Kingfisher

Interim results for the half year ended 1 August 2015
Sales up 3.5% and retail profit up 5.0%, in constant currencies
Adjusted pre-tax profit of £384m, down 2.3%
Solid early progress on the journey to 'ONE' Kingfisher

Financial overview and highlights for the 26 weeks ended 1 August 2015:

	2015/16	2014/15	% Total Change Reported	% Total Change Constant currency	% LFL* Change Constant currency
Adjusted sales*	£5,382m	£5,605m	(4.0)%	+3.5%	+2.0%
Retail profit*	£410m	£419m	(2.2)%	+5.0%	
Adjusted* pre-tax profit	£384m	£393m	(2.3)%		
Adjusted basic EPS	12.3p	12.3p	Flat		
Interim dividend	3.18p	3.15p	+1.0%		
Net cash*	£435m	£496m	n/a		

**Throughout this release '*' indicates first instance of a term defined in the Glossary (section 5).*

- Total **adjusted sales** in constant currencies up 3.5% (France +1.1%; UK & Ireland +4.6%; Other International +5.7%)
- **Retail profit** in constant currencies up 5.0% (France (5.7)%; UK & Ireland +16.8%; Other International +3.0%)
- **Adjusted pre-tax profit** of £384m driven by strong UK profit growth, offset by £29m adverse foreign exchange movements on the translation of non-sterling profits
- £160m returned to date via a **share buyback** since year end (44.7m shares), part of the previously announced £200m due to be returned during FY 2015/16

Solid early progress with our first 'sharp' decisions as we progress towards 'ONE' Kingfisher:

CUSTOMER & OFFER: Good early progress in unifying our offer
- First wave of unifying our 'core essential' ranges to land in stores next year

RETAIL OPERATIONS: Space - rationalisation on track; announcing Screwfix UK expansion
- On track to close c.15% B&Q surplus space by end of FY 2016/17 (c.60 stores) in over-spaced catchments; exit of leases secured on 26 of the stores
- Announced closure of 2 stores in France and 1 in Russia
- Announcing potential for a further 200 Screwfix UK outlets from 412 today; Screwfix Germany trial on track

INFRASTRUCTURE & PROCESSES:
Programme to unify Goods Not For Resale (GNFR*) underway
- First wave of unified spend (£350m) on track to land next year

Unified IT platform, key enabler of 'ONE' Kingfisher on track
- Ireland pilot started on time and working well
- Announcing acceleration of rollout (to complete by end of FY 2018/19)

PEOPLE: Finalised leadership team with appointment of Chief People Officer

Kingfisher

Véronique Laury, Chief Executive Officer, said:

"I am pleased that we have delivered a solid first half of the year and have made good early progress with our 'ONE' Kingfisher plan. This plan will unlock our potential through organising ourselves very differently in order to create a single, unified company where customer needs come first.

"We have been working at pace on our set of first 'sharp' decisions. I am particularly excited to see the first wave of unified 'core essential' ranges landing in stores next year. This is being led by Arja Taaveniku, our Chief Offer & Supply Chain Officer, who joined the team in May. Furthermore, I am also delighted with the pilot of our unified IT system in Ireland, which we are now able to accelerate across Kingfisher given the success so far. This will be a key enabler of our 'ONE' Kingfisher journey.

"There remains a lot to be done however. Our leadership team is now complete and we are continuing to develop our detailed plans at pace as we progress on this exciting journey. We look forward to updating on further progress along the way."

Karen Witts, Chief Financial Officer, said:

"We continue to believe our plans will drive an increase in the value of our business for shareholders, whilst at the same time optimising the generation and use of cash.

"Our balance sheet remains strong, enabling us to continue investing for growth and to return so far this year, £160 million via share buyback. We are also today announcing growth in the interim dividend, ahead of earnings, reflecting our confidence in our medium term prospects. In addition, I am pleased with the progress made to exit most of the B&Q stores earmarked for closure this year, which will in time strengthen our balance sheet and maintain our financial flexibility.

"In the short term, whilst we remain encouraged by the macroeconomic backdrop in the UK, we remain cautious on the outlook for France."

