

New development opportunities

Home Retail Group is developing the Argos retail format in India in a strategic partnership arrangement with leading Indian department store retailer Shoppers' Stop and hypermarket format HyperCITY. Argos is providing its brand, catalogue and multi-channel expertise and IT support. The development is approximately half-way through an initial trial phase and, if successful, would see any future development continue under a franchise arrangement.

The business, trading under the 'HyperCITY-Argos' brand name, is based largely on the existing Argos multi-channel proposition. To date, six stores have opened in the Mumbai region to support the October 2007 launch of the first edition of the catalogue which contained 4,700 lines. A number of store formats are being tested, including catalogue stores similar to those of Argos in the UK, a display store showcasing a greater amount of the product range, and small stores where stock can be ordered for later customer collection. The stores are currently supported by a non-transactional website, www.hypercityargos.com, a call centre operation and a home delivery operation. The second edition of the catalogue has recently launched, and the next stages of the trial include further stores being added and the website becoming fully transactional.

A second opportunity being developed is the HomeStore&More out-of-town homewares format. The Group paid £6.8m to acquire a 33% stake in the Irish operator of this format, with the investment being used to expand the business throughout Ireland; three stores were opened in the year taking the chain to five, with further openings expected in the next 12 months. In terms of mainland UK, Home Retail Group is developing its own wholly-owned version of the format. The first store opened in October 2007 in Aylesbury, Buckinghamshire, and a second store opened in March 2008 in Cambridge. Further UK stores are expected to be added over the next 12 months and there are ongoing reviews of potential adaptations to the product mix and format.

The success of both these ventures will continue to be monitored over their initial trial phases.

Central Activities

Central Activities represents the cost of central corporate functions and the investment costs of new development opportunities. Corporate functions costs were held broadly flat; the overall cost growth of £4.8m in the year reflected the first year of the India and HomeStore&More trials. As previously announced, during the second year of the trials a similar cost of approximately £5m is expected.

52 weeks to	1 March 2008	3 March 2007
Central Activities (£m)	(28.8)	(24.0)