



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 27 August 2011.

Operating highlights

- Continued leadership in multi-channel retailing, driven by further investment initiatives in both businesses and the continued growth of internet penetration supported by Check & Reserve
- Investment plans progressing at Argos:
 - Store refurbishment delivering sales uplifts ahead of plan
 - Launch of the Argos TV shopping channel
 - Range extension into children's books, children's and adult clothing and gifting
- Homebase gained market share and further developed its home enhancement proposition:
 - Expanding exclusive product brand strategy
 - Developing ranges across big ticket categories
 - Award winning installation services with customer recommendation rate in excess of 90%
- Acquired the exclusive use of the Habitat brand
- Joint venture to commence multi-channel retail operation in China separately announced today

Financial highlights

- Sales down 6% to £2,568m
- Cash gross margin down 7% to £970m
- Operating and distribution costs were broadly flat at £944m, reflecting further cost savings offsetting the impact of both underlying cost inflation pressures and the investment in new initiatives
- Benchmark operating profit¹ down 72% to £27m; Group operating margin of 1.0%
- Benchmark profit before tax² down 70% to £28m
- Basic benchmark earnings per share³ down 68% to 2.5p
- Reported profit before tax of £29m; reported basic earnings per share of 2.6p
- Closing net cash position of £200m
- Interim dividend maintained at 4.7p

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

"Homebase delivered another robust performance in its peak trading period. Core customers at Argos have continued to be under greater pressure and there were ongoing challenging conditions across several product categories, most notably consumer electronics.

"As we now enter our busiest trading period market conditions remain both weak and volatile, and in these early weeks of the second half we have not seen the improvement in sales that we had anticipated. We are well positioned operationally and we will continue to shape the future of shopping for our customers, ensuring we bring unrivalled convenience and value to customers' every day lives, whether shopping at home or on the move."

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 the UBS Presentation Suite, 1 Finsbury Avenue, London EC2M 2PA. 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 28 August 2011 to 31 December 2011, will be announced by Home Retail Group on Thursday 12 January 2012.

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

FINANCIAL SUMMARY

26 weeks to £m	27 August 2011	28 August 2010
Argos	1,675.7	1,812.8
Homebase	839.6	855.3
Financial Services	52.2	52.2
Sales	2,567.5	2,720.3
Cost of goods	(1,597.2)	(1,680.1)
Gross margin	970.3	1,040.2
<i>Group gross margin % rate</i>	<i>37.8%</i>	<i>38.2%</i>
Operating and distribution costs	(943.8)	(947.0)
Argos	3.4	54.4
Homebase	29.9	46.2
Financial Services	3.0	2.5
Central Activities	(9.8)	(9.9)
Benchmark operating profit	26.5	93.2
<i>Group operating margin % rate</i>	<i>1.0%</i>	<i>3.4%</i>
Net interest income (see below)	1.8	1.5
Share of post-tax results of joint ventures and associates	-	-
Benchmark PBT	28.3	94.7
Financing fair value remeasurements	2.3	9.2
Financing impact on retirement benefit obligations	2.2	2.3
Discount unwind on non-benchmark items	(3.4)	(3.2)
Profit before tax	29.4	103.0
Taxation	(9.0)	(28.3)
<i>of which: taxation attributable to benchmark PBT</i>	<i>(8.4)</i>	<i>(28.9)</i>
<i>Benchmark effective tax % rate</i>	<i>29.7%</i>	<i>30.5%</i>
Profit for the period	20.4	74.7
Basic benchmark EPS	2.5p	7.7p
Basic EPS	2.6p	8.8p
Weighted average number of shares for basic EPS	799.0m	849.3m
Interim dividend	4.7p	4.7p
Closing net cash position	200.5	326.9

Net interest reconciliation:

Bank deposits and other interest	1.0	1.3
Financing costs charged to Financial Services	1.7	1.6
Discount unwind on benchmark items	(0.9)	(1.4)
Net interest income	1.8	1.5
Financing fair value remeasurements	2.3	9.2
Financing impact on retirement benefit balances	2.2	2.3
Discount unwind on non-benchmark items	(3.4)	(3.2)
Income statement net financing income	2.9	9.8

The above tables and those throughout this announcement have been prepared in accordance with Note 1 to the Financial Information on page 23.