Statutory reporting:

	2015/16	2014/15	% Change Reported
Statutory sales*	£5,492m	£5,768m	(4.8)%
Statutory pre-tax profit	£386m	£393m	(1.8)%
Statutory post-tax profit	£318m	£290m	+9.7%
Basic EPS	13.6p	12.3p	+10.6%

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This announcement can be downloaded from www.kingfisher.com or viewed on the Kingfisher IR iPad App. We can be followed on twitter @kingfisherplc with the Interim results tag #KGFH1. Our next announcement will be the Q3 trading update for period ended 31 October 2015 on 24 November 2015.

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

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

1) 'ONE' Kingfisher update
2) Trading review by major geography
3) FY 2015/16 Technical guidance
4) Financial Review and, in part 2 of this announcement, the interim condensed Financial Statements
5) Glossary
6) Forward-looking statements

Section 1: 'ONE' Kingfisher update

Following an in depth review of Kingfisher's business and strategy earlier this year, the leadership team announced 'ONE' Kingfisher, a plan that will leverage the scale of the business by becoming a single unified company where customer needs come first. To achieve this the team concluded that the business needs to be organised very differently moving away from a set of locally managed businesses to a single unified company.

A summary of the review findings are below:

- Home improvement is a great market with huge potential
- We are right to focus on Europe+*
- We can achieve significant benefits from developing a more common, unique and effective offer
- There is no one clear winning format or channel in our market today
- We can achieve significant benefits from unifying activities and standardising processes

We will operate within the following clear set of guiding principles:

1. Customer <u>needs</u> come first
2. Create a <u>unique</u> and leading offer
3. <u>Same</u> products across Europe presented to customers in the <u>same</u> way
4. <u>Limited</u> number of formats and <u>omnichannel*</u> everywhere
5. <u>Low</u> cost always
6. <u>One</u> company culture

We believe that following these principles will drive higher sales from having a unique, differentiated offer at good prices for our customers whilst maintaining our gross margin rate and lowering our cost base. Combining this with continued strict capital discipline will deliver improved financial metrics for our shareholders.

At the full year results a series of first 'sharp' decisions were announced relating to each of the key work streams of 'ONE' Kingfisher. The following section provides an update.

Update on first 'sharp' decisions:

We have made good early progress with the first 'sharp' decisions since the year end. As we have started to implement our plan we have refined the work streams initially outlined. 'Customer & Offer' are now combined as one and 'Formats / Channels' are now renamed as 'Retail Operations'.

1. CUSTOMER & OFFER

Everything will be based on our deep knowledge of customer needs and customers' shopping journeys. Of a total of 393,000[(1)] SKUs* sold across the company last year, only 7,000[(1)] were sold in at least two operating companies and around 193,000 SKUs related to non-ranged (delisted and ex-promotional) products which do not form part of existing retail planograms*. Driven by the knowledge that customer needs are more similar than different across geographies, ranged products (part of planograms of around 200,000 SKUs) can be more unified in all our markets across Europe+.

(1) Across top 5 operating companies Castorama France, Brico Dépôt France, B&Q, Screwfix UK & Poland

Unified ranges (same products everywhere presented in the same way) will cover *unique, core essential and complementary* categories, as defined below:

Unique: leading home improvement products and solutions where we want to be the first choice destination in customers' minds. To develop unique products, we will need to develop deeper competence in areas such as design, engineering, materials and packaging to complement existing expertise as part of the new unified offer organisation.

Core essentials: home improvement basics and consumables (e.g. batteries, paintbrushes, light bulbs). Products that our customers see as universal.

Complementary: products which will complete our home improvement offer.

First sharp decisions:

- Develop unique garden and bathroom businesses
- Develop core essential offer
- Develop plan to cut existing product tail*

Update:
Core essentials:
These products represent around one third of total company buying scale. We believe that the number of SKUs and suppliers can be significantly reduced. New ways of working and supplier guidelines are already in place. We are starting with 20 categories which represent £0.6 billion of total company buying scale and will land in stores in FY 2016/17. Progress to date indicates that c.90% will be unified and c.10% will be locally adapted.

