For Immediate Release 7th December 2005

European Home Retail plc

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31st OCTOBER 2005

European Home Retail plc, the leading European home retail group, announces interim results for the six months ended 31st October 2005.

Key Points

- Turnover up 28% to £101.6 million (2004: £79.4m) reflecting maiden contribution of internet businesses
- Operating profit before exceptionals, joint venture and associate, £1.2m (2004 £2.3 million)
- Loss before tax and exceptional items of £0.6 million (2004: profit £2.1 million) following anticipated investment in eeZee tv
- Basic Loss Per Share of 1.58 pence per share (2004: earnings of 2.98 pence per share)
- Interim dividend of 1.12 pence per share declared (2004: 1.07p pence per share)
- Full year pre-tax profit expected to be not less than £3.5 million, with substantial uplift anticipated in year ending 30th April 2007
- Internet unique users in November increased by over 60% to 2.6 million (November 2004: 1.6 million)
- Kitbag awarded exclusive rights for 45 countries to World Cup shop from FIFA.com for 2006 World Cup plus five year contract for Celtic Football Club, complementing existing Manchester United, Chelsea and Barcelona club contracts.
- Outsourcing of Farepak hamper business proceeding smoothly and on line to deliver cost savings
- Change of format for eeZee tv from live to "as live" thereby eliminating losses going forward

William Rollason, Chief Executive, said:

"The period just reported has been in line with expectations and represents the first full six months of trading with all of our new acquisitions.

We are, however, not immune to the overall economic conditions and November trading results for Kleeneze Europe have seen revenue fall below expectations. As a result we now expect current year profit before taxation and amortisation to be not less than £3.5 million.

The strategy that we have put in place to widen our product range and distribution channels will have been successfully implemented by the year end. The year ending 30th April 2007 will also benefit substantially from the elimination of £2.1 million of operating losses at eeZee tv as well as improved efficiencies within our Catalogue Home Shopping division and further growth in our internet retailing activities."

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EUROPEAN HOME RETAIL PLC

CHAIRMAN'S STATEMENT

Revenue for the first six months increased by 28% to £101.6 million (2004: £79.4 million) due to the first time contribution of our internet businesses. Excluding the acquisitions revenue grew by 16% primarily due to the increase in low margin voucher business in the Catalogue Home Shopping division

Due to the seasonal loss making nature of our internet businesses, which we acquired in the second half of last year, Group operating profit before exceptional items, joint venture and associate was reduced to £1.2 million (2004: £2.3 million). Excluding the acquisitions made last financial year, operating profit grew by 17% primarily due to a timing difference on the marketing expenditure at Farepak.

The Group recorded a loss before tax and exceptional items of £0.6 million (2004: profit £2.1 million) due to the anticipated share of our investment in eeZee tv of £1.1 million (2004: £nil) and the increased net finance charge of £0.6 million (2004: net finance income £0.05 million)

The share of our investment in eeZee tv led to basic losses per share, excluding non-operating items, of 1.58 pence (2004: earnings 2.98 pence).

Net debt at 31st October 2005 was £7.6 million (2004: Net funds of £10.8 million). Net liabilities at 31st October 2005 were £10.9 million (2004: £11.8 million and 30th April 2005: £9.1 million).

IFRS

Our results for the period and comparatives have been prepared in accordance with International Financial Accounting Standards. Details showing the adjustments to published results for the financial year ended 30th April 2005 and the six months ended 31st October 2004 are shown in the report "Adoption of International Financial Reporting Standards" which can be found on the Company's investor relations website at www.europeanhomeretail.com

CATALOGUE HOME SHOPPING

Revenue for the first six months increased by 16% to £92.3 million (2004: £79.3 million). This is primarily due to the increase in low margin voucher business at Farepak. Operating profit increased by 17% to £3.4 million (2004: £2.9 million) due to a timing difference in the marketing costs at Farepak.

