

## Directors' report

The directors present their report and the audited financial statements for the 52 weeks ended 1 March 2008 ('the period').

### Principal activities and business review

The Group's principal activities comprise home and general merchandise retailing. The chairman's statement, review of the business and financial statements report on performance of the business during the period, the position at the period end, likely future developments, the principal risks and uncertainties facing the Group and financial key performance indicators, and are incorporated by reference into this directors' report.

There were no material disposals during the period. In October 2007 a contract was signed for the purchase of 27 leasehold properties from Focus DIY, at a purchase price of £40m.

The Group's statement on corporate governance is set out on pages 64 to 68 and is incorporated by reference into this directors' report. Details of charitable donations, employee involvement and policy on the employment of disabled persons are set out in the review of the business on pages 52 to 59 and are incorporated by reference into this directors' report.

### Profit and dividends

The Group's consolidated income statement on page 80 shows a profit for the period of £294.6m. The directors recommend the payment of a final dividend of 10.0p per ordinary share to be paid on 23 July 2008 to shareholders on the register at the close of business on 23 May 2008. An interim dividend of 4.7p per ordinary share was paid on 23 January 2008, giving a total dividend for the year of 14.7p per ordinary share.

### Directors

The names and biographical details of the directors are shown on pages 60 and 61. There has been no change in the directors during the period. Particulars of directors' remuneration and service contracts are shown in the directors' remuneration report on pages 69 to 77.

The directors retiring at the 2008 Annual General Meeting are Terry Duddy and John Coombe, who, each being eligible, offer themselves for re-election.

During the period, the Group maintained liability insurance and third-party indemnification provisions for its directors under which the Company has agreed to indemnify the directors to the extent permitted by law in respect of all liabilities to third parties arising out of, or in connection with, the execution of their powers, duties and responsibilities as directors of the Company and any of its associated companies. These indemnities are Qualifying Third Party Indemnity Provisions as defined in Section 309A-B of the Companies Act 1985 and copies are available for inspection at the registered office of the Company during business hours on any weekday except public holidays.

### Directors' interests

The beneficial interests of the directors, together with non-beneficial interests in Home Retail Group shares, are shown below:

	Number of ordinary shares at 1 March 2008
Terry Duddy	684,924
Richard Ashton	214,051
Oliver Stocken	78,604
John Coombe	34,844
Andy Hornby	13,686
Penny Hughes	2,500

There were no changes to the above interests as at 30 April 2008.

### Substantial shareholdings

As at 30 April 2008, the Company had been notified of the following interests in its total voting rights and share capital in issue:

	Total number of voting rights (ordinary shares)	Percentage of total voting rights (%)	Nature of holding
AXA Investment Managers UK Ltd	154,550,260	17.61	Direct and Indirect
Barclays plc	44,313,816	5.05	Indirect
Aviva plc	43,211,654	4.93	Direct and Indirect
Legal & General Group plc	38,743,818	4.42	Direct
Citibank N.A.	34,819,282	3.97	Direct and Indirect

Save for the above, no person has reported any notifiable interest of 3% or more, or a 1% fall or rise above that 3%, or any non-material interest equal to/or more than 10% of the nominal value of the voting and share capital in issue of the Company.

### Share capital and control

As at 30 April 2008, the Company's issued share capital comprised a single class of shares referred to as ordinary shares. Details of the ordinary share capital can be found in note 28 to the financial statements on page 116.

The rights and obligations attaching to the shares are more fully set out in the Articles of Association of the Company. There are no restrictions on the transfer of ordinary shares in the Company other than the following:

- certain restrictions may from time to time be imposed by laws and regulations (such as insider trading laws); and
- pursuant to the Listing Rules of the Financial Services Authority, the Company requires certain employees to seek the Company's permission to deal in the Company's ordinary shares.

## Directors' report continued

The Company is not aware of any agreements between shareholders which may result in restrictions on the transfer of securities and/or voting rights. There are no shareholdings which carry special rights relating to control of the Company. A change of control of the Company following a takeover bid may cause a number of agreements to which the Company or its trading subsidiaries is party to take effect, alter or terminate. In the context of the Company as a whole, these agreements are not considered to be significant.

### Purchase of own shares

At the Annual General Meeting of the Company held on 3 July 2007, authority was given for the Company to purchase, in the market, up to 87,000,000 ordinary shares of 10p each. The Company did not use this authority to make any purchases of its own shares during the period. At the Annual General Meeting to be held on 2 July 2008, shareholders will be asked to give a similar authority, details of which are contained in the accompanying circular to shareholders.

Details of the Company's interests in its own shares are set out in note 29 to the financial statements on page 117.

### Employee share plans

Some of the Company's employee share plans include restrictions on the transfer of shares while the shares are subject to the plan. As described in the directors' remuneration report, non-executive directors receive part of their fees in shares which may not normally be transferred during a director's period of office.

Where, under an employee share plan operated by the Company, participants are the beneficial owners of the shares but not the registered owners, the voting rights are normally exercised by the registered owner at the direction of the participant.

All of the Company's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time.

### Political donations

The Group has made no political donations and incurred no items of political expenditure.

### Creditor payment

For all trade creditors, it is, and will continue to be for the next financial year, Group policy to:

- agree and confirm the terms of payment at the commencement of business with that supplier;
- pay suppliers in accordance with applicable terms; and
- continually review the payment procedures and liaise with suppliers as a means of eliminating difficulties and maintaining a good working relationship.

Trade creditor days of the Group at 1 March 2008 were 52 (2007: 49) based on the ratio of Group trade creditors at the end of the year to the amounts invoiced during the year by trade creditors. The Company has no trade creditors.

### Articles of Association

The Articles of Association set out the internal regulation of the Company and cover such matters as the rights of shareholders, the appointment or removal of directors and the conduct of the Board and general meetings. Copies are available upon request and are displayed on the Company's website at [www.homeretailgroup.com](http://www.homeretailgroup.com). In accordance with the Articles of Association, directors can be appointed or removed by the Board or shareholders in general meeting. Amendments to the Articles of Association must be approved by at least 75% of those voting in person or by proxy at a general meeting of the Company. Subject to company law and the Articles of Association, the directors may exercise all the powers of the Company and may delegate authorities to committees. Details of the main Board committees can be found in the corporate governance statement on pages 64 to 68.

At the 2008 Annual General Meeting two special resolutions, as set out in the Notice of Meeting, will be put to shareholders proposing the adoption at the Annual General Meeting of new Articles of Association to reflect the provisions of the Companies Act 2006 and the amendment of these adopted Articles of Association to reflect further provisions, coming into effect on 1 October 2008 (or such other date as the relevant provisions come into effect).

### Annual General Meeting

The Annual General Meeting of the Company will be held at the Jurys Inn Hotel, Midsummer Boulevard, Milton Keynes MK9 2HP, commencing at 11.30 am on Wednesday, 2 July 2008. The Notice of Meeting is included in a separate circular to shareholders which accompanies this annual report. It is also available on the Company's website at [www.homeretailgroup.com](http://www.homeretailgroup.com).

### Relevant audit information

As at 30 April 2008, so far as each director is aware, there is no relevant audit information of which the auditors are unaware and each director has taken all steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to ensure that the auditors are aware of that information.

### Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the Annual General Meeting.

By order of the Board

**Gordon Bentley**  
Secretary

30 April 2008

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