up and customer service for transactions that will increasingly be managed online or through mobile. The stores will include more innovation with web-based browsers, in lieu of catalogues, Wi-Fi which will enable customers to use their smartphones and tablets in stores, and a fast track collection service for goods purchased online or via a mobile device.

The catalogue will move from its traditional position as the lead Argos channel into a supporting role. Argos will develop market leading digital catalogues with the first launched before Christmas. Circulation of the Argos catalogue will reduce as consumers increasingly use digital channels. Argos will test the size, distribution and format of the catalogue to understand the appropriate pace of decline. In January 2013, the first regional trial will be conducted to test a smaller catalogue with a more heavily edited range that directs customers online for the latest prices and the full range.

2. Provide more product choice, available to customers faster
Online retailers are increasingly competing on the basis of speed and cost of fulfilment. Few companies in the UK can match Argos' ability to move as many non-food products, of all shapes and sizes, into local markets on a national scale in a fast and cost efficient way.

Argos is well positioned through its store estate and supply chain to cost effectively offer a wide range of products for rapid fulfilment. The key to Argos' fulfilment advantage will be a 'hub and spoke' distribution model, utilising existing Argos stores and replenishment capabilities. This will enable Argos to offer market leading immediacy of fulfilment on a wider range of products. Trials will begin in January 2013 to test both the operational and customer offer aspects of this new network. Argos will also build on its market leading capabilities in large item home delivery with leading express delivery options.

3. Develop a customer offer that has universal appeal
Over 70% of UK households across the range of socio-economic groups shop at Argos at least once per year. Argos' offer has historically been more biased towards less affluent customers, with this group having the highest purchase frequency. While continuing to serve these loyal customers, Argos has a substantial opportunity to grow the business by expanding its customer reach with a more universally appealing offer.

Argos will extend its product ranges in order to meet the needs of the broader target customer groups. This will include branded products, where a broad range is necessary to build category authority. Tablet products are an excellent example of how Argos can succeed with this approach. Argos has built up a comprehensive range of tablets and e-readers and has gained market share in this area.

In a digital marketplace, where ranges of branded products are considerable and pricing is transparent, it is increasingly difficult for retailers to distinguish their offering. Exclusive brands provide Argos with an opportunity to offer unique products and expand ranges to meet the needs of more customers. Argos aims to double the penetration of exclusive brands to a third of total sales by FY18. In order to accomplish this, Argos will rationalise its portfolio, of c.35 exclusive brands, to focus on fewer, more powerful brands with appeal across categories. By marketing and supporting fewer brands, such as Chad Valley and Habitat, Argos will build greater brand awareness and equity.

4. Operate a leaner and more flexible cost base
Building on the significant cost efficiencies delivered over the last few years, additional cost reductions will be targeted to help fund the investment in the transformation plan. The level of investment in the catalogue will be reduced over the next few years as both the size and circulation of the catalogue begin to fall. This will lead to a shift in the investment towards digital marketing as the digital offer grows.

Argos has reviewed its store estate on the basis of several factors, such as profitability, attractiveness of location, complexity of operations and overall fit for the new strategy. As a result, it is likely that Argos will close or relocate at least 75 stores as their leases come to an end over the next five years. By FY18, around 75% of the store estate will be on lease terms of five years or less which will provide the flexibility to respond to market changes.

Milestones
The transformation plan will deliver meaningful and visible improvements in the customer proposition each year.

Argos is already making progress on this strategy. The website has recently been re-launched to provide clearer navigation, an improved search function and a one-click Check & Reserve option which speeds up the customer transaction time. Further updates have also been made to mobile, which will see customers able to place home delivery orders directly from the app, to build on the current Check & Reserve capability. A transactional iPad app will be launched before Christmas and this will feature a media library of interactive publications, allowing customers to browse and purchase products whilst using the app.

In future years, Argos will introduce many improvements to its customer offer. Argos will continue to upgrade digital customer experiences, with the aim of exceeding the market growth in online sales and traffic by FY16, while building its customer data collection with the aim of reaching 12 million registered customers by FY15. Hub and spoke distribution will be implemented during FY15 and FY16, extending a market leading fulfilment offer to more products in FY16. Product ranges will be expanded with an optimal extended range in FY16 and by FY17 new trading systems will enable Argos to dynamically trade this wider range.

The transformation plan aims to restore Argos to sustainable growth with the key financial metrics being:
- Target sales of £4.5 billion by FY18 assuming current low levels of market growth;
- Target a mid single digit operating profit margin by FY18;
- Total capital expenditure of c.£100 million per annum in each of the three years to FY16; and
- Total exceptional costs of c.£50 million over the three year period to FY16, the majority of which will be cash costs

Summary of Argos business review
Argos has completed a comprehensive business review which highlights the need to invest in the business to reposition it from a catalogue-led business to a digitally-led business and restore it to sustainable growth by:
- leading the market growth in digital commerce via online, mobile and tablet, while redefining multi-channel convenience for a digital age;
- offering customers more products with the fastest fulfilment options; and
- serving more customer groups more frequently, with a more relevant range of branded and exclusive brand products.

The transformation programme is ambitious but achievable. As a digital retail leader, Argos will be positioned for growth into the future.

OPERATING COMPANY REVIEWS

Argos

26 weeks to £m	1 September 2012	27 August 2011
Sales	**1,686.4**	**1,675.7**
Benchmark operating profit	**3.3**	**3.4**
Benchmark operating margin	**0.2%**	**0.2%**
Like-for-like sales change	0.6%	(9.1%)
Net space sales change	0.0%	1.5%
Total sales change	0.6%	(7.6%)
Gross margin movement	Down c.50bps	Down c.75bps
Benchmark operating profit change	(3%)	(94%)
Number of stores at period-end	739	754

While continuing to invest for the future, Argos has had a solid first half of the year supported by its multi-channel performance.

Operational review

Multi-channel leader
Multi-channel sales participation has continued to grow and now represents £867m or 51% of Argos' total sales. Total internet orders, including Check & Reserve, grew to reach 42% of Argos' total sales, with the remaining 9% of multi-channel sales comprising products either ordered in-store for home delivery, or by telephone. The fastest growing channel continues to be online Check & Reserve, which grew to represent 30% of total sales.

Argos is the second most visited internet retailer in the UK, with over 440 million website visits in the last 12 months, an increase of 6% over the previous 12 months. The mobile website and the Apple iPhone and Android apps are driving the rapid growth in mobile shopping. During the period, the proportion of total sales from mobile shopping was around 7%, up from 3% last year meaning that sales using a mobile phone were in excess of £100m in the period.

Stores continue to be a key component of the Argos multi-channel model where, consistently for the last five years, nearly 90% of all sales have involved the store. Over the next five years, Argos has around 235 store lease renewals or break clauses due. With this flexibility, Argos will focus on improving its store network by relocating or closing some older stores and opening some new stores if attractive sites become available. In the current financial year, it is expected there will be around ten store closures, with no new store openings planned.