We are progressing well e.g. we currently sell 338 battery SKUs across our nine operating companies with up to 13 ranges sold in each. We anticipate moving towards a unified offer of 36 SKUs on up to four ranges across our formats.

Cut the Tail:
This relates to our plan to cut the 193,000 delisted and ex-promotional SKUs which do not form part of our existing retail planograms, and is mostly in Big Box stores.

Dedicated teams have been set up in each operating company, led by Guy Colleau (Operations Director – Big Box). Plans are in place to cut the tail over the next three years and clearance has recently started.

2. RETAIL OPERATIONS

Our goal is to present the same products to customers across Europe in the same way under a simplified model. This will drive operational efficiencies whilst recognising that customer needs are evolving quickly so we need to adapt to this fast changing retail environment. Our existing channels will be managed under three formats: Big Box, Medium Box and Omnichannel, and each will be standardised across all of our markets.

First sharp decisions:

- Space rationalisation:
  - Close c.15% surplus space at B&Q
  - Close our few loss making stores in Europe
- Pilot Big Box best practice across Europe
- Extend Screwfix trial in Germany

Update:

Space rationalisation:

As previously announced we intend to close c.15% surplus space (c.60 stores; 6 right-sizes*) at B&Q by the end of the 2016/17 as we know that we can adequately meet local customer needs from fewer stores and that some of the stores should be smaller. The closures are being prioritised by the most over-spaced catchments in order to retain customers and sales. The majority of the 30 B&Q closures planned for this year will take place in H2. Exits of 26 leases have been secured through a combination of transfers to three national retailers (three stores subject to planning change) and lease expiries. Discussions are ongoing on further stores. We have also announced the closure of 2 stores in Castorama France and 1 in Russia.

This will give rise to a total exceptional charge of around £350 million relating principally to onerous lease provisions over this year and next year, £151 million of which was booked in H1.

Screwfix:

Screwfix UK's leading omnichannel offer continues to deliver strong growth. We continue to review the scale of the UK market opportunity and now believe that there is potential for around 600 outlets versus the 412 today, providing even greater convenience for customers.

Our Screwfix Germany trial remains on track. Although it is still early days, the concept has been well received and we are seeing good signs of repeat business from a growing number of customers both in store and online. We remain on track to open another five outlets this year taking the total to nine.

3. INFRASTRUCTURE & PROCESSES

Unifying our processes and infrastructure will not only drive operating efficiencies but will also make us a simpler and more agile organisation.

First sharp decisions:

- Pilot unified IT platform, then accelerate
- Unify £1.2bn goods not for resale (GNFR) process

Update:

IT platform:
The unified IT system is a key enabler of our 'ONE' Kingfisher plan, providing a step change for customers and colleagues. In July the pilot started on time in Ireland and is now live in seven stores, is working well and colleague feedback in stores has been positive.

Given the success so far we have taken the decision to accelerate the roll out to complete by the end of FY 2018/19 versus our original plan of FY 2020/21, starting with B&Q and Castorama France in 2016.

GNFR:
Following the completion of a detailed scoping exercise concluding that there are significant financial and efficiency benefits to be gained from unifying £1.2 billion of GNFR spend, the programme is now underway. We believe that around 90% can be unified and will be implemented across three waves over the next three years.

Wave 1 is progressing well, covers nine categories (including media buying, mechanical handling equipment, printing and paper) and £350m of spend, with contract tendering on track to take place in H2 this year.

4. PEOPLE

To drive through these changes we have established a new leadership team. We need to move to a wider reorganisation in order to unlock the real potential of 'ONE' Kingfisher. Across the wider company we will have more international and diverse teams with deeper competence, experience, leadership, and passion for home improvement, operating with English as the common working language.

First sharp decision:

- Finalise new leadership team and wider reorganisation structure

Update:
The new international leadership team is now complete following the appointments of Arja Taaveniku, Chief Offer & Supply Chain Officer, who joined in May from the IKEA Group, and Emily Lawson, Chief People Officer, who will join Kingfisher in October. Emily was previously Group HR Director at Morrisons Supermarkets PLC and a Partner at McKinsey & Co where she led the human capital practice. She has significant experience of leading business transformations and in cultural change.