At Kleeneze Europe revenue grew by 4% to £45.4 million (2004: £43.8 million). The number of active distributors in the UK and Ireland increased to 13,504 (2004: 13,374) and we continued to work on average sales per retailer per period ("ASR"), which grew in the six months by 13% to £813 (2004: £720). We have achieved this by enhancing the offering in our Health & Beauty catalogue, which we have now increased to 48 pages from 32 pages, and continuing our focus groups to ensure that the main book remains attractive to our customers. Margins in the first six months reduced slightly due to a one off 9% increase in distribution charges, which includes a fuel surcharge levied on us following the recent increases in oil prices. Our Dutch operation started quickly last year and although the number of active distributors has fallen, it is now at the same level as Ireland where we have been trading since 1995. We remain confident that further growth will arise in the second half.

At Farepak we are focusing on Christmas 2005 deliveries to our customers. The outsourcing of our hamper production has proceeded smoothly and is on track to produce the anticipated savings. Our voucher business has seen considerable growth albeit at low margins. The recruitment season for 2006 has commenced and the initial enquiries are ahead of the same time last year. Our Christmas 2006 product range has been extended and our voucher offering has been further improved to provide competitive differentiation in this growing area.

INTERNET RETAILING

Revenue for the first six months was £9.4 million (2004: £0.1 million) and there was an operating loss of £1.7 million (2004: £0.1 million). We acquired I Want One of Those.com Limited ("IWOOT") in October 2004 and Kitbag.com Limited ("Kitbag") in April this year. Both businesses are traditionally loss making in the first six months of the financial year.

We re-launched IWOOT's website on 2nd September 2005 to increase its capacity and speed to reflect the increased number of items and categories as we now carry over 750 items on the site across nine categories. IWOOT's website received 1.2 million unique visitors in November, a 47% increase over last year. We continue to add new customers to our database, which has increased by 25% since acquisition. We have re-located IWOOT's distribution to a dedicated warehouse in South London to handle the increased turnover.

Kitbag has recently signed a five year contract for the exclusive internet and catalogue retailing rights for Celtic Football Club. This continues our strategy of representing major football club brands and will complement Manchester United, Chelsea and Barcelona. We also won the exclusive rights to run the World Cup shop for FIFA.com for the duration of the 2006 World Cup, covering 45 countries. Kitbag received 1.4 million unique visitors to its website in November – a 74% increase over November last year.

TELEVISION SHOPPING

eeZee tv, broadcasting on Sky 659, grew its audience as it established itself in the television shopping spectrum. Our Retailer Hours, currently comprising Carphone Warehouse and Robert Dyas, have been well received and we are negotiating with other well known High Street retailers to increase these. We continue to work on flowing product through eeZee tv into our catalogues and the first items will be in our catalogues to be released in December. We believe that there is much more that can be done to improve the flow of product across our platforms. The popularity of our Kleeneze Show continues to increase and we are now broadcasting this show four times a week.

DIVIDEND

The Board is declaring an interim dividend of 1.12 pence per share, a 5% increase over last year (2004: 1.07 pence per share) reflecting the Board's confidence in the Group's ongoing growth prospects. This will be paid on 21st March 2006 to shareholders on the register on 16th December 2005.

OUTLOOK

The period just reported has been in line with expectations and represents the first full six months of trading with all of our new acquisitions. We have already seen some benefits from widening the product range and the distribution channels, which will continue to increase.

In our Catalogue Home Shopping division we grew revenue in spite of an increasingly difficult retail environment. We are, however, not immune to the overall economic conditions and, in November, we have seen revenue at Kleeneze Europe fall below expectations. Our Kleeneze Christmas catalogue is trading well year on year but we are seeing sales of the main book, which represents some 60% of total revenue, slowing down. We will launch a new main book later this month and based on our customer research we expect this to trade well. The slow down in revenue growth has reduced our ability to offset the significant increases in distribution charges that we have had to absorb during this year, which we have capped at RPI going forward. Recognising this we have taken steps to reduce the cost base and improve efficiencies in the Catalogue Home Shopping division so that our margin going forward should not be affected. We remain on track to launch in Germany during the early part of 2006. Farepak's 2005 Christmas season is trading in line with our expectations.