Product leaders
Own brands continue to offer excellent value and further choice with Alba, Bush, Chad Valley, Hygena and Schreiber having around 2,000 product lines in the Autumn/Winter 2012 catalogue. The Habitat range was launched with 1,000 product lines in the Autumn/Winter catalogue, with products available for immediate collection in around 50 stores.

In technology, Argos continues to benefit from strong sales of e-readers, the Apple iPad 2 and the new Apple iPad. The Apple iPad is available in all UK stores and is also available via nationwide home delivery. Argos has increased its range of tablets to provide an authoritative presence in this category with products from Samsung, Asus and Google being joined by a lower price model, the CnM touchpad. In time for Christmas 2012 there will also be an increase in the range of e-readers with new models from Amazon, Kobo and Barnes & Noble being available.

The range of white goods available for in-store collection has performed well. Customers are able to buy a range of white goods stocked in at over 450 Argos stores for immediate collection.

Argos continues to encourage its customers to review their purchases and share their experiences online. Argos has received over one million online product reviews from customers and around 80% of products reviewed scored at least 4 out of 5 stars.

Strengthening value
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. Argos continues to retain an overall competitive price position which is measured weekly using internet price comparisons while maintaining a price position better than the competition on its highest volume lines. Argos offers over 900 'WOW' deals in the catalogue including some of the biggest consumer brand names.

Argos' value proposition has been further strengthened through the reduction of delivery charges in the period. Delivery costs for small items have been reduced by £2, and free delivery is offered on all internet-only products.

Improved service for our customers
Argos continues to deliver strong performances in its store mystery shop results. Feedback received from around 8 million customers last year, as well as market research, is being used to better understand and serve existing customers, as well as acquire and convert new customers. Customers continue to access Argos products, share ideas and discover engaging content through the growing Twitter and Facebook communities. During the period, Argos reached half a million 'likes' on its Facebook page.

Financial review
Total sales in the period increased by 0.6% to £1,686m. Net space sales change was flat with nine store closures reducing the store portfolio to 739. Like-for-like sales grew by 0.6%. Consumer electronics delivered an improved sales performance driven by strong growth in tablets and e-readers, which together with good growth in white goods offset the market driven sales declines in the video gaming and audio categories and the weaker trading in seasonal products.

The gross margin rate was down by approximately 50 basis points. The negative drivers were an adverse sales mix impact, resulting from the improved performance in the margin-dilutive consumer electronics categories, and ongoing price investment. These reductions were partially offset by the expected benefit from a lower level of stock clearance activity and the anticipated benefit of favourable currency and reduced shipping costs.

Total operating and distribution costs decreased by £5m with the impact of underlying cost inflation pressures being more than offset by further cost savings. Benchmark operating profit was £3.3m, a £0.1m or 3% decline on the comparable period last year.

Homebase

26 weeks to £m	1 September 2012	27 August 2011
Sales	**787.3**	**839.6**
Benchmark operating profit	**24.5**	**29.9**
Benchmark operating margin	**3.1%**	**3.6%**
Like-for-like sales change	(6.2%)	(0.6%)
Net space sales change	0.0%	(1.2%)
Total sales change	(6.2%)	(1.8%)
Gross margin movement	Up c.150bps	Down c.25bps
Benchmark operating profit change	(18%)	(35%)
Number of stores at period-end	340	342
Of which contain a mezzanine floor	187	187
Store selling space at period-end (million sq ft)	15.6	15.6
Of which - garden centre area	3.6	3.6
- mezzanine floor area	1.8	1.8

Homebase is a leading home enhancement retailer.

Operational review

Extending multi-channel

Internet sales participation has grown by 25% year on year to almost 5% of Homebase's total sales. Within this, Reserve and Collect sales grew 31% to comprise 1.5% of Homebase's total sales while website visits increased by 20% over the same period last year.

In July, Homebase launched a refreshed website to bring it in line with the new brand styling and to provide richer online content with the customer feedback being very positive. Following the launch of Habitat in Homebase, a 'shop by brand' page has been created on the main Homebase website allowing customers to easily navigate and purchase key brands including Habitat, Laura Ashley, Odina, Schreiber, Qualcast and Jamie Oliver. In October 2012, Homebase launched a web platform for mobile devices.

As part of Homebase's social media development, in May the first ever Homebase Facebook app was launched, allowing the creation of personalised mood boards and enabling customers to 'ask an expert a question'. Homebase posts on Facebook have been viewed over 1.5 million times in the period.

Developing the store portfolio

Following the success of the new store proposition in Aylesford, the next evolution of this concept is due to open in the Ruislip store at the end of October 2012. The learnings from Aylesford have been used to improve the proposition which now also includes Habitat and Laura Ashley concessions. Following Ruislip, two further stores are expected to be re-fitted before the end of the financial year and seven mezzanine refreshes are also planned.

Homebase has continued its programme of garden centre refits, which incorporate inspirational garden displays to provide ideas, supported by practical advice from knowledgeable colleagues. Eleven refits were completed in the period, bringing the total number to 33.

Over the next five years Homebase has around 65 store lease renewals or break clauses due. Store profitability will be appraised as each of these fall due and the store network will be improved by closing, relocating or downsizing some older stores and opening some new stores if attractive sites become available. In the current financial year, it is expected there will be around five store closures, but no new store openings are planned.

Developing ranges
Habitat products are now available in over 200 Homebase 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 iconic designs that have been best sellers for many years. Habitat ranges will continue to develop and evolve through ongoing range reviews.

In addition to Habitat, Homebase's key strategic brands of Laura Ashley, Odina, Schreiber, Qualcast and Jamie Oliver continue to aid differentiation.

Loyalty Programme
Now into the third year, Nectar continues to be a key driver of customer loyalty for Homebase, giving access to 7.2 million Nectar customers. Nectar has a sales participation rate of over 60% of total Homebase sales.

Over 10 million mailings were made in the period which is an increase of 10% against last year. Homebase further developed a multi-channel approach to promotional events with online vouchers made available for the first time, prompting improved response rates. Homebase customers redeemed over 1.7 billion Nectar points in store, an increase of 12% against last year.

Financial review
Total sales in the period decreased by 6.2% to £787m, however Homebase continued to grow share in the DIY shed market. Net space sales change was flat with one store closure reducing the store portfolio to 340. Like-for-like sales declined by 6.2%. Seasonal product sales were adversely impacted by poor weather conditions, while big ticket sales were lower overall reflecting the continuing challenging market.

The gross margin rate was up by approximately 150 basis points. The key positive drivers were the anticipated benefit of favourable currency and reduced shipping costs, a beneficial sales mix throughout the period, resulting from lower sales in margin-dilutive seasonal and big ticket products, and a reduced level of customer participation of promotional offers in the first quarter. These benefits were partially offset by an increased level of seasonal stock clearance activity in the second quarter.

Total operating and distribution costs decreased by £7m with the impact of underlying cost inflation pressures being more than offset by further cost savings. Benchmark operating profit was £24.5m, a £5.4m or 18% decline on the comparable period last year.