CHIEF EXECUTIVE'S STATEMENT

Spending in our markets continues to decline with many consumers facing pressures which affect the amount of household cash flow they have available for the purchase of discretionary goods. Argos' core customer demographic has tended to benefit less from the current low interest rate environment, which taken together with the fact that they have a relatively high proportion of their take-home pay consumed by non-discretionary expenditure, has resulted in them having been more adversely impacted by the prevailing economic conditions. While we have had success in areas such as homewares and seasonal products, this has been more than offset by the weakness in other product categories, most notably consumer electronics which has seen the market decline by about 20% in the period, the net result of which is a marginal loss of market share in the period. Homebase's market share gain reflects a robust performance in a difficult trading environment and while the big ticket category remains challenging, we have seen good growth in bedroom furniture, benefiting from the rollout of new fitted ranges into stores together with installation services, and also a good performance in bathrooms.

The Group's strong positioning continues to be derived from the following:

1. **Multi-channel expertise and leadership** – maintaining a clear market-leading position as consumers continue to use the power of the internet and mobile devices together with the convenience of immediate product collection via our store networks
2. **Highly competitive customer offering** – ensuring the customer continues to receive excellent value and choice by maximising the buying scale and sourcing skills of the Group
3. **Expansion of product ranges and related services** – such as Argos' ability to extend its ranges into new categories like clothing and books as well as growing product ranges online. While Homebase extends installation services to enhance its big ticket offering and continues its significant range changes in home enhancement products
4. **Efficient cost base** – where further cost reductions have been achieved to mitigate underlying cost inflation and the investment in new initiatives, while maintaining or improving operational standards
5. **Financial strength** – with a significant cash balance that supports investment in new initiatives and a sizeable debt free receivables loan book

Argos and Homebase continue to strengthen their customer propositions with investment in multi-channel initiatives, expanding choice, developing ranges and services, and improving product presentation in-store, in catalogues, on TV and online. Argos and Homebase also continue to help the customer through ongoing 'WOW', 'Value' and 'Best Buy' offers, supported by a range of in-house provided credit offers.

The Group acquired the exclusive use of the Habitat brand, its brand designs and intellectual property in the UK and the Republic of Ireland together with the UK website and three of its London stores for £24.5m.

In a separate announcement today, Home Retail Group has stated that it has agreed to launch a joint venture company to develop a multi-channel, general merchandise retail business in China with Haier Group, one of the world's leading home appliance manufacturers. The Argos branded joint venture operation will launch in 2012 targeted at the Shanghai region.

HOME RETAIL GROUP PLC

UNAUDITED CONDENSED HALF-YEARLY FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

For the 26 weeks ended 27 August 2011

52 weeks to 26.2.11 £m		Notes	26 weeks to 27.8.11 £m	26 weeks to 28.8.10 £m
5,851.9	Revenue	4	2,567.5	2,720.3
(3,970.7)	Cost of sales	5	(1,731.4)	(1,827.2)
1,881.2	Gross profit		836.1	893.1
(1,623.2)	Net operating expenses		(809.6)	(799.9)
258.0	Operating profit		26.5	93.2
57.3	- Finance income		27.3	33.6
(50.2)	- Finance expense		(24.4)	(23.8)
7.1	Net financing income	6	2.9	9.8
0.1	Share of post-tax profits of joint ventures and associates		-	-
265.2	Profit before tax		29.4	103.0
(74.3)	Taxation	7	(9.0)	(28.3)
190.9	Profit for the period attributable to equity holders of the Company		20.4	74.7
pence	Earnings per share	8	pence	pence
23.1	- Basic		2.6	8.8
23.0	- Diluted		2.5	8.7
14.7	Dividend per share	9	4.7	4.7

52 weeks to 26.2.11 £m	Non-GAAP measures	Notes	26 weeks to 27.8.11 £m	26 weeks to 28.8.10 £m
	Reconciliation of profit before tax (PBT) to benchmark PBT			
265.2	Profit before tax		29.4	103.0
	<i>Adjusted for:</i>			
(5.4)	Financing fair value remeasurements	6	(2.3)	(9.2)
(4.6)	Financing impact on retirement benefit obligations	6	(2.2)	(2.3)
6.1	Discount unwind on non-benchmark items	6	3.4	3.2
(7.2)	Onerous lease provision releases		-	-
254.1	Benchmark PBT		28.3	94.7
pence	Benchmark earnings per share	8	pence	pence
21.3	- Basic		2.5	7.7
21.2	- Diluted		2.5	7.7

