22 October 2014

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 30 August 2014.

Operating highlights

- Good first half, with further like-for-like sales growth at both Argos and Homebase
- Argos Transformation Plan progress:
  - Completed the national roll-out of the 'hub & spoke' network enabling same day collection of c.20,000 products, and commenced roll-out of online payment and fast track collection in-store
  - 32 digital stores now trading across three different formats
  - Internet penetration accounted for 43% of total sales including mobile commerce which grew by 45% and accounted for 22% of total sales
- Homebase progress:
  - Completed a comprehensive review of the Homebase business
  - Refitted a further 11 trial stores, which included Habitat concessions and improvements to the DIY and home propositions
  - Upgraded the website and grew multi-channel sales by 12%
  - Continued to exit underperforming stores and reduce the size of the store estate

Financial highlights

- Sales increased by 3% to £2,669m; like-for-like sales up 2.9% at Argos, and up 4.1% at Homebase
- Cash gross margin increased by 2% to £981m
- Operating and distribution costs increased by £15m to £951m
- Benchmark profit before tax[2] increased by 13% to £30.9m
- Basic benchmark earnings per share[3] increased by 20% to 3.0p
- Reported profit before tax decreased by 5% to £13.5m; reported basic earnings per share of 1.2p
- Cash generation in the period of £2m with closing net cash of £333m
- Interim dividend of 1.0p (2013: 1.0p)

John Walden, Chief Executive of Home Retail Group, said:
"The Group has performed well in the first half of the year, delivering further like-for-like sales growth at both Argos and Homebase and a 13% increase in Group benchmark profit before tax.

"Argos continued to build on its sales growth from the previous financial year, increased its benchmark operating profit whilst also making good progress with its Transformation Plan. Homebase delivered a good peak trading period, performing well throughout the half despite being up against the tough comparators of a strong second quarter last year. At this mid-way point in our financial year, we continue to expect to deliver full-year benchmark profit before tax in line with current market expectations, however, as always the full-year outcome will depend upon the important Argos Christmas trading period.

"In April I set out my near term priorities for the Group, which included undertaking a comprehensive review of Group strategy and its priorities going forward, in particular as they relate to Homebase. I have completed this review, which encompassed a range of market, strategic and operational factors.

"The successful delivery of the Argos Transformation Plan over its remaining three years continues to be the Group's strategic priority and its greatest potential source of shareholder value. Homebase is a good business with the basis for future growth. In this context, Homebase will pursue a three-year plan through to the end of FY18 to improve the productivity of its store estate, strengthen its propositions and accelerate its digital capabilities by leveraging Argos' investments. This will position Homebase as a smaller but stronger business, ready for investment and growth."

1. **Benchmark operating profit** is defined as operating profit before amortisation of acquisition intangibles, post-employment benefit scheme administration costs, store impairment and onerous lease charges or releases and costs or income associated with store closures and exceptional items.

2. **Benchmark profit before tax (benchmark PBT)** is defined as profit before amortisation of acquisition intangibles, post-employment benefit scheme administration costs, store impairment and onerous lease charges or releases and costs or income associated with store closures, exceptional items, financing fair value remeasurements, financing impact on post-employment 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 the Home Retail Group share trust net of vested but unexercised share awards).

Enquiries

Analysts and investors (Home Retail Group)

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There will be a presentation today at 9.30am to analysts and investors at the Auditorium, Merrill Lynch Financial Centre, 2 King Edward Street, London EC1A 1HQ. The presentation can be viewed live on the Home Retail Group website www.homeretailgroup.com. The supporting slides and an indexed replay will also be available on the website later in the day.

An Interim Management Statement, covering the 18 weeks from 31 August 2014 to 3 January 2015, will be published on Thursday 15 January 2015.

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	30 August 2014	31 August 2013
Argos	1,769.1	1,716.8
Homebase	834.5	822.3
Financial Services	65.0	57.1
Sales	**2,668.6**	**2,596.2**
Cost of goods	(1,687.9)	(1,634.1)
Gross margin	980.7	962.1
Operating and distribution costs	(950.8)	(935.7)
Argos	12.0	7.7
Homebase	27.8	27.2
Financial Services	3.1	3.1
Central Activities	(13.0)	(11.6)
Benchmark operating profit	**29.9**	**26.4**
Net interest income	1.0	1.0
Benchmark PBT	**30.9**	**27.4**
Amortisation of acquisition intangibles	(0.9)	(0.9)
Post-employment benefit scheme administration costs	(0.7)	(1.0)
Adjustments in respect of store impairment and property provisions	0.7	5.4
Exceptional items	(11.8)	(12.6)
Financing fair value remeasurements	0.3	1.2
Financing impact on post-employment benefit obligations	(1.6)	(1.8)
Discount unwind on non-benchmark items	(3.4)	(3.5)
Profit before tax	**13.5**	**14.2**
Taxation	(4.0)	(1.7)
of which: taxation attributable to benchmark PBT	*(7.9)*	*(7.8)*
Benchmark effective tax % rate	*25.5%*	*28.5%*
Profit for the period	**9.5**	**12.5**
Basic benchmark EPS	**3.0p**	**2.5p**
Basic EPS	**1.2p**	**1.6p**
Weighted average number of shares for basic EPS	773.1m	800.0m
Interim dividend	**1.0p**	**1.0p**
Closing net cash position	**333.1**	**412.2**

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

OPERATING COMPANY REVIEWS

Argos

26 weeks to £m	30 August 2014	31 August 2013
Sales	**1,769.1**	**1,716.8**
Benchmark operating profit	**12.0**	**7.7**
Benchmark operating margin	**0.7%**	**0.4%**
Like-for-like sales change	2.9%	2.3%
Net space sales change	0.1%	(0.5%)
Total sales change	3.0%	1.8%
Gross margin rate movement	c.0bps	Down c.75bps
Benchmark operating profit change	57%	136%
Number of stores at period-end	747	737

In October 2012 Argos outlined a five-year Transformation Plan to reinvent itself as a digital retail leader; transforming from a catalogue-led business to a digitally-led business. The plan is designed to address competitive challenges, exploit market opportunities and restore sustainable growth.

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 lean and flexible cost base.

Argos has continued to make good progress against the Transformation Plan and remains on track to achieve its FY15 Transformation Plan milestones.

Operational review

Reposition Argos' channels for a digital future
Market growth in digital channels is expected to continue to outpace the retail market generally. By focussing on and leading in these channels, Argos believes it can secure future growth.

Argos has made good progress with the development of its online, mobile and tablet channels. It implemented a number of developments during the first half of FY15, many of which seek to improve the customer journey across all digital platforms. For example, the introduction of a new search tool has made it quicker and easier for customers to search and browse an exciting range of products. In addition, Argos launched new versions of both the Apple and Android apps, which continue to grow in popularity with Argos' customer base and have now had nearly 10 million downloads since their first launch.

Sales via the internet grew in line with total sales during the first half and represented 43% of total Argos sales. Within this, sales from mobile and tablet devices grew by 45% and accounted for 22% of total Argos sales.

Stores remain a strategic advantage as local points of product collection and customer service, however their role is being adapted to support a digital offer. Argos has designed a digital store that redefines the role of its stores in a digital future, and has made good progress during the first half of FY15 in trialling three new digital store formats.

- It converted 13 existing stores to a digital format, with a further c.10 conversions scheduled in the remainder of the financial year.

- A trial of a new small format digital store commenced, with three located in London, one in Liverpool, and a further two planned to open in London in the remainder of the financial year. These stores operate on a smaller footprint of c.3,000 square feet, in comparison to an average Argos store footprint of c.15,000 square feet.
- Nine digital concessions opened within Homebase stores, which offer a convenient fulfilment proposition to customers shopping in those stores and which operate from c.1,000 square feet. A further c.10 digital concessions within Homebase stores are planned in the remainder of the financial year.

Argos' innovative 'hub & spoke' distribution model, which makes c.20,000 products available to all Argos stores for same day collection, enables stores of any size and stock-holding capacity to provide the same compelling product range. This presents Argos with options for a variety of store configurations such as the small formats and concessions that are currently in trial.

All digital stores benefit from the 'hub & spoke' distribution model together with other new capabilities, such as 'voice pick', tablet based browsing and ordering, streamlined payment and collection and, for customers paying online, fast track collection in 60 seconds. Argos will have c.50 digital stores trading in time for the Christmas trading period which will enable Argos to understand better their performance across a range of factors.

