

**Kingfisher reports full year adjusted\* pre-tax profits up 4.1% to £744 million.  
Full year dividend up 5% and  
announcing a multi-year capital return programme in 2014/15.**

<b><u>Group Financial Summary</u></b>	<b>2013/14</b>	<b>2012/13</b>	<b>% Total Change Reported</b>	<b>% Total Change Constant currency</b>	<b>% LFL* Change Constant currency</b>
Sales*	£11,125m	£10,573m	+5.2%	+3.5% <sup>(1)</sup>	+0.7%
Retail profit*(2)	£805m	£778m	+3.5%	+0.7% <sup>(1)</sup>	
Adjusted* pre-tax profit	£744m	£715m	+4.1%		
Adjusted basic EPS	23.4p	22.3p	+4.9%		
Interim dividend	3.12p	3.09p	+1.0%		
Final dividend	6.78p	6.37p	+6.4%		
Full year dividend	9.9p	9.46p	+4.7%		
Net cash*	£238m	£38m	n/a		

\*Throughout this release "\*" indicates first instance of a term defined or explained in the glossary in Section 5 of this release.

(1) On a 52 week basis\*

(2) 2012/13 comparatives restated by £3m in the UK & Ireland division to reflect reclassification of pension administrative expenses from finance costs to retail profit, as per the amended IAS 19

### **2013/14 Highlights**

- Good progress in tough environment
  - Extremely challenging Q1, remainder of year more encouraging, except for persistent weak economic backdrop in France\*
  - Reported adjusted PBT up 4.1% and stronger underlying progress
    - Market share growth in France, UK and Poland
    - Grown Economic Profit (KEP\*) to £74m
    - Strong free cash flow\* generation of £559m after capital expenditure
- Exceptional accounting gain of £131m principally relating to the successful resolution of the Kesa demerger French tax case
- 'Creating the Leader' programme continues to progress, on-going self-help initiatives supporting short-term performance whilst positioning the business for future growth
- B&Q UK & Ireland's accelerated evolution now underway, led by strengthened team

### **2014/15 New Developments**

- A multi-year programme of additional capital returns to shareholders, starting with around £200m during the financial year 2014/15
- Two new country entries planned. Two Brico Dépôt stores to open in Portugal and four Screwfix outlets to open in Germany with full next day national delivery
  - Combined investment impact on 2014/15 profit will be a net charge of around £10m
- Disposal agreed on 24 March 2014 of the entire 21.2% stake in Hornbach for approximately £195m following a review of this strategic investment
- Intention to look for a strategic partner for B&Q China (to replicate the successful partner approach in Turkey)

<b><u>Statutory reporting</u></b>	<b>2013/14</b>	<b>2012/13</b>	<b>Reported Change</b>
Profit before taxation	£759m	£691m	+9.8%
Profit for the year	£710m	£564m	+25.9%
Basic EPS	30.0p	24.1p	+24.5%

Note: A reconciliation to adjusted measures above is set out in the Financial Review (Section 4).

## Kingfisher's Group Chief Executive, Sir Ian Cheshire, said;

"We finish a challenging year in good shape, with our self-help programme meaning we have grown profit and economic return, improved our balance sheet strength whilst also investing in lower prices for our customers and improved convenience. The economic backdrop was generally soft across Europe for much of the year, particularly in France, our most significant market.

"Looking ahead we are well placed to benefit from a pick-up in consumer spending as Europe's economies return to growth. Our prospects remain bright, giving us confidence to invest in the business and actively manage our portfolio, including expanding into new markets, whilst also commencing a programme of returning surplus capital to our shareholders, alongside the healthy annual dividend."

### Enquiries:

Ian Harding, Group Communications Director	020 7644 1029
Sarah Levy, Director of Investor Relations	020 7644 1032
Nigel Cope, Head of Media Relations	020 7644 1030
Matt Duffy, Investor Relations Manager	020 7644 1082
Clare Feast, Media Relations Manager	020 7644 1286
Brunswick	020 7404 5959

Further copies of this announcement can be downloaded from [www.kingfisher.com](http://www.kingfisher.com) or viewed on the Kingfisher IR iPad App available for free at the Apple App store. Video interviews with Sir Ian Cheshire (Group Chief Executive) and Karen Witts (Group Finance Director) are also available on the website and we can be followed on twitter @kingfisherplc.

Kingfisher American Depository Receipts are traded in the US on the OTCQX platform:  
(OTCQX: KGFHY)  
<http://www.otcm Markets.com/stock/KGFHY/quote>

### Company Profile

**Kingfisher plc** is Europe's leading home improvement retail group and the third largest in the world, with 1,124 stores in nine countries in Europe and Asia. Its main retail brands are B&Q, Castorama, Brico Dépôt and Screwfix. Kingfisher also operates the Koçtaş brand, a 50% joint venture in Turkey with the Koç Group.

The remainder of this release is broken down into five main sections:

- 1) 'Creating the Leader' update
- 2) Trading review by major geography
- 3) 2013/14 Summary data by geography
- 4) Financial Review and, in part 2 of this release, the preliminary Financial Statements
- 5) Glossary

## Section 1: 'CREATING THE LEADER' UPDATE

Our unique contribution as a business to our customers is that we can harness our home improvement experience, our heritage as a leader in sustainability and our international scale to bring new, more sustainable and more affordable products to market. By also providing our customers with project advice and new shopping channels to complement our stores we will make it easier for them to adapt their homes to their evolving lifestyles. Our shorthand for describing this purpose is "*Better Homes, Better Lives*" and the programme of self-help initiatives to achieve this purpose is called 'Creating the Leader'.

### 'Creating the Leader' 2013/14 progress and key priorities for 2014/15

In March 2012, we set out four areas (Easier, Common, Expand and One Team) with eight specific steps that make up 'Creating the Leader' along with their associated key success measures and short-term annual milestones. Today we update on the progress we have made towards each of the 2013/14 milestones set last year. Going forward from 2014/15, we are replacing the longer list of detailed milestones in favour of a summarised version that better highlights the key wider Group priorities, within the 'Creating the Leader' framework:

#### Progress against 2013/14 milestones:

#### EASIER

##### *Emphasise our affordability credentials*

- Launched 'handy prices' marketing campaign in B&Q
- Invested in pricing in Castorama France & Poland
- Rolled out Brico Dépôt 'back to basics' marketing campaign
- Extended Brico Dépôt France & Spain programme of 'arrivages' (one off special buys) to Turkey & Poland
- Launched UK Enterprise Finance Guarantee scheme for tradesmen

##### *Extend our omnichannel\* offer*

- Upgraded B&Q on-line offer ([www.diy.com](http://www.diy.com)), including 20,000 extra products for home delivery (using Screwfix omnichannel infrastructure)
- Work to extend TradePoint\* website to main shop floor categories e.g. kitchens, continues
- Launched upgraded websites in Turkey, China, Brico Dépôt France & Spain (work to extend Poland website continues)
- Trialled 'click & collect' in Castorama France & Turkey

#### COMMON

##### *Product:*

- Launched new energy-efficiency 'iQE' Group brand
- Extended common\* paint ranges
  - Rolled out 'Colours' Group own-brand paint into Russia & Spain
  - Commenced roll out of new 'Colours' own-brand emulsion paint range across B&Q UK (in 120 stores) & Castorama France (completed)
  - Launched exclusive 'Valspar' paint mixing desk into B&Q UK & Ireland (now in 120 stores) & China
- Launch of 'Site' work wear into Brico Dépôt now planned during 2014/15 following 'arrivage' (one-off special buys) trial during 2013/14

- Held inaugural European product show, attended by 6,000 store & buying colleagues from the UK & France
- Achieved 9% common (up from 8% last year) and 20% direct sourcing (up from 19% last year) reflecting a re-emphasis of quality over quantity
- Extended French common supplier contracts to the wider Castorama & Brico Dépôt brands division

*Efficiency:*

- Upweighted distribution and cross docking capability in Poland, Spain & Turkey
- SG&A (selling, general & administrative expenses) optimisation from media buying programmes across the UK & France. Achieved c. £40m total savings from Group SG&A initiatives since the start of 'Creating the Leader'
- Extended Brico Dépôt shelf-ready packaging. Now at 32%, up from 20% in 2012/13
- Rolled out France & Spain all-staff bonus programmes to Poland (linked to individual store sales & profit growth)
- Undertook IT process mapping analysis at Castorama France in readiness for Group-wide IT programme

## **EXPAND**

- Opened 84 net new stores: UK 62 (principally Screwfix outlets), France 7, Poland 2, Russia 1, Spain 4, Turkey 8 (including 4 'Koçtaş Fix' outlets), representing 3% space growth
- Bought 15 stores in Romania which contributed an additional 2% space growth. In total, Group space growth was 5%
- Revamped and extended 4 Castorama France stores
- Evaluated Screwfix international opportunities, announcing a 4 store pilot in Germany in Summer 2014 and launch of country-wide website with next day delivery
- B&Q UK store rightsizing update
  - First freehold store deal completed with a grocer last year
    - Store reduced in size by 50%; sales density improvement of 75%
    - Non-operational space sold to grocer in February 2014 at a good return for £32 million
  - Additional store has received planning permission and seeking planning permission for another 16

## **ONE TEAM**

2013/14 progress

- Continued to extend the Kingfisher One Academy
- Published first 'Net Positive' report and appointed Richard Gillies from M&S as Group Sustainability Director, to lead 'Net Positive' agenda
- Over 1,400 Kingfisher employees shared an estimated gain of £10 million following the maturity of the Sharesave scheme in December 2013

