**KINGFISHER PLC**

**2014/15 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**CONSOLIDATED INCOME STATEMENT**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
|  |  | Half year ended 2 August 2014 |  | Half year ended 3 August 2013(restated – note 2) |
|  |  | Before | Exceptional |  |  | Before | Exceptional |  |
|  |  | exceptional | items |  |  | exceptional | items |  |
| £ millions | Notes | items | (note 5) | Total |  | items | (note 5) | Total |
| **Sales** | 4 | **5,768** | **-** | **5,768** |  | 5,716 | - | 5,716 |
| Cost of sales |  | **(3,660)** | **-** | **(3,660)** |  | (3,619) | - | (3,619) |
| **Gross profit** |   | **2,108** | **-** | **2,108** |   | 2,097 | - | 2,097 |
| Selling and distribution expenses  |  | **(1,464)** | **(11)** | **(1,475)** |  | (1,468) | 7 | (1,461) |
| Administrative expenses |  | **(297)** | **-** | **(297)** |  | (283) | - | (283) |
| Other income |  | **19** | **21** | **40** |  | 17 | 1 | 18 |
| Share of post-tax results of joint ventures and associates |  | **2** | **-** | **2** |  | 5 | - | 5 |
| **Operating profit**  |   | **368** | **10** | **378** |   | 368 | 8 | 376 |
|  |  |  |  |  |  |  |  |  |
| Analysed as: |  |  |  |  |   |  |  |  |
| **Retail profit** |  4 | **390** | **10** | **400** |  | 390 | 8 | 398 |
| Share of Hornbach operating profit |  | **-** | **-** | **-** |  | 4 | - | 4 |
| Central costs |  | **(19)** | **-** | **(19)** |  | (20) | - | (20) |
| Share of interest and tax of joint ventures and associates |   | **(3)** | **-** | **(3)** |   | (6) | - | (6) |
|  |  |  |  |  |  |  |  |  |
| Finance costs |   | **(6)** | **-** | **(6)** |   | (6) | - | (6) |
| Finance income |  | **3** | **-** | **3** |  | 4 | 27 | 31 |
| Net finance (costs)/income | 6 | **(3)** | **-** | **(3)** |  | (2) | 27 | 25 |
| **Profit before taxation** |  | **365** | **10** | **375** |  | 366 | 35 | 401 |
| Income tax (expense)/credit | 7 | **(99)** | **1** | **(98)** |  | (79) | 118 | 39 |
| **Profit for the period** |  | **266** | **11** | **277** |  | 287 | 153 | 440 |
|  |  |  |  |  |  |  |  |  |
| Attributable to: |  |  |  |  |  |  |  |  |
| Equity shareholders of the Company |  |  |  | **278** |  |  |  | 440 |
| Non-controlling interests |  |  |  | **(1)** |  |  |  | - |
|  |   |  |  | **277** |   |  |  | 440 |
|  |  |  |  |  |  |  |  |  |
| **Earnings per share**  | 8 |  |  |  |  |  |  |  |
| Basic |  |  |  | **11.8p** |  |  |  | 18.7p |
| Diluted |  |  |  | **11.7p** |  |  |  | 18.5p |
| Adjusted basic |   |  |  | **11.3p** |   |  |  | 11.3p |
| Adjusted diluted |  |  |  | **11.2p** |  |  |  | 11.2p |

The proposed interim ordinary dividend for the period ended 2 August 2014 is 3.15p per share.

**KINGFISHER PLC**

**2014/15 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**CONSOLIDATED INCOME STATEMENT**

|  |  |  |
| --- | --- | --- |
|  |  | Year ended 1 February 2014(restated – note 2) |
|  |  | Before | Exceptional |  |
|  |  | exceptional | items |  |
| £ millions | Notes | items | (note 5) | Total |
| **Sales** | 4 | 11,125 | - | 11,125 |
| Cost of sales |  | (7,005) | - | (7,005) |
| **Gross profit** |   | 4,120 | - | 4,120 |
| Selling and distribution expenses  |  | (2,883) | 2 | (2,881) |
| Administrative expenses |  | (550) | - | (550) |
| Other income |  | 37 | 2 | 39 |
| Share of post-tax results of joint ventures and associates |  | 22 | (14) | 8 |
| **Operating profit**  |   | 746 | (10) | 736 |
|  |  |  |  |  |
| Analysed as: |  |  |  |  |
| **Retail profit**  |  4 | 779 | 4 | 783 |
| Share of Hornbach operating profit |  | 26 | (14) | 12 |
| Central costs |  | (42) | - | (42) |
| Share of interest and tax of joint ventures and associates |  | (17) | - | (17) |
|  |  |  |  |  |
| Finance costs |   | (12) | - | (12) |
| Finance income |  | 8 | 27 | 35 |
| Net finance income | 6 | (4) | 27 | 23 |
| **Profit before taxation** |   | 742 | 17 | 759 |
| Income tax expense | 7 | (163) | 114 | (49) |
| **Profit for the year** |  | 579 | 131 | 710 |
|  |  |  |  |  |
| Attributable to: |  |  |  |  |
| Equity shareholders of the Company |  |  |  | 709 |
| Non-controlling interests |  |  |  | 1 |
|   |   |  |  | 710 |
|  |  |  |  |  |
| **Earnings per share**  | 8 |  |  |  |
| Basic |  |  |  | 30.0p |
| Diluted |   |  |  | 29.7p |
| Adjusted basic |  |  |  | 22.8p |
| Adjusted diluted |  |  |  | 22.6p |