In our Internet Retailing division the Christmas period represents a significant part of the year's trading and the early indications are that we will meet our expectations. We are encouraged by the increase in traffic at both IWOOT and Kitbag.

Television Shopping remains a good opportunity for us. We have recently changed the format of eeZee tv by moving from a live to a pre recorded format. This will enable us to reduce the cost base substantially over the next two months so that our investment will be lower in the second half of this year and we expect the business to be in a breakeven position next financial year. We are accelerating the flow through of successful product from eeZee tv into our catalogues. In November we released a catalogue across the Kleeneze network dedicated to the most successful products from IWOOT, eeZee tv and Kitbag. Early indications are that this has been well received.

With a continuation of the recent slow down in revenue growth at Kleeneze Europe, profit before tax and amortisation for the year ending 30th April 2006 will be lower than the current expectations but should not be less than £3.5 million.

The strategy that we have put in place to widen our product range and distribution channels will have been successfully implemented by the year end. The year ending 30th April 2007 will also benefit substantially from the elimination of £2.1 million of operating losses at eeZee tv as well as improved efficiencies within our Catalogue Home Shopping division and further growth in our internet retailing activities.

Sir Clive Thompson

7th December 2005

European Home Retail plc
Consolidated Income Statement for the six months ended 31st October 2005

	Note	6 months ended 31st October 2005 £'000	6 months ended 31st October 2004 Before exceptional items £'000	6 months ended 31st October 2004 Exceptional items £'000	6 months ended 31st October 2004 Total £'000
Revenue	2	101,642	79,447	-	79,447
Cost of sales		(83,105)	(64,567)	-	(64,567)
Gross profit		18,537	14,880	-	14,880
Selling and distribution costs		(7,308)	(5,164)	-	(5,164)
Other administrative expenses		(9,756)	(7,450)	-	(7,450)
Intangible amortisation		(265)	(11)	-	(11)
Total administrative expenses		(10,021)	(7,461)	-	(7,461)
Operating profit	2	1,208	2,255	-	2,255
Profit on the sale of property, plant and equipment	4	-	-	522	522
Profit on the sale of financial assets	4	-	-	884	884
Group profit before share of results of joint venture and associate		1,208	2,255	1,406	3,661
Share of results of associate after taxation		(74)	(139)	-	(139)
Share of results of joint venture after taxation		(1,071)	(43)	-	(43)
Profit on ordinary activities before net finance and tax		63	2,073	1,406	3,479
Finance income		254	186	-	186
Other finance costs		(689)	(138)	-	(138)
Unwind of discount		(186)	-	-	-
Total finance costs		(875)	(138)	-	(138)
(Loss)/profit on ordinary activities before taxation		(558)	2,121	1,406	3,527
Taxation	5	(179)	(701)	132	(569)
(Loss)/profit after tax		(737)	1,420	1,538	2,958
(Loss)/earnings per ordinary share – basic	6	(1.58)p	2.98p		6.26p
(Loss)/earnings per ordinary share – diluted	6	(1.58)p	2.95p		6.20p
Dividend proposed per ordinary share		1.12p			1.07p
Dividend paid per ordinary share		2.23p			2.00p

All (loss)/profit is attributable to equity shareholders.

Consolidated Statement of Recognised Income and Expense for the six months ended 31st October 2005

	6 months ended 31st October 2005 Total £'000	6 months ended 31st October 2004 Before exceptional items £'000	6 months ended 31st October 2004 Exceptional items £'000	6 months ended 31st October 2004 Total £'000
(Loss)/profit for the period	(737)	1,420	1,538	2,958
Currency translation differences	(9)	18	-	18
Total recognised income and expense for the period	(746)	1,438	1,538	2,976

All recognised income and expense is attributable to equity shareholders, including that resulting from the adoption of IAS 39.