Argos continues to trial new catalogue formats and launched two further trials during the first half of FY15, including a 'mini sized' catalogue which incorporates a full product listing, and a bespoke catalogue with a reduced number of pages which incorporates a smaller but carefully edited product range. Argos has also added a digital element to its new Autumn/Winter catalogue and Christmas Gift Guide which includes enabling customers to use their mobile devices to access additional online content by scanning certain pages in the catalogues using the Argos App.

Provide more product choice, available to customers faster
Fulfilment remains highly competitive amongst leading retailers. Argos is uniquely positioned through its store estate and supply chain to provide market leading fulfilment options to customers on a national scale.

Argos has now rolled out the 'hub & spoke' distribution model to its entire UK store estate, with c.150 hub and c.550 spoke stores in operation, allowing customers access to c.20,000 products on a same day basis, regardless of their local store size. In addition, 'voice pick' capability, which enables store colleagues to respond to customer orders even more quickly and efficiently, has also been rolled out across the entire store portfolio during the first half of FY15.

Argos believes that other retailers could benefit from its unique, cost advantaged, national distribution and store network for click and collect fulfilment. In September 2013, Argos and eBay commenced a trial in which Argos offered select eBay merchants the option to provide product collection in c.150 stores. On the basis of encouraging results, the parties recently extended the agreement and expanded its scope to provide an estimated 65,000 eBay merchants with access to c.700 Argos stores for product collection.

Argos is also improving its home delivery offer. During the first half of FY15 it commenced a trial of a next day delivery proposition for white goods. During the Christmas trading period, Argos will also trial a same day home delivery service from its 'hub' stores.

Develop a customer offer that has universal appeal
Historically Argos' customer offer, meaning its products, pricing, marketing campaigns and customer experiences, has been biased towards less affluent customers. Argos believes that by providing an offer that is more appealing across the range of its customers, it has significant opportunity to grow the business.

Argos is progressing its plans to fill gaps in its product ranges, particularly with more premium brands. In addition to c.20 brands added in the last financial year, during the first half of FY15 Argos added a further 23 aspirational brands such as Recaro child seats, Thule luggage and Denon audio equipment.

Argos believes that by rationalising its portfolio of exclusive brands in order to focus on fewer, more powerful brands, it can grow its exclusive brand business, support category gross margins and build greater brand awareness. Through the first half of FY15, Argos eliminated c.10% of its exclusive brand portfolio, and in that period it launched the Heart of House power brand and relaunched Chad Valley. Heart of House provides a fresh look to the furniture and homewares categories, offering a wide range of over 1,100 traditional and contemporary products. The Chad Valley toy brand has been expanded, such that it now offers a range of over 500 products.

A key component of creating a universally appealing offer is brand positioning and communications. Argos recently introduced a new positioning for its brand, with a tag line "Get Set Go Argos", and it has commenced new communications across its customer media including traditional advertising, newspaper inserts, digital channels, in-store marketing, catalogue, and even store colleague uniforms. The positioning is designed to portray Argos as more innovative and dynamic, and to draw attention to the breadth of its product range and its market-beating propositions.

Financial Review

Total sales in the 26 weeks to 30 August 2014 increased by 3.0% to £1,769m. Sales increased by 0.1% as a result of the store portfolio increasing by a net 13 stores, including the nine Argos digital concessions within Homebase and the four small format digital stores previously discussed. The Argos portfolio now comprises 747 stores. Like-for-like sales increased by 2.9%. Electrical products continued to deliver sales growth driven by growth in TVs, video gaming and white goods, partially offset by declines in tablets. This growth together with strong sales of seasonal products during the first quarter, more than offset small declines in furniture, jewellery and homewares.

The gross margin rate was level with the same period last year, with an adverse product mix impact from the growth in sales of margin dilutive electrical products being principally offset by a reduced level of promotional sales.

Total operating and distribution costs increased by £13.7m as a result of increased sales, underlying cost inflation and investment in strategic initiatives partially offset by further cost saving initiatives. Cost productivity was 2% for the first half of FY15. Argos will continue to focus on maintaining a lean and flexible cost base over the remainder of FY15 and beyond, but the further investment in strategic initiatives and the ongoing impact of underlying inflationary cost pressures are expected to result in net cost increases going forward.

Benchmark operating profit was £12.0m; a £4.3m or 57% increase on the comparable period last year.

Homebase

26 weeks to £m	30 August 2014	31 August 2013
Sales	**834.5**	**822.3**
Benchmark operating profit	**27.8**	**27.2**
Benchmark operating margin	**3.3%**	**3.3%**
Like-for-like sales change	4.1%	5.9%
Net space sales change	(2.6%)	(1.5%)
Total sales change	1.5%	4.4%
Gross margin rate movement	Down c.75bps	Down c.100bps
Benchmark operating profit change	2%	11%
Number of stores at period-end	316	333
Of which contain a mezzanine floor	182	186
Of which are new format	26	8
Store selling space at period-end (million sq. ft.)	14.6	15.3
Of which - garden centre area	3.4	3.5
- mezzanine floor area	1.8	1.8

Homebase business review

Background

Homebase competes in several segments of the broader home improvement market, including Do-It-Yourself (DIY) and home enhancement. As a result of several economic factors, the home improvement market experienced a cyclical downturn for a number of years through to 2012. Although economic indicators have more recently improved, several structural factors continue to affect home improvement retailing including an excess of retail space, the rise of a generation less skilled in DIY projects, and the growth of non-traditional digital and multi-channel competitors and category specialists. It is against this market backdrop that the Homebase business review was undertaken.

The review considered a number of factors, including:

- The market and the competitive context in which Homebase operates;
- The Homebase customer experience and how it is rated across both its stores and its digital channels; and
- A diagnosis of the store estate, including analysis of the store refit trials.

The review identified that Homebase is a good business, with a strong customer franchise which had c.60 million customer transactions during FY14. It has established scale and strength in several product categories including decorating, garden and fitted kitchens and bathrooms, and it has developed successful own brands such as Habitat, Odina, Schreiber and Hygena. Additionally, Homebase has demonstrated early success in both its refit trials and its digital capabilities.

However, the review also identified that Homebase faces several challenges, including inconsistent store operating standards and a large estate with low sales densities that result in a challenged financial model. These factors are currently limiting Homebase's operational efficiency and constraining the success of a more aggressive store investment programme.

The conclusion of the review was that Homebase should pursue a three-year Productivity Plan through to the end of FY18, to improve its store productivity, strengthen its customer propositions, and accelerate its digital capabilities by leveraging Argos' investments, in order to position itself to be ready for future investments.

Store productivity and customer propositions
A central aim of the Homebase Productivity Plan is to improve in-store customer experiences by raising and ensuring consistency of store operating standards, including standards for product availability, presentation, signage, and importantly a culture of both efficiency and great customer service among store colleagues. Early results from Homebase refit trials have demonstrated that increases in operating standards can improve both a store's customer experiences and its financial performance, and are essential to support more significant future store investments.

Under the Plan, Homebase will also seek to improve the competitiveness of its customer propositions. For example, it will make promotional programmes more efficient and selectively invest in more competitive product pricing. Homebase will also continue to improve the propositions in its 26 refit trial stores and selectively trial new versions. These trials have generated good overall sales growth so far and with further iteration could provide a path to future long-term growth. Although a significant rollout of complete Homebase refits is unlikely during the Plan period, trials could give rise to promising components being implemented. For example, trials of Argos and Habitat concessions within Homebase stores are currently proving successful for both Homebase and the Group. The Plan will include further rollouts of both Habitat and Argos concessions, subject in some cases to planning consents.

Another key component of the Homebase Productivity Plan will be to reduce the size of the store estate. The current estate is too large relative to the demands of the UK market and changing digital shopping patterns. It is also costly to operate and as with most traditional retailers, Homebase has a tail of stores that are either unprofitable or are in decline. The Plan will accelerate the reduction in the number of Homebase stores by c.25% by the end of FY18, from 323 as at the end of FY14, through scheduled lease expirations and a series of property exit transactions. The result should be a more efficient and productive estate that can support future investments.

Accelerate digital capabilities, leverage Argos' investments
The Group is committed to exploiting the digital revolution. Indeed Argos is progressing well with its Transformation Plan to reinvent itself as a digital retail leader, and is investing in systems and other capabilities that may be distinctive in UK retailing. Homebase will seek to leverage some of these digital capabilities such as multi-platform apps, features and functions, and product fulfilment across the Argos store network as they become available. These capabilities should accelerate Homebase's digital offering towards the end of the three-year Productivity Plan.