**KINGFISHER PLC**

**2014/15 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

|  |  |  |  |
| --- | --- | --- | --- |
| £ millions | Half year ended2 August 2014 | Half year ended3 August 2013 | Year ended1 February 2014 |
| **Profit for the period** | **277** | 440 | 710 |
| Actuarial gains/(losses) on post employment benefits | **42** | (17) | (127) |
| Tax on items that will not be reclassified | **(39)** | 3 | 65 |
| **Total items that will not be reclassified****subsequently to profit or loss** | **3** | (14) | (62) |
| Currency translation differences  |  |  |  |
| Group | **(77)** | (22) | (210) |
| Joint ventures and associates | **-** | (1) | (25) |
| Transferred to income statement | **-** | - | (31) |
| Cash flow hedges |  |  |  |
| Fair value (losses)/gains | **(6)** | 13 | (4) |
| Losses/(gains) transferred to inventories | **16** | (1) | 9 |
| Tax on items that may be reclassified | **(3)** | (2) | 2 |
| **Total items that may be reclassified****subsequently to profit or loss** | **(70)** | (13) | (259) |
| **Other comprehensive income for the period** | **(67)** | (27) | (321) |
| **Total comprehensive income for the period** | **210** | 413 | 389 |
|  |  |  |  |
| Attributable to: |  |  |  |
| Equity shareholders of the Company | **211** | 412 | 388 |
| Non-controlling interests | **(1)** | 1 | 1 |
|   | **210** | 413 | 389 |

**KINGFISHER PLC**

**2014/15 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

|  |  |
| --- | --- |
|  | Attributable to equity shareholders of the Company |
| £ millions | Share capital | Sharepremium | Own shares held | Retained earnings | Other reserves (note 13) | Total | Non-controlling interests | Total equity |
| **At 2 February 2014** | **373** | **2,209** | **(35)** | **3,495** | **266** | **6,308** | **9** | **6,317** |
| Profit for the period | **-** | **-** | **-** | **278** | **-** | **278** | **(1)** | **277** |
| Other comprehensive income for the period | **-** | **-** | **-** | **3** | **(70)** | **(67)** | **-** | **(67)** |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **281** | **(70)** | **211** | **(1)** | **210** |
| Share-based compensation | **-** | **-** | **-** | **6** | **-** | **6** | **-** | **6** |
| New shares issued under share schemes | **-** | **1** | **-** | **-** | **-** | **1** | **-** | **1** |
| Own shares issued under share schemes | **-** | **-** | **11** | **(10)** | **-** | **1** | **-** | **1** |
| Purchase of own shares for cancellation | **(1)** | **-** | **-** | **(35)** | **1** | **(35)** | **-** | **(35)** |
| Dividends | **-** | **-** | **-** | **(259)** | **-** | **(259)** | **-** | **(259)** |
| **At 2 August 2014** | **372** | **2,210** | **(24)** | **3,478** | **197** | **6,233** | **8** | **6,241** |
|  |  |  |  |  |  |  |  |  |
| **At 3 February 2013** | 373 | 2,204 | (60) | 3,106 | 525 | 6,148 | 8 | 6,156 |
| Profit for the period | - | - | - | 440 | - | 440 | - | 440 |
| Other comprehensive income for the period | - | - | - | (14) | (14) | (28) | 1 | (27) |
| **Total comprehensive income for the period** | - | - | - | 426 | (14) | 412 | 1 | 413 |
| Share-based compensation | - | - | - | 7 | - | 7 | - | 7 |
| New shares issued under share schemes | - | 1 | - | - | - | 1 | - | 1 |
| Own shares issued under share schemes | - | - | 44 | (38) | - | 6 | - | 6 |
| Dividends | - | - | - | (150) | - | (150) | - | (150) |
| **At 3 August 2013** | 373 | 2,205 | (16) | 3,351 | 511 | 6,424 | 9 | 6,433 |
|  |  |  |  |  |  |  |  |  |
| **At 3 February 2013** | 373 | 2,204 | (60) | 3,106 | 525 | 6,148 | 8 | 6,156 |
| Profit for the year | - | - | - | 709 | - | 709 | 1 | 710 |
| Other comprehensive income for the year | - | - | - | (62) | (259) | (321) | - | (321) |
| **Total comprehensive income for the year** | - | - | - | 647 | (259) | 388 | 1 | 389 |
| Share-based compensation | - | - | - | 7 | - | 7 | - | 7 |
| New shares issued under share schemes | - | 5 | - | - | - | 5 | - | 5 |
| Own shares issued under share schemes | - | - | 49 | (41) | - | 8 | - | 8 |
| Purchase of own shares for ESOP trust | - | - | (24) | - | - | (24) | - | (24) |
| Dividends | - | - | - | (224) | - | (224) | - | (224) |
| **At 1 February 2014** | 373 | 2,209 | (35) | 3,495 | 266 | 6,308 | 9 | 6,317 |

**KINGFISHER PLC**

**2014/15 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**CONSOLIDATED BALANCE SHEET**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| £ millions | Notes | At 2 August 2014 | At 3 August 2013 | At 1 February 2014 |
| **Non-current assets** |  |  |  |  |
| Goodwill |  | **2,416** | 2,414 | 2,417 |
| Other intangible assets |  | **240** | 200 | 222 |
| Property, plant and equipment |  | **3,526** | 3,770 | 3,625 |
| Investment property |  | **40** | 63 | 50 |
| Investments in joint ventures and associates  |  | **26** | 282 | 32 |
| Post employment benefits | 11 | **28** | 70 | - |
| Deferred tax assets |  | **11** | 16 | 12 |
| Derivative assets | 12 | **33** | 55 | 40 |
| Other receivables |   | **14** | 18 | 15 |
|  |  | **6,334** | 6,888 | 6,413 |
| **Current assets** |  |  |  |  |
| Inventories |  | **2,199** | 2,167 | 2,054 |
| Trade and other receivables |  | **610** | 599 | 590 |
| Derivative assets | 12 | **11** | 12 | 5 |
| Current tax assets |  | **11** | 4 | 15 |
| Short-term deposits | 15 | **167** | - | - |
| Cash and cash equivalents |  | **627** | 559 | 535 |
| Assets held for sale |   | **11** | - | 208 |
|   |   | **3,636** | 3,341 | 3,407 |
| **Total assets** |  | **9,970** | 10,229 | 9,820 |
| **Current liabilities** |  |  |  |  |
| Trade and other payables |  | **(2,691)** | (2,695) | (2,486) |
| Borrowings | 12 | **(103)** | (15) | (94) |
| Derivative liabilities | 12 | **(18)** | (6) | (27) |
| Current tax liabilities |   | **(203)** | (208) | (175) |
| Provisions |  | **(9)** | (13) | (8) |
|   |   | **(3,024)** | (2,937) | (2,790) |
| **Non-current liabilities** |  |  |  |  |
| Other payables |  | **(85)** | (87) | (86) |
| Borrowings | 12 | **(218)** | (329) | (230) |
| Derivative liabilities | 12 | **-** | (13) | - |
| Deferred tax liabilities |  | **(286)** | (304) | (251) |
| Provisions |  | **(42)** | (50) | (46) |
| Post employment benefits |  11 | **(74)** | (76) | (100) |
|   |   | **(705)** | (859) | (713) |
| **Total liabilities** |  | **(3,729)** | (3,796) | (3,503) |
| **Net assets** |   | **6,241** | 6,433 | 6,317 |
|  |  |  |  |  |
| **Equity** |  |  |  |  |
| Share capital |  | **372** | 373 | 373 |
| Share premium |  | **2,210** | 2,205 | 2,209 |
| Own shares held in ESOP trust |  | **(24)** | (16) | (35) |
| Retained earnings |  | **3,478** | 3,351 | 3,495 |
| Other reserves | 13 | **197** | 511 | 266 |
| **Total attributable to equity shareholders of the Company** |  | **6,233** | 6,424 | 6,308 |
| Non-controlling interests |  | **8** | 9 | 9 |
| **Total equity** |  | **6,241** | 6,433 | 6,317 |