European Home Retail plc
Consolidated Income Statement for the year ended 28th April 2005

	Note	Before exceptional items £'000	Exceptional items £'000	Year ended 28th April 2005 Total £'000
Revenue	2	175,874	-	175,874
Cost of sales		(140,836)	-	(140,836)
Gross profit		35,038	-	35,038
Selling and distribution costs		(12,384)	-	(12,384)
Other administrative expenses	3	(15,886)	(2,138)	(18,024)
Intangible amortisation		(624)	-	(624)
Total administrative expenses		(16,510)	(2,138)	(18,648)
Operating profit/ (loss)	2	6,144	(2,138)	4,006
Profit on the sale of property, plant and equipment	4	-	522	522
Profit on the sale of financial assets	4	-	884	884
Group profit/ (loss) before share of results of joint venture and associate		6,144	(732)	5,412
Share of results of associate after taxation		589	-	589
Share of results of joint venture after taxation		(901)	-	(901)
Profit/ (loss) on ordinary activities before net finance and tax		5,832	(732)	5,100
Finance income		468	-	468
Other finance costs		(756)	-	(756)
Unwind of discount		(167)	-	(167)
Total finance costs		(923)	-	(923)
Profit/ (loss) on ordinary activities before taxation		5,377	(732)	4,645
Taxation	5	(1,501)	1,113	(388)
Profit for the year		3,876	381	4,257
Earnings per ordinary share – basic	6	8.15p		8.96p
Earnings per ordinary share – diluted	6	8.07p		8.87p
Dividend proposed per ordinary share				2.23p
Dividend paid per ordinary share				3.07p

All profit from the year is attributable to shareholders.

Consolidated Statement of Recognised Income and Expense for the year ended 28th April 2005

	Before exceptional items £'000	Exceptional items £'000	Total £'000
Profit for the period	3,876	381	4,257
Actuarial loss on defined benefit scheme	(218)	-	(218)
Currency translation differences	(13)	-	(13)
Total recognised income and expense for the period	3,645	381	4,026

All recognised income and expense is attributable to equity shareholders.

European Home Retail plc
Consolidated Balance Sheet as at 31st October 2005

	31st October 2005 £'000	31st October 2004 £'000	28th April 2005 £'000
Non-current assets			
Goodwill	20,787	11,010	20,771
Intangible assets	4,182	2,625	4,119
Property, plant and equipment	9,951	9,945	10,253
Investments in associate	8	-	82
Investments in joint venture	2,996	1,713	2,066
Deferred tax	959	857	1,017
	38,883	26,150	38,308
Current assets			
Inventories	24,831	30,029	10,822
Trade and other receivables	14,256	11,414	6,681
Derivatives	44	-	-
Cash and cash equivalents	2,190	17,024	581
Corporation tax assets	418	-	-
	41,739	58,467	18,084
Non-current assets classified as held for sale	-	1,000	1,000
Total assets	80,622	85,617	57,392
Current liabilities			
Interest-bearing loans and borrowings	(6,136)	(387)	(21,701)
Non interest-bearing loans and borrowings	(1,875)	(2,250)	(2,250)
Obligations under finance leases	(27)	(52)	(66)
Trade and other payables	(77,149)	(85,282)	(32,060)
Corporation tax liabilities	-	(393)	(558)
	(85,187)	(88,364)	(56,635)
Non-current liabilities			
Interest-bearing loans and borrowings	(64)	(159)	(112)
Non interest-bearing loans and borrowings	(1,696)	(3,410)	(3,486)
Trade and other payables	-	-	(100)
Obligations under finance leases	-	(20)	-
Deferred tax	(1,079)	(797)	(1,143)
Retirement benefit obligations	(705)	(474)	(742)
Provisions	(2,781)	(4,148)	(4,230)
	(6,325)	(9,008)	(9,813)
Total liabilities	(91,512)	(97,372)	(66,448)
Net liabilities	(10,890)	(11,755)	(9,056)
Equity			
Called up share capital: ordinary	2,410	2,345	2,410
Called up share capital: preference	500	500	500
Share premium account	1,154	1,155	1,154
Other reserve	411	411	411
Foreign currency translation	(9)	18	(13)
Retained earnings	(15,356)	(16,184)	(13,518)
Total equity	(10,890)	(11,755)	(9,056)