Summary
Over the long-term Homebase has the opportunity to grow and create meaningful shareholder value. However such growth will require Homebase to first undertake an ambitious agenda to address its store and digital foundations, which constrain its future success. The Homebase agenda must also consider the Argos Transformation Plan which will be the Group's greatest potential source of shareholder value, and must therefore be the near-term priority of both the Group's focus and its resources. The Homebase Productivity Plan is designed to address these challenges. If successful, by the end of FY18 Homebase will be a smaller but stronger business, better positioned to support future investment and growth, with improved financial ratios for sales, costs and profits, better store operating and customer service standards, and more competitive store propositions and digital capabilities.

Following the completion of the Homebase business review, Paul Loft, Managing Director of Homebase, and the Group have agreed that now would be an appropriate time for Paul to step down from his role. Paul has agreed to remain in position until such time as a suitable successor has been appointed and to assist in an orderly transition of the leadership of Homebase.

Operational review

Store estate and format development
An additional 11 trial proposition stores were completed during the first half of FY15 taking the total number completed to 26. Whilst these 26 have demonstrated successful sales growth overall, there are further improvements to be achieved to ensure sustainability of store

standards and consistency of proposition improvements across key product categories. Homebase will complete a further seven trial stores, which are currently in progress, during the second half of the year and as outlined in the Productivity Plan, will use this 33 store trial portfolio to develop further improvements to the store proposition.

Homebase now has 26 Habitat concessions, up from 15 at the start of the year. In addition, nine Argos digital concessions were opened within Homebase stores during the first half, with a further c.10 planned in the remainder of the current financial year.

In line with the Productivity Plan, Homebase will now target a greater number of exits of its least productive stores. It currently expects to exit a total of c.30 stores in the current financial year, which will reduce the store portfolio to c.295 stores by the end of FY15.

Multi-channel offer
Homebase's upgraded website significantly enhances the online customer experience by offering a more modern look and feel through high quality, inspirational content. The site has been made easier to navigate by simplifying the way product categories are organised and searched. Customers are prompted to register and log in, which allows Homebase to collect valuable customer data that it can use to personalise content and promotions. Once logged in, customers also have access to a newly created list tool, which enables them to set up lists to organise projects or events better and easily purchase their product choices. The upgraded website has helped multi-channel sales grow by 12% year-on-year in the first half of FY15 to represent c.7% of total Homebase sales.

Exclusive brands
A key differentiator for Homebase remains its strong portfolio of exclusive brands, such as Habitat, Odina, Schreiber, Hygena and Qualcast. Habitat concessions have formed a significant part of its store refurbishment trials, offering ranges such as furniture, paint and wallpaper. The Habitat brand gives the Homebase customer greater choice around premium quality and contemporary styling, as well as some bestselling iconic designs. Sales of Habitat products in Homebase, including concessions, have grown by over 45% against the same period last year.

Homebase's premium Odina kitchen range has now been rolled out to 65 stores, up from 49 stores at the end of the FY14 financial year. Sales of Schreiber kitchen ranges continued to grow and are now available in the majority of its stores. Alongside these premium and mid-market ranges the Essentials kitchen range offers customers great value products. Sales of this range have grown by over 20% versus the same period last year.

Financial review

Total sales in the 26 weeks to 30 August 2014 increased by 1.5% to £835m. Homebase closed seven stores in the period, reducing its store portfolio to 316 stores, which reduced sales by 2.6%. Like-for-like sales increased by 4.1%. Growth was driven by a strong performance in seasonal products with the growth in the first quarter more than offsetting the decline against the previous year's tough comparator in the second quarter. There was also further growth in sales of big ticket products, particularly fitted kitchens and bathrooms, whilst sales in the remaining categories were broadly flat.

The gross margin rate was down by approximately 75 basis points principally driven by an adverse sales mix impact from the growth in the margin dilutive seasonal and big ticket product categories, together with an increased level of stock clearance in respect of store closures.

Total operating and distribution costs were broadly flat. The cost impacts of increased sales, underlying cost inflation and cost investment in strategic initiatives were offset by further cost saving initiatives. Cost productivity was 3% for the first half of FY15. Benchmark operating profit was £27.8m; a £0.6m or 2% increase on the comparable period last year.

Financial Services

26 weeks to £m		30 August 2014	31 August 2013
Sales		**65.0**	**57.1**
Benchmark operating profit before financing costs		4.8	4.6
Financing costs		(1.7)	(1.5)
Benchmark operating profit		**3.1**	**3.1**
As at	**30 August 2014**	**1 March 2014**	**31 August 2013**
Store card gross receivables	584	594	540
Provision	(68)	(70)	(70)
Store card net receivables	516	524	470
Provision % of gross receivables	11.7%	11.8%	12.9%

Financial Services continues to work 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 7% to £321m (2013: £300m) and represented 10.5% (2013: 10.1%) of Group retail sales. This increased level of both credit sales and penetration is a result of specific product range support and sales increases in categories that have higher credit attachment rates such as video gaming and white goods. In addition to credit sales placed on the Group's own store cards, credit offers for purchases at Homebase, which are greater than £1,000, are principally provided through product loans from a third party provider. Including these product loans, total credit sales increased by 10% to £372m (2013: £339m) and represented 12.1% (2013: 11.4%) of Group retail sales.

Financial review

Total sales in the 26 weeks to 30 August 2014 increased by 14% to £65m. Delinquency rates continue their downward trend of the last few years resulting in a small reduction in the bad debt cost. Financing costs were marginally higher than last year due to the growth in the loan book, with this internal financing cost recharge being based upon UK base rates with a corresponding credit being recognised in Group net interest income. The improved performance in sales and the reduced bad debt cost were partially offset by an increase in operating costs, with the remaining net improvement in the financial performance of Financial Services benefitting both retail companies, which is where both the transactions and customer relationships originate. Benchmark operating profit remained flat at £3.1m (2013: £3.1m).

Store card net receivables grew by £46m versus a year ago to £516m, principally as a result of the increase in credit sales. The Group finances these receivables internally with no third party debt being required.

GROUP FINANCIAL REVIEW

Sales and benchmark operating profit

Group sales increased by 3% to £2,669m (2013: £2,596m) while Group benchmark operating profit increased 13% to £29.9m (2013: £26.4m). The drivers of the Argos, Homebase and Financial Services performances have been analysed as part of the preceding business reviews. Central Activities represents the cost of central corporate functions. Costs increased by 12% to £13.0m (2013: £11.6m), with the increase being driven principally by additional costs to support the Group's various strategic initiatives.

Benchmark net interest income

Net interest income within benchmark PBT was unchanged at £1.0m (2013: £1.0m).

Benchmark PBT

Benchmark PBT increased 13% to £30.9m (2013: £27.4m) driven by the factors previously discussed.

Amortisation of acquisition intangibles

A charge of £0.9m was incurred (2013: £0.9m), relating to the amortisation of the value of the brand which arose on the Habitat UK acquisition.

Post-employment benefit scheme administration costs

A charge of £0.7m was incurred (2013: £1.0m), in respect of the administration costs of the Home Retail Group Pension Scheme.

Adjustments in respect of store impairment and property provisions

A net credit of £0.7m (2013: £5.4m) was recorded. The net credit reflects a £1.0m reversal in respect of previous property provisions that are no longer required, partially offset by a charge of £0.3m relating to store closures.

Exceptional items

The exceptional charge incurred was £11.8m (2013: £12.6m). This includes a charge of £6.7m relating to the ongoing programme to transform Argos into a digital retail leader and which forms part of the total charge announced at the time of the Argos Transformation Plan of c.£50m over the first three years of the Plan to FY16. In addition, there was a charge of £5.1m relating to costs associated with the outsourcing of the management of the Group's information systems infrastructure and associated services.

Financing fair value remeasurements

Certain foreign exchange movements are recognised in the income statement within net financing income. These amounted to a net gain of £0.3m (2013: £1.2m), which arose principally as a result of translation differences on overseas subsidiary currency balances. Equal and opposite adjustments to the 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 post-employment benefit obligations

The financing impact on post-employment benefit obligations is a net charge of £1.6m (2013: £1.8m).

Discount unwind on non-benchmark items

A charge of £3.4m (2013: £3.5m) 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.