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 26 weeks ended 27 August 2011

52 weeks to 26.2.11 £m		Notes	26 weeks to 27.8.11 £m	26 weeks to 28.8.10 £m
190.9	Profit for the period attributable to equity holders of the Company		20.4	74.7
	Other comprehensive income:			
	Net change in fair value of cash flow hedges			
(43.3)	- Foreign currency forward exchange contracts		(14.0)	(17.4)
	Net change in fair value of cash flow hedges transferred to inventory			
(15.9)	- Foreign currency forward exchange contracts		22.2	(30.2)
1.9	Actuarial (losses)/gains in respect of defined benefit pension schemes	13	(85.4)	(58.7)
1.3	Fair value movements on available-for-sale financial assets		(0.9)	(0.1)
(6.1)	Currency translation differences		(1.4)	(14.1)
15.7	Tax credit in respect of items taken directly to equity		18.8	29.8
(46.4)	Other comprehensive income for the period, net of tax		(60.7)	(90.7)
144.5	Total comprehensive income for the period attributable to equity holders of the Company		(40.3)	(16.0)

HOME RETAIL GROUP PLC

CONSOLIDATED BALANCE SHEET

At 27 August 2011

26.2.11		27.8.11	28.8.10
£m	Notes	£m	£m
ASSETS			
Non-current assets			
1,541.0	Goodwill	1,543.9	1,541.0
107.8	Other intangible assets	135.8	92.0
523.4	Property, plant and equipment	515.2	523.9
8.0	Investments in joint ventures and associates	8.3	7.5
39.4	Deferred tax assets	52.2	59.1
4.3	Trade and other receivables	4.3	4.0
15.2	Other financial assets	15.4	13.0
2,239.1	Total non-current assets	2,275.1	2,240.5
Current assets			
1,016.8	Inventories	1,013.9	1,013.5
610.3	Trade and other receivables	573.8	552.0
10.9	Current tax assets	24.9	34.5
1.4	Other financial assets	1.2	11.6
100.0	Current asset investments	-	50.0
159.3	Cash and cash equivalents	200.5	276.9
1,898.7	Total current assets	1,814.3	1,938.5
4,137.8	Total assets	4,089.4	4,179.0
LIABILITIES			
Non-current liabilities			
(58.7)	Trade and other payables	(57.1)	(60.5)
(187.4)	Provisions	(191.4)	(198.0)
(24.5)	Deferred tax liabilities	(20.7)	(22.0)
(7.5)	Retirement benefit obligations	(81.8)	(71.4)
(278.1)	Total non-current liabilities	(351.0)	(351.9)
Current liabilities			
(1,047.5)	Trade and other payables	(1,075.8)	(1,123.7)
(20.4)	Provisions	(18.0)	(18.3)
(29.4)	Other financial liabilities	(15.8)	(14.6)
(21.2)	Current tax liabilities	(3.5)	(14.2)
(1,118.5)	Total current liabilities	(1,113.1)	(1,170.8)
(1,396.6)	Total liabilities	(1,464.1)	(1,522.7)
2,741.2	Net assets	2,625.3	2,656.3
EQUITY			
81.3	Share capital	81.3	83.3
6.4	Capital redemption reserve	6.4	4.4
(348.4)	Merger reserve	(348.4)	(348.4)
(5.6)	Other reserves	(0.5)	(4.4)
3,007.5	Retained earnings	2,886.5	2,921.4
2,741.2	Total equity	2,625.3	2,656.3

HOME RETAIL GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 26 weeks ended 27 August 2011

	Attributable to equity holders of the Company					Total £m
	Share capital £m	Capital redemption reserve £m	Merger reserve £m	Other reserves £m	Retained earnings £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

	Attributable to equity holders of the Company					Total £m
	Share capital £m	Capital redemption reserve £m	Merger reserve £m	Other reserves £m	Retained earnings £m	
Balance at 28 February 2010	87.7	-	(348.4)	46.6	3,080.7	2,866.6
Profit for the period	-	-	-	-	74.7	74.7
Other comprehensive income	-	-	-	(48.5)	(42.2)	(90.7)
Total comprehensive income for the period ended 28 August 2010	-	-	-	(48.5)	32.5	(16.0)
Transactions with owners:						
Movement in share-based compensation reserve	-	-	-	-	5.9	5.9
Net movement in own shares	-	-	-	(2.5)	(1.8)	(4.3)
Shares purchased for cancellation	(4.4)	4.4	-	-	(109.1)	(109.1)
Equity dividends paid during the period	-	-	-	-	(85.8)	(85.8)
Other distributions	-	-	-	-	(1.0)	(1.0)
Total transactions with owners	(4.4)	4.4	-	(2.5)	(191.8)	(194.3)
Balance at 28 August 2010	83.3	4.4	(348.4)	(4.4)	2,921.4	2,656.3