European Home Retail plc
Consolidated Cash Flow Statement for the six months ended 31st October 2005

	6 months ended 31st October 2005 £'000	6 months ended 31st October 2004 £'000	Year ended 28th April 2005 £'000
Cash flows from operating activities			
Operating profit	1,208	2,255	4,006
Depreciation	702	541	1,063
Finance income	720	1,280	1,850
Finance expense	(1,223)	(1,233)	(2,261)
Amortisation of intangibles	265	11	624
Share options charge	62	70	140
Defined benefit pension scheme credit	(38)	(43)	(86)
Increase in inventories	(14,009)	(22,631)	(2,099)
(Increase)/decrease in receivables and prepayments	(7,973)	(3,320)	2,120
Increase/(decrease) in payables and accruals	44,065	51,315	(2,786)
Profit on sale of property, plant and equipment	(2)	(26)	(23)
Net cash inflow from operating activities	23,777	28,219	2,548
Dividends received from associate	22	706	1,266
Income tax (paid)/received	(758)	155	213
Net cash flows from operating activities	23,041	29,080	4,027
Cash flows from investing activities			
Purchase of property, plant and equipment	(271)	(696)	(1,335)
Proceeds from sale of property, plant and equipment	1,000	2,178	2,150
Investment in joint venture	-	(1,330)	(1,654)
Acquisition of subsidiaries, net of cash acquired	(266)	(959)	(10,125)
Purchase of intangible assets	(462)	(456)	(686)
Proceeds from sale of financial assets	-	1,217	1,218
Tax payable on investing activities	-	-	(145)
Net cash flows from investing activities	1	(46)	(10,577)
Cash flows from financing activities			
Payment of finance lease liabilities	(39)	-	(28)
Proceeds from issue of new shares	-	12	12
Loans to joint venture	(2,430)	(416)	(1,313)
Repayment of loans and borrowings	(2,676)	(51)	(681)
Dividends paid to preference shareholders	(27)	(18)	(34)
Dividends paid to equity shareholders	(1,075)	(938)	(1,440)
Net cash flows used in financing activities	(6,247)	(1,411)	(3,484)
Net increase/(decrease) in cash and cash equivalents	16,795	27,623	(10,034)
Cash and cash equivalents at beginning of period	(20,632)	(10,598)	(10,598)
Cash and cash equivalents at end of period	(3,837)	17,025	(20,632)

European Home Retail plc
Notes

1. Basis of preparation

These interim financial statements are the first to be issued since the Group adopted International Accounting Standards and International Financial Reporting Standards (collectively 'IFRS') on 29th April 2005.

A separate document "Adoption of International Financial Reporting Standards" gives details of the Group's new IFRS accounting policies and shows the impact of applying these new policies to the comparative information for the year ended 28th April 2005 and the six months ended 31st October 2004. Copies of this document are available on the Group's website – www.europeanhomeretail.com.

The accounting policies included in the document "Adoption of Financial Reporting Standards" are those that the Group expects to adopt in its first set of financial statements prepared under IFRS for the year ending 30th April 2006. Those policies assume that the EU will endorse by 30th April 2006 all standards issued by the IASB and interpretations issued by IFRIC that are applicable to the year ending 30th April 2006. However, future endorsements cannot be determined with certainty and the IASB and IFRIC may issue new standards or interpretations respectively, which will be applicable to the financial statements for the year ending 30th April 2006. It is therefore possible that the accounting policies presented in section 5 may be amended by the time the financial statements for the year ending 30th April 2006 are presented.

The accounting policies applied in the preparation of these interim financial statements are the same as those set out in the document "Adoption of Financial Reporting Standards" with the exception that the Group adopted IAS 32 Financial Instruments: Disclosure and Presentation and IAS 39 Financial Instruments: Recognition and Measurement with effect from 29th April 2005. The impact of adopting these standards on net equity is presented in note 10. Financial instruments were accounted for using the Group's previous UK GAAP accounting policies in the comparative periods.