Net interest reconciliation

The following table illustrates both the benchmark and non-benchmark impact of net financing items within the income statement.

Net interest income within benchmark PBT	**1.0**	**1.0**
Financing fair value remeasurements	0.3	1.2
Financing impact on post-employment benefit obligations	(1.6)	(1.8)
Discount unwind on non-benchmark items	(3.4)	(3.5)
Income statement net financing charge	**(3.7)**	**(3.1)**

Profit before tax

Profit before tax decreased by 5% to £13.5m (2013: £14.2m).

Taxation

Taxation attributable to benchmark PBT was £7.9m (2013: £7.8m), representing an estimated effective tax rate for the period of 25.5% (2013: 28.5%). The lower effective tax rate principally reflects two elements: the favourable impact of a 2% reduction in the UK corporation tax rate together with the favourable impact of a relatively fixed level of disallowable expenditure for tax purposes in comparison to a higher level of profits.

Taxation attributable to non-benchmark items amounted to a credit of £3.9m (2013: £6.1m). The total tax expense was therefore £4.0m (2013: £1.7m).

Number of shares and earnings per share

The number of shares for the purpose of calculating basic earnings per share (EPS) was 773.1m (2013: 800.0m), representing the weighted average number of issued ordinary shares of 813.4m (2013: 813.4m), less an adjustment of 40.3m (2013: 13.4m) representing shares held in the Group share trust 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 28.3m (2013: 23.6m) to 801.4m (2013: 823.6m). Basic benchmark EPS is 3.0p (2013: 2.5p), with diluted benchmark EPS of 2.9p (2013: 2.4p). Reported basic EPS is 1.2p (2013: 1.6p), with reported diluted EPS being 1.2p (2013: 1.5p).

Dividends

At this stage of the financial year, as we approach Argos' peak trading period, the Board announces an interim dividend of 1.0p. This is consistent with the announcement at the 30 April 2014 full year results presentation that to reflect the weighting of the Group's earnings profile to the second half of the financial year, the interim dividend would be held at 1.0p, with any changes to the full year dividend being made to the final dividend. The dividend will be paid on 22 January 2015 to shareholders on the register at the close of business on 13 November 2014.

Balance sheet

As at £m	**30 August 2014**	**1 March 2014**	**31 August 2013**
Goodwill	1,543.9	1,543.9	1,543.9
Intangible assets	210.8	193.6	152.3
Property, plant and equipment	444.3	456.7	460.7
Inventories	930.1	902.4	965.3
Financial Services loan book	516.2	524.1	469.7
Other assets	187.4	199.7	197.1
	3,832.7	3,820.4	3,789.0
Trade and other payables	(1,252.2)	(1,162.7)	(1,243.9)
Provisions	(227.6)	(236.1)	(213.6)
	(1,479.8)	(1,398.8)	(1,457.5)
Invested capital	**2,352.9**	**2,421.6**	**2,331.5**
Post-employment benefit obligations	(104.9)	(76.6)	(84.7)
Net tax assets	38.4	33.0	28.9
Forward foreign exchange contracts	(0.6)	(35.5)	(0.4)
Net cash	333.1	331.0	412.2
Net assets	**2,618.9**	**2,673.5**	**2,687.5**

Net assets as at 30 August 2014 were £2,619m, equivalent to 348p (2013: 340p) per share excluding shares held in the Group share trust. Invested capital as at 30 August 2014 was £2,353m, a reduction of £69m versus the balance sheet as at 1 March 2014. This reduction in invested capital was principally driven by an increase in trade and other payables partly associated with the increased level of inventories, with the balance relating to the beneficial phasing of certain trade and other payables payments that are normally seen in the first half of the year and, as has been the case in previous financial years, it is anticipated that a significant element of this beneficial phasing will unwind in the second half of the current financial year.

The reduction in net assets of £55m versus the balance sheet as at 1 March 2014 was principally driven by the reduction in invested capital, together with an increase in post-employment benefit obligations, partially offset by increases in both forward foreign exchange contracts and net tax assets.

Cash flow and net cash position

26 weeks to £m	30 August 2014	31 August 2013
Benchmark operating profit	29.9	26.4
Exceptional items	(11.8)	(12.6)
Post-employment benefit scheme administration costs	(0.7)	(1.0)
Amortisation of acquisition intangibles	(0.9)	(0.9)
Adjustments in respect of store impairment and property provisions	0.7	5.4
Statutory operating profit	17.2	17.3
Depreciation and amortisation	66.8	65.7
Movement in trade working capital	69.8	42.8
Movement in Financial Services loan book	7.9	5.0
Financing costs charged to Financial Services	1.7	1.5
Cash flow impact of restructuring charges	(13.0)	(1.9)
Pension scheme deficit recovery payments	(11.0)	(11.0)
Movement in post-employment benefit obligations	0.3	0.5
Other operating items	7.2	1.0
Cash flows from operating activities	**146.9**	**120.9**
Net capital expenditure	(71.7)	(74.8)
Taxation	(6.0)	(11.1)
Net interest	0.3	0.5
Other investments	-	10.9
Cash inflow before financing activities	**69.5**	**46.4**
Dividends paid	(17.8)	(16.0)
Purchase of own shares for Employee Share Trust	(49.7)	(14.1)
Net increase in cash and cash equivalents	**2.0**	**16.3**
Effect of foreign exchange rate changes	0.1	(0.1)
Increase in financing net cash	**2.1**	**16.2**
Opening financing net cash	331.0	396.0
Closing financing net cash	**333.1**	**412.2**

Cash flows from operating activities were £146.9m (2013: £120.9m). This £26.0m increase was principally attributable to an increase in the cash inflow from trade working capital, partly offset by an increase in the cash outflow in respect of restructuring charges related to the Argos Transformation Plan and a number of other restructuring actions.

Net capital expenditure was £71.7m (2013: £74.8m), representing the continued higher level of investment across the Group in the strategic initiatives of both retail businesses. Tax paid was £6.0m (2013: £11.1m). The reduction to £nil in other investments (2013: £10.9m) is a reflection of the non-repeat of cash received in the prior year relating to the disposal of the Group's 33% shareholding in Ogalas Limited, which trades as 'home store + more' in the Republic of Ireland.

Dividends paid to shareholders amounted to £17.8m (2013: £16.0m). A payment of £50.0m (2013: £14.1m) was made to the Home Retail Group Employee Share Trust to fund the purchase of 26.8m shares. The shares are in addition to those already held by the Trust and are needed to satisfy obligations arising from employee share schemes, a significant proportion of which relate to the save-as-you-earn plans offered to the Group's c.50,000 colleagues. This payment was partially offset by a small cash receipt in respect of the exercise of a small number of share options.

The Group increased its net cash position to £333.1m with a net cash generation of £2.1m in the first half of the year.

Group pension arrangements

The Group's pension arrangements are operated principally through the Home Retail Group Pension Scheme, a defined benefit scheme, which was closed to future accrual with effect from 31 January 2013, together with the Home Retail Group Personal Pension Plan, a defined contribution scheme.

The IAS 19 valuation as at 30 August 2014 for the Group's defined benefit pension scheme was a net deficit of £104.9m (1 March 2014: £76.6m). The increase in the deficit is principally driven by the reduction in the discount rate assumption to 3.9% (1 March 2014: 4.4%).

Group financing arrangements

The Group finances its operations through a combination of cash, property leases and committed bank facilities. The Group's net cash balances averaged approximately £440m (2013: approximately £460m) over the period.

The Group has a £165m committed unsecured borrowing facility, which is currently undrawn and which expires in March 2016. In addition, as at 30 August 2014 the Group's Financial Services business held a net loan book balance of £516m (2013: £470m), against which there is no third party debt.

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 £342m (2013: £352m). Total lease commitments stood at £2,502m at 30 August 2014 (2013: £2,803m), which is a £1,828m, or 42%, reduction from the peak total lease commitments of £4,330m held at 1 March 2008. Based upon the discounted cash flows of these expected future operating lease charges, the capitalised value of these liabilities is £1,994m (2013: £2,173m) utilising a discount rate of 4.6% (2013: 5.0%).

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 30 August 2014. The basis of preparation is outlined in Note 1 to the Financial Information on page 23.

The Group has identified certain measures that it believes provide additional useful information on the underlying performance of the Group. These measures are applied consistently but as they are not defined under GAAP they may not be directly comparable with other companies' adjusted measures. The non-GAAP measures are outlined in Note 2 to the Financial Information on page 23.