## **Key priorities for 2014/15:**

### **EASIER**

- Extend omnichannel capabilities across the Group

### **COMMON**

- Extend sourcing programmes (e.g. new cross-Group MacAllister power and hand tools and Blooma BBQs)
- Start four year Group-wide IT programme, consistent with our on-going capital expenditure plans

### **EXPAND**

- Organic space growth of 2% (71 net new stores, of which 54 are Screwfix outlets) including
  - 2 store new country entry into Portugal with Brico Dépôt
  - Launch of Screwfix pilot in Germany incorporating 4 outlets and a website for country-wide next day delivery
  - Combined investment impact of these new country entries on 2014/15 profit will be a net charge of £10 million
- Actively managing the portfolio
  - Complete the disposal of Hornbach
  - Look for strategic partner for B&Q China now that the business is stable with core business broadly break even
- Continue to capitalise on consolidation opportunities (as we did in Romania)
  - Continue with rebranding of recently acquired Bricostore Romania stores under the Brico Dépôt banner

### **ONE TEAM**

- People
  - Increased focus on talent management
  - Continue to develop Kingfisher One Academy with new programmes
- Net Positive
  - Establish processes to accelerate Net Positive innovation and to apply what we learn across the Group
  - Further integrate Net Positive into our Operating Company business plans

## Section 2: TRADING REVIEW BY MAJOR GEOGRAPHY

### FRANCE

Sales £m	2013/14	2012/13	% Total Change Reported	% Total Change Constant currency	% LFL Change
France	4,423	4,194	+5.5%	+0.8%	(1.2)%

Retail profit £m	2013/14	2012/13	% Change Reported	% Change Constant currency
France	396	397	(0.4)%	(4.7)%

*All trading commentary below is in constant currencies*

#### Kingfisher France

Kingfisher France sales grew by 0.8% (-1.2% LFL) to £4,423 million in soft markets impacted by weak consumer confidence. Across the two businesses, seven net new stores were opened and four were revamped, adding around 4% new space.

Gross margins were down 30 basis points, with on-going self-help initiatives offset by higher price promotional activity across both businesses. Continued focus on cost control, including lower levels of variable pay, resulted in retail profit down 4.7% compared to last year.

**Castorama** total sales grew by 2.3% (+0.5% LFL) to £2,469 million. According to Banque de France data\*, sales for the home improvement market were down 1%. Castorama benefited from its innovative 'Do-it-Smart' approach aimed at making home improvement projects easier for customers. LFL sales of indoor products were up around 1% with sales of new kitchen, bathroom and storage ranges performing particularly well. Sales of outdoor seasonal products were down around 1%.

**Brico Dépôt** total sales declined by 1.0% (-3.0% LFL) to £1,954 million. According to Kingfisher estimates, sales for the comparable market\*, which more specifically targets trade professionals and heavy DIYers, were down around 2%. Brico Dépôt benefited from self-help initiatives which continued to progress well. These included new ranges introduced last year (e.g. kitchen, bathroom and power tool ranges) and more 'arrivages' (rolling one-off special buys), reinforcing Brico Dépôt's value credentials.

## UK & IRELAND\*

Sales £m	2013/14	2012/13	% Total Change Reported	% Total Change Constant currency 52 week basis	% LFL Change
UK & Ireland	4,363	4,316	+1.0%	+2.7%	+1.1%

Retail profit £m	2013/14	2012/13	% Change Reported	% Change Constant currency
UK & Ireland	238	231	+3.3%	+3.4%

*All trading commentary below is in constant currencies and % movements on a 52 week basis.*

*Note: 2012/13 retail profit comparatives restated by £3m to reflect reclassification of pension administrative expenses from finance costs to retail profit, as per the amended IAS 19.*

### Kingfisher UK & Ireland

Kingfisher UK & Ireland total sales were up 2.7% (+1.1% LFL) to £4,363 million supported by a strong performance from Screwfix and encouraging early signs in the smaller tradesman market, offset by a slower underlying retail market.

Kingfisher UK & Ireland delivered retail profit growth of 3.4% to £238 million. Gross margins were up 10 basis points with the benefits from on-going self-help initiatives offset by investment in pricing across both businesses. A strong focus on operating cost efficiencies continued.

**B&Q UK & Ireland's** total sales were up 0.4% (+0.1% LFL) to £3,698 million. Sales of outdoor products were up around 2%. Sales of indoor products were down around 1%. TradePoint continues to progress with sales up around 7% compared to last year.

In Ireland, following the conclusion of the Examinership process in May 2013, one store was closed and significant rent reductions achieved across the remaining stores. The business returned to break even in H2.

The market for the UK's leading home improvement retailers\* was up 3.8%, including seasonal ranges up 5.0%, following record adverse weather last year. On a comparable basis, B&Q UK & Ireland sales were up 1.7% and including Screwfix, up 4.1%.

### Strengthened management team

B&Q is a strong brand with the market leading position in the attractive UK home improvement market. Despite a very challenging housing and economic backdrop for the last six years, during which its market declined around 12%<sup>(1)</sup>, Kingfisher UK & Ireland delivered broadly flat sales and achieved profit growth of 50% by exploiting the UK trade market opportunity, delivering a number of self-help initiatives whilst continuing to invest in B&Q's stores and infrastructure. Looking ahead, its customers and market are evolving very quickly and B&Q UK & Ireland has set about redoubling its efforts to achieve future growth and continued success.

In October 2013, Kevin O'Byrne, an executive director of Kingfisher plc, assumed direct leadership of B&Q UK & Ireland. He subsequently further strengthened the B&Q UK &

Ireland board with the appointment of three executives from the fast growing, highly successful Screwfix business (Steve Willett, previously Screwfix CEO; David Lowther, Supply Chain; and Guy Eccles, HR) and the appointment of two senior executives from outside Kingfisher (Chris Moss as Marketing Director, formerly Virgin, Orange and 118 118; and more recently Darren Blackhurst as Commercial Director, formerly Tesco, Asda and Matalan).

This significantly strengthened management team has made an encouraging early start, working towards two key aims:

1. Re-energising the business. Examples of priorities include improving store navigation and customer communication, and driving footfall with better targeted marketing.
2. Simplifying the business and growing sales and economic profit to make it more agile in the market place and more efficient. Examples of priorities include delivering a seamless and efficient omnichannel experience for customers, optimising the store footprint, reducing complexity in the end to end supply chain thereby reducing costs to support lower prices, and undertaking a detailed review of all the 19 categories across our stores focusing on customer needs and business models.

**Screwfix** grew total sales by 17.6% (+7.3% LFL) to £665 million, benefiting from a strong promotional programme, extended opening hours, the continued roll out of new outlets and the successful introduction of a mobile 'Click, Pay & Collect' offer last year. Sixty outlets were opened, taking the total to 335.

The market for the smaller tradesmen\* was up around 2%.

*(1) As per Kingfisher estimates – BCG commissioned report*

## OTHER INTERNATIONAL\*

Sales £m	2013/14	2012/13	% Total Change Reported	% Total Change Constant currency	% LFL Change
Other International	2,339	2,063	+13.3%	+10.5%	+3.4%

Retail profit £m	2013/14	2012/13	% Change Reported	% Change Constant currency
Other International	171	150	+14.2%	+11.4%

*All trading commentary below is in constant currencies*

**Other International** total sales increased by 10.5% (+3.4% LFL) to £2,339 million driven by the acquisition of Romania, LFL growth in Poland, Russia and China and new store openings. Retail profit increased by 11.4% to £171 million primarily driven by Poland.

During the year 15 net new stores were opened, two in Poland, one in Russia, four in Spain and eight in Turkey<sup>(1)</sup>. Including the acquisition of 15 additional stores in Romania in Q2, 17% net new space was added compared to last year.

Sales in **Poland** were up 3.9% (+1.2% LFL) to £1,109 million reflecting new store openings. Gross margins were up 60 basis points with self-help initiatives more than offsetting investment in pricing which annualised during Q2. Productivity initiatives largely offset cost inflation resulting in a 10.9% increase in retail profit to £123 million.

In **Russia** sales grew by 9.2% (+8.0% LFL) to £453 million benefiting from new store openings. LFL sales were up 10.5% in H1 though slower in H2 (+5.8% LFL). Retail profit was £15 million (2012/13: £16 million reported retail profit) reflecting higher pre-opening and advertising costs compared to last year. In **Turkey**, Kingfisher's 50% JV, Koçtaş, grew sales by 8.0% (+5.0% LFL) to £332 million reflecting new store openings. Retail profit contribution was up 24.4% to £11 million.

Brico Dépôt **Spain** sales grew by 16.4% (-3.1% LFL) to £284 million reflecting new store openings offset by a difficult market. Retail profit was £1 million (2012/13: £1 million reported retail profit). Bricostore **Romania**, acquired in Q2, contributed sales of £72 million and retail profit of £1 million.

**Hornbach**, in which Kingfisher had a 21% economic interest<sup>(2)</sup>, contributed £26 million to retail profit (2012/13: £26 million reported retail profit).

**B&Q China** sales increased by 8.0% (+8.7% LFL) to £421 million benefiting from additional promotional activity. The retail loss was £6 million (2012/13: £9 million reported loss) largely relating to costs on the new format store trial which opened in March 2013.