HOME RETAIL GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 26 weeks ended 27 August 2011

52 weeks to 26.2.11 £m		Notes	26 weeks to 27.8.11 £m	26 weeks to 28.8.10 £m
	Cash flows from operating activities			
278.8	Cash generated from operations	14	143.0	183.6
(11.3)	Tax paid		(38.5)	(3.8)
267.5	Net cash inflow from operating activities		104.5	179.8
	Cash flows from investing activities			
-	Acquisition of business	10	(23.6)	-
(102.2)	Purchase of property, plant and equipment	11	(41.5)	(52.3)
3.4	Proceeds from the disposal of property, plant and equipment	11	2.7	1.6
(43.9)	Purchase of other intangible assets	11	(21.4)	(14.5)
(0.4)	Loans granted to joint ventures and associates	16	(1.2)	(0.4)
(151.4)	Purchase of investments		-	(50.0)
100.0	Disposal of investments		100.0	50.0
2.6	Interest received		1.3	1.6
(191.9)	Net cash flows from investing activities		16.3	(64.0)
	Cash flows from financing activities			
(150.2)	Repurchase of own shares		-	(109.1)
(6.7)	Purchase of shares for Employee Share Trust		-	(4.5)
0.4	Proceeds from disposal of shares held by Employee Share Trust		-	0.2
(123.9)	Dividends paid	9	(79.9)	(85.8)
(280.4)	Net cash used in financing activities		(79.9)	(199.2)
(204.8)	Net increase/(decrease) in cash and cash equivalents		40.9	(83.4)
	Movement in cash and cash equivalents			
364.0	Cash and cash equivalents at the beginning of the period		159.3	364.0
0.1	Effect of foreign exchange rate changes		0.3	(3.7)
(204.8)	Net increase/(decrease) in cash and cash equivalents		40.9	(83.4)
159.3	Cash and cash equivalents at the end of the period		200.5	276.9

HOME RETAIL GROUP PLC

ANALYSIS OF NET CASH/(DEBT)

At 27 August 2011

26.2.11 £m	Non-GAAP measures	27.8.11 £m	28.8.10 £m
	Financing net cash:		
159.3	Cash and cash equivalents	200.5	276.9
100.0	Current asset investments	-	50.0
259.3	Total financing net cash	200.5	326.9
	Operating net debt:		
(2,874.1)	Off balance sheet operating leases	(2,954.1)	(3,129.6)
(2,874.1)	Total operating net debt	(2,954.1)	(3,129.6)
(2,614.8)	Total net debt	(2,753.6)	(2,802.7)
	<i>Adjusted for:</i>		
2,874.1	Off balance sheet operating leases	2,954.1	3,129.6
(100.0)	Current asset investments	-	(50.0)
159.3	Total cash and cash equivalents reflected in balance sheet	200.5	276.9

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 £2,954.1m (26 February 2011: £2,874.1m), based upon discounting the current rentals at the estimated current long-term cost of borrowing of 2.9% (26 February 2011: 4.1%).

Current asset investments in the comparative periods comprised term cash deposits invested for initial terms of between six and nine months and which matured after the comparative balance sheet dates. There are no such investments at 27 August 2011.

HOME RETAIL GROUP PLC

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION

For the 26 weeks ended 27 August 2011

1. Basis of preparation

The unaudited condensed half-yearly financial information comprises the results for the 26 weeks ended 27 August 2011, the 26 weeks ended 28 August 2010, and the audited consolidated results for the 52 weeks ended 26 February 2011.

