



14 March 2007

Home Retail Group plc End of Year Trading Statement

Home Retail Group, the UK's leading home and general merchandise retailer, today announces details of the short trading period comprising the eight weeks to 3 March 2007.

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

"This short trading period to the end of our new financial year-end has seen a performance ahead of our expectations. We now expect profits on a 52-week pro forma basis to be slightly above the current market consensus, driven principally by Argos. While we are pleased with the most recent performance and the likely outturn for the financial year just completed, we remain cautious on a retail environment that is still expected to be challenging."

% change in sales year-on-year

	8 weeks to 3 March	22 weeks to 3 March	Statutory year to 3 March*
Argos			
Like-for-like change in sales	3.0	0.9	2.3
Net new space contribution to sales change	3.8	4.0	5.5
Total sales change	6.8	4.9	7.8
Homebase			
Like-for-like change in sales	9.9	1.2	(1.4)
Net new space contribution to sales change	3.4	2.9	3.6
Total sales change	13.3	4.1	2.2

* 1 April 2006 to 3 March 2007 for Argos and 1 March 2006 to 3 March 2007 for Homebase

Argos

Argos grew its total sales by 6.8% in the final eight weeks of the financial year. The like-for-like sales increase of 3.0% was driven by continued strong growth in televisions and video games systems. Total Internet sales grew by 37%, led by Check & Reserve, while home delivery grew to represent 24% of total sales. Gross margin was slightly ahead versus the comparable period, driven by ongoing supply chain initiatives and improved management of stock clearance activity; gross margin for the full year was in line with the prior year.

The contribution to sales growth from net new space was 3.8%; the number of stores at 3 March 2007 was 680, a net increase of 25 stores from 4 March 2006. As previously announced, Argos expects to open a similar number of stores in the coming year. However, the contribution to sales growth will be lower than the year just finished which benefited in the first half of the year from the 33 acquired Index stores, as well as the larger total sales base.

Homebase

In what is the lowest volume trading period of the year and against the weakest comparatives of the previous year, Homebase's total sales grew by 13.3% in the final eight weeks. Like-for-like growth was led by stronger performances in big ticket categories as well as good growth in garden maintenance. Gross margin continued to be strongly ahead, driven by ongoing supply chain initiatives and improved stock management.

The contribution to sales growth from net new space was 3.4%; the number of stores at 3 March 2007 was 310, a net increase of 13 stores from 4 March 2006. As previously announced, Homebase expects to open a similar number of stores in the coming year. However, the contribution to sales growth is expected to be significantly lower than the year just finished as a result of the planned phasing and size of store openings.

Year-end cash position

Home Retail Group now estimates that it will report a modest net cash position as at 3 March 2007. This has been driven by the Group's improved profit performance in the second half, delayed capital expenditure into the next financial year and the timing of working capital flows in relation to the change of year-end.

Change of year-end

As previously announced, Home Retail Group has changed its year-end. The Group will this year report on a statutory basis the financial period ended 3 March 2007. To assist with analysis and comparison, pro forma results for the 52 weeks to 3 March 2007 will also be provided as part of the Preliminary Results to be announced on 2 May 2007.

Today, as a separate announcement, we have provided details on the basis of preparation for the pro forma restatements, together with restated results for the 26 weeks to 2 September 2006 and the 52 weeks to 4 March 2006. The timing of trading statements will also change as a result of the new year-end; trading statement comparables on the new basis have also been provided in the separate announcement.

A summary of the restated pro forma results is as follows:

H1 2006/07 pro forma results	6 months to	Pro forma	26 weeks to
£m	30 Sept 2006	Restatement	2 Sept 2006
Sales	2,819.9	(163.5)	2,656.4
Benchmark operating profit	106.9	(5.2)	101.7
Net interest income	5.7	(0.2)	5.5
Benchmark PBT	112.6	(5.4)	107.2
Basic benchmark EPS	8.7p	(0.4p)	8.3p

FY 2005/06 pro forma results	12 months to	Pro forma	52 weeks to
£m	31 March 2006	restatement	4 March 2006
Sales	5,548.0	(37.7)	5,510.3
Benchmark operating profit	337.7	(5.9)	331.8
Net interest income	n/a	9.5	9.5
Benchmark PBT	n/a	3.6	337.1
Basic benchmark EPS	n/a	n/a	25.6p

Enquiries

Analysts and investors (Home Retail Group)

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There will be a conference call for analysts and investors to discuss this trading statement at 8.30am this morning. The call can be listened to live on the Home Retail Group website www.homeretailgroup.com. An indexed replay will also be available on the website later in the day.

Information in this announcement is based upon unaudited management accounts. In addition, certain statements made 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