(1) Including four Koçtaş 'Fix' outlets

(2) Following the disposal of the Group's unlisted shares in Hornbach, going forward the Group will no longer record its share of Hornbach's results within retail profit

### Section 3: SUMMARY DATA BY GEOGRAPHY

As at 1 February 2014	Store numbers	Selling space (000s m <sup>2</sup> )	Employees (FTE)
Castorama	105	1,118	11,322
Brico Dépôt	109	608	6,875
<b>France</b>	<b>214</b>	<b>1,726</b>	<b>18,197</b>
B&Q UK & Ireland	360	2,570	21,146
Screwfix	335	23	4,375
<b>UK &amp; Ireland</b>	<b>695</b>	<b>2,593</b>	<b>25,521</b>
Poland	72	529	10,197
China	39	319	3,997
Romania	15	156	1,037
Russia	20	185	2,648
Spain	24	142	1,371
Turkey JV	45	216	3,333
<b>Other International</b>	<b>215</b>	<b>1,547</b>	<b>22,583</b>
<b>Total Group</b>	<b>1,124</b>	<b>5,866</b>	<b>66,301</b>

Full year 2013/14	Sales	% Total Change	% Total Change	% LFL Change
	£m	Reported	Constant currency 52 week basis	Constant currency
	2013/14			
Castorama	2,469	+7.0%	+2.3%	+0.5%
Brico Dépôt	1,954	+3.6%	(1.0)%	(3.0)%
<b>France</b>	<b>4,423</b>	<b>+5.5%</b>	<b>+0.8%</b>	<b>(1.2)%</b>
B&Q UK & Ireland	3,698	(1.1)%	+0.4%	+0.1%
Screwfix	665	+15.2%	+17.6%	+7.3%
<b>UK &amp; Ireland</b>	<b>4,363</b>	<b>+1.1%</b>	<b>+2.7%</b>	<b>+1.1%</b>
Poland	1,109	+7.7%	+3.9%	+1.2%
China	421	+12.4%	+8.0%	+8.7%
Russia	453	+6.3%	+9.2%	+8.0%
Romania <sup>(1)</sup>	72	n/a	n/a	n/a
Spain	284	+21.7%	+16.4%	(3.1)%
<b>Other International</b>	<b>2,339</b>	<b>+13.3%</b>	<b>+10.5%</b>	<b>+3.4%</b>
<b>Total Group</b>	<b>11,125</b>	<b>+5.2%</b>	<b>+3.5%</b>	<b>+0.7%</b>

<sup>(1)</sup>Represents seven months trading since acquisition

Full year 2013/14	Retail Profit	% Total Change	% Total Change	Operating Margin	Operating Margin
	£m 2013/14	Reported	Constant Currency	% 2013/14	% 2012/13
<b>France</b>	<b>396</b>	<b>(0.4)%</b>	<b>(4.7)%</b>	<b>8.9%</b>	<b>9.5%</b>
<b>UK &amp; Ireland<sup>(1)</sup></b>	<b>238</b>	<b>+3.3%</b>	<b>+3.4%</b>	<b>5.5%</b>	<b>5.3%</b>
Poland	123	+15.0%	+10.9%	11.1%	10.4%
China	(6)	+40.1%	+42.4%	(1.3)%	(2.4)%
Hornbach	26	+0.9%	(3.6)%	n/a <sup>(2)</sup>	n/a <sup>(2)</sup>
Romania <sup>(3)</sup>	1	n/a	n/a	0.9%	n/a
Russia	15	(9.2)%	(6.7)%	3.3%	3.8%
Spain	1	+91.0%	+82.6%	0.5%	0.4%
Turkey JV	11	+16.0%	+24.4%	n/a <sup>(2)</sup>	n/a <sup>(2)</sup>
<b>Other International</b>	<b>171</b>	<b>+14.2%</b>	<b>+11.4%</b>	<b>7.3%</b>	<b>7.3%</b>
<b>Total Group<sup>(1)</sup></b>	<b>805</b>	<b>+3.5%</b>	<b>+0.7%</b>	<b>7.2%</b>	<b>7.4%</b>

<sup>(1)</sup>2012/13 retail profit comparatives restated by £3m to reflect reclassification of pension administrative expenses from finance costs to retail profit, as per the amended IAS 19.

<sup>(2)</sup>Joint Venture (Koçtaş JV) and Associate (Hornbach) sales are not consolidated therefore not applicable.

<sup>(3)</sup>Represents seven months trading since acquisition

#### Year to date average FX rates vs £ Sterling

	2013/14	2012/13
Euro	1.18	1.23
Polish Zloty	4.95	5.13
Chinese Renminbi	9.62	10.01
Romanian Leu	5.27	n/a
Russian Rouble	50.49	49.17
Turkish Lira	3.05	2.85

#### FOURTH QUARTER BY MAJOR GEOGRAPHY – 13 weeks ended 1 February 2014

	Sales	% Total Change	% Total Change	% LFL Change	Retail Profit	% Total Change	% Total Change
	2013/14 £m	Reported	Constant currency 13 week basis*	Constant currency	2013/14 £m	Reported	Constant currency
France	944	+4.1%	+2.4%	+0.3%	65	(1.9)%	(2.3)%
UK & Ireland	998	+0.1%	+7.9%	+5.3%	34	+17.5%	+17.5%
Other International	546	+12.1%	+13.9%	+5.3%	41	+64.3%	+69.0%
<b>Total Group</b>	<b>2,488</b>	<b>+4.1%</b>	<b>+7.0%</b>	<b>+3.3%</b>	<b>140</b>	<b>+16.8%</b>	<b>+17.2%</b>

Data tables for the full year are available for download in excel format at <http://www.kingfisher.com/index.asp?pageid=59>.

## Section 4: FINANCIAL REVIEW

A summary of the reported financial results for the year ended 1 February 2014 is set out below:

	2013/14	2012/13	Increase
Sales	<b>£11,125m</b>	£10,573m	+5.2%
Adjusted pre-tax profit	<b>£744m</b>	£715m	+4.1%
Profit before taxation after exceptional items	<b>£759m</b>	£691m	+9.8%
Adjusted basic earnings per share	<b>23.4p</b>	22.3p	+4.9%
Dividends	<b>9.9p</b>	9.46p	+4.7%

A reconciliation of statutory profit to adjusted profit is set out below:

	2013/14 £m	2012/13 £m	Increase
<b>Profit before taxation</b>	<b>759</b>	691	+9.8%
Exceptional items	<b>(17)</b>	26	
Profit before exceptional items and taxation	<b>742</b>	717	+3.5%
Financing fair value remeasurements (FFVR*)	<b>2</b>	(2)	
<b>Adjusted pre-tax profit</b>	<b>744</b>	715	+4.1%

Profit and EPS including all exceptional items for the year ended 1 February 2014 are set out below:

	2013/14	2012/13	Increase
Profit after tax	<b>£710m</b>	£564m	+25.9%
Basic EPS	<b>30.0p</b>	24.1p	+24.5%

### Overview

Statutory profit after tax increased by 25.9% in the year to £710 million. The statutory results for the year have benefited significantly from exceptional items which add £17 million to profit before tax, £131 million to profit after tax and 5.5p to basic earnings per share. For comparative purposes adjusted measures are therefore presented. The exceptional items are detailed further below.

The Group's financial reporting year ends on the nearest Saturday to 31 January. The current year is for the 52 weeks ended 1 February 2014 with the comparative financial year being for the 53 weeks ended 2 February 2013. This only impacts the UK & Ireland businesses with all of the other businesses reporting on a calendar basis as a result of local requirements. The effect of the 53<sup>rd</sup> week on the prior year results of the Group is the inclusion of an additional £72 million sales and an immaterial benefit to retail profit.

Total sales grew by 3.5% on a constant currency 52 week basis and increased by 5.2% to £11.1 billion (2012/13: £10.6 billion) on a reported rate basis. On a like-for-like basis, Group sales were up 0.7%. During the year, a net additional 91 new stores were opened, including 60 Screwfix outlets and 15 acquired stores in Romania, taking the store network to 1,079 stores (excluding 45 Turkey JV stores).

**Retail profit** before exceptional items increased by £27 million to £805 million (2012/13 restated: £778 million), including a £24 million favourable foreign exchange movement representing a 0.7% increase on a constant currency basis.

The net **interest** income for the year was £23 million, compared with a restated prior year charge of £1 million. A breakdown of this is shown below.

	<b>2013/14</b>	2012/13 (restated)
	<b>£m</b>	£m
Underlying net interest	<b>(2)</b>	(3)
FFVR	<b>(2)</b>	2
Exceptional items	<b>27</b>	-
<b>Statutory net interest</b>	<b>23</b>	(1)

The principal movement in net interest is driven by the release of a £27 million exceptional repayment supplement provision on the Kesa demerger French tax case (see exceptional items below).

**Profit before tax** increased by 9.8% to £759 million. After removing the impact of exceptional items and fair value remeasurements, **adjusted pre-tax profit** grew by 4.1% to £744 million. **Profit after tax** for the period was £710 million (2012/13: £564 million). This resulted in the Group recording a **basic EPS** of 30.0p in the year (2012/13: 24.1p).

## Taxation

The effective corporation tax rate, excluding exceptional and prior year items is 26% this year compared with 27% in 2012/13. The overall rate of tax includes the impact of exceptional items and prior year adjustments. The impact of such items reduced the rate from 26% to 6% (2012/13: 18%) reflecting the positive decision in the Kesa demerger French tax case (see exceptional items below), the impact on deferred taxes of the further 3% fall in the UK rate and the release of prior year provisions either reassessed or time expired.

Kingfisher's effective tax rate is sensitive to the blend of tax rates and profits in the Group's various jurisdictions. The adjusted effective rate of tax, calculated on profit before exceptional items, prior year tax adjustments and the impact of rate changes is 26% (2012/13: 27%). This is higher than the UK statutory rate because of the amount of Group profit that is earned in higher tax jurisdictions and because no future benefit is assumed for losses incurred in overseas jurisdictions such as China.