The interim financial report was approved by the Board of Directors on 9 September 2014 and signed on its behalf by:

|  |  |
| --- | --- |
| Sir Ian Cheshire, Group Chief Executive | Karen Witts, Group Finance Director |

**KINGFISHER PLC**

**2014/15 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**CONSOLIDATED CASH FLOW STATEMENT**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| £ millions | Notes | Half year ended2 August 2014 | Half year ended3 August 2013 | Year ended1 February 2014 |
| **Operating activities** |  |  |  |  |
| Cash generated by operations | 14 | **512** | 600 | 976 |
| Income tax paid |  | **(65)** | (39) | (142) |
| **Net cash flows from operating activities** |  | **447** | 561 | 834 |
|  |  |  |  |  |
| **Investing activities** |  |  |  |  |
| Purchase of businesses, net of cash acquired | 16 | **-** | (28) | (28) |
| Purchase of property, plant and equipment, investment property and intangible assets |  | **(119)** | (147) | (304) |
| Disposal of property, plant and equipment, investment property, property assets held for sale and intangible assets |  | **47** | 10 | 12 |
| Disposal of Hornbach | 16 | **198** | - | - |
| Increase in short-term deposits | 15 | **(167)** | - | - |
| Interest received |  | **2** | 3 | 8 |
| Dividends received from joint ventures and associates |  | **7** | 11 | 11 |
| **Net cash flows from investing activities** |  | **(32)** | (151) | (301) |
|  |  |  |  |  |
| **Financing activities** |  |  |  |  |
| Interest paid |  | **(3)** | (6) | (12) |
| Interest element of finance lease rental payments |  | **(2)** | (2) | (4) |
| Repayment of bank loans |  | **(2)** | (89) | (89) |
| Repayment of Medium Term Notes and other fixed term debt |  | **-** | (33) | (33) |
| Receipt on financing derivatives |  | **-** | 6 | 6 |
| Capital element of finance lease rental payments |  | **(7)** | (6) | (13) |
| New shares issued under share schemes |  | **1** | 1 | 5 |
| Own shares issued under share schemes |  | **1** | 6 | 8 |
| Purchase of own shares for cancellation |  | **(35)** | - | - |
| Purchase of own shares for ESOP trust |  | **-** | - | (24) |
| Ordinary dividends paid to equity shareholders of the Company |  | **(159)** | (150) | (224) |
| Special dividend paid to equity shareholders of the Company |  | **(100)** | - | - |
| **Net cash flows from financing activities** |  | **(306)** | (273) | (380) |
|  |  |  |  |  |
| **Net increase in cash and cash equivalents and bank overdrafts**  |  | **109** | 137 | 153 |
| **Cash and cash equivalents and bank overdrafts at beginning of period** |  | **534** | 398 | 398 |
| Exchange differences  |  | **(31)** | 23 | (17) |
| **Cash and cash equivalents and bank overdrafts at end of period** | 15 | **612** | 558 | 534 |

**KINGFISHER PLC**

**2014/15 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. General information**

Kingfisher plc (‘the Company’), its subsidiaries, joint ventures and associates (together ‘the Group’) supply home improvement products and services through a network of retail stores and other channels, located mainly in the United Kingdom, continental Europe and China.

Kingfisher plc is a company incorporated in the United Kingdom.

The address of its registered office is 3 Sheldon Square, Paddington, London W2 6PX.

The Company is listed on the London Stock Exchange.

The interim financial report does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Audited statutory accounts for the year ended 1 February 2014 were approved by the Board of Directors on 24 March 2014 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under sections 498(2) or (3) of the Companies Act 2006.

The interim financial report has been reviewed, not audited, and was approved by the Board of Directors on 9 September 2014.

**2. Basis of preparation**

The interim financial report for the 26 weeks ended 2 August 2014 (‘the half year’) has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, ‘Interim Financial Reporting’, as adopted by the European Union. It should be read in conjunction with the annual financial statements for the year ended 1 February 2014, which have been prepared in accordance with International Financial Reporting Standards (‘IFRS’) as adopted by the European Union. The consolidated income statement and related notes represent results for continuing operations, there being no discontinued operations in the periods presented. Where comparatives are given, ‘2013/14’ refers to the prior half year.

