

# Notes to the interim financial statements

for the six months ended 30 September 2003

## 1. Basis of preparation

The interim report comprises the unaudited results for the six months ended 30 September 2003 and 30 September 2002 and the audited results for the twelve months ended 31 March 2003. The financial information for the twelve months ended 31 March 2003 has been extracted from the Group's statutory financial statements for that year. The interim financial statements are unaudited and do not constitute statutory accounts but have been formally reviewed by the auditors and their report is set out on page 23.

## 2. Divisional analysis

On 27 May 2003 the Group announced the disposal of its Home Shopping and Reality businesses and, accordingly, the results of these operations are classified as discontinued. To give an indication of ongoing profitability, continuing and discontinued operations are now separately reported within the results of Argos Retail Group with comparative figures restated. As the completion statements in respect of the sold businesses are still subject to agreement, the profits and losses of the discontinued operations for the current period will be reported in the Group's statutory financial statements for the year to 31 March 2004. The results of the discontinued operations in the comparative periods are analysed below:

	Turnover		Profit before taxation	
	Six months to 30.9.02 £m	Year to 31.3.03 £m	Six months to 30.9.02 £m	Year to 31.3.03 £m
Discontinued operations				
Argos	66	144	(5.9)	(2.6)
Home Shopping UK & Ireland	704	1,482	9.5	15.4
Financial Services	–	–	8.4	17.7
Home Shopping Continental Europe	21	47	1.7	4.8
	791	1,673	13.7	35.3

Comparative figures for Homebase for the year ended 31 March 2003 cover the post acquisition period from 20 December 2002.

As previously announced, from 1 April 2003 the results for the Finance Division and gusco.com are reported within Central activities, which also includes Central costs. Comparative figures have been restated. For the six months ended 30 September 2002 and the year ended 31 March 2003 respectively, turnover of £9m and £18m and profits of £4.0m and £6.6m for the Finance Division, and losses of £1.4m and £2.7m in respect of gusco.com, are included within Central activities.

	Six months to		Year to 31.3.03 £m
	30.9.03 £m	30.9.02 £m	
The amortisation of goodwill is analysed as follows:			
Argos Retail Group	<b>63</b>	44	99
Experian	<b>24</b>	9	38
Burberry	<b>4</b>	3	6
	<b>91</b>	56	143

There was a further goodwill charge of £19m in the year ended 31 March 2003 which related to goodwill, previously written off to reserves, on the closure of Innovations.

for the six months ended 30 September 2003

**3. Exceptional items**

	30.9.03 £m	Six months to 30.9.02 £m	Year to 31.3.03 £m
Exceptional items comprise:			
Continuing operations			
Profit on Initial Public Offering of Burberry	–	161	161
Cost of employee share schemes in connection with the Initial Public Offering of Burberry	–	(22)	(22)
	–	139	139
Loss on sale of businesses	–	(1)	–
	–	138	139
Discontinued operations			
Disposal of Home Shopping and Reality businesses:			
Provision for loss on disposal	–	–	(210)
Realised loss on disposal	<b>(226)</b>	–	–
Less: utilisation of provision	<b>210</b>	–	–
	<b>(16)</b>	–	–
	<b>(16)</b>	–	(210)
Impairment of goodwill	–	–	(19)
	<b>(16)</b>	–	(229)
<b>Exceptional (charge)/profit</b>	<b>(16)</b>	138	(90)

The disposal of Home Shopping and Reality businesses was announced on 27 May 2003. The provision for loss on disposal charged in the year ended 31 March 2003 represented the difference between the sale proceeds of £590m and the net assets sold of approximately £800m, subject to the agreement of the completion statements. The further charge in the six months ended 30 September 2003 relates to professional and other costs associated with the transaction, such as the resulting reorganisation of the Argos Retail Group shared services infrastructure, and the charge of £11m in respect of goodwill previously written off to reserves.

The impairment of goodwill in the year ended 31 March 2003 related to goodwill, previously written off to reserves, on the closure of Innovations.

**4. Taxation**

The effective rate of tax, before amortisation of goodwill, loss on sale of businesses and the profit, in the comparative period, on the Initial Public Offering of Burberry, is based on the estimated tax charge for the full year at a rate of 23.9% (2003 full year: 22.7%).

**5. Foreign currency**

	Average			Closing		
	30.9.03	Six months to 30.9.02	Year to 31.3.03	30.9.03	30.9.02	31.3.03
The principal exchange rates used were as follows:						
US dollar	<b>1.62</b>	1.51	1.55	<b>1.66</b>	1.57	1.58
Euro	<b>1.43</b>	1.59	1.55	<b>1.43</b>	1.59	1.45
South African rand	<b>12.16</b>	15.76	14.89	<b>11.59</b>	16.52	12.48

Assets and liabilities of overseas undertakings are translated into sterling at the rates of exchange ruling at the balance sheet date and the profit and loss account is translated into sterling at average rates of exchange.

# Notes to the interim financial statements

for the six months ended 30 September 2003

## 6. Basic and diluted earnings per share

	30.9.03 pence	Six months to 30.9.02 pence	Year to 31.3.03 pence
Basic earnings per share before amortisation of goodwill and exceptional items	<b>26.0</b>	18.0	47.8
Effect of amortisation of goodwill	<b>(9.1)</b>	(5.6)	(14.3)
Effect of exceptional items	<b>(1.6)</b>	14.5	(8.4)
Basic earnings per share	<b>15.3</b>	26.9	25.1

The calculation of basic earnings per share is based on profit for the period divided by the weighted average number of Ordinary shares in issue during the period. Basic earnings per share before amortisation of goodwill and exceptional items is disclosed to indicate the underlying profitability of the Group.

	30.9.03 £m	Six months to 30.9.02 £m	Year to 31.3.03 £m
Earnings before amortisation of goodwill and exceptional items	<b>259</b>	179	476
Effect of amortisation of goodwill	<b>(91)</b>	(56)	(142)
Effect of exceptional items	<b>(16)</b>	145	(83)
Profit for the period	<b>152</b>	268	251

The calculation of diluted earnings per share reflects the potential dilutive effect of the exercise of employee share options.

	30.9.03 m	30.9.02 m	31.3.03 m
Weighted average number of Ordinary shares in issue during the period*	<b>997.1</b>	995.7	995.9
Dilutive effect of options outstanding	<b>8.9</b>	8.3	7.3
Diluted weighted average number of Ordinary shares in issue during the period	<b>1,006.0</b>	1,004.0	1,003.2

\* Excluding those held by The GUS ESOP Trust, The GUS ESOP Trust No. 2 and The GUS ESOP Trust No. 3.

## 7. Dividend

The interim dividend will be paid on 6 February 2004 to shareholders on the Register at the close of business on 9 January 2004.

## 8. Directors' responsibilities

The maintenance and integrity of the GUS plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibilities for any changes that may have occurred to the interim report since it was initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.