<b>Effective tax rate calculation</b>	<b>Profit</b>	<b>Tax</b>	<b>2013/14</b>	2012/13
	<b>£m</b>	<b>£m</b>	<b>%</b>	<b>%</b>
Profit before tax and tax thereon	759	49	6	18
Exceptional items	(17)	114		
Prior year items and rate changes	-	27		
<b>Total – adjusted</b>	<b>742</b>	<b>190</b>	<b>26</b>	<b>27</b>

The effective rate of tax is lower than in 2012/13 as a result of the mix of profits and tax rate changes in some of the countries in which we operate. The most significant rate changes in 2013/14 were the UK statutory tax rate falling from 24% to 23% regarding current year profits and from 23% to 20% regarding deferred tax, offset by an increase in the French tax rate from 36% to 38%.

The tax rates for this financial year and the expected rates for next year are as follows:

Jurisdiction	Statutory tax rate 2014/15	Statutory tax rate 2013/14
UK	21%	23%
France	34.4% - 38.0%	34.4% - 38.0%
Poland	19%	19%
Rest of Europe	0% - 34%	0% - 34%
Asia	16.5% - 25%	16.5% - 25%

## Tax contribution

Kingfisher makes a significant economic contribution to the countries in which it operates. In 2013/14 it contributed £1.71 billion in taxes it both pays and collects for these Governments. The Group pays tax on its profits, its properties, in employing 79,000 people, in environmental levies, in customs duties and levies as well as other local taxes. The most significant taxes it collects for governments are the sales taxes charged to its customers on their purchases (VAT) and employee payroll related taxes. Taxes paid and collected together represent Kingfisher's total tax contribution which is shown below:

Total taxes paid as a result of Group operations	2013/14 £bn	2012/13 £bn
Taxes borne	0.74	0.70
Taxes collected	0.97	0.90
<b>Total tax contribution</b>	<b>1.71</b>	<b>1.60</b>

Kingfisher participates in the Total Tax Contribution survey that PwC perform for the Hundred Group of Finance Directors. The 2013 survey ranked Kingfisher 31<sup>st</sup> for its Total Tax Contribution in the UK. In 2013, 101 companies contributed to the survey.

## Exceptional items

	2013/14 £m Gain/(charge)	2012/13 £m (Charge)/gain
Kesa demerger French tax case - repayment supplement	27	-
Net impairment of investment in Hornbach	(14)	-
Acquisition and integration costs	(5)	-
Ireland restructuring	7	(21)
UK restructuring	-	(16)
Net pension gain	-	11
Gain on disposal of properties	2	-
	<b>17</b>	<b>(26)</b>
Tax on exceptional items	(4)	1
Kesa demerger French tax case	118	-
<b>Net exceptional items</b>	<b>131</b>	<b>(25)</b>

In the year the Group booked net post-tax exceptional income of £131 million (2012/13: £25 million charge).

Kingfisher paid €138 million tax to the French tax authorities in the year ended 31 January 2004 as a consequence of the Kesa Electricals demerger and recorded this as an exceptional tax charge. Following a successful appeal Kingfisher received a refund

totalling €169 million from the French tax authorities in September 2009. The French tax authorities appealed this decision with the final level of court finding in Kingfisher's favour in July 2013. This decision removed any uncertainty over the position and resulted in an exceptional credit of £145 million (€169 million), of which £27 million has been recognised in interest and £118 million in taxation.

In 2013/14 Kingfisher acquired Bricostore in Romania and announced its intention to pilot four Screwfix outlets in Germany in 2014. At the same time Kingfisher undertook a review of its strategic investment in Hornbach, which has operations in both of these markets. On 31 January 2014 the Group decided to divest its equity stake in Hornbach and also waive its right to appoint directors to the Hornbach board.

This decision has impacted the 2013/14 financial statements by changing the basis on which the Group accounts for its shareholding, resulting in a net £14 million exceptional loss with the investment being impaired to its market value of £198 million and reclassified as an asset held for sale. In 2013/14 the Group recorded a £14 million pre-exceptional profit in relation to its share of Hornbach's results, comprising £26 million of retail profit less £12 million share of interest and tax.

Following the end of the 2013/14 financial year, on 24 March 2014 Kingfisher agreed to sell all the shares it holds in Hornbach Holding AG and Hornbach-Baumarkt AG which together formed its 21.2% stake in Hornbach, for approximately £195 million. The stakes in the listed Hornbach Holding preference shares and Hornbach Baumarkt have been sold to international institutional investors in an 'accelerated bookbuilding' by Berenberg Bank. The Hornbach family have agreed to buy the non-listed ordinary shares in Hornbach Holding AG.

Acquisition and integration costs of £5 million principally comprise costs of acquiring and integrating the Bricostore Romania business.

The current year also includes an exceptional credit of £7 million for Ireland restructuring, reflecting the release of provisions recorded in January 2013 when B&Q Ireland entered into an Examinership process. Following the conclusion of this process in May 2013, only one store was closed rather than the potential of five, with over 600 jobs saved.

## Earnings per share

Basic earnings per share (EPS) have increased by 24.5% to 30.0p (2012/13: 24.1p). On a more comparable basis, removing the impact of exceptional items, financing fair value remeasurements and the effect of prior year tax adjustments, adjusted basic earnings per share increased by 4.9% to 23.4p (2012/13: 22.3p).

	Earnings £m	2013/14	Earnings £m	2012/13
Basic earnings per share	709	30.0p	564	24.1p
Net exceptional items	(131)	(5.5)p	25	1.1p
Prior year tax items and rate changes	(27)	(1.1)p	(66)	(2.8)p
FFVR (net of tax)	1	-	(1)	(0.1)p
<b>Adjusted earnings per share</b>	<b>552</b>	<b>23.4p</b>	<b>522</b>	<b>22.3p</b>

## Dividends

The Board has proposed a final dividend of 6.78p which results in a full year dividend of 9.9p, an increase of 4.7% (2012/13: 9.46p). The final dividend maintains full year dividend cover on adjusted earnings to 2.4 times (2012/13: 2.4 times).

Going forward, the Group continues to aim to move towards a medium term annual dividend cover of around 2.5 times. At this level, the Board believes the dividend will continue to be prudently covered by earnings and free cash flow and remain consistent with the capital needs of the business.

The final dividend for the year ended 1 February 2014 will be paid on 16 June 2014 to shareholders on the register at close of business on 16 May 2014, subject to approval of shareholders at the Annual General Meeting, to be held on 12 June 2014. A dividend reinvestment plan (DRIP) is available to shareholders who would prefer to invest their dividends in the shares of the Company. The shares will go ex-dividend on 14 May 2014. For those shareholders electing to receive the DRIP the last date for receipt of electing is 23 May 2014.

### Economic returns

Management are focused on Kingfisher Economic Profit (KEP) as a main measure of return on capital. It is used in the capital investment process, to assess performance and drive returns in strategic plans. KEP is derived from the concept of Economic Value Added representing earnings after a charge for the annual cost of capital employed in the business. Earnings are defined as adjusted post-tax profit, excluding interest, property lease costs and exceptional items. A charge is then deducted by applying the weighted average cost of capital (WACC) to capital employed. For the purposes of consistency both WACC and capital employed are lease adjusted. Leases are capitalised based on an estimate of their long-term property yields. In order to focus on controllable factors both WACC and long term property yields are based on those in place when KEP was introduced.

	<b>2013/14</b>	2012/13	Increase
	<b>£m</b>	£m	£m
<b>Kingfisher Economic Profit (KEP)</b>	<b>74</b>	44	30

### Geographic divisional return

Kingfisher's underlying KEP by geographic division is set out below. The divisional invested capital excludes central goodwill of £2.4 billion.

	Sales £bn	Proportion of Group sales %	Invested Capital (IC) £bn	Proportion of Group IC %	Returns £m KEP	
					<b>2013/14</b>	2012/13
UK	4.4	40%	5.9	48%	<b>17</b>	(5)
France	4.4	40%	2.4	20%	<b>137</b>	150
Other International	2.3	20%	1.5	12%	<b>46</b>	37
Goodwill & Central			2.4	20%	<b>(126)</b>	(138)
<b>Total</b>	<b>11.1</b>		<b>12.2</b>		<b>74</b>	44

### Free cash flow

A reconciliation of free cash flow and cash flow movement in net cash is set out below:

	2013/14 £m	2012/13 £m (restated)
<b>Operating profit (before exceptional items)</b>	<b>746</b>	718
Other non-cash items <sup>(1)</sup>	<b>265</b>	264
Change in working capital	<b>27</b>	(178)
Pensions and provisions (before exceptional items)	<b>(37)</b>	(42)
Operating cash flow	<b>1,001</b>	762
Net interest paid	<b>(8)</b>	(4)
Tax paid	<b>(142)</b>	(129)
Gross capital expenditure	<b>(304)</b>	(316)
Disposal of assets	<b>12</b>	17
<b>Free cash flow</b>	<b>559</b>	330
Dividends paid	<b>(224)</b>	(221)
Acquisition of Bricostore Romania (including debt)	<b>(63)</b>	-
Other <sup>(2)</sup>	<b>(1)</b>	(10)
Share purchase for employee incentive schemes	<b>(24)</b>	-
<b>Cash flow movement in net cash</b>	<b>247</b>	99
Opening net cash/(debt)	<b>38</b>	(88)
Other movement including foreign exchange	<b>(47)</b>	27
<b>Closing net cash</b>	<b>238</b>	38

(1) Other non-cash items includes depreciation and amortisation, impairment losses, share-based compensation charge, share of post-tax results of JVs and associates, pension operating cost and profit/loss on retail disposals.