The following non-GAAP measures have been restated in the comparatives to exclude the contribution of Hornbach, in order to improve comparability following its disposal in the current period:

|  |  |  |
| --- | --- | --- |
|  | Half year ended 3 August 2013 | Year ended 1 February 2014 |
| £ millions | Before restatement | Restatement | After restatement | Before restatement | Restatement | After restatement |
| Retail profit - Group | 394 | (4) | 390 | 805 | (26) | 779 |
| Retail profit - Other International | 62 | (4) | 58 | 171 | (26) | 145 |
| Adjusted pre-tax profit | 365 | (1) | 364 | 744 | (14) | 730 |
| Adjusted earnings | 266 | (1) | 265 | 552 | (14) | 538 |
| Adjusted basic earnings per share | 11.3p | - | 11.3p | 23.4p | (0.6)p | 22.8p |
| Adjusted diluted earnings per share | 11.2p | - | 11.2p | 23.2p | (0.6)p | 22.6p |
| Segment assets - Group | 3,994 | (248) | 3,746 | 3,894 | (198) | 3,696 |
| Segment assets - Other International | 1,172 | (248) | 924 | 1,174 | (198) | 976 |

There was no contribution from Hornbach to the current period adjusted (non-GAAP) results. Statutory (GAAP) measures have not been restated.

There have been no changes in estimates of amounts reported in prior periods that have had a material effect in the current period.

The Directors of Kingfisher plc, having made appropriate enquiries, consider that adequate resources exist for the Group to continue in operational existence for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing the condensed consolidated financial statements for the half year ended 2 August 2014.

*Principal rates of exchange against Sterling*

|  |  |  |  |
| --- | --- | --- | --- |
|  | Half year ended2 August 2014 | Half year ended3 August 2013 | Year ended1 February 2014 |
|  | Averagerate | Period endrate | Averagerate | Period endrate | Averagerate | Year endrate |
| Euro | **1.23** | **1.25** | 1.17 | 1.15 | 1.18 | 1.22 |
| US Dollar | **1.68** | **1.68** | 1.53 | 1.53 | 1.57 | 1.64 |
| Polish Zloty | **5.11** | **5.24** | 4.91 | 4.86 | 4.95 | 5.17 |
| Chinese Renminbi | **10.40** | **10.40** | 9.44 | 9.37 | 9.62 | 9.97 |

*Use of non-GAAP measures*

In the reporting of financial information, the Group uses certain measures that are not required under IFRS, the generally accepted accounting principles (GAAP) under which the Group reports. Kingfisher believes that retail profit, adjusted pre-tax profit, effective tax rate, adjusted earnings and adjusted earnings per share provide additional useful information on underlying trends to shareholders. These and other non-GAAP measures such as net debt/cash are used by Kingfisher for internal performance analysis and incentive compensation arrangements for employees. The terms ‘retail profit’, ‘exceptional items’, ‘adjusted’, ‘effective tax rate’ and ‘net debt/cash’ are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, GAAP measures.

Retail profit is defined as continuing operating profit before central costs (principally the costs of the Group’s head office), exceptional items, amortisation of acquisition intangibles and the Group’s share of interest and tax of joint ventures and associates. 2013/14 comparatives have been restated to exclude the share of Hornbach operating profit.

The separate reporting of non-recurring exceptional items, which are presented as exceptional within their relevant income statement category, helps provide an indication of the Group’s underlying business performance. The principal items which are included as exceptional items are:

* non-trading items included in operating profit such as profits and losses on the disposal, closure or impairment of subsidiaries, joint ventures, associates and investments which do not form part of the Group’s trading activities;
* profits and losses on the disposal of properties; and
* the costs of significant restructuring and incremental acquisition integration costs.

The term ‘adjusted’ refers to the relevant measure being reported for continuing operations excluding exceptional items, financing fair value remeasurements, amortisation of acquisition intangibles, related tax items and prior year tax items (including the impact of changes in tax rates on deferred tax). 2013/14 comparatives have been restated to exclude the share of Hornbach results. Financing fair value remeasurements represent changes in the fair value of financing derivatives, excluding interest accruals, offset by fair value adjustments to the carrying amount of borrowings and other hedged items under fair value hedge relationships. Financing derivatives are those that relate to underlying items of a financing nature.

The effective tax rate represents the effective income tax expense as a percentage of continuing profit before taxation excluding exceptional items. Effective income tax expense is the continuing income tax expense excluding tax on exceptional items and tax adjustments in respect of prior years and the impact of changes in tax rates on deferred tax.

Net debt/cash comprises borrowings and financing derivatives (excluding accrued interest), less cash and cash equivalents and short-term deposits.

**3. Accounting policies**

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 1 February 2014, as described in note 2 of those financial statements.

There are no standards, amendments to standards or interpretations that are both mandatory for the first time for the financial year ending 31 January 2015 and expected to have a material impact on the Group’s results.

Taxes on income for interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

**4. Segmental analysis**

**Income statement**

|  |  |
| --- | --- |
|  | Half year ended 2 August 2014 |
| £ millions | UK & Ireland |  France | Other International  | Total |
| Poland | Other |
| **Sales** | **2,419** | **2,205** | **554** | **590** | **5,768** |
| **Retail profit**  | **166** | **182** | **54** | **(12)** | **390** |
| Exceptional items |  |  |  |  | **10** |
| Central costs |  |  |  |  | **(19)** |
| Share of interest and tax of joint ventures and associates |  |  |  |  | **(3)** |
| **Operating profit** |  |  |  |  | **378** |
| Net finance costs |  |  |  |  | **(3)** |
| **Profit before taxation** |  |  |  |  | **375** |

|  |  |
| --- | --- |
|  | Half year ended 3 August 2013(restated – note 2) |
| £ millions | UK & Ireland |  France | Other International  | Total |
| Poland | Other |
| **Sales** | 2,270 | 2,306 | 557 | 583 | 5,716 |
| **Retail profit**  | 141 | 191 | 54 | 4 | 390 |
| Share of Hornbach operating profit |  |  |  |  | 4  |
| Exceptional items |  |  |  |  | 8 |
| Central costs |  |  |  |  | (20) |
| Share of interest and tax of joint ventures and associates |  |  |  |  | (6) |
| **Operating profit** |  |  |  |  | 376 |
| Net finance income |  |  |  |  | 25 |
| **Profit before taxation** |  |  |  |  | 401 |

|  |  |
| --- | --- |
|  | Year ended 1 February 2014(restated – note 2) |
| £ millions | UK & Ireland |  France | Other International  | Total |
| Poland | Other |
| **Sales** | 4,363 | 4,423 | 1,109 | 1,230 | 11,125 |
| **Retail profit**  | 238 | 396 | 123 | 22 | 779 |
| Share of Hornbach operating profit |  |  |  |  | 26 |
| Exceptional items |  |  |  |  | (10) |
| Central costs |  |  |  |  | (42) |
| Share of interest and tax of joint ventures and associates |  |  |  |  | (17) |
| **Operating profit** |  |  |  |  | 736 |
| Net finance income |  |  |  |  | 23 |
| **Profit before taxation** |  |  |  |  | 759 |