The audited consolidated financial information for the 52 weeks to 26 February 2011 has been extracted from Home Retail Group plc's Annual Report and Financial Statements, which was approved by the Board of Directors on 20 April 2011 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 27 August 2011 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. The condensed half-yearly financial information should be read in conjunction with Home Retail Group plc's Annual Report and Financial Statements for the 52 weeks to 26 February 2011, 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 20 April 2011, 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

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

- Amendment to IAS 24 (revised) – 'Related Party Disclosures': relating to disclosure of transactions between government related parties and clarification of the definition of related parties;
- Amendment to IFRS 1 – 'First-time Adoption': relating to exemptions from comparative IFRS 7 disclosures;
- Improvements to IFRSs (May 2010);
- Amendment to IFRIC 14 – 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction': relating to prepayments of a minimum funding requirement;
- IFRIC 19 – 'Extinguishing Financial Liabilities with Equity Instruments'.

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

- Amendment to IAS 1 – 'Financial Statement Presentation': relating to presentation of items in other comprehensive income;
- Amendment to IAS 12 – 'Income Taxes': relating to deferred tax arising on investment property measured at fair value;
- Amendment to IAS 19 (revised) – 'Employee Benefits': relating to recognition and measurement of defined benefit pension expense and termination benefits and disclosures for all employee benefits;
- IAS 27 (revised) – 'Separate Financial Statements';
- IAS 28 (revised) – 'Investments in Associates and Joint Ventures';
- Amendments to IFRS 1 – 'First-time Adoption': relating to exemptions for severe hyperinflation and removal of fixed dates;
- Amendment to IFRS 7 – 'Financial Instruments: Disclosures': disclosures relating to transferred financial assets;
- IFRS 9 – 'Financial Instruments';
- IFRS 10 – 'Consolidated Financial Statements';
- IFRS 11 – 'Joint Arrangements';
- IFRS 12 – 'Disclosure of Interests in Other Entities';
- IFRS 13 – 'Fair Value Measurement'.

The Group has not early-adopted any of these above new standards or amendments. Their impact will be fully considered in due course.

HOME RETAIL GROUP PLC

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION

For the 26 weeks ended 27 August 2011

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. There have not, however, been any reported exceptional items in any of the reported periods.

Benchmark operating profit and benchmark profit before tax (benchmark PBT)

The Group uses the terms benchmark operating profit and benchmark PBT 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 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 provides 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	26 weeks to	52 weeks to			
	27.8.11	28.8.10	26.2.11	27.8.11	28.8.10	26.2.11

The principal exchange rates used were as follows:

Sterling to US dollar	1.63	1.51	1.55	1.64	1.55	1.61
Sterling to euro	1.14	1.17	1.17	1.13	1.22	1.17

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.

HOME RETAIL GROUP PLC

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION

For the 26 weeks ended 27 August 2011

4. Segmental information

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

The Board of Directors and Operating Board assess the performance of the operating segments based on a combination of revenue and benchmark operating profit. Benchmark operating profit is defined within note 2.

52 weeks to 26.2.11 £m		26 weeks to 27.8.11 £m	26 weeks to 28.8.10 £m
	Revenue		
4,194.3	Argos	1,675.7	1,812.8
1,550.7	Homebase	839.6	855.3
106.9	Financial Services	52.2	52.2
-	Central Activities	-	-
5,851.9	Total segment revenue	2,567.5	2,720.3
	Benchmark operating profit/(loss)		
219.0	Argos	3.4	54.4
47.6	Homebase	29.9	46.2
6.0	Financial Services	3.0	2.5
(21.8)	Central Activities	(9.8)	(9.9)
250.8	Total segment benchmark operating profit	26.5	93.2
3.2	Benchmark interest	1.8	1.5
0.1	Share of post-tax profits of joint ventures and associates	-	-
254.1	Benchmark profit before tax	28.3	94.7
5.4	Financing fair value remeasurements	2.3	9.2
4.6	Financing impact on retirement benefit balances	2.2	2.3
(6.1)	Discount unwind on non-benchmark items	(3.4)	(3.2)
7.2	Onerous lease provision releases	-	-
265.2	Profit before tax	29.4	103.0
(74.3)	Taxation	(9.0)	(28.3)
190.9	Profit for the period attributable to equity holders of the Company	20.4	74.7

The results for Financial Services are after deducting funding costs of £1.7m (2010: £1.6m) (note 6).