(2) Includes dividends received from JVs and associates, issue of shares and exceptional items (excluding property disposals).

Net cash at the end of the year was £238 million (2012/13: £38 million net cash).

Free cash flow of £559 million was generated in the year, an increase of £229 million year on year primarily due to the movement in working capital. This is a combination of LME\* and week 53 impacts in the prior year, the reversal of a higher stock position last year ahead of an early Easter and Chinese New Year and a higher level of showroom deposits at the year end, following a solid kitchens, bedrooms & bathrooms trading strategy for B&Q UK in Q4.

During the year free cash flow generated was utilised by the dividend being increased to £224 million, the acquisition of Bricostore Romania and an additional £24 million to acquire 6 million shares to cover existing share incentive schemes, thereby avoiding dilution of current shareholders.

## Capital expenditure

Gross capital expenditure for the year was £304 million (2012/13: £316 million) with a further £63 million invested on Bricostore Romania. A total of £12 million of proceeds from disposals were received during the year (2012/13: £17 million).

The Group has a rigorous approach to capital allocation and authorisation. The process includes:

- An annual strategic planning process based on detailed medium term plans for all businesses for the next three years. This process drives the key strategic capital allocation decisions and the output is reviewed by the Board;

- A capital approval process through a capital expenditure committee, attended by the Group Chief Executive, Group Finance Director, CEO Group Productivity and Development, Group Property Director and Group General Counsel. The committee is delegated to review all projects above £0.75 million and to sign-off the projects between £0.75 million and £15.0 million (including the capitalised value of lease commitments);
- Projects above £15.0 million are required to be approved by the Board. All projects above £0.75 million are notified to the Board;
- Clear investment criteria including KEP and NPV (Net Present Value) and challenging hurdle rates for IRR (Internal Rate of Return) and DPB (Discounted PayBack);
- An annual post-investment review process to undertake a full assessment of all projects above £0.75 million which were completed in the last 2 to 4 years. The findings of this exercise are considered by both the capital expenditure committee and the Board and used to inform the assumptions for similar project proposals going forward;
- An annual review of KEP by store is performed which drives plans to improve the returns of weaker stores, and develop lessons from higher returning stores.

## Management of balance sheet and liquidity risk and financing

The Group finished the year with £238 million of net cash on the balance sheet. However, the Group's overall leverage is more significant when including capitalised lease debt that in accordance with accounting standards does not appear on the balance sheet. The ratio of the Group's lease adjusted net debt (capitalising leases at 8 times annual rent) to EBITDAR is 2.3 times as at the year end. At this level the Group has financial flexibility whilst retaining an efficient cost of capital.

A reconciliation of lease adjusted net debt to EBITDAR is set out below:

	2013/14 £m	2012/13 (restated) £m
EBITDA*	1,024	984
Property operating lease rentals	440	435
<b>EBITDAR*</b>	<b>1,464</b>	1,419
Financial (net cash)	(238)	(38)
Pension position	100	-
Property operating lease rentals (8x) <sup>(1)</sup>	3,520	3,480
<b>Lease adjusted net debt</b>	<b>3,382</b>	3,442
<b>Lease adjusted net debt to EBITDAR</b>	<b>2.3x</b>	2.4x

<sup>(1)</sup> Kingfisher believes 8x is a reasonable industry standard for estimating the economic value of its leased assets

Kingfisher aims to maintain its solid investment grade credit rating whilst investing in the business where economic returns are attractive and paying a healthy annual dividend to shareholders. After satisfying these key aims and taking into account the economic and trading outlook, any surplus capital would be returned to shareholders.

Taking all these factors into account, in addition to increasing the annual dividend by 5% (to an estimated £234 million) the Board has approved a multi-year programme of additional capital returns to shareholders, starting with around £200 million during the financial year 2014/15. At this level we will retain flexibility to continue reinvesting in the business, paying a healthy dividend and capitalising on value enhancing consolidation opportunities (as we did in Romania).

The timing and mechanism for this capital return will be kept under review to ensure we maximise value creation for our shareholders. Updates will be given with our interim and full year results.

Kingfisher regularly reviews the level of cash and debt facilities required to fund its activities. This involves preparing a prudent cash flow forecast for the next three years, determining the level of debt facilities required to fund the business, planning for repayments of debt at its maturity and identifying an appropriate amount of headroom to provide a reserve against unexpected outflows.

Kingfisher has a £200 million committed bank facility maturing in August 2016, which remained undrawn at the year end.

The terms of the US Private Placement note agreement and the committed bank facility require only that the ratio of Group operating profit, excluding exceptional items, to net interest payable must be no less than 3:1 for the preceding 12 months at half year and full year ends. At the year end the Group's ratio was significantly higher than this requirement.

The maturity profile of Kingfisher's debt is illustrated at:  
[www.kingfisher.com/index.asp?pageid=76](http://www.kingfisher.com/index.asp?pageid=76)

Kingfisher deposits surplus cash with a number of banks with the strongest short-term credit ratings and with money market funds which have the strongest, AAA, credit rating and offer same day liquidity. A credit limit for each bank or fund is agreed by the Board covering the full value of deposits and the fair value of derivative contracts. The credit risk is reduced further by spreading the investments and derivative contracts across several counterparties. At the year end, the Group had a total of around £500 million of cash deposited with banks and in money market funds. The highest cash deposit with a single counterparty was £50 million.

The Group has entered into interest rate derivative contracts to convert the fixed rate payable on its bonds and US Private Placement notes to a floating rate of interest. The floating interest rates paid by the Group under its financing arrangements are based on LIBOR and EURIBOR plus a margin. The margins were not changed during the year.

## **Acquisitions**

On 31 May 2013, the Group acquired 100% of Bricostore Romania, a home improvement business operating 15 stores including 8 freeholds. Kingfisher paid £35 million of cash consideration and acquired £7 million of cash with Bricostore Romania. In addition, debt of £35 million was acquired with the business, which was immediately settled, resulting in a total amount invested of £63 million. Goodwill of £18 million has been recognised on acquisition.

The year end results include seven month's trading of Bricostore Romania, in which it contributed sales of £72 million and a retail profit of £1 million. Since acquisition, Romania

traded under its acquired brand Bricostore. In March 2014, two stores were converted into the Brico Dépôt format.

## **Property**

The Group owns a significant property portfolio, most of which is used for trading purposes. A valuation was performed for internal purposes in November 2013 with the portfolio valued by external professional valuers. Based on this exercise, on a sale and leaseback basis with Kingfisher in occupancy, the value of property is £3.5 billion at year end (2012/13: £3.6 billion). This is compared to the net book value of £2.8 billion (2012/13: £2.9 billion) recorded in the financial statements.

## **Pensions**

At the year end, the Group had a net deficit of £100 million (2012/13: £nil) in relation to defined benefit pension arrangements of which a £29 million deficit (2012/13: £71 million surplus) is in relation to the UK Scheme. The adverse movement is driven by UK scheme actuarial losses following the inclusion of updated membership data from the 2013 triennial funding valuation, partially offset by employer contributions in the year.

The approach used to prepare the pension valuation is in line with current market practice and international accounting standards, and has been applied consistently. This accounting valuation is very sensitive to a number of assumptions and market rates which are likely to fluctuate in the future. To aid understanding of the impact that changes to the assumptions could have on the reported UK pension position, we have included sensitivity analysis as part of the pension disclosure in note 9 of the preliminary Financial Statements. Further details of key assumptions are also contained within the note.

The Group has adopted a revised pensions accounting standard in the year. This has resulted in a reclassification of £3 million of administrative costs of running the UK scheme from interest to retail profit in both the current and prior years.

In the prior year, and following consultation with the active members, the UK final salary pension scheme was closed to future benefit accrual and replaced by an enhanced defined contribution scheme offered to all UK employees. Auto-enrolment of eligible employees into this scheme commenced in the year, with around two-thirds of all UK employees now participating.

## Section 5: GLOSSARY (terms are listed in alphabetical order)

**Adjusted** measures are before exceptional items, financing fair value remeasurements, amortisation of acquisition intangibles, related tax items and tax on prior year items including the impact of rate changes on deferred tax. A reconciliation to statutory amounts is set out in the Financial Review (Section 4).

**Banque de France** data includes relocated and extended stores.

**Brico Dépôt comparable market** is a rolling 12 month average of Banque de France (60%) and I+C ([www.iplusc.com](http://www.iplusc.com)) trade data (40%) February 2013 – January 2014.

**Common** means two or more operating companies selling the same product or a similar product but from the same supplier where the same product is not possible due to market / legal reasons (e.g. electrical extension cable which is the same supplier but with different electrical sockets).

### **Constant currency 13 week basis**

In the UK & Ireland Kingfisher reports each financial year up to the nearest Saturday to 31 January. In 2012/13 this resulted in a 14 week fourth quarter.

### **Constant currency change 52 week basis**

In the UK & Ireland Kingfisher reports each financial year up to the nearest Saturday to 31 January. In 2012/13 this resulted in a 53 week year.

**EBITDA** (earnings before interest, tax, depreciation and amortisation) which is calculated as Retail profit less central costs and before depreciation and amortisation.

**EBITDAR** (earnings before interest, tax, depreciation, amortisation and property operating lease rentals) which is calculated as Retail profit less central costs, before depreciation and amortisation and property operating lease rentals.