Principal risks and uncertainties

The Group set out in its 2014 Annual Report and Financial Statements the principal risks and uncertainties which could impact its performance; these remain unchanged since its publication. The Group operates a structured risk management process which identifies and evaluates risks and uncertainties and reviews mitigating activity.

On a short-term forward-looking basis over the remainder of the financial year, the main areas of potential risk and uncertainty centre on the impact on sales volumes and thereby profitability in relation to economic conditions and overall consumer demand. Other potential risks and uncertainties around sales and/or profit growth include the cost of goods and services to the Group, competitor activity, seasonal weather patterns, failure to deliver the strategy, reliance on key personnel, failure to meet customer expectations, currency exposures, product supply and other operational processes, infrastructure development, product safety, the regulatory environment and business interruption. These risks, together with examples of mitigating activity, are set out in more detail in the 2014 Annual Report and Financial Statements on pages 24 and 25.

Appendix 1. Trading statement comparables

	Q1 13 weeks to 1 June 2013			Q1 13 weeks to 31 May 2014	
Argos					
Sales	£828m			£868m	
Like-for-like sales change	1.9%			4.9%	
Net space sales change	(0.7%)			(0.1%)	
Total sales change	1.2%			4.8%	
Gross margin movement	Down c.75bps			Down c.25bps	
Homebase					
Sales	£422m			£445m	
Like-for-like sales change	1.4%			7.9%	
Net space sales change	(1.2%)			(2.4%)	
Total sales change	0.2%			5.5%	
Gross margin movement	Down c.200bps			Down c.50bps	

	Q2 13 weeks to 31 Aug 2013	H1 26 weeks to 31 Aug 2013		Q2 13 weeks to 30 Aug 2014	H1 26 weeks to 30 Aug 2014
Argos					
Sales	£889m	£1,717m		£901m	£1,769m
Like-for-like sales change	2.7%	2.3%		1.2%	2.9%
Net space sales change	(0.3%)	(0.5%)		0.2%	0.1%
Total sales change	2.4%	1.8%		1.4%	3.0%
Gross margin movement	Down c.50bps	Down c.75bps		Up c.25bps	c.0bps
Homebase					
Sales	£400m	£822m		£390m	£835m
Like-for-like sales change	11.0%	5.9%		0.1%	4.1%
Net space sales change	(1.7%)	(1.5%)		(2.9%)	(2.6%)
Total sales change	9.3%	4.4%		(2.8%)	1.5%
Gross margin movement	c.0bps	Down c.100bps		Down c.75bps	Down c.75bps

	Q3 18 weeks to 4 Jan 2014	YTD 44 weeks to 4 Jan 2014
Argos		
Sales	£1,808m	£3,525m
Like-for-like sales change	3.8%	3.1%
Net space sales change	(0.2%)	(0.4%)
Total sales change	3.6%	2.7%
Gross margin movement	Down c.50bps	Down c.50bps
Homebase		
Sales	£464m	£1,286m
Like-for-like sales change	4.7%	5.4%
Net space sales change	(2.4%)	(1.8%)
Total sales change	2.3%	3.6%
Gross margin movement	Down c.75bps	Down c.100bps

	Q4 8 weeks to 1 Mar 2014	H2 26 weeks to 1 Mar 2014	FY 52 weeks to 1 Mar 2014
Argos			
Sales	£526m	£2,334m	£4,051m
Like-for-like sales change	5.2%	4.1%	3.3%
Net space sales change	0.0%	(0.1%)	(0.3%)
Total sales change	5.2%	4.0%	3.0%
Gross margin movement	c.0bps	Down c.50bps	Down c.50bps
Homebase			
Sales	£203m	£667m	£1,489m
Like-for-like sales change	9.3%	5.9%	5.9%
Net space sales change	(2.4%)	(2.3%)	(1.8%)
Total sales change	6.9%	3.6%	4.1%
Gross margin movement	Down c.75bps	Down c.75bps	Down c.100bps

HOME RETAIL GROUP PLC

UNAUDITED CONDENSED HALF-YEARLY FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

For the 26 weeks ended 30 August 2014

52 weeks ended 1 March 2014 £m		Notes	**26 weeks ended 30 August 2014 £m**	26 weeks ended 31 August 2013 £m
5,663.0	**Revenue**	4	**2,668.6**	2,596.2
(3,899.2)	Cost of sales	5	**(1,822.7)**	(1,765.8)
1,763.8	**Gross profit**		**845.9**	830.4
(1,652.4)	Net operating expenses before exceptional items		**(816.9)**	(800.5)
(41.4)	Exceptional items	6	**(11.8)**	(12.6)
70.0	**Operating profit**		**17.2**	17.3
10.5	Finance income		**1.7**	2.0
(9.3)	Finance expense		**(5.4)**	(5.1)
1.2	Net financing (expense)/income	7	**(3.7)**	(3.1)
71.2	**Profit before tax**		**13.5**	14.2
(17.2)	Taxation	8	**(4.0)**	(1.7)
54.0	**Profit for the period attributable to equity holders of the Company**		**9.5**	12.5
pence	**Earnings per share**	9	**pence**	pence
6.8	Basic		**1.2**	1.6
6.6	Diluted		**1.2**	1.5

52 weeks ended 1 March 2014 £m	***Non-GAAP measures***	*Notes*	***26 weeks ended 30 August 2014 £m***	*26 weeks ended 31 August 2013 £m*
	Reconciliation of profit before tax (PBT) to benchmark PBT			
71.2	***Profit before tax***		***13.5***	*14.2*
	Adjusted for:			
1.8	*Amortisation of acquisition intangibles*		***0.9***	*0.9*
1.9	*Post-employment benefit scheme administration costs*	*14*	***0.7***	*1.0*
(2.1)	*Adjustments in respect of store impairment and property provisions*		***(0.7)***	*(5.4)*
41.4	*Exceptional items*	*6*	***11.8***	*12.6*
(9.0)	*Financing fair value remeasurements*	*7*	***(0.3)***	*(1.2)*
3.3	*Financing impact on post-employment benefit obligations*	*7*	***1.6***	*1.8*
6.9	*Discount unwind on non-benchmark items*	*7*	***3.4***	*3.5*
115.4	***Benchmark PBT***		***30.9***	*27.4*
pence	***Benchmark earnings per share***		***pence***	*pence*
10.4	*Basic*	*9*	***3.0***	*2.5*
10.1	*Diluted*	*9*	***2.9***	*2.4*

HOME RETAIL GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 26 weeks ended 30 August 2014

52 weeks ended 1 March 2014 £m		Notes	**26 weeks ended 30 August 2014 £m**	26 weeks ended 31 August 2013 £m
54.0	**Profit for the period attributable to equity holders of the Company**		**9.5**	12.5
	Items that may be reclassified subsequently to profit or loss:			
	Net change in fair value of cash flow hedges			
(72.2)	- Foreign currency forward exchange contracts		**4.9**	(18.9)
	Net change in fair value of cash flow hedges transferred to inventory			
13.7	- Foreign currency forward exchange contracts		**27.4**	(13.8)
1.1	Fair value movements on other financial assets		**0.3**	0.3
(3.4)	Fair value movements on other financial assets transferred to the income statement		**-**	-
(3.6)	Currency translation differences		**(0.5)**	(2.3)
13.1	Tax credit/(charge) in respect of items that will be or have been recycled		**(6.2)**	8.4
(51.3)			**25.9**	(26.3)
	Items that will not be reclassified subsequently to profit or loss:			
(23.8)	Remeasurement of the net defined benefit liability	14	**(37.4)**	(8.3)
3.3	Tax credit in respect of items not recycled		**7.5**	0.4
(20.5)			**(29.9)**	(7.9)
(71.8)	**Other comprehensive income for the period, net of tax**		**(4.0)**	(34.2)
(17.8)	**Total comprehensive income for the period attributable to equity holders of the Company**		**5.5**	(21.7)