The comparative figures for the year ended 28th April 2005 do not constitute statutory accounts for the purposes of section 240 of the Companies Act 1985. A copy of the statutory accounts for the year ended 28th April 2005, prepared under UK GAAP, has been delivered to the Registrar of Companies and contained an unqualified auditors' report in accordance with Section 235 of the Companies Act 1985.

European Home Retail plc
Notes continued

2. Segmental analysis

	6 months ended 31st October 2005 £'000	6 months ended 31st October 2004 £'000	Year ended 28th April 2005 £'000
Revenue			
Catalogue Home Shopping	92,351	79,343	170,646
Internet Retailing	9,390	104	5,228
Television Shopping	-	-	-
	101,741	79,447	175,874
Intragroup	(99)	-	-
	101,642	79,447	175,874
Operating profit/(loss) before exceptional items			
Catalogue Home Shopping	3,437	2,870	8,052
Internet Retailing	(1,739)	(74)	(1,064)
Television Shopping	(91)	(74)	(147)
	1,607	2,722	6,841
Central costs	(399)	(467)	(697)
	1,208	2,255	6,144
Operating profit/(loss) including exceptional items			
Catalogue Home Shopping	3,437	2,870	6,461
Internet Retailing	(1,739)	(74)	(1,062)
Television Shopping	(91)	(74)	(387)
	1,607	2,722	5,012
Central costs	(399)	(467)	(1,006)
	1,208	2,255	4,006

3. Operating exceptional items

	6 months ended 31st October 2005 £'000	6 months ended 31st October 2004 £'000	Year ended 28th April 2005 £'000
Catalogue Home Shopping	-	-	(1,489)
Internet Retailing	-	-	-
Television Shopping	-	-	(340)
	-	-	(1,829)
Central costs	-	-	(309)
	-	-	(2,138)

During the year end 28th April 2005, the Catalogue Home Shopping Division incurred an exceptional charge of £1.5 million comprising:

- £0.3 million of costs relating to the management restructure programme at Kleeneze Europe.
- £0.5 million start up costs in relation to Kleeneze Europe's entry into the Netherlands.
- £0.2 million relating to costs written off as a result of a change in VAT legislation.
- £0.5 million in respect of redundancy and associated costs resulting from the closure of Farepak's hamper production facilities in Swindon.

In addition, the Television Shopping Division incurred an exceptional charge of £0.3 million relating to set up costs of eeZee tv and a further £0.3 million was incurred on abortive acquisitions and included within central costs.

European Home Retail plc
Notes continued

4. Non operating exceptional items

	6 months ended 31st October 2005 £'000	6 months ended 31st October 2004 £'000	Year ended 28th April 2005 £'000
Profit on disposal of fixed assets – continuing operations	-	522	522
Profit on disposal and closure of operations	-	884	884
	-	1,406	1,406

During the six months ended 31st October 2004, Farepak disposed of freehold premises for cash proceeds of £2.1 million. The net book value of fixed assets disposed of was £1.5 million and the costs of disposal were £0.1 million giving rise to a profit on disposal of £0.5 million. On 22nd July 2004, following the disposal of Display Marketing Group, 190,763 Ordinary shares in Premier Direct Group plc were sold for £1.2 million. The net book value of this investment was £0.3 million, giving rise to a profit on disposal of £0.9 million.

5. Tax on profit on ordinary activities

The taxation charge for the period has been calculated on the basis of the estimated effective tax rate for the full year of 28.8% (2004: 31.8%) of taxable profits adjusted for the impact of International Accounting Standards in the period to 31st October 2005. The taxation charge for the period includes £nil share of taxation charge of the associate (2004: £8,000 credit).