We have also reviewed all CEOs across the operating companies and other key roles. As a result, a number of changes in senior roles have been made, redeploying Kingfisher talent alongside new external appointments e.g. Michael Loeve joined B&Q as CEO on 1 September, an experienced Danish retailer, with 12 years' experience in senior roles across retail operations, supply chain, IT and strategy, most recently for Co-op Denmark.

Given the scale of change across the company we have also set up a 'Change Management' function to provide a framework for continuous testing and measuring of the strategic tasks. Understanding the interdependencies of the different elements of the 'ONE' Kingfisher plan is key to managing change efficiently and minimising execution risk.

Summary

We are pleased with the solid early progress that we have made on the journey to 'ONE' Kingfisher on the first 'sharp' decisions that we announced in March 2015. We are continuing to work on the detail of our long term strategy and our KPIs and will update on further progress along the way.

Section 2: 2015/16 Trading review by major geography

All trading commentary is in constant currencies

Note: Data tables for Q1, Q2 and half year are available for download in excel format at www.kingfisher.com/index.asp?pageid=59.

FRANCE*

£m	2015/16	2014/15	% Reported Change	% Constant Currency Change	% LFL Change
Sales	1,976	2,205	(10.4%)	+1.1%	(0.3)%
Retail profit	167	200	(16.4)%	(5.7)%	

Kingfisher France sales increased by 1.1% (-0.3% LFL) to £1,976 million in a broadly flat market impacted by ongoing weak consumer confidence and a declining housing and construction market.

Across the two businesses, one net new store was opened and one was revamped, adding around 1% new space. 'Click, pay & collect' omnichannel capability has now been rolled out to 131 stores, up from 34 at year end.

Gross margins were down 60 basis points, largely reflecting more price promotional activity. Despite continued focus on cost control retail profit declined by 5.7% to £167 million.

Castorama total sales increased slightly by 0.1% (+0.2% LFL) to £1,095 million. According to Banque de France data*, sales for the home improvement market were up 0.3%. LFL sales of outdoor seasonal products were up 3% and sales of indoor and building products broadly flat.

Brico Dépôt, which more specifically targets trade professionals and proficient retail customers, was impacted by the ongoing slow house building market* with new housing starts and planning consent data both down around 6%. Total sales increased by 2.4% (-0.9% LFL) to £881 million reflecting store openings.

UK & IRELAND*

£m	2015/16	2014/15	% Reported Change	% Constant Currency Change	% LFL Change
Sales	2,527	2,419	+4.5%	+4.6%	+3.3%
Retail profit	194	166	+16.8%	+16.8%	

Kingfisher UK & Ireland sales were up 4.6% (+3.3% LFL) to £2,527 million benefitting from a stronger UK economy and a more buoyant housing construction market. Retail profit grew by 16.8% to £194 million. Gross margins were flat. Tight cost control continued driven by ongoing productivity initiatives at B&Q.

B&Q total sales increased slightly by 0.2% (+0.7% LFL) to £2,033 million. Sales of outdoor seasonal products were down 2.3% while sales of indoor products, excluding showroom, were up 3.6%. Sales of showroom products were down 2.4% driven by the decision to reduce promotional activity and instead offer customers 'Every Day Great Value', which, in kitchens, is now gaining momentum.

B&Q has been working on driving productivity benefits across the business since last year. Various initiatives have been introduced including 'store friendly deliveries' (making it quicker and easier for store staff to replenish) and roller checkouts (improving customer experience as well as scanning and database accuracy). These projects were completed during the summer.

B&Q launched 'Click, Pay & Collect' on over 14,000 products last year with the release of the new diy.com. Total transacted online sales, including home delivery, continued to make good progress.