Financial Services

26 weeks to £m		1 September 2012	27 August 2011
Sales		**57.4**	**52.2**
Benchmark operating profit before financing costs		4.5	4.7
Financing costs		(1.6)	(1.7)
Benchmark operating profit		**2.9**	**3.0**
As at	**1 September 2012**	**3 March 2012**	**27 August 2011**
Store card gross receivables	513	535	501
Provision	(76)	(78)	(74)
Store card net receivables	437	457	427
Provision % of gross receivables	14.9%	14.7%	14.8%

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 3% to £284m (2011: £275m) and represented 9.8% (2011: 9.4%) of Group retail sales. This increased level of credit sales and penetration is a result of selective product range support and a retail sales mix into high credit products such as tablets and TVs, as well as other tactical Buy Now Pay Later offer periods. In addition to credit sales placed on the Group's own store cards, credit offers for purchases at Homebase, which are greater than £1,000, are now principally provided through product loans from a third party provider. Including these product loans, total credit sales penetration increased to 10.9% (2011: 10.5%) of Group retail sales. Customer use of the online account management tools continues to grow with over 500,000 registered customers.

Financial review

Store card net receivables grew by £10m versus a year ago to £437m, principally as a result of the increase in credit sales. The Group finances these receivables internally with no third party debt being required. Delinquency rates improved versus the comparable period last year, resulting in a reduced bad debt charge. 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. The benchmark operating profit for the period was £2.9m (2011: £3.0m).

GROUP FINANCIAL REVIEW

Sales and benchmark operating profit

Group sales were 1% lower at £2,531.1m (2011: £2,567.5m) while Group benchmark operating profit declined 29% to £18.8m (2011: £26.5m). 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 and the investment costs of development opportunities. Costs for the period were 21% higher at £11.9m (2011: £9.8m), principally driven by the start-up losses at Habitat, partially offset by the elimination of losses at the Group's UK homewares trial format, HomeStore&More, following its closure in the previous financial year together with the continued control of central corporate costs.

Net interest income

Net interest income was £1.7m (2011: £1.8m). Within this, third party interest income for the period reduced to £0.7m (2011: £1.0m) as a consequence of marginally lower interest rates on deposits more than offsetting a higher average cash balance.

Financing costs charged within Financial Services' benchmark operating profit together with the corresponding credit within net interest income decreased to £1.6m (2011: £1.7m). 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 (2011: £0.9m). This arises from the accounting treatment whereby provisions for expected future liabilities are required to be discounted back to their current value. As settlement of the liability moves closer to the present day, additional non-cash charges to unwind the discount are incurred; this will result in the absolute level of provision eventually matching the liability in the accounting period that it becomes due.

Share of post-tax results of associates

These amounted to a loss of £2.6m (2011: £nil), principally reflecting start-up losses from the Group's Chinese operation.

Benchmark PBT

Benchmark PBT declined 37% to £17.9m (2011: £28.3m) driven by the factors discussed above.

Exceptional items

The exceptional credit recorded in the period was £35.0m (2011: £nil).

On 14 June 2012, following a period of consultation, the Group announced the closure of its defined benefit pension scheme (the scheme) to future accrual with effect from 31 January 2013. As a result of the closure, all active members of the scheme will become treated as if they were deferred members, and will be offered entry into the Group's defined contribution pension scheme.

A net exceptional gain of £35.0m has been recognised in the period. This includes a non-cash curtailment gain of £39.3m, arising from the one-off reduction in the scheme's liabilities as members will no longer be entitled to pension benefits linked to future salary increases, offset by a charge of £4.3m principally for transitional payments to active members of the scheme.

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 £1.3m (2011: £2.3m), which arises principally as a result of translation differences on overseas subsidiary cash balances. The reduction in the gain reflects a lower level of cash balances held overseas and a narrowing in the exchange rate range experienced during the period. 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 therefore split between the income statement and the statement of comprehensive income.

Financing impact on retirement benefit obligations
The credit through net financing income in respect of the expected return on retirement benefit assets net of the interest expense on retirement benefit liabilities was £1.4m (2011: £2.2m). The current service cost, which the Group considers a more appropriate reflection of the cost of providing retirement benefits, is already reflected in benchmark operating profit.

Discount unwind on non-benchmark items
An expense of £3.6m (2011: £3.4m) 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.

Amortisation of acquisition intangibles
A charge of £0.9m was recorded in the period (2011: £nil), relating to the amortisation of the value of the brand which arose on the Habitat UK acquisition.

Profit before tax
The profit before tax for the period was £51.1m (2011: £29.4m).

Taxation
Taxation attributable to benchmark PBT was £6.5m (2011: £8.4m), representing an effective tax rate (excluding associates) for the period of 31.7% (52 weeks to 25 February 2012: 31.5%). The marginally higher effective tax rate reflects two opposing elements: the adverse impact of a relatively fixed level of disallowable expenditure in comparison to a reduced level of profits, partially offset by the favourable impact of the 2% reduction in the UK corporation tax rate.

Taxation attributable to non-benchmark items amounted to a charge of £8.1m (2011: charge of £0.6m). The total tax expense for the period was therefore £14.6m (2011: £9.0m).

Number of shares and earnings per share
The number of shares for the purpose of calculating basic earnings per share (EPS) was 800.4m (2011: 799.0m), representing the weighted average number of issued ordinary shares of 813.4m (2011: 813.4m), less an adjustment of 13.0m (2011: 14.4m) 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 4.0m (2011: 3.9m) to 804.4m (2011: 802.9m). Basic benchmark EPS is 1.4p (2011: 2.5p), with diluted benchmark EPS of 1.4p (2011: 2.5p). Reported basic EPS is 4.6p (2011: 2.6p), with reported diluted EPS being 4.5p (2011: 2.5p).

Dividends
At this stage of the financial year, as we approach the peak trading period, the Board announces an interim dividend of 1.0p which will be paid on 23 January 2013 to shareholders on the register at the close of business on 16 November 2012. The Board is mindful of the investment needs of the Group and will set the full year dividend at a level which is both sustainable and provides flexibility to grow the dividends as earnings increase over time.

Cash flow and closing net cash position

26 weeks to £m	**1 September 2012**	**27 August 2011**
Benchmark operating profit	18.8	26.5
Exceptional items	35.0	-
Amortisation of acquisition intangibles	(0.9)	-
Statutory operating profit	52.9	26.5
Depreciation and amortisation	64.0	60.6
Movement in working capital	98.3	61.8
Financing costs charged to Financial Services	1.6	1.7
Cash flow impact of restructuring charges	(3.4)	(3.9)
Pension scheme deficit recovery payments	(8.0)	(10.0)
Movement in retirement benefit obligations	(38.5)	1.1
Other operating items	5.9	5.2
Cash flows from operating activities	**172.8**	**143.0**
Net capital expenditure	(25.6)	(60.2)
Acquisition of business	-	(23.6)
Taxation	(16.9)	(38.5)
Net interest	0.5	1.3
Net movement of term deposits	-	100.0
Other investments	(9.2)	(1.2)
Cash inflow before financing activities	**121.6**	**120.8**
Dividends paid	-	(79.9)
Net increase in cash and cash equivalents	**121.6**	**40.9**
Add back: net movement of term deposits	-	(100.0)
Effect of foreign exchange rate changes	0.5	0.3
Increase/(decrease) in net cash	**122.1**	**(58.8)**
Opening net cash	194.3	259.3
Closing net cash	**316.4**	**200.5**

Cash flows from operating activities were £172.8m (2011: £143.0m). This £29.8m increase was principally attributable to an increased working capital inflow.