HOME RETAIL GROUP PLC

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION

For the 26 weeks ended 27 August 2011

4. Segmental information (continued)

52 weeks to 26.2.11 £m		26 weeks to 27.8.11 £m	26 weeks to 28.8.10 £m
	Segment assets		
2,393.0	Argos	2,390.1	2,384.4
891.9	Homebase	885.8	883.6
480.4	Financial Services	443.6	429.7
62.9	Central Activities	92.3	60.8
	Total segment assets	3,811.8	3,758.5
50.3	Tax assets	77.1	93.6
100.0	Current asset investments	-	50.0
159.3	Cash and cash equivalents	200.5	276.9
4,137.8	Total assets per balance sheet	4,089.4	4,179.0

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

5. Cost of sales

52 weeks to 26.2.11 £m		26 weeks to 27.8.11 £m	26 weeks to 28.8.10 £m
	Cost of sales comprises:		
(3,674.9)	Cost of goods	(1,597.2)	(1,680.1)
(295.8)	Distribution costs	(134.2)	(147.1)
(3,970.7)	Total cost of sales	(1,731.4)	(1,827.2)

HOME RETAIL GROUP PLC

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION

For the 26 weeks ended 27 August 2011

6. Net financing income/(expense)

52 weeks to 26.2.11 £m		26 weeks to 27.8.11 £m	26 weeks to 28.8.10 £m
	Finance income:		
2.6	Bank deposits and other interest	1.0	1.3
46.9	Expected return on retirement benefit assets	23.5	23.1
7.8	Financing fair value remeasurements - net exchange gains	2.8	9.2
57.3	Total finance income	27.3	33.6
	Finance expense:		
(8.7)	Unwinding of discounts (a)	(4.3)	(4.6)
(2.4)	Financing fair value remeasurements – net exchange losses	(0.5)	-
(42.3)	Interest expense on retirement benefit liabilities	(21.3)	(20.8)
(53.4)	Total finance expense	(26.1)	(25.4)
3.2	Less: finance expense charged to Financial Services cost of sales	1.7	1.6
(50.2)	Total net finance expense	(24.4)	(23.8)
7.1	Net financing income	2.9	9.8

(a) Included within unwinding of discounts is a £3.4m charge (2010: £3.2m) relating to the discount unwind on exceptional onerous lease provisions.

7. Taxation

52 weeks to 26.2.11 £m		26 weeks to 27.8.11 £m	26 weeks to 28.8.10 £m
(70.4)	UK tax	(8.4)	(27.3)
(3.9)	Overseas tax	(0.6)	(1.0)
(74.3)	Total tax expense	(9.0)	(28.3)

The tax charge for the period of £9.0m (2010: £28.3m) is based on an estimated annual effective rate of tax of 30.6% (2010: 27.5%). Closing deferred tax has been calculated at the substantively enacted UK corporation tax rate of 25% (2010: 27%). The effect of the reduction in the UK corporation tax rate from 27% to 25% is a deferred tax charge of £1.7m. Of this charge, £0.6m has been charged to the income statement and £1.1m has been charged directly to the consolidated statement of comprehensive income.

The proposed reduction in the main rate of UK corporation tax by 1% per year to 23% is expected to be enacted separately each year. The impact of the future rate reductions on the net deferred tax asset are 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 joint ventures and associates), is 29.7% (2010: 30.5%).

HOME RETAIL GROUP PLC

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION

For the 26 weeks ended 27 August 2011

8. Basic and diluted earnings per share (EPS)

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

52 weeks to 26.2.11 £m	Earnings	26 weeks to 27.8.11 £m	26 weeks to 28.8.10 £m
190.9	Profit after tax for the financial period	20.4	74.7
	Adjusted for:		
(5.4)	Financing fair value remeasurements	(2.3)	(9.2)
(4.6)	Financing impact on retirement benefit obligations	(2.2)	(2.3)
6.1	Discount unwind on non-benchmark items	3.4	3.2
(7.2)	Onerous lease provision releases	-	-
1.8	Attributable taxation charge/(credit)	0.3	(0.6)
(5.0)	Non-benchmark tax charge/(credit) in respect of prior years	0.3	-
176.6	Benchmark profit after tax for the financial period	19.9	65.8
millions	Weighted average number of shares	millions	millions
827.4	Number of ordinary shares for the purpose of basic EPS	799.0	849.3
3.9	Dilutive effect of share incentive awards	3.9	4.5
831.3	Number of ordinary shares for the purpose of diluted EPS	802.9	853.8
pence	EPS	pence	pence
23.1	Basic EPS	2.6	8.8
23.0	Diluted EPS	2.5	8.7
21.3	Basic benchmark EPS	2.5	7.7
21.2	Diluted benchmark EPS	2.5	7.7

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.