**France** consists of Castorama France and Brico Dépôt France.

**Free cash flow** represents cash generated from operations less the amount spent on tax, interest and capital expenditure during the year (excluding acquisitions). A reconciliation from operating profit (before exceptional items) is set out in the Financial Review (Section 4).

**FFVR** (financing fair value remeasurements) represents changes in the fair value of financing derivatives, excluding interest accruals, offset by fair value adjustments to the carrying value of borrowings and other hedged items under fair value hedge relationships.

**KEP** (Kingfisher Economic Profit) represents earnings after a charge for the annual cost of capital employed in the business. A definition is provided in the Financial Review (Section 4).

**LFL** stands for like-for-like sales growth which represents the constant currency, year-on-year sales growth for stores that have been open for more than a year.

**LME** is the legislative change shortening payment terms in France, implemented over the three years to 2012.

**Market for the UK's leading home improvement retailers**

Kingfisher estimate for the UK RMI (Repairs, Maintenance & Improvement) market incorporates GfK data, which includes new space but which excludes B&Q Ireland and private retailers e.g. IKEA and other smaller independents. It is on a cash sales basis and is adjusted for discounts.

**Net cash** comprises borrowings and financing derivatives (excluding accrued interest), less cash and cash equivalents and current other investments.

**Omnichannel** - allowing customers to shop with us in any way they prefer (via shops, the internet or catalogues).

**Other International** consists of China, Poland, Romania, Russia, Spain, Turkey (Koçtaş JV) and Hornbach in Germany.

**Retail profit** is operating profit stated before central costs, exceptional items, amortisation of acquisition intangibles and the Group's share of interest and tax of JVs and associates. 2012/13 Group and UK retail profit comparatives restated by £3 million to reflect reclassification of pension administrative expenses from finance costs to retail profit in the UK, as per the amended IAS 19.

### **Sales**

Joint Venture (Koçtaş JV) and Associate (Hornbach) sales are not consolidated.

### **Smaller tradesman market**

Kingfisher estimate for the UK smaller tradesman market is a weighted average incorporating 70% trade (using the most recent public data available for the big trade merchants as a proxy) and 30% DIY (using the UK RMI (Repairs, Maintenance & Improvement) GfK large chain (shed) data).

### **TradePoint**

B&Q UK & Ireland's 'trade-only' offer.

**UK & Ireland** consists of B&Q in the UK & Ireland and Screwfix.

## Forward-looking statements

This announcement contains certain statements that are forward-looking and which should be considered, amongst other statutory provisions, in light of the safe harbour provisions of the United States Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts may be forward-looking statements. Such statements are, therefore, subject to risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied because they relate to future events. These forward-looking statements include, but are not limited to, statements relating to the Company's expectations around the Company's programme known as 'Creating the Leader' and its associated eight steps.

Forward-looking statements can be identified by the use of relevant terminology including the words: "believes", "estimates", "anticipates", "expects", "intends", "plans", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology and include all matters that are not historical facts. They appear in a number of places throughout this press release and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, our results of operations, financial condition, changes in tax rates, liquidity, prospects, growth, strategies and the businesses we operate.

Other factors that could cause actual results to differ materially from those estimated by the forward-looking statements include, but are not limited to, global economic business conditions, monetary and interest rate policies, foreign currency exchange rates, equity and property prices, the impact of competition, inflation and deflation, changes to regulations, taxes and legislation, changes to consumer saving and spending habits; and our success in managing these factors.

Consequently, our actual future financial condition, performance and results could differ materially from the plans, goals and expectations set out in our forward-looking statements. We urge you to read our annual report and other company reports, including the risk factors contained therein, for a more detailed discussion of the factors that could affect our future performance and the industry in which we operate. Reliance should not be placed on any forward-looking statement. Our forward looking statements speak only as of the date of this press release and the Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise. Nothing in this press release should be construed as a profit forecast.

## Consolidated income statement

Year ended 1 February 2014

£ millions	Notes	2013/14			2012/13 (restated – note 2)		
		Before exceptional Items	Exceptional items (note 4)	Total	Before exceptional items	Exceptional items (note 4)	Total
Continuing operations:							
<b>Sales</b>	3	<b>11,125</b>	-	<b>11,125</b>	10,573	-	10,573
Cost of sales		<b>(7,005)</b>	-	<b>(7,005)</b>	(6,618)	-	(6,618)
<b>Gross profit</b>		<b>4,120</b>	-	<b>4,120</b>	3,955	-	3,955
Selling and distribution expenses		<b>(2,883)</b>	<b>2</b>	<b>(2,881)</b>	(2,768)	(17)	(2,785)
Administrative expenses		<b>(550)</b>	-	<b>(550)</b>	(525)	(9)	(534)
Other income		<b>37</b>	<b>2</b>	<b>39</b>	36	-	36
Share of post-tax results of joint ventures and associates		<b>22</b>	<b>(14)</b>	<b>8</b>	20	-	20
<b>Operating profit</b>		<b>746</b>	<b>(10)</b>	<b>736</b>	718	(26)	692
Analysed as:							
<b>Retail profit</b>	3	<b>805</b>	<b>(10)</b>	<b>795</b>	778	(26)	752
Central costs		<b>(42)</b>	-	<b>(42)</b>	(42)	-	(42)
Share of interest and tax of joint ventures and associates		<b>(17)</b>	-	<b>(17)</b>	(18)	-	(18)
Finance costs		<b>(12)</b>	-	<b>(12)</b>	(16)	-	(16)
Finance income		<b>8</b>	<b>27</b>	<b>35</b>	15	-	15
Net finance income/(costs)	5	<b>(4)</b>	<b>27</b>	<b>23</b>	(1)	-	(1)
<b>Profit before taxation</b>		<b>742</b>	<b>17</b>	<b>759</b>	717	(26)	691
Income tax expense	6	<b>(163)</b>	<b>114</b>	<b>(49)</b>	(128)	1	(127)
<b>Profit for the year</b>		<b>579</b>	<b>131</b>	<b>710</b>	589	(25)	564
Attributable to:							
Equity shareholders of the Company				<b>709</b>			564
Non-controlling interests				<b>1</b>			-
				<b>710</b>			564
<b>Earnings per share</b>							
	7						
Basic				<b>30.0p</b>			24.1p
Diluted				<b>29.7p</b>			23.8p
Adjusted basic				<b>23.4p</b>			22.3p
Adjusted diluted				<b>23.2p</b>			22.0p

The proposed final dividend for the year ended 1 February 2014, subject to approval by shareholders at the Annual General Meeting, is 6.78p per share.

**Consolidated statement of comprehensive income**

Year ended 1 February 2014

£ millions	Notes	2013/14	2012/13
<b>Profit for the year</b>		<b>710</b>	564
Actuarial losses on post-employment benefits	9	(127)	(29)
Tax on items that will not be reclassified		65	(18)
<b>Total items that will not be reclassified subsequently to profit or loss</b>		<b>(62)</b>	(47)
Currency translation differences			
Group		(210)	122
Joint ventures and associates		(25)	8
Transferred to income statement (note 4)		(31)	-
Cash flow hedges			
Fair value losses		(4)	(14)
Losses/(gains) transferred to inventories		9	(8)
Tax on items that may be reclassified		2	4
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>(259)</b>	112
<b>Other comprehensive income for the year</b>		<b>(321)</b>	65
<b>Total comprehensive income for the year</b>		<b>389</b>	629
Attributable to:			
Equity shareholders of the Company		388	629
Non-controlling interests		1	-
		<b>389</b>	629

## Consolidated statement of changes in equity

Year ended 1 February 2014

Attributable to equity shareholders of the Company

£ millions	Attributable to equity shareholders of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Own shares held	Retained earnings	Other reserves	Total		
<b>At 3 February 2013</b>	<b>373</b>	<b>2,204</b>	<b>(60)</b>	<b>3,106</b>	<b>525</b>	<b>6,148</b>	<b>8</b>	<b>6,156</b>
Profit for the year	-	-	-	709	-	709	1	710
Other comprehensive income for the year	-	-	-	(62)	(259)	(321)	-	(321)
<b>Total comprehensive income for the year</b>	-	-	-	<b>647</b>	<b>(259)</b>	<b>388</b>	<b>1</b>	<b>389</b>
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
Own shares purchased	-	-	(24)	-	-	(24)	-	(24)
Dividends	-	-	-	(224)	-	(224)	-	(224)
<b>At 1 February 2014</b>	<b>373</b>	<b>2,209</b>	<b>(35)</b>	<b>3,495</b>	<b>266</b>	<b>6,308</b>	<b>9</b>	<b>6,317</b>
<b>At 29 January 2012</b>	372	2,199	(134)	2,869	413	5,719	8	5,727
Profit for the year	-	-	-	564	-	564	-	564
Other comprehensive income for the year	-	-	-	(47)	112	65	-	65
<b>Total comprehensive income for the year</b>	-	-	-	<b>517</b>	<b>112</b>	<b>629</b>	-	<b>629</b>
Share-based compensation	-	-	-	9	-	9	-	9
New shares issued under share schemes	1	5	-	-	-	6	-	6
Own shares issued under share schemes	-	-	74	(68)	-	6	-	6
Dividends	-	-	-	(221)	-	(221)	-	(221)
<b>At 2 February 2013</b>	<b>373</b>	<b>2,204</b>	<b>(60)</b>	<b>3,106</b>	<b>525</b>	<b>6,148</b>	<b>8</b>	<b>6,156</b>