Net capital expenditure was £25.6m (2011: £60.2m), representing ongoing investment across the Group in the existing store chains and further multi-channel initiatives, but at a reduced level versus the previous year principally due to no new store openings and a reduced level of spend on the existing store estate. Tax paid was £16.9m (2011: £38.5m), with the decrease principally being attributable to the reduced level of profits earned in the previous financial year. Other investments of £9.2m (2011: £1.2m) represent loans granted to and equity invested in the Group's Chinese operation.

The Group strengthened its net cash position to £316.4m with a net cash generation of £122.1m in the first half of the year.

Balance sheet

As at **£m**	**1 September 2012**	**3 March 2012**	**27 August 2011**
Goodwill	1,543.9	1,543.9	1,543.9
Other intangible assets	135.7	137.1	135.8
Property, plant and equipment	474.8	516.3	515.2
Inventories	1,001.1	933.2	1,013.9
Instalment receivables	437.1	456.7	427.0
Other assets	187.5	167.4	174.8
	3,780.1	3,754.6	3,810.6
Trade and other payables	(1,158.0)	(1,000.7)	(1,132.9)
Provisions	(232.0)	(235.3)	(209.4)
	(1,390.0)	(1,236.0)	(1,342.3)
Invested capital	**2,390.1**	**2,518.6**	**2,468.3**
Retirement benefit obligations	(122.0)	(115.3)	(81.8)
Net tax assets	39.3	24.7	52.9
Forward foreign exchange contracts	(6.5)	3.1	(14.6)
Net cash	316.4	194.3	200.5
Net assets	**2,617.3**	**2,625.4**	**2,625.3**

Net assets as at 1 September 2012 were £2,617.3m, equivalent to 327p (2011: 329p) per share excluding shares held in Group share trusts. The reduction in invested capital versus the 3 March 2012 year-end balance sheet was £128.5m, driven by a decrease in both property, plant and equipment and the Financial Services loan book together with an increase in trade and other payables, partially offset by an increase in inventories and other assets.

The reduction in net assets of £8.1m versus the balance sheet as at 3 March 2012 was driven by the reduction in invested capital of £128.5m discussed above, principally offset by the £122.1m increase in net cash.

Retirement benefit obligations – IAS 19

The Group's pension arrangements are operated principally through the Home Retail Group Pension Scheme, a defined benefit scheme, together with the Home Retail Group Stakeholder Pension Scheme, a defined contribution scheme.

The IAS 19 valuation as at 1 September 2012 for the defined benefit pension schemes was a net deficit of £122.0m (3 March 2012: £115.3m). Scheme assets increased to £781.4m (3 March 2012: £764.4m). The present value of scheme liabilities increased to £903.4m (3 March 2012: £879.7m), driven principally by a reduction in the assumed discount rate to 4.4% (3 March 2012: 4.8%) offset partially by the curtailment gain of £39.3m which is discussed within the exceptional items section.

A full actuarial valuation of the defined benefit pension scheme is carried out every three years with interim reviews in the intervening years. The last full actuarial valuation of the scheme was carried out as at 31 March 2009 and resulted in a deficit of £102m. The full actuarial valuation of the scheme as at 31 March 2012 is currently being carried out, although the results of this process are not yet available.

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 balances averaged approximately £350m (2011: approximately £310m) over the period and at 1 September 2012, the Group had £685m of undrawn, committed borrowing facilities, which expire in July 2013. These facilities, which remain undrawn, are in place to enable the Group to finance its working capital requirements and for general corporate purposes. The Group is currently evaluating its options in respect of future financing arrangements.

In addition, as at 1 September 2012 the Group's Financial Services business held a net loan book balance of £437m. The Group has the ability to monetise this loan book, for example by securitising it, should it wish to do so.

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 £360.6m (2011: £366.0m). Gross lease commitments stood at £3,092m at 1 September 2012 (2011: £3,521m) and based upon the discounted cash flows of these expected future operating lease charges, the capitalised value of these liabilities is £2,438m (2011: £2,954m) utilising a discount rate of 4.4% (2011: 2.9%).

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 1 September 2012. The basis of preparation is outlined in Note 1 to the Financial Information on page 24.

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 25.

Principal risks and uncertainties

The Group set out in its 2012 Annual Report and Financial Statements the principal risks and uncertainties which could impact its performance; these remain unchanged since its publication except for the additional risk of failure to deliver the transformation plan contained within the Argos business review section. 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 centres 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 execute 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 2012 Annual Report and Financial Statements on pages 30 and 31.

Appendix 1. Trading statement information as reported

	Q1 13 weeks to 28 May 2011		Q1 13 weeks to 2 June 2012	
Argos				
Sales	£817m		£819m	
Like-for-like sales change	(9.6%)		(0.2%)	
Net space sales change	1.5%		0.4%	
Total sales change	(8.1%)		0.2%	
Gross margin movement	Down c.75bps		Down c.25bps	
Homebase				
Sales	£458m		£421m	
Like-for-like sales change	1.6%		(8.3%)	
Net space sales change	(1.7%)		0.2%	
Total sales change	(0.1%)		(8.1%)	
Gross margin movement	Down c.50bps		Up c.225bps	

	Q2 13 weeks to 27 Aug 2011	H1 26 weeks to 27 Aug 2011	Q2 13 weeks to 1 Sept 2012	H1 26 weeks to 1 Sept 2012
Argos				
Sales	£859m	£1,676m	£867m	£1,686m
Like-for-like sales change	(8.6%)	(9.1%)	1.4%	0.6%
Net space sales change	1.5%	1.5%	(0.4%)	0.0%
Total sales change	(7.1%)	(7.6%)	1.0%	0.6%
Gross margin movement	Down c.100bps	Down c.75bps	Down c.75bps	Down c.50bps
Homebase				
Sales	£382m	£840m	£366m	£787m
Like-for-like sales change	(3.1%)	(0.6%)	(3.7%)	(6.2%)
Net space sales change	(0.7%)	(1.2%)	(0.2%)	0.0%
Total sales change	(3.8%)	(1.8%)	(3.9%)	(6.2%)
Gross margin movement	c.0bps	Down c.25bps	Up c.75bps	Up c.150bps