9. Dividend

An interim dividend of 4.7 pence (2010: 4.7 pence) per Home Retail Group plc ordinary share, amounting to a total interim dividend of £37.6m (2010: £38.1m), has been announced (but not provided) and will be paid on 18 January 2012 to shareholders on the register at the close of business on 11 November 2011.

In July 2011, a final dividend of 10.0 pence (2010: 10.0 pence) per Home Retail Group plc ordinary share, amounting to a total final dividend of £79.9m (2010: £85.8m), was paid to shareholders.

HOME RETAIL GROUP PLC

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION

For the 26 weeks ended 27 August 2011

10. Business combination

On 24 June 2011, the Group announced it had agreed to purchase the exclusive rights to the Habitat brand, its brand designs and intellectual property in the UK and the Republic of Ireland, along with the Habitat UK website, three of its London stores and a share of trading stock, for a total purchase price of £24.5m. The Group considers the acquisition to be a significant addition to the existing portfolio of own brands and expects to leverage the Group's multi-channel strength to develop the online proposition. Goodwill of £2.9m has been recognised on this transaction, which represents the synergies, assembled workforce and future growth potential of the business acquired.

	26 weeks to 27.8.11 £m
Consideration	
Cash	23.6
Deferred consideration	0.9
Total consideration	24.5
Recognised amounts of identifiable assets acquired and liabilities assumed (at provisional fair values)	
Other intangible assets – brands	18.0
Other identifiable net assets	3.6
Total identifiable net assets	21.6
Goodwill	2.9
	24.5

As at 27 August 2011, cash consideration totalling £23.6m has been paid, however £4.2m of this amount is held in escrow, pending the assignment of the leases of the three acquired London stores to the Group. In the event that it is not possible to assign all three leases to the Group, some or all of the amount held in escrow will be returned to the Group. The fair value of the acquired assets and liabilities is provisional pending the assignment of these leases. In addition, an amount of £0.9m is still due to the vendor at 27 August 2011. This relates to amounts withheld in accordance with the agreement, £0.8m of which has been settled since the period end, with the balance due to be paid during the second half of the year.

The revenue and profit included in the consolidated income statement from the date of acquisition to 27 August 2011 are immaterial in the context of this financial information, so have not been disclosed.

11. Capital expenditure

In the period, there were additions to property, plant and equipment of £41.5m (2010: £52.3m) and disposals of property, plant and equipment generated proceeds of £2.7m (2010: £1.6m). In the period, there were additions to intangible assets of £21.4m (2010: £14.5m). Capital commitments contracted but not provided for by the Group amounted to £11.0m (2010: £10.1m).

HOME RETAIL GROUP PLC

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION

For the 26 weeks ended 27 August 2011

12. Provisions

	Onerous leases £m	Insurance £m	Restructuring £m	Other £m	Total £m
At 26 February 2011	(157.9)	(31.9)	(7.8)	(10.2)	(207.8)
Exchange differences	(0.2)	-	-	-	(0.2)
Charged to the income statement	-	(1.8)	-	(5.0)	(6.8)
Released to the income statement	-	-	-	0.7	0.7
Acquired through business combination	-	-	-	(0.5)	(0.5)
Utilised during the period	1.4	1.0	3.9	3.3	9.6
Discount unwind	(4.3)	-	-	(0.1)	(4.4)
At 27 August 2011	(161.0)	(32.7)	(3.9)	(11.8)	(209.4)
26.2.11				27.8.11	28.8.10
£m	Analysed as:			£m	£m
(20.4)	Current			(18.0)	(18.3)
(187.4)	Non-current			(191.4)	(198.0)
(207.8)				(209.4)	(216.3)

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.

An insurance provision is made at the period-end for the estimated costs of claims incurred by the Group's captive insurance company 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 taken included the streamlining of head office functions across all parts of the Group, restructuring of store-based staff and a consolidation of home delivery 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 was £784.8m (26 February 2011: £756.3m) and the market value of the scheme assets was £703.0m (26 February 2011: £748.8m), resulting in a net deficit on the scheme of £81.8m (26 February 2011: £7.5m).

The increase in the defined benefit obligation arises due to a £28.5m increase to scheme liabilities and a decrease of £45.8m to scheme assets. The decrease in scheme assets primarily results from the buy-in arrangement described below. As a result, a net £85.4m actuarial loss (26 February 2011: £1.9m net gain) has been taken to equity and is reported in the consolidated statement of comprehensive income.