**Consolidated balance sheet**

At 1 February 2014

£ millions	Notes	2013/14	2012/13
<b>Non-current assets</b>			
Goodwill		2,417	2,399
Other intangible assets		222	166
Property, plant and equipment		3,625	3,748
Investment property		50	66
Investments in joint ventures and associates		32	289
Post-employment benefits	9	-	71
Deferred tax assets		12	17
Derivatives		40	55
Other receivables		15	18
		<b>6,413</b>	<b>6,829</b>
<b>Current assets</b>			
Inventories		2,054	2,083
Trade and other receivables		590	545
Derivatives		5	33
Current tax assets		15	9
Cash and cash equivalents		535	398
Assets held for sale		208	-
		<b>3,407</b>	<b>3,068</b>
<b>Total assets</b>		<b>9,820</b>	<b>9,897</b>
<b>Current liabilities</b>			
Trade and other payables		(2,486)	(2,430)
Borrowings		(94)	(99)
Derivatives		(27)	(17)
Current tax liabilities		(175)	(289)
Provisions		(8)	(35)
		<b>(2,790)</b>	<b>(2,870)</b>
<b>Non-current liabilities</b>			
Other payables		(86)	(115)
Borrowings		(230)	(332)
Derivatives		-	(12)
Deferred tax liabilities		(251)	(303)
Provisions		(46)	(38)
Post-employment benefits	9	(100)	(71)
		<b>(713)</b>	<b>(871)</b>
<b>Total liabilities</b>		<b>(3,503)</b>	<b>(3,741)</b>
<b>Net assets</b>		<b>6,317</b>	<b>6,156</b>
<b>Equity</b>			
Share capital		373	373
Share premium		2,209	2,204
Own shares held		(35)	(60)
Retained earnings		3,495	3,106
Other reserves		266	525
<b>Total attributable to equity shareholders of the Company</b>		<b>6,308</b>	<b>6,148</b>
Non-controlling interests		9	8
<b>Total equity</b>		<b>6,317</b>	<b>6,156</b>

The financial statements were approved by the Board of Directors on 24 March 2014 and signed on its behalf by:

**Sir Ian Cheshire**  
Group Chief Executive

**Karen Witts**  
Group Finance Director

## Consolidated cash flow statement

Year ended 1 February 2014

£ millions	Notes	2013/14	2012/13
<b>Operating activities</b>			
Cash generated by operations	10	<b>976</b>	730
Income tax paid		<b>(142)</b>	(129)
<b>Net cash flows from operating activities</b>		<b>834</b>	601
<b>Investing activities</b>			
Purchase of businesses, net of cash acquired		<b>(28)</b>	-
Purchase of property, plant and equipment, investment property and intangible assets		<b>(304)</b>	(316)
Disposal of property, plant and equipment, investment property and intangible assets		<b>12</b>	17
Interest received		<b>8</b>	18
Dividends received from joint ventures and associates		<b>11</b>	10
<b>Net cash flows from investing activities</b>		<b>(301)</b>	(271)
<b>Financing activities</b>			
Interest paid		<b>(12)</b>	(18)
Interest element of finance lease rental payments		<b>(4)</b>	(4)
Repayment of bank loans		<b>(89)</b>	(31)
Repayment of Medium Term Notes and other fixed term debt		<b>(33)</b>	(162)
Receipt on financing derivatives		<b>6</b>	-
Capital element of finance lease rental payments		<b>(13)</b>	(12)
New shares issued under share schemes		<b>5</b>	6
Own shares issued under share schemes		<b>8</b>	6
Own shares purchased		<b>(24)</b>	-
Dividends paid to equity shareholders of the Company		<b>(224)</b>	(221)
<b>Net cash flows from financing activities</b>		<b>(380)</b>	(436)
<b>Net increase/(decrease) in cash and cash equivalents and bank overdrafts</b>		<b>153</b>	(106)
<b>Cash and cash equivalents and bank overdrafts at beginning of year</b>		<b>398</b>	485
Exchange differences		<b>(17)</b>	19
<b>Cash and cash equivalents and bank overdrafts at end of year</b>	11	<b>534</b>	398

## Notes

### 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.

The Company is 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.

### 2 Basis of preparation

The consolidated financial statements of the Company, its subsidiaries, joint ventures and associates are made up to the nearest Saturday to 31 January each year. The current financial year is the 52 weeks ended 1 February 2014 ('the year' or '2013/14'). The comparative financial year is the 53 weeks ended 2 February 2013 ('the prior year' or '2012/13'). The 53 weeks in the prior year only impacted the UK & Ireland businesses with all of the other businesses reporting on a calendar basis as a result of local requirements.

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 consolidated financial statements for the year ended 1 February 2014.

The condensed financial information, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated balance sheet, consolidated cash flow statement and related notes do not constitute statutory financial statements for the 52 weeks ended 1 February 2014, but are derived from those statements. Statutory financial statements for 2012/13 have been filed with the Registrar of Companies and those for 2013/14 will be filed in due course. The Group's auditors have reported on both years' accounts; their reports were unqualified and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

The condensed financial information has been abridged from the 2013/14 statutory financial statements, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS') and those parts of the Companies Act 2006 applicable to companies reporting under IFRS and therefore the consolidated financial statements comply with Article 4 of the EU IAS legislation. The condensed financial information has been prepared under the historical cost convention, as modified by the use of valuations for certain financial instruments, share-based payments and post-employment benefits.

#### **Accounting policies**

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 2 February 2013, as described in note 2 of those financial statements, except where set out below.

IAS 19 (revised), 'Employee benefits', amends the accounting for employment benefits and the Group has applied it retrospectively in accordance with the transition provisions of the standard. The impact on the Group has been in the following areas:

- The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a single net interest expense or income based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. There is no change to determining the discount rate; this continues to reflect the yield on high-quality corporate bonds. For the current and comparative year, the Group's reported profit before taxation was not impacted as the expected rate of return on assets at the start of the current and prior year was the same as the discount rate for the UK scheme, the Group's principal defined benefit pension plan.
- The revised standard also requires administrative costs of running the UK scheme to be reclassified from net finance costs to operating costs. For the current year the Group's reported operating profit is £3m lower and net finance income £3m higher than they would have been prior to the adoption of IAS 19 (revised). For the year ended 2 February 2013 the Group's reported operating profit is £3m lower and net finance costs £3m lower than previously reported.

The amendments to IAS 1, 'Presentation of items of other comprehensive income', require items presented in 'other comprehensive income' to be grouped by those items that may be reclassified subsequently to profit or loss and those that will never be reclassified, together with their associated income tax. The amendments have been applied retrospectively and the presentation of items of comprehensive income has been adjusted accordingly.

IFRS 13, 'Fair value measurement', has impacted the measurement of fair value for certain financial assets and liabilities.

## Principal rates of exchange

	2013/14		2012/13	
	Average rate	Year end rate	Average rate	Year end rate
Euro	<b>1.18</b>	<b>1.22</b>	1.23	1.15
US Dollar	<b>1.57</b>	<b>1.64</b>	1.59	1.57
Polish Zloty	<b>4.95</b>	<b>5.17</b>	5.13	4.79
Chinese Renminbi	<b>9.62</b>	<b>9.97</b>	10.01	9.80

## 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 post-tax profit 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.

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). 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 current other investments.

### 3 Segmental analysis

#### Income statement

	2013/14				
£ millions	UK & Ireland	France	Other International		Total
			Poland	Other	
<b>Sales</b>	<b>4,363</b>	<b>4,423</b>	<b>1,109</b>	<b>1,230</b>	<b>11,125</b>
<b>Retail profit</b>	<b>238</b>	<b>396</b>	<b>123</b>	<b>48</b>	<b>805</b>
Exceptional items					(10)
Central costs					(42)
Share of interest and tax of joint ventures and associates					(17)
<b>Operating profit</b>					<b>736</b>
Net finance income					<b>23</b>
<b>Profit before taxation</b>					<b>759</b>

  

	2012/13 (restated)				
£ millions	UK & Ireland	France	Other International		Total
			Poland	Other	
<b>Sales</b>	4,316	4,194	1,029	1,034	10,573
<b>Retail profit</b>	231	397	107	43	778
Exceptional items					(26)
Central costs					(42)
Share of interest and tax of joint ventures and associates					(18)
<b>Operating profit</b>					692
Net finance costs					(1)
<b>Profit before taxation</b>					691

The current financial year is the 52 weeks ended 1 February 2014 with the comparative financial year being the 53 weeks ended 2 February 2013. This only impacts the UK & Ireland businesses with all of the other businesses reporting on a calendar basis as a result of local requirements. The effect of the 53rd week on the results of the Group in 2012/13 was the inclusion of an additional £72m sales and an immaterial benefit to retail profit.

The operating segments disclosed above are based on the information reported internally to the Board of Directors and Group Executive. This information is predominantly based on the geographical areas in which the Group operates and which are managed separately. The Group only has one business segment being the supply of home improvement products and services.

The 'Other International' segment consists of Poland, China, Spain, Russia, Romania, the associate Hornbach 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.

#### 4 Exceptional items

£ millions	2013/14	2012/13
<i>Included within selling and distribution expenses</i>		
Acquisition and integration costs	(5)	-
Ireland restructuring	7	(21)
UK restructuring	-	4
	<b>2</b>	<b>(17)</b>
<i>Included within administrative expenses</i>		
UK restructuring	-	(20)
Net pension gain	-	11
	-	(9)
<i>Included within other income</i>		
Profit on disposal of properties	2	-
	<b>2</b>	-
<i>Included within share of post-tax results of joint ventures and associates</i>		
Net impairment of investment in Hornbach	(14)	-
	<b>(14)</b>	-
<i>Included within finance income</i>		
Kesa demerger French tax case – repayment supplement income	27	-
	<b>27</b>	-
<b>Exceptional items before tax</b>	<b>17</b>	<b>(26)</b>
Tax on exceptional items	(4)	1
Kesa demerger French tax case	118	-
<b>Exceptional items</b>	<b>131</b>	<b>(25)</b>

Acquisition and integration costs of £5m principally comprise costs of acquiring and integrating the Bricostore Romania business.