	Q3 18 weeks to 31 Dec 2011	YTD 44 weeks to 31 Dec 2011
Argos		
Sales	£1,717m	£3,393m
Like-for-like sales change	(8.8%)	(8.9%)
Net space sales change	1.0%	1.3%
Total sales change	(7.8%)	(7.6%)
Gross margin movement	Down c.50bps	Down c.75bps
Homebase		
Sales	£475m	£1,315m
Like-for-like sales change	(2.6%)	(1.3%)
Net space sales change	0.1%	(0.8%)
Total sales change	(2.5%)	(2.1%)
Gross margin movement	Up c.25bps	Down c.25bps

	Q4 8 weeks to 25 Feb 2012	H2 26 weeks to 25 Feb 2012	FY 52 weeks to 25 Feb 2012
Argos			
Sales	£480m	£2,197m	£3,873m
Like-for-like sales change	(8.5%)	(8.7%)	(8.9%)
Net space sales change	0.8%	1.0%	1.2%
Total sales change	(7.7%)	(7.7%)	(7.7%)
Gross margin movement	c.0bps	Down c.50bps	Down c.50bps
Homebase			
Sales	£195m	£670m	£1,510m
Like-for-like sales change	(6.5%)	(3.7%)	(2.0%)
Net space sales change	0.3%	0.1%	(0.6%)
Total sales change	(6.2%)	(3.6%)	(2.6%)
Gross margin movement	Up c.175bps	Up c.50bps	c.0bps

HOME RETAIL GROUP PLC

UNAUDITED CONDENSED HALF-YEARLY FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT
For the 26 weeks ended 1 September 2012

53 weeks to 3.3.12 £m		Notes	**26 weeks to 1.9.12 £m**	26 weeks to 27.8.11 £m
5,582.8	**Revenue**	4	**2,531.1**	2,567.5
(3,794.0)	Cost of sales	5	**(1,714.7)**	(1,731.4)
1,788.8	**Gross profit**		**816.4**	836.1
(1,669.8)	Net operating expenses before exceptional items		**(798.5)**	(809.6)
(20.3)	Exceptional items	6	**35.0**	-
98.7	**Operating profit**		**52.9**	26.5
53.3	Finance income		**24.2**	27.3
(48.4)	Finance expense		**(23.4)**	(24.4)
4.9	Net financing income	7	**0.8**	2.9
0.5	Share of post-tax (loss)/profit of associates		**(2.6)**	-
104.1	**Profit before tax**		**51.1**	29.4
(31.3)	Taxation	8	**(14.6)**	(9.0)
72.8	**Profit for the period attributable to equity holders of the Company**		**36.5**	20.4
pence	**Earnings per share**	9	**pence**	pence
9.1	Basic		**4.6**	2.6
9.1	Diluted		**4.5**	2.5
4.7	**Dividend per share**	10	**1.0**	4.7

53 weeks to 3.3.12 £m	***Non-GAAP measures*** ***Reconciliation of profit before tax (PBT) to benchmark PBT***	*Notes*	***26 weeks to 1.9.12 £m***	*26 weeks to 27.8.11 £m*
104.1	***Profit before tax***		***51.1***	*29.4*
	Adjusted for:			
20.3	*Exceptional items*	*6*	***(35.0)***	*-*
(3.3)	*Financing fair value remeasurements*	*7*	***(1.3)***	*(2.3)*
(4.8)	*Financing impact on retirement benefit obligations*	*7*	***(1.4)***	*(2.2)*
6.7	*Discount unwind on non-benchmark items*	*7*	***3.6***	*3.4*
1.2	*Amortisation of acquisition intangibles*		***0.9***	*-*
(8.5)	*Onerous lease provision releases*		***-***	*-*
115.7	***Benchmark PBT***		***17.9***	*28.3*
pence	***Benchmark earnings per share***	*9*	***pence***	*pence*
10.0	*Basic*		***1.4***	*2.5*
10.0	*Diluted*		***1.4***	*2.5*

HOME RETAIL GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the 26 weeks ended 1 September 2012

53 weeks to 3.3.12 £m		Notes	**26 weeks to 1.9.12 £m**	26 weeks to 27.8.11 £m
72.8	**Profit for the period attributable to equity holders of the Company**		**36.5**	20.4
	Other comprehensive income:			
	Net change in fair value of cash flow hedges			
10.8	- Foreign currency forward exchange contracts		**(1.0)**	(14.0)
	Net change in fair value of cash flow hedges transferred to inventory			
9.3	- Foreign currency forward exchange contracts		**(5.9)**	22.2
(121.2)	Actuarial loss in respect of defined benefit pension schemes	13	**(54.6)**	(85.4)
0.2	Fair value movements on available-for-sale financial assets		**(0.1)**	(0.9)
(3.3)	Currency translation differences		**(0.9)**	(1.4)
24.7	Tax credit in respect of items taken directly to equity		**12.3**	18.8
(79.5)	**Other comprehensive income for the period, net of tax**		**(50.2)**	(60.7)
(6.7)	**Total comprehensive income for the period attributable to equity holders of the Company**		**(13.7)**	(40.3)

HOME RETAIL GROUP PLC

CONSOLIDATED BALANCE SHEET
At 1 September 2012

3.3.12 £m		Notes	**1.9.12 £m**	27.8.11 £m
	ASSETS			
	Non-current assets			
1,543.9	Goodwill		**1,543.9**	1,543.9
137.1	Other intangible assets		**135.7**	135.8
516.3	Property, plant and equipment		**474.8**	515.2
8.3	Investments in associates		**8.4**	8.3
50.6	Deferred tax assets		**53.8**	52.2
3.8	Trade and other receivables		**3.8**	4.3
17.4	Other financial assets		**23.4**	15.4
2,277.4	**Total non-current assets**		**2,243.8**	2,275.1
	Current assets			
933.2	Inventories		**1,001.1**	1,013.9
594.6	Trade and other receivables		**589.0**	573.8
0.8	Current tax assets		**5.6**	24.9
8.3	Other financial assets		**2.5**	1.2
194.3	Cash and cash equivalents		**316.4**	200.5
1,731.2	**Total current assets**		**1,914.6**	1,814.3
4,008.6	**Total assets**		**4,158.4**	4,089.4
	LIABILITIES			
	Non-current liabilities			
(55.8)	Trade and other payables		**(54.3)**	(57.1)
(187.5)	Provisions	12	**(188.4)**	(191.4)
(21.9)	Deferred tax liabilities		**(20.1)**	(20.7)
(115.3)	Retirement benefit obligations	13	**(122.0)**	(81.8)
(380.5)	**Total non-current liabilities**		**(384.8)**	(351.0)
	Current liabilities			
(944.9)	Trade and other payables		**(1,103.7)**	(1,075.8)
(47.8)	Provisions	12	**(43.6)**	(18.0)
(5.2)	Other financial liabilities		**(9.0)**	(15.8)
(4.8)	Current tax liabilities		**-**	(3.5)
(1,002.7)	**Total current liabilities**		**(1,156.3)**	(1,113.1)
(1,383.2)	**Total liabilities**		**(1,541.1)**	(1,464.1)
2,625.4	**Net assets**		**2,617.3**	2,625.3
	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)
8.6	Other reserves		**3.8**	(0.5)
2,877.5	Retained earnings		**2,874.2**	2,886.5
2,625.4	**Total equity**		**2,617.3**	2,625.3