**Balance sheet**

|  |  |
| --- | --- |
|  | At 2 August 2014 |
| £ millions | UK & Ireland |  France | Other International  | Total |
| Poland | Other |
| **Segment assets**  | **1,366** | **1,279** | **518** | **391** | **3,554** |
| Central liabilities |  |  |  |  | **(225)** |
| Goodwill |  |  |  |  | **2,416** |
| Net cash |  |  |  |  | **496** |
| **Net assets** |  |  |  |  | **6,241** |

|  |  |
| --- | --- |
|  | At 3 August 2013(restated – note 2) |
| £ millions | UK & Ireland |  France | Other International  | Total |
| Poland | Other |
| **Segment assets**  | 1,456 | 1,366 | 560 | 364 | 3,746 |
| Investment in Hornbach |  |  |  |  | 248 |
| Central liabilities |  |  |  |  | (234) |
| Goodwill |  |  |  |  | 2,414 |
| Net cash |  |  |  |  | 259 |
| **Net assets** |  |  |  |  | 6,433 |

|  |  |
| --- | --- |
|  | At 1 February 2014(restated – note 2) |
| £ millions | UK & Ireland |  France | Other International  | Total |
| Poland | Other |
| **Segment assets**  | 1,356 | 1,364 | 563 | 413 | 3,696 |
| Investment in Hornbach |  |  |  |  | 198 |
| Central liabilities |  |  |  |  | (232) |
| Goodwill |  |  |  |  | 2,417 |
| Net cash |  |  |  |  | 238 |
| **Net assets** |  |  |  |  | 6,317 |

The ‘Other International’ segment consists of Poland, China, Spain, Portugal, Germany, Russia, Romania and the joint venture Koçtaş in Turkey. Poland has been shown separately due to its significance.

Central costs principally comprise the costs of the Group’s head office. Central liabilities comprise unallocated head office and other central items including pensions, interest and tax.

The Group’s sales, although generally not highly seasonal on a half-yearly basis, do increase over the Easter period and during the summer months leading to slightly higher sales usually being recognised in the first half of the year.**5. Exceptional items**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Half year ended | Half year ended | Year ended |
| £ millions | 2 August 2014 | 3 August 2013 | 1 February 2014 |
| **Included within selling and distribution expenses** |  |  |  |
| UK restructuring | **(6)** | - | - |
| Acquisition and integration costs | **(5)** | - | (5) |
| Ireland restructuring | **-** | 7 | 7 |
|  | **(11)** | 7 | 2 |
| **Included within other income** |  |  |  |
| Profit on disposal of properties | **21** | 1 | 2 |
|   | **21** | 1 | 2 |
| **Included within share of post-tax results of joint ventures and associates** |  |  |  |
| Net impairment of investment in Hornbach | **-** | - | (14) |
|  | **-** | - | (14) |
| **Included within finance income** |  |  |  |
| Kesa demerger French tax case – repayment supplement income | **-** | 27 | 27 |
|  | **-** | 27 | 27 |
| **Exceptional items before tax** | **10** | 35 | 17 |
| Tax on exceptional items | **1** | - | (4) |
| Kesa demerger French tax case | **-** | 118 | 118 |
| **Exceptional items** | **11** | 153 | 131 |

Current period exceptional items include a £6m restructuring charge in the UK relating to the transformation of B&Q, driven by productivity initiatives aimed at delivering a simpler, more efficient business with a lower cost operating model.

Current period acquisition and integration costs of £5m have been incurred, including fees relating to the acquisition of Mr Bricolage.

Profit on disposal of properties of £21m in the current period principally relates to the disposal of freehold assets in the UK and France.

Prior year acquisition and integration costs of £5m principally comprised costs of acquiring and integrating the Bricostore Romania business.

The prior year exceptional credit of £7m for Ireland restructuring reflected the release of provisions recorded in January 2013 when B&Q Ireland entered into an Examinership process. It successfully exited Examinership in May 2013 with the closure of only one store.

A net impairment loss of £14m was recognised in the prior year on the Group’s investment in Hornbach. This comprised a loss of £45m on remeasurement of the investment to fair value, offset by a £31m gain on the transfer from reserves of cumulative foreign exchange gains since transition to IFRS.

In July 2013 the Conseil d’Etat, France’s ultimate court, found in favour of Kingfisher regarding the Kesa demerger tax case, which concluded the matter. Whilst a refund was received from the French tax authorities following the first positive decision in 2009, the Group continued to provide against the risk while litigation was on-going. A £27m repayment supplement provision and £118m taxation provision related to the case were subsequently released and treated as exceptional.