As part of the Group's risk management strategy for liabilities arising under the scheme, certain pensioner liabilities were subject to a buy-in arrangement on 27 May 2011. Under the terms of this arrangement, the scheme paid £278m to an insurance company and will in return receive annuity payments equal to the monthly pensions then in payment. This eliminates the scheme's exposure to the investment, inflation and mortality risks associated with these pensioner members.

The buy-in had no impact on the reported profits of the Group for the half year to 27 August 2011, or the liabilities of the scheme as calculated in accordance with IAS 19. The income stream receivable under the insurance contract is an asset of the scheme with a value equal to the related liabilities as measured in accordance with IAS 19. As this asset was less than the cash cost of the buy-in, the transaction reduced the reported assets of the scheme by approximately £45m.

During the period, the Group has paid contributions totalling £17.9m (2010: £19.8m) to the Home Retail Group defined benefit pension scheme, including £10m (2010: £12m) as part of the deficit recovery plan agreed with the scheme trustees following the completion of the 31 March 2009 actuarial valuation.

HOME RETAIL GROUP PLC

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION

For the 26 weeks ended 27 August 2011

14. Notes to the consolidated statement of cash flows

52 weeks to 26.2.11 £m		26 weeks to 27.8.11 £m	26 weeks to 28.8.10 £m
	Cash generated from operations:		
265.2	Profit before tax	29.4	103.0
	Adjustments for:		
(0.1)	Share of post-tax profits of joint ventures and associates	-	-
(7.1)	Net financing income	(2.9)	(9.8)
258.0	Operating profit	26.5	93.2
0.7	Loss on sale of property, plant and equipment	0.5	0.5
127.5	Depreciation and amortisation	60.6	64.6
3.2	Finance expense charged to Financial Services cost of sales	1.7	1.6
(81.4)	Decrease/(increase) in inventories	5.1	(78.1)
(27.5)	Decrease/(increase) in receivables	36.3	30.4
19.0	Increase in payables	20.4	83.7
(89.9)	Movement in working capital	61.8	36.0
(20.3)	Decrease in provisions	(3.5)	(7.4)
(10.9)	Movement in retirement benefit obligations	(8.9)	(9.8)
10.5	Share-based payment expense (net of dividend equivalent payments)	4.3	4.9
278.8	Cash generated from operations	143.0	183.6

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 associate, key management personnel and the Home Retail Group Pension Scheme. On 16 May 2011, the Group provided an amount of £1.2m by way of loan to its associate, Ogalas Limited, under the terms of a facility agreement dated 20 May 2010. At 27 August 2011, the amount owed by Ogalas Limited to the Group was £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 19 October 2011, the Group announced that it had agreed to launch a joint venture company to develop a multi-channel, general merchandise retail business in China with Haier Group, one of the world's leading home appliance manufacturers.

The Group will have a 49% holding in the joint venture company and the remaining 51% will be held by Haier Electronics Group Co., Ltd. It is anticipated that the joint venture will require a total investment of £45m, of which the Group will provide £22m, payable in three tranches over a two-year period, subject to the satisfaction of agreed performance conditions. The first tranche, payable by the Group in 2012, will amount to £10m.

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 2011. During the period since the Annual Report, the following director changes have occurred: Penny Hughes resigned as non-executive director on 30 June 2011; Ian Durant was appointed as non-executive director on 6 July 2011; Cath Keers was appointed as non-executive director on 1 September 2011. A list of current directors is maintained on the Home Retail Group website, www.homeretailgroup.com.

By order of the Board

Terry Duddy
Chief Executive
19 October 2011

Richard Ashton
Finance Director
19 October 2011

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, Northern House, Woodsome Park, Huddersfield HD8 0GA.

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 18 January 2012, should return a completed and signed DRIP mandate form to be received by the Registrar, by no later than 24 December 2011. 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, as well as through other information services such as Ceefax, Teletext and also on the Financial Times Cityline Service telephone 0906 843 2740 (calls charged at 60p per minute).

Share dealing facility

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	9 November 2011
Interim Management Statement	12 January 2012
Interim dividend to be paid	18 January 2012
Full-year trading statement	15 March 2012
Full-year results for the 53 weeks to 3 March 2012	2 May 2012
Final ex-dividend date	23 May 2012
Interim Management Statement	19 June 2012
Final dividend to be paid	25 July 2012

Registered office

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