HOME RETAIL GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 26 weeks ended 1 September 2012

	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 4 March 2012	81.3	6.4	(348.4)	8.6	2,877.5	2,625.4
Profit for the period	-	-	-	-	36.5	36.5
Other comprehensive income	-	-	-	(6.1)	(44.1)	(50.2)
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**

	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 27 February 2011	81.3	6.4	(348.4)	(5.6)	3,007.5	2,741.2
Profit for the period	-	-	-	-	20.4	20.4
Other comprehensive income	-	-	-	4.3	(65.0)	(60.7)
Total comprehensive income for the period ended 27 August 2011	-	-	-	4.3	(44.6)	(40.3)
Transactions with owners:						
Movement in share-based compensation reserve	-	-	-	-	4.4	4.4
Net movement in own shares	-	-	-	0.8	(0.8)	-
Equity dividends paid during the period	-	-	-	-	(79.9)	(79.9)
Other distributions	-	-	-	-	(0.1)	(0.1)
Total transactions with owners	-	-	-	0.8	(76.4)	(75.6)
Balance at 27 August 2011	81.3	6.4	(348.4)	(0.5)	2,886.5	2,625.3

HOME RETAIL GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 26 weeks ended 1 September 2012

53 weeks to 3.3.12 £m		Notes	**26 weeks to 1.9.12 £m**	26 weeks to 27.8.11 £m
	Cash flows from operating activities			
234.5	Cash generated from operations	14	**172.8**	143.0
(26.8)	Tax paid		**(16.9)**	(38.5)
207.7	**Net cash inflow from operating activities**		**155.9**	104.5
	Cash flows from investing activities			
(24.5)	Acquisition of business		**-**	(23.6)
(97.1)	Purchase of property, plant and equipment	11	**(12.0)**	(41.5)
3.9	Proceeds from the disposal of property, plant and equipment	11	**1.0**	2.7
(37.8)	Purchase of other intangible assets	11	**(14.6)**	(21.4)
(1.2)	Loans granted to associates	16	**(6.8)**	(1.2)
(0.9)	Purchase of investments	16	**(2.4)**	-
100.0	Disposal of investments		**-**	100.0
2.4	Interest received		**0.5**	1.3
(55.2)	**Net cash flows from investing activities**		**(34.3)**	16.3
	Cash flows from financing activities			
0.1	Proceeds from disposal of shares held by Employee Share Trust		**-**	-
(117.5)	Dividends paid	10	**-**	(79.9)
(117.4)	**Net cash used in financing activities**		**-**	(79.9)
35.1	**Net increase in cash and cash equivalents**		**121.6**	40.9
	Movement in cash and cash equivalents			
159.3	Cash and cash equivalents at the beginning of the period		**194.3**	159.3
(0.1)	Effect of foreign exchange rate changes		**0.5**	0.3
35.1	Net increase in cash and cash equivalents		**121.6**	40.9
194.3	**Cash and cash equivalents at the end of the period**		**316.4**	200.5

HOME RETAIL GROUP PLC

ANALYSIS OF NET CASH/(DEBT)

At 1 September 2012

3.3.12 *£m*	***Non-GAAP measures***	***1.9.12*** ***£m***	*27.8.11* *£m*
	Financing net cash:		
194.3	*Cash and cash equivalents*	***316.4***	*200.5*
194.3	***Total financing net cash***	***316.4***	*200.5*
	Operating net debt:		
(2,701.7)	*Off balance sheet operating leases*	***(2,438.1)***	*(2,954.1)*
(2,701.7)	***Total operating net debt***	***(2,438.1)***	*(2,954.1)*
(2,507.4)	***Total net debt***	***(2,121.7)***	*(2,753.6)*
	Adjusted for:		
2,701.7	*Off balance sheet operating leases*	***2,438.1***	*2,954.1*
194.3	***Total cash and cash equivalents reflected in balance sheet***	***316.4***	*200.5*

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 £2,438.1m (3 March 2012: £2,701.7m), based upon discounting the current rentals at the estimated current long-term cost of borrowing of 4.4% (3 March 2012: 3.4%).

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION
For the 26 weeks ended 1 September 2012

1. Basis of preparation

The unaudited condensed half-yearly financial information comprises the results for the 26 weeks ended 1 September 2012, the 26 weeks ended 27 August 2011, and the audited consolidated results for the 53 weeks ended 3 March 2012.

The audited consolidated financial information for the 53 weeks ended 3 March 2012 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 2012 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 1 September 2012 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 53 weeks ended 3 March 2012, 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 2012, 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

There are no new standards, amendments to existing standards or interpretations that are effective for the first time for the current period that would be expected to have a material impact on the Group.

At the balance sheet date a number of new standards and amendments to existing standards were in issue but not yet effective:

- Amendment to IAS 19 (revised) – 'Employee Benefits': amendment in June 2011 relating to recognition and measurement of defined benefit pension expense and termination benefits and disclosures for all employee benefits;
- IFRS 9 – 'Financial Instruments': addresses the classification, measurement and recognition of financial assets and financial liabilities;
- IFRS 10 – 'Consolidated Financial Statements': identifies the concept of control as the determining factor in whether an entity should be included within consolidated financial statements;
- IFRS 11 – 'Joint Arrangements': focuses on the rights and obligations of an arrangement rather than its legal form and classifies joint arrangements as either a joint operation or a joint venture;
- IFRS 12 – 'Disclosure of Interests in Other Entities': includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles; and
- IFRS 13 – 'Fair Value Measurement': provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.

The Group has not early-adopted any of these new standards or amendments to existing standards. The Group will assess their full impact in due course. There are no other new standards, amendments to existing standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

2. Non-GAAP financial information

Home Retail Group has identified certain measures that it believes will assist the understanding of the performance of the business. The measures are not defined under IFRS and they may not be directly comparable with other companies' adjusted measures. The non-GAAP measures are not intended to be a substitute for, or superior to, any IFRS measures of performance but Home Retail Group has included them as it considers them to be important comparables and key measures used within the business for assessing performance. The following are the key non-GAAP measures identified by Home Retail Group:

Exceptional items

Items which are both material and non-recurring are presented as exceptional items within their relevant income statement line. The separate reporting of exceptional items helps provide a better indication of underlying performance of the Group. Examples of items which may be recorded as exceptional items are impairment charges, restructuring costs and the profits/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, 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, 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 1.9.12	26 weeks to 27.8.11	53 weeks to 3.3.12	**1.9.12**	27.8.11	3.3.12
The principal exchange rates used were as follows:						
Sterling to US dollar	**1.58**	1.63	1.60	**1.59**	1.64	1.58
Sterling to euro	**1.24**	1.14	1.16	**1.26**	1.13	1.20

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.