**6. Net finance (costs)/income**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Half year ended  | Half year ended  | Year ended  |
| £ millions | 2 August 2014 | 3 August 2013 | 1 February 2014 |
| Bank overdrafts and bank loans | **(3)** | (3) | (3) |
| Medium Term Notes and other fixed term debt | **(1)** | (2) | (3) |
| Finance leases | **(2)** | (2) | (4) |
| Financing fair value remeasurements | **1** | 1 | (2) |
| Unwinding of discount on provisions | **(1)** | - | - |
| Net interest expense on defined benefit pension schemes | **(1)** | - | - |
| Capitalised interest | **1** | - | - |
| **Finance costs** | **(6)** | (6) | (12) |
|  |  |  |  |
| Cash and cash equivalents and short-term deposits | **3** | 3 | 6 |
| Net interest income on defined benefit pension schemes | **-** | 1 | 2 |
| Kesa demerger French tax case – repayment supplement income | **-** | 27 | 27 |
| **Finance income**  | **3** | 31 | 35 |
|  |  |  |  |
| **Net finance (costs)/income** | **(3)** | 25 | 23 |

**7. Income tax**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Half year ended  | Half year ended  | Year ended  |
| £ millions | 2 August 2014 | 3 August 2013 | 1 February 2014 |
| **UK corporation tax** |  |  |  |
| Current tax on profits for the period | **35** | 30 | 47 |
| Adjustments in respect of prior years | **-** | (1) | (7) |
|  | **35** | 29 | 40 |
| **Overseas tax** |  |  |  |
| Current tax on profits for the period | **64** | 66 | 131 |
| Kesa demerger French tax case | **-** | (118) | (118) |
| Other adjustments in respect of prior years | **1** | (12) | (11) |
|  | **65** | (64) | 2 |
| **Deferred tax** |  |  |  |
| Current period | **(2)** | 3 | 16 |
| Adjustments in respect of changes in tax rates | **-** | (7) | (9) |
|  | **(2)** | (4) | 7 |
|  |  |  |  |
| **Income tax expense/(credit)** | **98** | (39) | 49 |

The effective rate of tax on profit before exceptional items and excluding prior year tax adjustments and the impact of changes in tax rates on deferred tax is 27% (2013/14: 27%), representing the best estimate of the effective rate for the full financial year. The effective tax rate on the same basis for the year ended 1 February 2014 was 26%. Exceptional tax items for the current period amount to a credit of £1m (2013/14: £118m credit, all of which related to prior year items). Exceptional tax items for the year ended 1 February 2014 amounted to a credit of £114m, £118m of which related to prior year items.

**8. Earnings per share**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Half year ended  | Half year ended  | Year ended  |
| Pence | 2 August 2014 |  3 August 2013(restated – note 2) | 1 February 2014(restated – note 2) |
| **Basic earnings per share** | **11.8** | 18.7 | 30.0 |
| Effect of dilutive share options | **(0.1)** | (0.2) | (0.3) |
| **Diluted earnings per share** | **11.7** | 18.5 | 29.7 |
|  |  |  |  |
| **Basic earnings per share** | **11.8** | 18.7 | 30.0 |
| Share of Hornbach post-tax results | **-** | - | (0.6) |
| Exceptional items before tax | **(0.4)** | (1.5) | (0.7) |
| Tax on exceptional and prior year items | **-** | (5.9) | (6.0) |
| Financing fair value remeasurements | **(0.1)** | - | 0.1 |
| **Adjusted basic earnings per share** | **11.3** | 11.3 | 22.8 |
|  |  |  |  |
| **Diluted earnings per share** | **11.7** | 18.5 | 29.7 |
| Share of Hornbach post-tax results | **-** | - | (0.6) |
| Exceptional items before tax | **(0.4)** | (1.5) | (0.7) |
| Tax on exceptional and prior year items | **-** | (5.8) | (5.9) |
| Financing fair value remeasurements | **(0.1)** | - | 0.1 |
| **Adjusted diluted earnings per share** | **11.2** | 11.2 | 22.6 |

The calculation of basic and diluted earnings per share is based on the profit for the period attributable to equity shareholders of the Company. A reconciliation of statutory earnings to adjusted earnings is set out below:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Half year ended  | Half year ended  | Year ended  |
| £ millions | 2 August 2014 | 3 August 2013(restated – note 2) | 1 February 2014(restated – note 2) |
| **Earnings** | **278** | 440 | 709 |
| Share of Hornbach post-tax results | **-** | (1) | (14) |
| Exceptional items before tax | **(10)** | (35) | (17) |
| Tax on exceptional and prior year items | **-** | (138) | (141) |
| Financing fair value remeasurements | **(1)** | (1) | 2 |
| Tax on financing fair value remeasurements | **-** | - | (1) |
| **Adjusted earnings** | **267** | 265 | 538 |

The weighted average number of shares in issue during the period, excluding those held in the Employee Share Ownership Plan Trust (ESOP), is 2,364m (2013/14: 2,358m). The diluted weighted average number of shares in issue during the period is 2,375m (2013/14: 2,376m). For the year ended 1 February 2014, the weighted average number of shares in issue was 2,363m and the diluted weighted average number of shares in issue was 2,382m.

**9. Dividends**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Half year ended  | Half year ended  | Year ended  |
| £ millions | 2 August 2014 | 3 August 2013 | 1 February 2014 |
| **Dividends to equity shareholders of the Company** |  |  |  |
| Special interim dividend of 4.2p per share paid 25 July 2014 | **100** | - | - |
| Ordinary final dividend for the year ended 1 February 2014 of6.78p per share | **159** | - | - |
| Ordinary interim dividend for the year ended 1 February 2014 of3.12p per share | **-** | - | 74 |
| Ordinary final dividend for the year ended 2 February 2013 of6.37p per share | **-** | 150 | 150 |
|  | **259** | 150 | 224 |

The proposed ordinary interim dividend for the period ended 2 August 2014 is 3.15p per share.

**10. Capital expenditure**

Additions to the cost of property, plant and equipment, investment property and intangible assets, excluding assets acquired on the purchase of businesses, are £124m (2013/14: £146m) and for the year ended 1 February 2014 were £308m. Disposals in net book value of property, plant and equipment, investment property, property assets held for sale and intangible assets are £24m (2013/14: £9m) and for the year ended 1 February 2014 were £13m.

Capital commitments contracted but not provided for at the end of the period are £54m (2013/14: £48m) and at 1 February 2014 were £31m.