HOME RETAIL GROUP PLC

CONSOLIDATED BALANCE SHEET
At 30 August 2014

1 March 2014 £m		Notes	**30 August 2014 £m**	31 August 2013 £m
	ASSETS			
	Non-current assets			
1,543.9	Goodwill		**1,543.9**	1,543.9
193.6	Other intangible assets		**210.8**	152.3
456.7	Property, plant and equipment		**444.3**	460.7
41.3	Deferred tax assets		**43.5**	40.6
1.8	Trade and other receivables		**1.8**	2.6
9.9	Other financial assets	12	**10.2**	23.6
2,247.2	**Total non-current assets**		**2,254.5**	2,223.7
	Current assets			
902.4	Inventories		**930.1**	965.3
712.1	Trade and other receivables		**691.6**	640.6
10.4	Current tax assets		**4.3**	5.3
1.0	Other financial assets	12	**5.8**	7.9
331.0	Cash and cash equivalents		**333.1**	412.2
1,956.9	**Total current assets**		**1,964.9**	2,031.3
4,204.1	**Total assets**		**4,219.4**	4,255.0
	LIABILITIES			
	Non-current liabilities			
(47.4)	Trade and other payables		**(48.1)**	(50.8)
(190.0)	Provisions	13	**(161.7)**	(175.2)
(12.9)	Deferred tax liabilities		**(9.4)**	(17.0)
(76.6)	Post-employment benefits	14	**(104.9)**	(84.7)
(326.9)	**Total non-current liabilities**		**(324.1)**	(327.7)
	Current liabilities			
(1,115.3)	Trade and other payables		**(1,204.1)**	(1,193.1)
(46.1)	Provisions	13	**(65.9)**	(38.4)
(36.5)	Other financial liabilities	12	**(6.4)**	(8.3)
(5.8)	Current tax liabilities		**-**	-
(1,203.7)	**Total current liabilities**		**(1,276.4)**	(1,239.8)
(1,530.6)	**Total liabilities**		**(1,600.5)**	(1,567.5)
2,673.5	**Net assets**		**2,618.9**	2,687.5
	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)
(52.3)	Other reserves		**(74.0)**	(7.9)
2,986.5	Retained earnings		**2,953.6**	2,956.1
2,673.5	**Total equity**		**2,618.9**	2,687.5

HOME RETAIL GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 26 weeks ended 30 August 2014

	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 2 March 2014	81.3	6.4	(348.4)	(52.3)	2,986.5	2,673.5
Profit for the period	-	-	-	-	9.5	9.5
Other comprehensive income	-	-	-	25.6	(29.6)	(4.0)
Total comprehensive income for the period ended 30 August 2014	-	-	-	25.6	(20.1)	5.5
Transactions with owners:						
Movement in share-based compensation reserve	-	-	-	-	5.6	5.6
Net movement in own shares	-	-	-	(47.3)	(2.4)	(49.7)
Tax credit related to share-based compensation reserve	-	-	-	-	2.1	2.1
Equity dividends paid during the period	-	-	-	-	(17.8)	(17.8)
Other distributions	-	-	-	-	(0.3)	(0.3)
Total transactions with owners	-	-	-	(47.3)	(12.8)	(60.1)
Balance at 30 August 2014	**81.3**	**6.4**	**(348.4)**	**(74.0)**	**2,953.6**	**2,618.9**

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

HOME RETAIL GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 26 weeks ended 30 August 2014

52 weeks ended 1 March 2014 £m		Notes	**26 weeks ended 30 August 2014 £m**	26 weeks ended 31 August 2013 £m
	Cash flows from operating activities			
161.0	Cash generated from operations	15	**146.9**	120.9
(17.6)	Tax paid		**(6.0)**	(11.1)
143.4	**Net cash inflow from operating activities**		**140.9**	109.8
	Cash flows from investing activities			
(72.5)	Purchase of property, plant and equipment	11	**(32.7)**	(33.5)
(102.8)	Purchase of other intangible assets	11	**(40.1)**	(42.3)
2.2	Proceeds from the disposal of property, plant and equipment	11	**1.1**	1.0
3.5	Loans repaid by associates	17	**-**	1.2
21.7	Disposal of investments	17	**-**	9.7
0.6	Interest received		**0.3**	0.5
(147.3)	**Net cash flows from investing activities**		**(71.4)**	(63.4)
	Cash flows from financing activities			
(37.4)	Purchase of shares for Employee Share Trust		**(50.0)**	(14.1)
0.3	Proceeds from disposal of shares held by Employee Share Trust		**0.3**	-
(23.9)	Dividends paid	10	**(17.8)**	(16.0)
(61.0)	**Net cash used in financing activities**		**(67.5)**	(30.1)
(64.9)	**Net increase in cash and cash equivalents**		**2.0**	16.3
	Movement in cash and cash equivalents			
396.0	Cash and cash equivalents at the beginning of the period		**331.0**	396.0
(0.1)	Effect of foreign exchange rate changes		**0.1**	(0.1)
(64.9)	Net increase/(decrease) in cash and cash equivalents		**2.0**	16.3
331.0	**Cash and cash equivalents at the end of the period**		**333.1**	412.2

HOME RETAIL GROUP PLC

ANALYSIS OF NET CASH/(DEBT)

At 30 August 2014

1 March 2014 £m	Non-GAAP measures	30 August 2014 £m	31 August 2013 £m
	Financing net cash:		
331.0	*Cash and cash equivalents*	***333.1***	*412.2*
331.0	***Total financing net cash***	***333.1***	*412.2*
	Operating net debt:		
(2,046.2)	*Off balance sheet operating leases*	***(1,993.9)***	*(2,173.1)*
(2,046.2)	***Total operating net debt***	***(1,993.9)***	*(2,173.1)*
(1,715.2)	***Total net debt***	***(1,660.8)***	*(1,760.9)*

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 £1,993.9m (1 March 2014: £2,046.2m), based upon discounting the current rentals at the estimated current long-term cost of borrowing of 4.6% (1 March 2014: 5.0%).

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION
For the 26 weeks ended 30 August 2014

1. Basis of preparation

The unaudited condensed half-yearly financial information comprises the results for the 26 weeks ended 30 August 2014, the 26 weeks ended 31 August 2013, and the audited consolidated results for the 52 weeks ended 1 March 2014. The audited consolidated financial information for the 52 weeks ended 1 March 2014 has been extracted from Home Retail Group plc's Annual Report and Financial Statements, which was approved by the Board of Directors on 30 April 2014 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.

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 30 August 2014 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. The condensed half-yearly financial information should be read in conjunction with Home Retail Group plc's Annual Report and Financial Statements for the 52 weeks ended 1 March 2014, 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 30 April 2014, which is available on Home Retail Group's website www.homeretailgroup.com. 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 which are effective for the first time during the period ended 30 August 2014 that have a material impact on the Group.

At the balance sheet date there are a number of new standards and amendments to existing standards in issue but not yet effective, including IFRS 15 'Revenue from contracts with customers' which is effective for periods beginning on or after 1 January 2017 and IFRS 9 'Financial Instruments', which is effective for periods beginning on or after 1 January 2018. 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 restructuring costs and the profits and/or losses on the disposal of businesses.

Benchmark measures

The Group uses the following terms as measures which are not formally recognised under IFRS:

- Benchmark operating profit is defined as operating profit before amortisation of acquisition intangibles, post-employment benefit scheme administration costs, store impairment and onerous lease charges or releases and costs or income associated with store closures and exceptional items.

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION
For the 26 weeks ended 30 August 2014

- Benchmark profit before tax (benchmark PBT) is defined as profit before amortisation of acquisition intangibles, post-employment benefit scheme administration costs, store impairment and onerous lease charges or releases and costs or income associated with store closures, exceptional items, financing fair value remeasurements, financing impact on post-employment 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 trust 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

The principal exchange rates used were as follows:

	Average			Closing		
	26 weeks ended 30 August 2014	52 weeks ended 1 March 2014	26 weeks ended 31 August 2013	**30 August 2014**	1 March 2014	31 August 2013
US dollar	**1.68**	1.58	1.53	**1.66**	1.67	1.55
Euro	**1.23**	1.18	1.17	**1.26**	1.21	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.

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION
For the 26 weeks ended 30 August 2014

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.