An exceptional tax charge of £0.1 million was recognised in the six months to 31st October 2004 relating to the disposal of freehold property in the period. This charge was offset by an exceptional tax credit of £0.2 million relating to the release of a deferred tax liability no longer required following disposal of the property. At 28th April 2005, an exceptional tax credit of £1.1 million was recognised

6. Earnings per Ordinary share

Basic earnings per share

Basic earnings per share has been calculated using the weighted average number of Ordinary shares in issue during the period of 48,210,260 (2004: 46,892,595 and 28th April 2005: 47,004,110). Earnings are defined as profit or loss after taxation and preference dividends.

Diluted earnings per share

Diluted earnings per share have been calculated using an average number of shares of 48,485,480 (2004: 47,341,263 and 28th April 2005: 47,474,061). The basic weighted average number of shares has been adjusted for the fair value of shares under the three Kleeneze plc share option schemes.

Normalised basic earnings per share

Normalised basic earnings per share has been calculated using the loss after taxation, amortisation of the intangible assets and preference dividends on continuing operations of £0.5 million (2004: £1.2 million). Taxation of £0.1 million (2004: £0.5 million) has been charged against the profit arising on continuing operations in the period. The weighted average number of Ordinary shares in issue used in the calculation of normalised basic earnings per share is 48,210,260 (2004: 46,892,595 and 28th April 2005: 47,004,110).

Normalised diluted earnings per share

Normalised diluted earnings per shares has been calculated using the loss after taxation, amortisation of the intangible assets and preference dividends on continuing operations of £0.5 million (2004: £1.2 million). Taxation of £0.1 million (2004: £0.5 million) has been charged against the profit arising on continuing operations in the period. The average number of shares has been adjusted for the fair value of shares under the three European Home Retail plc share option schemes totalling 260,467 shares (2004: 448,668 shares). The weighted average number of Ordinary shares in issue used in the calculation of normalised diluted earnings per share is 48,485,480 (2004: 47,341,263 and 28th April 2005: 47,474,061).

European Home Retail plc
Notes continued

6. Earnings per ordinary share (continued)

	6 months ended 31st October 2005 £'000	6 months ended 31st October 2004 £'000	Year ended 28th April 2005 £'000
(Loss)/profit after tax	(737)	2,958	4,257
Preference dividends	(27)	(23)	(45)
Add back: intangible amortisation	265	11	624
Deduct: exceptional and non operating items after tax	-	(1,538)	(381)
	(499)	1,408	4,455
(Loss)/ Earnings per share – normalised basic	(1.04)p	3.00p	9.48p
(Loss)/ Earnings per share – normalised diluted	(1.03)p	2.97p	9.38p

7. Dividends

	6 months ended 31st October 2005 £'000	6 months ended 31st October 2004 £'000	Year ended 28th April 2005 £'000
Equity dividends			
Preference shares of £1			
499,980 9% cumulative preference shares	23	23	45
Ordinary shares of 5p			
Interim (2004: 1.07 pence per share)	-	-	502
Final (2005: 2.23 pence per share; 2004: 2.00 pence per share)	1,076	938	938
	1,099	961	1,485

Under IFRS, final dividends are recognised as a liability and a deduction from equity in the period when they have been declared and approved by the Company in general meeting. Interim dividends are recognised as a deduction from equity in the period in which they are paid.

8. Reconciliation of net cash inflow to movement in net debt

	6 months ended 31st October 2005 £'000	6 months ended 31st October 2004 £'000	Year ended 28th April 2005 £'000
Increase/(decrease) in cash	16,795	27,623	(10,034)
Repayment of loan notes	2,529	-	-
Repayment of loans	147	51	681
Repayment of finance lease liabilities	39	-	28
Cash movement in net debt	19,510	27,674	(9,325)
Non cash movement in net debt	(85)	(5,660)	(6,520)
Net debt at start of period	(27,034)	(11,189)	(11,189)
Net (debt)/funds at end of period	(7,609)	10,825	(27,034)
Loan notes	(85)	(5,660)	(5,736)
Loans	-	-	(690)
Finance leases	-	-	(94)
Non cash movement in net debt	(85)	(5,660)	(6,520)