**11. Post employment benefits**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Half year ended | Half year ended  | Year ended  |
| £ millions | 2 August 2014 | 3 August 2013 | 1 February 2014 |
| **Net deficit in schemes at beginning of period** | **(100)** | - | - |
| Current service cost | **(4)** | (4) | (9) |
| Administration costs | **(2)** | (2) | (3) |
| Net interest (expense)/income | **(1)** | 1 | 2 |
| Net actuarial gains/(losses) | **42** | (17) | (127) |
| Contributions paid by employer | **18** | 16 | 33 |
| Exchange differences | **1** | - | 4 |
| **Net deficit in schemes at end of period** | **(46)** | (6) | (100) |

The assumptions used in calculating the costs and obligations of the Group’s defined benefit pension schemes are set by the Directors after consultation with independent professionally qualified actuaries. The assumptions are based on the conditions at the time and changes in these assumptions can lead to significant movements in the estimated obligations, as illustrated in the sensitivity analysis provided in note 27 of the annual financial statements for the year ended 1 February 2014.

A key assumption in valuing the pension obligation is the discount rate. Accounting standards require this to be set based on market yields on high quality corporate bonds at the balance sheet date. The UK scheme discount rate is based on the yield on the iBoxx over 15 year AA-rated Sterling corporate bond index adjusted for the difference in term between iBoxx and scheme liabilities.

The principal financial assumptions for the UK scheme, being the Group’s principal defined benefit scheme, are set out below:

|  |  |  |  |
| --- | --- | --- | --- |
|  | At  | At  | At  |
| Annual % rate | 2 August 2014 | 3 August 2013 | 1 February 2014 |
| Discount rate | **4.2** | 4.6 | 4.4 |
| Price inflation | **3.2** | 3.3 | 3.3 |

1. **Financial instruments**

The Group holds the following financial instruments at fair value:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | At  | At  | At  |  |  |
| £ millions | 2 August 2014 | 3 August 2013 | 1 February 2014 |  |  |
| Cross-currency interest rate swaps | **37** | 60 | 42 |  |  |
| Foreign exchange contracts | **7** | 7 | 3 |  |  |
| **Derivative assets** | **44** | 67 | 45 |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | At  | At  | At  |  |  |
| £ millions | 2 August 2014 | 3 August 2013 | 1 February 2014 |  |  |
| Cross-currency interest rate swaps | **(8)** | (13) | (9) |  |  |
| Foreign exchange contracts | **(10)** | (6) | (18) |  |  |
| **Derivative liabilities** | **(18)** | (19) | (27) |  |  |

The fair values are calculated by discounting future cash flows arising from the instruments and adjusted for credit risk. These fair value measurements are all made using observable market rates of interest, foreign exchange and credit risk. All the derivatives held by the Group at fair value are considered to have fair values determined by Level 2 inputs as defined by the fair value hierarchy of IFRS 13, 'Fair value measurement'. There are no non-recurring fair value measurements nor have there been any transfers of assets or liabilities between levels of the fair value hierarchy.

Except as detailed in the following table of borrowings, the directors consider that the carrying amounts of financial instruments recorded at amortised cost in the financial statements are approximately equal to their fair values. Where available, market values have been used to determine the fair values of borrowings. Where market values are not available or are not reliable, fair values have been calculated by discounting cash flows at prevailing interest and foreign exchange rates. This has resulted in a mix of Level 1 and Level 2 inputs as defined by the fair value hierarchy of IFRS 13, 'Fair value measurement'.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  | Carrying amount |  |  |
|  | At  | At  | At  |  |  |
| £ millions | 2 August 2014 | 3 August 2013 | 1 February 2014 |  |  |
| Bank overdrafts | **15** | 1 | 1 |  |  |
| Bank loans | **12** | 16 | 14 |  |  |
| Medium Term Notes and other fixed term debt | **238** | 264 | 247 |  |  |
| Finance leases | **56** | 63 | 62 |  |  |
| **Borrowings** | **321** | 344 | 324 |  |  |
|  |  |  |  |  |  |
|  |  |  | Fair value |  |  |
|  | At  | At  | At  |  |  |
| £ millions | 2 August 2014 | 3 August 2013 | 1 February 2014 |  |  |
| Bank overdrafts | **15** | 1 | 1 |  |  |
| Bank loans | **13** | 17 | 16 |  |  |
| Medium Term Notes and other fixed term debt | **245** | 273 | 254 |  |  |
| Finance leases | **70** | 79 | 79 |  |  |
| **Borrowings** | **343**  | 370 | 350 |  |  |

1. **Other reserves**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| £ millions | Cash flow hedge reserve | Translation reserve |  Other | Total |
| **At 2 February 2014** | **(5)** | **112** | **159** | **266** |
| Currency translation differencesGroup | **-** | **(77)** | **-** | **(77)** |
| Cash flow hedgesFair value losses | **(6)** | **-** | **-** | **(6)** |
| Losses transferred to inventories | **16** | **-** | **-** | **16** |
| Tax on items that may be reclassified | **(3)** | **-** | **-** | **(3)** |
| **Other comprehensive income for the period** | **7** | **(77)** | **-** | **(70)** |
| Purchase of own shares for cancellation | **-** | **-** | **1** | **1** |
| **At 2 August 2014** | **2** | **35** | **160** | **197** |
|  |  |  |  |  |
| **At 3 February 2013** | (8) | 374 | 159 | 525 |
| Currency translation differencesGroup | - | (23) | - | (23) |
| Joint ventures and associates | - | (1) | - | (1) |
| Cash flow hedgesFair value gains | 13 | - | - | 13 |
| Gains transferred to inventories | (1) | - | - | (1) |
| Tax on items that may be reclassified | (4) | 2 | - | (2) |
| **Other comprehensive income for the period** | 8 | (22) | - | (14) |
| **At 3 August 2013** | - | 352 | 159 | 511 |
|  |  |  |  |  |
| **At 3 February 2013** | (8) | 374 | 159 | 525 |
| Currency translation differencesGroup | - | (210) | - | (210) |
|  Joint ventures and associates | - | (25) | - | (25) |
|  Transferred to income statement | - | (31) | - | (31) |
| Cash flow hedgesFair value losses | (4) | - | - | (4) |
| Losses transferred to inventories | 9 | - | - | 9 |
| Tax on items that may be reclassified | (2) | 4 | - | 2 |
| **Other comprehensive income for the year** | 3 | (262) | - | (259) |
| **At 1 February 2014** | (5) | 112 | 159 | 266 |