52 weeks ended 1 March 2014 £m		**26 weeks ended 30 August 2014 £m**	26 weeks ended 31 August 2013 £m
	Revenue		
4,051.1	Argos	**1,769.1**	1,716.8
1,489.2	Homebase	**834.5**	822.3
122.7	Financial Services	**65.0**	57.1
5,663.0	**Total revenue**	**2,668.6**	2,596.2
	Benchmark operating profit		
112.3	Argos	**12.0**	7.7
18.9	Homebase	**27.8**	27.2
6.0	Financial Services	**3.1**	3.1
(24.2)	Central Activities	**(13.0)**	(11.6)
113.0	**Total benchmark operating profit**	**29.9**	26.4
2.4	Benchmark net financing income	**1.0**	1.0
115.4	**Benchmark profit before tax**	**30.9**	27.4
(1.8)	Amortisation of acquisition intangibles	**(0.9)**	(0.9)
(1.9)	Post-employment benefit scheme administration costs	**(0.7)**	(1.0)
2.1	Adjustments in respect of store impairment and property provisions	**0.7**	5.4
(41.4)	Exceptional items	**(11.8)**	(12.6)
9.0	Financing fair value remeasurements	**0.3**	1.2
(3.3)	Financing impact on post-employment benefit obligations	**(1.6)**	(1.8)
(6.9)	Discount unwind on non-benchmark items	**(3.4)**	(3.5)
71.2	**Profit before tax**	**13.5**	14.2
(17.2)	Taxation	**(4.0)**	(1.7)
54.0	**Profit for the period attributable to equity holders of the Company**	**9.5**	12.5

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION
For the 26 weeks ended 30 August 2014

4. Segmental information (continued)

52 weeks ended 1 March 2014 £m		**26 weeks ended 30 August 2014 £m**	26 weeks ended 31 August 2013 £m
	Segment assets		
2,286.3	Argos	**2,310.2**	2,320.4
896.6	Homebase	**897.7**	886.8
563.0	Financial Services	**552.5**	494.3
75.5	Central Activities	**78.1**	95.4
3,821.4	**Total segment assets**	**3,838.5**	3,796.9
51.7	Tax assets	**47.8**	45.9
331.0	Cash and cash equivalents	**333.1**	412.2
4,204.1	**Total assets per balance sheet**	**4,219.4**	4,255.0

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

5. Cost of sales

52 weeks ended 1 March 2014 £m		**26 weeks ended 30 August 2014 £m**	26 weeks ended 31 August 2013 £m
(3,628.7)	Cost of goods	**(1,687.9)**	(1,634.1)
(270.5)	Distribution costs	**(134.8)**	(131.7)
(3,899.2)	**Total cost of sales**	**(1,822.7)**	(1,765.8)

6. Exceptional items

52 weeks ended 1 March 2014 £m		**26 weeks ended 30 August 2014 £m**	26 weeks ended 31 August 2013 £m
(27.8)	Argos transformation and other restructuring charges	**(11.8)**	(12.6)
(25.0)	Customer redress – Payment Protection Insurance	**-**	-
11.4	Warranty Insurance	**-**	-
(41.4)	Exceptional items in operating profit	**(11.8)**	(12.6)
9.4	Tax on exceptional items	**2.5**	2.9
(32.0)	**Exceptional loss after tax for the period**	**(9.3)**	(9.7)

Exceptional charges totalling £11.8m (26 weeks ended 31 August 2013: £12.6m) were incurred during the 26 weeks ended 30 August 2014, in respect of the ongoing project to transform Argos into a digital retail leader, combined with a number of other restructuring actions. This includes an amount of £5.1m (2013: £nil) relating to costs associated with the outsourcing of the management of the Group's information systems infrastructure and associated services.

Financial Services offers Payment Protection Insurance to its customers. During the 52 weeks ended 1 March 2014, in response to an industry wide review by the Financial Conduct Authority, a full investigation was undertaken with the support of an independent expert, which resulted in a customer redress exercise being carried out. As a result, there was an increase to the existing provision of £25.0m.

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION
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Until June 2010, Allianz Insurance provided Home Retail Group an underwriting service for warranty products sold in both Argos and Homebase. Allianz Insurance notified Home Retail Group during the 52 weeks ended 1 March 2014 that under a profit share arrangement relating to the run off of these historical policies, the Group was due commission income of £11.4m.

7. Net financing (expense)/income

52 weeks ended 1 March 2014 £m		**26 weeks ended 30 August 2014 £m**	26 weeks ended 31 August 2013 £m
	Finance income:		
6.8	Financing fair value remeasurements – net exchange gains	**1.4**	1.9
3.4	Financing fair value remeasurements – other financial assets	**-**	-
0.3	Other finance income	**0.3**	0.1
10.5	**Total finance income**	**1.7**	2.0
	Finance expense:		
(8.1)	Unwinding of discounts	**(3.8)**	(4.1)
(1.2)	Financing fair value remeasurements – net exchange losses	**(1.1)**	(0.7)
(3.3)	Net interest expense on post-employment benefit obligations	**(1.6)**	(1.8)
-	Other finance expense	**(0.6)**	-
(12.6)	**Total finance expense**	**(7.1)**	(6.6)
3.3	Less: finance expense charged to Financial Services cost of sales	**1.7**	1.5
(9.3)	**Total net finance expense**	**(5.4)**	(5.1)
1.2	**Net financing (expense)/income**	**(3.7)**	(3.1)

Included within unwinding of discounts is a £3.4m charge (2013: £3.5m) relating to the discount unwind on non-benchmark property provisions.

8. Taxation

52 weeks ended 1 March 2014 £m		**26 weeks ended 30 August 2014 £m**	26 weeks ended 31 August 2013 £m
(15.1)	UK tax	**(3.6)**	(1.1)
(2.1)	Overseas tax	**(0.4)**	(0.6)
(17.2)	**Total tax expense**	**(4.0)**	(1.7)

The statutory tax charge for the period of £4.0m (2013: £1.7m) is based on an estimated annual benchmark effective rate of tax of 25.5% (2013: 28.5%), which is adjusted for the tax impact of non-benchmark items arising during the half year, to derive the effective tax rate for the half year of 29.6% (2013: 12.0%).

The benchmark effective rate of tax is defined as the tax on benchmark PBT divided by benchmark PBT. The current year benchmark effective rate of tax includes the favourable impact of a 2% reduction to the UK corporation tax rate from 23% to 21%.

Closing deferred tax has been calculated at the substantively enacted UK corporation tax rate of 20% effective from 1 April 2015 (2013: 21%), this is the rate at which those balances are expected to reverse.

9. Basic and diluted earnings per share (EPS)

Basic EPS 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 the Home Retail Group share trust net of vested but unexercised share awards. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares.

52 weeks ended 1 March 2014		**26 weeks ended 30 August 2014**	26 weeks ended 31 August 2013
£m	**Earnings**	**£m**	£m
54.0	**Profit after tax for the financial period**	**9.5**	12.5
	Adjusted for:		
1.8	Amortisation of acquisition intangibles	**0.9**	0.9
1.9	Post-employment benefit scheme administration costs	**0.7**	1.0
(2.1)	Adjustments in respect of store impairment and property provisions	**(0.7)**	(5.4)
41.4	Exceptional items	**11.8**	12.6
(9.0)	Financing fair value remeasurements	**(0.3)**	(1.2)
3.3	Financing impact on post-employment benefit obligations	**1.6**	1.8
6.9	Discount unwind on non-benchmark items	**3.4**	3.5
(6.9)	Attributable taxation credit	**(3.9)**	(4.3)
(8.2)	Non-benchmark tax credit in respect of prior years	**-**	(2.2)
(0.2)	Tax rate change	**-**	0.4
82.9	**Benchmark profit after tax for the financial period**	**23.0**	19.6
millions	**Weighted average number of shares**	**millions**	millions
795.0	Number of ordinary shares for the purpose of basic EPS	**773.1**	800.0
26.4	Dilutive effect of share incentive awards	**28.3**	23.6
821.4	**Number of ordinary shares for the purpose of diluted EPS**	**801.4**	823.6
pence	**EPS**	**pence**	pence
6.8	Basic EPS	**1.2**	1.6
6.6	Diluted EPS	**1.2**	1.5
10.4	Basic benchmark EPS	**3.0**	2.5
10.1	Diluted benchmark EPS	**2.9**	2.4

10. Dividend

An interim dividend of 1.0 pence (2013: 1.0 pence) per Home Retail Group plc ordinary share, amounting to a total interim dividend of £7.5m (2013: £7.9m), has been announced (but not provided) and will be paid on 22 January 2015 to shareholders on the register at the close of business on 13 November 2014.

In July 2014, a final dividend of 2.3 pence (2013: 2.0 pence) per Home Retail Group plc ordinary share, amounting to a total final dividend of £17.8m (2013: £16.0m), was paid to shareholders.