European Home Retail plc
Notes continued

9. Analysis of movement in reserves

	Issued capital £'000	Share premium £'000	Other reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
Balance at 1st May 2004	2,844	1,143	411	-	(17,226)	(12,828)
Change of accounting policy	-	-	-	-	(1,564)	(1,564)
Employee share option scheme	-	-	-	-	29	29
Employee benefits	-	-	-	-	(457)	(457)
Dividend – equity	-	-	-	-	938	938
Balance at 1st May 2004 (as restated)	2,844	1,143	411	-	(18,280)	(13,882)
Profit for the period	-	-	-	-	2,957	2,957
Issue of shares	1	12	-	-	-	13
Employee share option scheme	-	-	-	-	90	90
Currency translation difference	-	-	-	18	(18)	-
Dividend – equity	-	-	-	-	(933)	(933)
Balance at 31st October 2004	2,845	1,155	411	18	(16,184)	(11,755)
Profit for the period	-	-	-	-	1,300	1,300
Issue of shares	65	(1)	-	-	2,031	2,095
Employee share option scheme	-	-	-	-	77	77
Employee benefits	-	-	-	-	(218)	(218)
Currency translation difference	-	-	-	(31)	31	-
Dividend – equity	-	-	-	-	(555)	(555)
Balance at 28th April 2005	2,910	1,154	411	(13)	(13,518)	(9,056)
Adoption of IAS 32 and IAS 39	-	-	-	-	(31)	(31)
At 29th April 2005	2,910	1,154	411	(13)	(13,549)	(9,087)
Employee share option scheme	-	-	-	-	39	39
Currency translation differences	-	-	-	4	(4)	-
Loss for the period	-	-	-	-	(737)	(737)
Dividends – equity	-	-	-	-	(1,105)	(1,105)
At 31st October 2005	2,910	1,154	411	(9)	(15,356)	(10,890)

All recognised income and expense is attributable to equity shareholders including the impact of IAS 39 adoption at 29th April 2005.

10. Adoption of Financial Instrument Standards (IAS 32/IAS 39)

The unaudited expected impact on the 29th April 2005 consolidated balance sheet of adopting IAS 32 and IAS 39 is summarised below:

	Year end 28th April 2005 £'000	Impact of adopting IAS 39 and IAS 39 £'000	As at 29th April 2005 £'000
Derivatives*	-	31	31
Financial assets	581	-	581
Financial liabilities	(27,615)	-	(27,615)
Deferred tax	(122)	-	(122)
Other net assets	36,219	-	36,219
	9,063	31	9,094

* At 29th April 2005, the Group held a number of forward currency contracts not previously recognised within the financial statements, but now recognised at fair value.

11. Announcement

The interim report was approved by the Board on 7th December 2005.

This announcement will be posted to shareholders on 22nd December 2005 and copies will be available from the registered office at Westmead Drive, Westlea, Swindon SN5 7YZ or from the web site at www.europeanhomeretail.com

Independent Review Report to European Home Retail plc on the preliminary IFRS consolidated financial information for the six months ended 31 October 2005

Introduction

We have been instructed by the Company to review the financial information for the six months ended 31st October 2005 which comprises the Consolidated Income Statement, Consolidated Statement of Recognised Income and Expense, Consolidated Balance Sheet, Consolidated Cash Flow Statement and the related notes 1 to 11. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by the law, we do not accept or assume responsibility to anyone other than the Company for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority.

As disclosed in note 1, the next annual financial statements of the Group will be prepared in accordance with those IFRS's adopted for use by the European Union. The accounting policies are consistent with those that the directors intend to use in the next financial statements. There is, however, a possibility that the directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with those IFRS's adopted for use by the European Union. This is because, as disclosed in note 1, further standards and interpretations may also be issued by the European Union that will become applicable for the Company's financial year to 30th April 2006.

Review of work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore produces a lower level of assurance than an audit. Accordingly, we do not express an opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the preliminary financial information as presented for the six months ended 31st October 2005.

Ernst & Young LLP
London
7 December 2005