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION
For the 26 weeks ended 1 September 2012

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.

53 weeks to 3.3.12 £m		**26 weeks to 1.9.12 £m**	26 weeks to 27.8.11 £m
	Revenue		
3,935.3	Argos	**1,686.4**	1,675.7
1,536.4	Homebase	**787.3**	839.6
111.1	Financial Services	**57.4**	52.2
-	Central Activities	**-**	-
5,582.8	**Total segment revenue**	**2,531.1**	2,567.5
	Benchmark operating profit/(loss)		
106.9	Argos	**3.3**	3.4
23.8	Homebase	**24.5**	29.9
6.1	Financial Services	**2.9**	3.0
(25.1)	Central Activities	**(11.9)**	(9.8)
111.7	**Total segment benchmark operating profit**	**18.8**	26.5
3.5	Benchmark interest	**1.7**	1.8
0.5	Share of post-tax (loss)/profit of associates	**(2.6)**	-
115.7	**Benchmark profit before tax**	**17.9**	28.3
(20.3)	Exceptional items	**35.0**	-
3.3	Financing fair value remeasurements	**1.3**	2.3
4.8	Financing impact on retirement benefit obligations	**1.4**	2.2
(6.7)	Discount unwind on non-benchmark items	**(3.6)**	(3.4)
(1.2)	Amortisation of acquisition intangibles	**(0.9)**	-
8.5	Onerous lease provision releases	**-**	-
104.1	**Profit before tax**	**51.1**	29.4
(31.3)	Taxation	**(14.6)**	(9.0)
72.8	**Profit for the period attributable to equity holders of the Company**	**36.5**	20.4

The results for Financial Services are after deducting funding costs of £1.6m (2011: £1.7m) (note 7).

4. Segmental information (continued)

53 weeks to 3.3.12 £m		**26 weeks to 1.9.12 £m**	26 weeks to 27.8.11 £m
	Segment assets		
2,299.0	Argos	**2,331.9**	2,390.1
883.8	Homebase	**886.2**	885.8
479.3	Financial Services	**461.7**	443.6
100.8	Central Activities	**102.8**	92.3
3,762.9	**Total segment assets**	**3,782.6**	3,811.8
51.4	Tax assets	**59.4**	77.1
194.3	Cash and cash equivalents	**316.4**	200.5
4,008.6	**Total assets per balance sheet**	**4,158.4**	4,089.4

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

53 weeks to 3.3.12 £m	**Cost of sales comprises:**	**26 weeks to 1.9.12 £m**	26 weeks to 27.8.11 £m
(3,521.1)	Cost of goods	**(1,579.5)**	(1,597.2)
(272.9)	Distribution costs	**(135.2)**	(134.2)
(3,794.0)	**Total cost of sales**	**(1,714.7)**	(1,731.4)

6. Exceptional items

53 weeks to 3.3.12 £m		**26 weeks to 1.9.12 £m**	26 weeks to 27.8.11 £m
-	Net gain on employee benefits	**35.0**	-
(20.3)	Reorganisation and restructuring charges	**-**	-
(20.3)	Exceptional items in operating profit	**35.0**	-
3.3	Tax on exceptional items	**(8.5)**	-
(17.0)	**Exceptional profit/(loss) after tax for the period**	**26.5**	-

The Home Retail Group defined benefit pension scheme will close to future accrual with effect from 31 January 2013. This has led to a net gain of £35.0m, which includes a non-cash curtailment gain of £39.3m, offset by a charge of £4.3m principally for transitional payments to active members of the scheme. Further details are included in note 13.

Reorganisation and restructuring actions announced during the 53 weeks to 3 March 2012 included the closures of the Group's UK homewares trial format, HomeStore&More, and one of the Group's distribution warehouses.

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION
For the 26 weeks ended 1 September 2012

7. Net financing income

53 weeks to 3.3.12 £m		**26 weeks to 1.9.12 £m**	26 weeks to 27.8.11 £m
	Finance income:		
1.8	Bank deposits and other interest	**0.7**	1.0
48.0	Expected return on retirement benefit assets	**21.7**	23.5
3.5	Financing fair value remeasurements - net exchange gains	**1.8**	2.8
53.3	**Total finance income**	**24.2**	27.3
	Finance expense:		
(8.4)	Unwinding of discounts	**(4.2)**	(4.3)
(0.2)	Financing fair value remeasurements – net exchange losses	**(0.5)**	(0.5)
(43.2)	Interest expense on retirement benefit liabilities	**(20.3)**	(21.3)
(51.8)	**Total finance expense**	**(25.0)**	(26.1)
3.4	Less: finance expense charged to Financial Services cost of sales	**1.6**	1.7
(48.4)	**Total net finance expense**	**(23.4)**	(24.4)
4.9	**Net financing income**	**0.8**	2.9

Included within unwinding of discounts is a £3.6m charge (2011: £3.4m) relating to the discount unwind on exceptional onerous lease provisions.

8. Taxation

53 weeks to 3.3.12 £m		**26 weeks to 1.9.12 £m**	26 weeks to 27.8.11 £m
(28.9)	UK tax	**(14.2)**	(8.4)
(2.4)	Overseas tax	**(0.4)**	(0.6)
(31.3)	**Total tax expense**	**(14.6)**	(9.0)

The tax charge for the period of £14.6m (2011: £9.0m) is based on an estimated annual effective rate of tax of 28.6% (2011: 30.6%). Closing deferred tax has been calculated at the substantively enacted UK corporation tax rate of 23% (2011: 25%). The effect of the reduction in the UK corporation tax rate from 25% to 23% is a deferred tax charge of £2.7m. Of this charge, £0.1m has been charged to the income statement and £2.6m has been charged directly to the consolidated statement of comprehensive income.

The proposed reduction in the main rate of UK corporation tax by 1% to 22% is expected to be enacted in 2013. 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.

The estimated annual 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 associates), is 31.7% (2011: 29.7%).

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION
For the 26 weeks ended 1 September 2012

9. Basic and diluted earnings per share (EPS)

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

53 weeks to 3.3.12		**26 weeks to 1.9.12**	26 weeks to 27.8.11
£m	**Earnings**	**£m**	£m
72.8	**Profit after tax for the financial period**	**36.5**	20.4
	Adjusted for:		
20.3	Exceptional items	**(35.0)**	-
(3.3)	Financing fair value remeasurements	**(1.3)**	(2.3)
(4.8)	Financing impact on retirement benefit obligations	**(1.4)**	(2.2)
6.7	Discount unwind on non-benchmark items	**3.6**	3.4
1.2	Amortisation of acquisition intangibles	**0.9**	-
(8.5)	Onerous lease provision releases	**-**	-
0.5	Attributable taxation charge	**8.0**	0.3
(4.8)	Non-benchmark tax charge/(credit) in respect of prior years	**-**	0.3
0.1	Tax rate change	**0.1**	-
80.2	**Benchmark profit after tax for the financial period**	**11.4**	19.9
millions	**Weighted average number of shares**	**millions**	millions
799.4	Number of ordinary shares for the purpose of basic EPS	**800.4**	799.0
3.9	Dilutive effect of share incentive awards	**4.0**	3.9
803.3	**Number of ordinary shares for the purpose of diluted EPS**	**804.4**	802.9
pence	**EPS**	**pence**	pence
9.1	Basic EPS	**4.6**	2.6
9.1	Diluted EPS	**4.5**	2.5
10.0	Basic benchmark EPS	**1.4**	2.5
10.0	Diluted benchmark EPS	**1.4**	2.5

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 (2011: 4.7 pence) per Home Retail Group plc ordinary share, amounting to a total interim dividend of £8.0m (2011: £37.6m), has been announced (but not provided) and will be paid on 23 January 2013 to shareholders on the register at the close of business on 16 November 2012.