**14. Cash generated by operations**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Half year ended  | Half year ended  | Year ended  |
| £ millions | 2 August 2014 | 3 August 2013 | 1 February 2014 |
| **Operating profit** | **378** | 376 | 736 |
| Share of post-tax results of joint ventures and associates  | **(2)** | (5) | (8) |
| Depreciation and amortisation  | **132** | 130 | 261 |
| Impairment losses | **-** | - | 2 |
| (Profit)/loss on disposal of property, plant and equipment, investment property and intangible assets | **(22)** | (1) | 1 |
| Share-based compensation charge  | **6** | 7 | 7 |
| Increase in inventories | **(179)** | (60) | (31) |
| Increase in trade and other receivables | **(28)** | (50) | (60) |
| Increase in trade and other payables | **243** | 234 | 118 |
| Movement in provisions | **(4)** | (21) | (29) |
| Movement in post employment benefits | **(12)** | (10) | (21) |
| **Cash generated by operations** | **512** | 600 | 976 |

**15. Net cash**

|  |  |  |  |
| --- | --- | --- | --- |
|  | At  | At  | At  |
| £ millions | 2 August 2014 | 3 August 2013 | 1 February 2014 |
| Cash and cash equivalents | **627** | 559 | 535 |
| Bank overdrafts | **(15)** | (1) | (1) |
| **Cash and cash equivalents and bank overdrafts** | **612** | 558 | 534 |
| Short-term deposits | **167** | - | - |
| Bank loans | **(12)** | (16) | (14) |
| Medium Term Notes and other fixed term debt | **(238)** | (264) | (247) |
| Financing derivatives  | **23** | 44 | 27 |
| Finance leases | **(56)** | (63) | (62) |
| **Net cash** | **496** | 259 | 238 |

Short-term deposits comprise bank deposits with original maturities of between three and 12 months.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Half year ended  | Half year ended  | Year ended  |
| £ millions | 2 August 2014 | 3 August 2013 | 1 February 2014 |
| **Net cash at beginning of period** | **238** | 38 | 38 |
| Net increase in cash and cash equivalents and bank overdrafts | **109** | 137 | 153 |
| Increase in short-term deposits | **167** | - | - |
| Repayment of bank loans | **2** | 89 | 89 |
| Repayment of Medium Term Notes and other fixed term debt | **-** | 33 | 33 |
| Receipt on financing derivatives | **-** | (6) | (6) |
| Capital element of finance lease rental payments | **7** | 6 | 13 |
| **Cash flow movement in net cash** | **285** | 259 | 282 |
| Borrowings acquired | **-** | (35) | (35) |
| Exchange differences and other non-cash movements | **(27)** | (3) | (47) |
| **Net cash at end of period** | **496** | 259 | 238 |

**16. Acquisitions and disposals**

On 3 April 2014, Kingfisher announced it had entered into exclusive negotiations with the principal shareholders of Mr Bricolage, the French home improvement retailer, to acquire their shareholding. A non-binding memorandum of understanding was entered into, marking the start of exclusive negotiations during which the operating businesses of Mr Bricolage and of Kingfisher in France (Castorama and Brico Dépôt) would meet with their respective works councils and would propose improved commercial terms to the franchisees of Mr Bricolage. The outcome of these negotiations was successful and accordingly, a binding agreement was entered into on 23 July 2014.

The acquisition by Kingfisher of the shares of the principal shareholders of Mr Bricolage will now proceed subject to French anti-trust clearance. Subsequently, a mandatory offer will be made to acquire the shares held by the minority shareholders at the agreed price per share of €15, in accordance with applicable law. The closure of the acquisition of the shareholding of the principal shareholders is expected to be completed around the end of Kingfisher’s 2014/15 financial year.

In the prior period, the Group acquired 100% of the share capital of the Bricostore Romania companies for cash consideration of £35m (along with a non-cash element of £16m) and acquired cash of £7m and borrowings of £35m.

The Group received proceeds of €236m (£198m) following the disposal of its 21% stake in Hornbach in March 2014.

**17. Contingent assets and liabilities**

The Group has arranged for certain guarantees to be provided to third parties in the ordinary course of business. Of these guarantees, only £1m (2013/14: £1m) would crystallise due to possible future events not wholly within the Group's control. At 1 February 2014 the amount was £1m.

The Group is subject to claims and litigation arising in the ordinary course of business and provision is made where liabilities are considered likely to arise on the basis of current information and legal advice.

**18. Related party transactions**

The Group’s significant related parties are its joint ventures, associates and pension schemes as disclosed in note 37 of the annual financial statements for the year ended 1 February 2014. There have been no significant changes in related parties or related party transactions in the period, except that Hornbach is no longer a related party.

**STATEMENT OF DIRECTORS’ RESPONSIBILITIES**

The Directors confirm that this set of interim condensed financial statements has been prepared in accordance with IAS 34, ‘Interim Financial Reporting’, as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

* an indication of important events that have occurred during the period and their impact on the interim condensed financial statements, and a description of the principal risks and uncertainties for the remainder of the financial year; and
* material related party transactions in the period and any material changes in the related party transactions described in the last annual report.

The Directors of Kingfisher plc were listed in the Kingfisher plc Annual Report for the year ended 1 February 2014. With the exception of Philippe Tible, who stepped down as a Director of Kingfisher plc on 31 July 2014, there have been no changes in the period.

By order of the Board

Sir Ian Cheshire Karen Witts

Group Chief Executive Group Finance Director

9 September 2014 9 September 2014

**INDEPENDENT REVIEW REPORT TO KINGFISHER PLC**

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the half year ended 2 August 2014 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated cash flow statement and related notes 1 to 18. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410; “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

**Directors’ responsibilities**

The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34; “Interim Financial Reporting,” as adopted by the European Union.

**Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

**Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410; “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the half year ended 2 August 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

**Deloitte LLP**

Chartered Accountants and Statutory Auditor

London, United Kingdom

9 September 2014