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION
For the 26 weeks ended 30 August 2014

11. Capital expenditure

In the period, there were additions to property, plant and equipment of £32.7m (2013: £33.5m) and disposals of property, plant and equipment generated proceeds of £1.1m (2013: £1.0m). In the period, there were additions to intangible assets of £40.1m (2013: £42.3m). Capital commitments contracted but not provided for by the Group amounted to £20.3m (2013: £20.1m).

12. Other financial assets and liabilities

IFRS 13 requires disclosure of fair value measurements by level of the following measurement hierarchy:
- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

30 August 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
	£m	**£m**	**£m**	**£m**
Assets				
Other financial assets	10.1	-	0.1	10.2
Other financial assets - forward foreign exchange contracts	-	5.8	-	5.8
Total assets	**10.1**	**5.8**	**0.1**	**16.0**
Liabilities				
Other financial liabilities - forward foreign exchange contracts	-	(6.4)	-	(6.4)
Total liabilities	**-**	**(6.4)**	**-**	**(6.4)**

31 August 2013	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Assets				
Other financial assets	21.1	-	2.5	23.6
Other financial assets - forward foreign exchange contracts	-	7.9	-	7.9
Total assets	21.1	7.9	2.5	31.5
Liabilities				
Other financial liabilities - forward foreign exchange contracts	-	(8.3)	-	(8.3)
Total liabilities	-	(8.3)	-	(8.3)

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

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

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

There have been no movements in level 3 financial assets or transfers of assets or liabilities between levels of the fair value hierarchy during the period.

The fair value of trade and other receivables, cash and cash equivalents and trade and other payables approximate their carrying amounts.

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION
For the 26 weeks ended 30 August 2014

13. Provisions

	Property £m	Insurance £m	Restructuring £m	Customer redress £m	Other £m	Total £m
At 2 March 2014	(151.8)	(38.1)	(9.5)	(33.7)	(3.0)	(236.1)
Exchange differences	1.3	-	-	-	-	1.3
Charged to the income statement	(2.1)	(3.5)	-	-	-	(5.6)
Released to the income statement	2.8	-	-	-	-	2.8
Utilised during the period	3.8	2.4	2.7	2.7	2.3	13.9
Discount unwind	(3.9)	-	-	-	-	(3.9)
At 30 August 2014	**(149.9)**	**(39.2)**	**(6.8)**	**(31.0)**	**(0.7)**	**(227.6)**

1 March 2014 £m	Analysed as:	30 August 2014 £m	31 August 2013 £m
(46.1)	Current	**(65.9)**	(38.4)
(190.0)	Non-current	**(161.7)**	(175.2)
(236.1)		**(227.6)**	(213.6)

Property provisions principally comprise obligations on onerous leases together with other costs or income associated with store closures. In respect of onerous leases, provision is made for onerous lease contracts on 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. The majority of this provision is expected to be utilised over the period to 2020.

Provision is made for the estimated costs of insurance claims incurred by the Group but not settled at the balance sheet date, including the costs of claims that have arisen but have not yet been reported to the Group. The estimated cost of claims includes expenses to be incurred in settling claims. The majority of this provision is expected to be utilised over the period to 2018.

The restructuring provision relates to a number of actions undertaken by the Group during the current and prior years. Actions currently being undertaken by the Group include the ongoing project to transform Argos into a digital retail leader. The majority of this provision is expected to be utilised within one year.

Financial Services offers Payment Protection Insurance (PPI) to its customers. The customer redress provision comprises the estimated cost of making redress payments to customers in respect of past sales of PPI policies, including the related administrative expenses. The eventual cost is dependent upon response rates, uphold rates, redress costs, claim handling costs and those costs associated with claims that are subsequently referred to the Financial Ombudsman Service. The provision represents management's best estimate of future costs and will remain under review. This provision is expected to be utilised within three years.

14. Post-employment benefits

As at the balance sheet date, the Group's defined benefit pension scheme obligations were £1,044.1m (1 March 2014: £968.4m) and the market value of the scheme assets was £939.2m (1 March 2014: £891.8m), resulting in a net deficit of £104.9m (1 March 2014: £76.6m).

52 weeks ended 1 March 2014 £m		**26 weeks ended 30 August 2014 £m**	26 weeks ended 31 August 2013 £m
(85.1)	Opening net deficit	**(76.6)**	(85.1)
-	Current service cost	**-**	(0.2)
(1.9)	Post-employment benefit scheme administration costs	**(0.7)**	(1.0)
(3.3)	Net finance expense on post-employment benefit obligations	**(1.6)**	(1.8)
(23.8)	Remeasurement of the net defined benefit liability	**(37.4)**	(8.3)
22.0	Contributions paid by the Group – deficit recovery	**11.0**	11.0
15.5	– other	**0.4**	0.7
(76.6)	**Closing net deficit**	**(104.9)**	(84.7)

The material assumptions used to assess the Group's defined benefit pension scheme obligations have been updated by independent qualified actuaries as at the period end. The most significant of these are the discount rate and the rate of inflation which are 3.9% (1 March 2014: 4.4%) and 3.1% (1 March 2014: 3.3%) respectively.

Contributions paid by the Group total £11.4m (2013: £11.7m), including £11.0m (2013: £11.0m) as part of the deficit recovery plan agreed with the scheme trustees following the completion of the 31 March 2012 actuarial valuation.

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For the 26 weeks ended 30 August 2014

15. Notes to the consolidated statement of cash flows

52 weeks ended 1 March 2014 £m	Cash generated from operations	**26 weeks ended 30 August 2014 £m**	26 weeks ended 31 August 2013 £m
71.2	Profit before tax	**13.5**	14.2
	Adjustments for:		
(1.2)	Net financing expense/(income)	**3.7**	3.1
70.0	Operating profit	**17.2**	17.3
(0.2)	Profit on sale of property, plant and equipment and other intangible assets	**(0.1)**	(0.1)
129.5	Depreciation and amortisation	**66.8**	65.7
(3.0)	Reversal of impairment losses	**-**	-
3.3	Finance expense charged to Financial Services cost of sales	**1.7**	1.5
39.4	(Increase)/decrease in inventories	**(27.7)**	(23.5)
(74.6)	Decrease/(Increase) in receivables	**20.1**	(2.2)
5.5	Increase in payables	**86.8**	73.5
(29.7)	Movement in working capital	**79.2**	47.8
12.4	(Decrease)/increase in provisions	**(12.5)**	(7.6)
(35.6)	Movement in post-employment benefit obligations	**(10.7)**	(10.5)
14.3	Share-based payment expense (net of dividend equivalent payments)	**5.3**	6.8
161.0	**Cash generated from operations**	**146.9**	120.9

16. Seasonality

The retail sales for Argos and Homebase are subject to seasonal fluctuations. Demand for Argos products is highest during the months of November and December, whilst demand for Homebase products is highest through the spring, at Easter and during the summer months and, for big ticket items, during the January sales.

17. Related parties

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

The Group received £nil (2013: £9.7m) for its shareholding and £nil (2013: £1.2m) as loan repayment on the sale of its associate Ogalas Limited.

At 30 August 2014, the amounts owed by its associates to the Group totalled £0.1m (2013: £2.5m).

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

HOME RETAIL GROUP PLC

NOTES TO THE CONDENSED HALF-YEARLY FINANCIAL INFORMATION

For the 26 weeks ended 30 August 2014

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 2014. 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

John Walden	Richard Ashton
Chief Executive	Finance Director
22 October 2014	22 October 2014

HOME RETAIL GROUP PLC

SHAREHOLDER INFORMATION

Registrar

For all enquiries and shareholder administration (other than for American Depositary Receipts), please contact Capita Asset Services:
Postal address: Capita Asset Services, 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 Asset Services.

Home Retail Group plc website

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

Dividend reinvestment plan

The Home Retail Group Dividend Reinvestment Plan (DRIP) enables shareholders to use their cash dividends to purchase Home Retail Group shares. Shareholders who wish to participate in the DRIP for the first time, in respect of the interim dividend to be paid on 22 January 2015, should return a completed and signed DRIP mandate form to be received by the Registrar, by no later than 28 December 2014. For further details, please contact Capita Asset Services.

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	12 November 2014
Interim dividend record date	13 November 2014
Interim Management Statement	15 January 2015
Interim dividend paid	22 January 2015
Full-year trading statement	12 March 2015
Full-year results for the 52 weeks to 28 February 2015	29 April 2015
Final ex-dividend date	20 May 2015
Final dividend record date	21 May 2015
Interim Management Statement	11 June 2015
Final dividend paid	23 July 2015

Registered office

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