No final dividend was paid in respect of the 53 weeks ended 3 March 2012.

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION
For the 26 weeks ended 1 September 2012

11. Capital expenditure

In the period, there were additions to property, plant and equipment of £12.0m (2011: £41.5m) and disposals of property, plant and equipment generated proceeds of £1.0m (2011: £2.7m). In the period, there were additions to intangible assets of £14.6m (2011: £21.4m). Capital commitments contracted but not provided for by the Group amounted to £10.4m (2011: £11.0m).

12. Provisions

	Onerous leases £m	Insurance £m	Restructuring £m	Other £m	Total £m
At 4 March 2012	(153.5)	(46.7)	(24.3)	(10.8)	(235.3)
Exchange differences	0.8	-	-	-	0.8
Charged to the income statement	-	(4.8)	-	(0.3)	(5.1)
Utilised during the period	1.1	2.9	6.9	1.0	11.9
Discount unwind	(4.2)	-	-	(0.1)	(4.3)
At 1 September 2012	**(155.8)**	**(48.6)**	**(17.4)**	**(10.2)**	**(232.0)**

3.3.12 £m	Analysed as:	1.9.12 £m	27.8.11 £m
(47.8)	Current	**(43.6)**	(18.0)
(187.5)	Non-current	**(188.4)**	(191.4)
(235.3)		**(232.0)**	(209.4)

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.

A number of organisational changes have been undertaken in prior years to improve the operational efficiency of the Group and drive further cost productivity. Actions announced during the 53 weeks to 3 March 2012 included the closures of the Group’s UK homewares trial format, HomeStore&More, and one of the Group’s distribution warehouses.

Other provisions include legal claims and other sundry provisions.

13. Post-employment benefits

As at the balance sheet date, the obligation in respect of the Home Retail Group defined benefit pension scheme (the scheme) was £903.4m (3 March 2012: £879.7m) and the market value of the scheme assets was £781.4m (3 March 2012: £764.4m), resulting in a net deficit on the scheme of £122.0m (3 March 2012: £115.3m).

53 weeks to 3.3.12 £m		**26 weeks to 1.9.12 £m**	26 weeks to 27.8.11 £m
(7.5)	Opening net deficit on the scheme	**(115.3)**	(7.5)
(17.2)	Current service cost	**(8.2)**	(9.0)
-	Curtailment gain	**39.3**	-
4.8	Financing impact on retirement benefit obligations	**1.4**	2.2
(121.2)	Actuarial loss	**(54.6)**	(85.4)
25.8	Contributions paid by the Group	**15.4**	17.9
(115.3)	**Closing net deficit on the scheme**	**(122.0)**	(81.8)

The material assumptions used to assess the liabilities of the scheme 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 4.4% (3 March 2012: 4.8%) and 2.9% (3 March 2012: 3.1%) respectively.

On 14 June 2012, following a period of consultation, the Group announced the closure of the scheme to future accrual with effect from 31 January 2013, which has resulted in a curtailment gain of £39.3m being recognised in the income statement for the period. As a result of the closure, all active members of the scheme will become treated as if they were deferred members. The effect of the closure will be that these members will no longer be entitled to pension benefits linked to future salary increases. This amounts to a change in benefits accruing to these members and results in a one-off reduction in the ultimate liabilities in respect of these individuals.

Contributions paid by the Group total £15.4m (2011: £17.9m), including £8.0m (2011: £10.0m) as part of the deficit recovery plan agreed with the scheme trustees following the completion of the 31 March 2009 actuarial valuation.

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION
For the 26 weeks ended 1 September 2012

14. Notes to the consolidated statement of cash flows

53 weeks to 3.3.12 £m		**26 weeks to 1.9.12 £m**	26 weeks to 27.8.11 £m
	Cash generated from operations:		
104.1	Profit before tax	**51.1**	29.4
	Adjustments for:		
(0.5)	Share of post-tax loss/(profit) of associates	**2.6**	-
(4.9)	Net financing income	**(0.8)**	(2.9)
98.7	Operating profit	**52.9**	26.5
1.8	Loss on sale of property, plant and equipment	**0.2**	0.5
126.5	Depreciation and amortisation	**64.0**	60.6
3.4	Finance expense charged to Financial Services cost of sales	**1.6**	1.7
85.8	(Increase)/decrease in inventories	**(67.9)**	5.1
16.1	Decrease in receivables	**6.0**	36.3
(102.5)	Increase/(decrease) in payables	**160.2**	20.4
(0.6)	Movement in working capital	**98.3**	61.8
5.0	(Decrease)/increase in provisions	**(3.3)**	(3.5)
(8.6)	Movement in retirement benefit obligations	**(46.5)**	(8.9)
8.3	Share-based payment expense (net of dividend equivalent payments)	**5.6**	4.3
234.5	**Cash generated from operations**	**172.8**	143.0

15. 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.

16. Related parties

The Group's related parties are its associates, key management personnel and the Home Retail Group Pension Scheme.

During the period, the Group granted loans totalling £6.8m (2011: £1.2m) to its associates and invested £2.4m (2011: £nil) in the share capital of its associates. At 1 September 2012, the amounts owed by its associates to the Group totalled £7.2m (2011: £1.2m).

The only other material transactions between the Group and any of these parties were in relation to the Home Retail Group Pension Scheme, and are set out in note 13.

17. Post balance sheet events

On 24 October 2012, the Group announced its transformation plan for Argos following a comprehensive review of Argos' business. The plan will transform the company from a catalogue-led business to a digitally-led business, and is expected to result in c.£50m of exceptional costs over the three financial years ending 27 February 2016.

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 2012. With the exception of Oliver Stocken, who resigned as a director with effect from 4 July 2012, 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
24 October 2012	24 October 2012

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 23 January 2013, should return a completed and signed DRIP mandate form to be received by the Registrar, by no later than 29 December 2012. 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	14 November 2012
Interim Management Statement	17 January 2013
Interim dividend to be paid	23 January 2013
Full-year trading statement	14 March 2013
Full-year results for the 52 weeks to 2 March 2013	1 May 2013
Final ex-dividend date	22 May 2013
Interim Management Statement	13 June 2013
Final dividend to be paid	24 July 2013

Registered office

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