The exceptional credit of £7m for Ireland restructuring reflects 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 has been recognised in the year on the Group's investment in Hornbach. This comprises a loss of £45m on remeasurement of the investment to fair value, following the Group's conclusion that it had lost the ability to exercise significant influence, 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 ongoing. A £27m repayment supplement provision and £118m taxation provision related to the case have subsequently been released and treated as exceptional.

**5 Net finance income/(costs)**

£ millions	2013/14	2012/13 (restated)
Bank overdrafts and bank loans	(3)	(8)
Medium Term Notes and other fixed term debt	(3)	(7)
Finance leases	(4)	(4)
Financing fair value remeasurements	(2)	2
Capitalised interest	-	1
<b>Finance costs</b>	<b>(12)</b>	<b>(16)</b>
Cash and cash equivalents	6	15
Net interest income on defined benefit pension schemes	2	-
Kesa demerger French tax case – repayment supplement income (note 4)	27	-
<b>Finance income</b>	<b>35</b>	<b>15</b>
<b>Net finance income/(costs)</b>	<b>23</b>	<b>(1)</b>

**6 Income tax expense**

£ millions	2013/14	2012/13
<b>UK corporation tax</b>		
Current tax on profits for the year	47	47
Adjustments in respect of prior years	(7)	(13)
	<b>40</b>	<b>34</b>
<b>Overseas tax</b>		
Current tax on profits for the year	131	128
Kesa demerger French tax case (note 4)	(118)	-
Other adjustments in respect of prior years	(11)	(54)
	<b>2</b>	<b>74</b>
<b>Deferred tax</b>		
Current year	16	18
Adjustments in respect of prior years	-	5
Adjustments in respect of changes in tax rates	(9)	(4)
	<b>7</b>	<b>19</b>
<b>Income tax expense</b>	<b>49</b>	<b>127</b>

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 26% (2012/13: 27%). Tax on exceptional items for the year is a credit of £114m, £118m of which relates to prior year items. In 2012/13 tax on exceptional items was a credit of £1m, with no amount relating to prior year items.

## 7 Earnings per share

	2013/14			2012/13		
	Earnings £ millions	Weighted average number of shares millions	Earnings per share pence	Earnings £ millions	Weighted average number of shares millions	Earnings per share pence
<b>Basic earnings per share</b>	<b>709</b>	<b>2,363</b>	<b>30.0</b>	564	2,339	24.1
Effect of dilutive share options		<b>19</b>	<b>(0.3)</b>		34	(0.3)
<b>Diluted earnings per share</b>	<b>709</b>	<b>2,382</b>	<b>29.7</b>	564	2,373	23.8
<b>Basic earnings per share</b>	<b>709</b>	<b>2,363</b>	<b>30.0</b>	564	2,339	24.1
Exceptional items before tax	<b>(17)</b>		<b>(0.7)</b>	26		1.1
Tax on exceptional and prior year items	<b>(141)</b>		<b>(6.0)</b>	(67)		(2.8)
Financing fair value remeasurements	<b>2</b>		<b>0.1</b>	(2)		(0.1)
Tax on financing fair value remeasurements	<b>(1)</b>		-	1		-
<b>Adjusted basic earnings per share</b>	<b>552</b>	<b>2,363</b>	<b>23.4</b>	522	2,339	22.3
<b>Diluted earnings per share</b>	<b>709</b>	<b>2,382</b>	<b>29.7</b>	564	2,373	23.8
Exceptional items before tax	<b>(17)</b>		<b>(0.7)</b>	26		1.1
Tax on exceptional and prior year items	<b>(141)</b>		<b>(5.9)</b>	(67)		(2.8)
Financing fair value remeasurements	<b>2</b>		<b>0.1</b>	(2)		(0.1)
Tax on financing fair value remeasurements	<b>(1)</b>		-	1		-
<b>Adjusted diluted earnings per share</b>	<b>552</b>	<b>2,382</b>	<b>23.2</b>	522	2,373	22.0

Basic earnings per share is calculated by dividing the profit for the year attributable to equity shareholders of the Company by the weighted average number of shares in issue during the year, excluding those held in the Employee Share Ownership Plan Trust ('ESOP') which for the purpose of this calculation are treated as cancelled.

For diluted earnings per share, the weighted average number of shares is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees where both the exercise price is less than the average market price of the Company's shares during the year and any related performance conditions have been met.

## 8 Dividends

£ millions	2013/14	2012/13
<b>Dividends to equity shareholders of the Company</b>		
Final dividend for the year ended 2 February 2013 of 6.37p per share (28 January 2012: 6.37p per share)	<b>150</b>	148
Interim dividend for the year ended 1 February 2014 of 3.12p per share (2 February 2013: 3.09p per share)	<b>74</b>	73
	<b>224</b>	221

The proposed final dividend for the year ended 1 February 2014 of 6.78p per share is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability.

## Post-employment benefits

£ millions	2013/14			2012/13 (restated)		
	UK	Other	Total	UK	Other	Total
<b>Surplus/(deficit) in scheme at beginning of year</b>	<b>71</b>	<b>(71)</b>	<b>-</b>	25	(40)	(15)
Current service cost	(2)	(7)	(9)	(13)	(4)	(17)
Administration costs	(3)	-	(3)	(3)	-	(3)
Curtailement gain	-	-	-	27	-	27
Net interest income/(expense)	4	(2)	2	2	(2)	-
Net actuarial (losses)/gains	(131)	4	(127)	(7)	(22)	(29)
Contributions paid by employer	32	1	33	40	1	41
Exchange differences	-	4	4	-	(4)	(4)
<b>(Deficit)/surplus in scheme at end of year</b>	<b>(29)</b>	<b>(71)</b>	<b>(100)</b>	71	(71)	-
Present value of defined benefit obligations	(2,135)	(92)	(2,227)	(1,994)	(93)	(2,087)
Fair value of scheme assets	2,106	21	2,127	2,065	22	2,087
<b>(Deficit)/surplus in scheme</b>	<b>(29)</b>	<b>(71)</b>	<b>(100)</b>	71	(71)	-

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.

A key assumption in valuing the pension obligations 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 are as follows:

Annual % rate	2013/14	2012/13
Discount rate	4.4	4.6
Price inflation	3.3	3.3
Rate of pension increases	3.1	3.3

For the UK scheme, the mortality assumptions used in the actuarial valuations have been selected with regard to the characteristics and experience of the membership of the scheme from 2010 to 2013. The assumptions for life expectancy of UK scheme members are as follows:

Years	2013/14	2012/13	2010 funding valuation
Age to which current pensioners are expected to live (60 now)			
- Male	86.7	86.7	86.4
- Female	87.3	87.4	87.1
Age to which future pensioners are expected to live (60 in 15 years' time)			
- Male	87.4	87.4	87.1
- Female	88.6	89.0	88.7

The following sensitivity analysis for the UK scheme shows the estimated impact on the obligation resulting from changes to key actuarial assumptions, whilst holding all other assumptions constant.

Assumption	Change in assumption	Impact on defined benefit obligation
Discount rate	Increase/decrease by 0.1%	Decrease/increase by £43m
Price inflation	Increase/decrease by 0.1%	Increase/decrease by £38m
Rate of pension increases	Increase/decrease by 0.1%	Increase/decrease by £38m
Mortality	Increase in life expectancy by one year	Increase by £68m

## 10 Cash generated by operations

£ millions	2013/14	2012/13 (restated)
<b>Operating profit</b>	<b>736</b>	692
Share of post-tax results of joint ventures and associates	(8)	(20)
Depreciation and amortisation	261	248
Impairment losses	2	8
Loss on disposal of property, plant and equipment, investment property and intangible assets	1	5
Share-based compensation charge	7	9
Increase in inventories	(31)	(191)
Increase in trade and other receivables	(60)	(6)
Increase in trade and other payables	118	19
Movement in provisions	(29)	14
Movement in post-employment benefits	(21)	(48)
<b>Cash generated by operations</b>	<b>976</b>	730

## 11 Net cash

£ millions	2013/14	2012/13
Cash and cash equivalents	535	398
Bank overdrafts	(1)	-
<b>Cash and cash equivalents and bank overdrafts</b>	<b>534</b>	398
Bank loans	(14)	(68)
Medium Term Notes and other fixed term debt	(247)	(298)
Financing derivatives	27	71
Finance leases	(62)	(65)
<b>Net cash</b>	<b>238</b>	38

£ millions	2013/14	2012/13
<b>Net cash/(debt) at beginning of year</b>	<b>38</b>	(88)
Net increase/(decrease) in cash and cash equivalents and bank overdrafts	153	(106)
Repayment of bank loans	89	31
Repayment of Medium Term Notes and other fixed term debt	33	162
Receipt on financing derivatives	(6)	-
Capital element of finance lease rental payments	13	12
<b>Cash flow movement in net cash</b>	<b>282</b>	99
Borrowings acquired	(35)	-
Exchange differences and other non-cash movements	(47)	27
<b>Net cash at end of year</b>	<b>238</b>	38

## 12 Post balance sheet events

On 24 March 2014 Kingfisher agreed to sell all the shares it holds in Hornbach Holding AG and Hornbach-Baumarkt AG which together formed its 21.2% stake in Hornbach for approximately £195m.