Screwfix grew total sales by 27.9% (+16.5% LFL) to £494 million, driven by strong growth from the specialist trade desks exclusive to plumbers and electricians within Screwfix outlets, strong digital and mobile growth, new and extended ranges, alongside the continued roll out of new outlets. 17 net new outlets were opened, taking the total to 412. Screwfix remains on track to open 60 outlets in FY 2015/16.

OTHER INTERNATIONAL*

£m	2015/16	2014/15	% Reported Change	% Constant Currency Change	% LFL Change
Sales	879	981	(10.3)%	+5.7%	+3.7%

Retail profit				
Other International (established)	60	64	(7.0)%	+4.8%
New country development*	(11)	(11)	(0.5)%	(13.3)%
Total	49	53	(8.5)%	+3.0%

Other International total sales increased by 5.7% (+3.7% LFL) to £879 million driven by store openings and LFL growth in Russia and Poland. Retail profit increased by 3.0% to £49 million driven by Poland.

During H1 two net new stores were opened, being net three in Turkey and one closure (subject to relocation) in Poland. Space is broadly flat compared to H1 last year.

Other International (established):

Sales in **Poland** were up 2.3% (+3.4% LFL) to £508 million. LFL sales of outdoor seasonal products were up 6.0% with sales of indoor and building products up 2.9%. Gross margins were down 10 basis points. Retail profit grew by 8.7% to £53 million supported by the sales growth and tight cost control.

In **Russia** sales grew by 21.6% (+15.3% LFL) to £175 million reflecting strong consumer spending on durable goods in Q1 in an uncertain market followed by more normalised consumer spending in Q2. Retail profit increased to £3 million driven by the sales growth, despite adverse foreign currency exchange movements on the cost base. In **Turkey,** Kingfisher's 50% JV, Koçtaş, sales grew by 11.6% (+7.0% LFL) to £149 million reflecting new store openings and more promotional activity. Retail profit contribution was down to £2 million, reflecting the timing of new store openings and adverse foreign currency exchange movements on the cost base. In **Spain** sales declined by 4.6% (-6.2% LFL) to £144 million in a more competitive market. Retail profit was £2 million (2014/15: £3 million reported retail profit).

New Country Development:

New Country Development includes operations in Romania, Portugal and Germany. Sales were £52 million with losses of £11 million (2014/15: £11 million reported retail loss), reflecting the phasing of Screwfix Germany openings as well as a more challenging environment for Brico Dépôt Romania. In Germany, we remain on track to open a further five outlets during FY 2015/16 within the Frankfurt area. Sales and brand awareness continue to build with a growing number of repeat customers both in store and online.

Section 3: FY 2015/16 Technical guidance

- Net new stores and space growth:

	Employees (FTE)	Store Numbers	Sales area[1] (000s m²)	Net new stores	Space % change
	At 1 Aug 2015	At 1 Aug 2015	At 1 Aug 2015	FY 2015/16	FY 2015/16
Castorama	12,695	102	1,237	(1)[2]	+0.2%
Brico Dépôt	7,143	116	810	4	+2.9%
France	**19,838**	**218**	**2,047**	**3**	**+1.3%**
B&Q UK & Ireland	20,519	355	2,540	(30)[3]	(6.8)%[3]
Screwfix	5,800	412	26[4]	60	+12.0%
UK & Ireland	**26,319**	**767**	**2,566**	**30**	**(6.7)%**
Poland	10,589	71	603	1	+1.6%
Portugal	104	2	12	-	-
Romania	915	15	121	-	(12.9)%
Russia	3,280	21	207	-	+0.5%
Spain	1,602	28	168	1	+3.6%
Turkey JV	3,879	52	239	11	+9.1%
Screwfix Germany	68	4	1[4]	5	-
Other International	**20,437**	**193**	**1,351**	**18**	**+1.5%**
Total Group	**66,594**	**1,178**	**5,964**	**51**	**(2.1)%**

[1] As part of 'ONE' Kingfisher a review of sales area reporting has been undertaken to ensure consistency across our operating companies. Restatements of Kingfisher's quarterly space for the previous 3 years are available in data tables at: www.kingfisher.com/index.asp?pageid=59

[2] Castorama France store transfer to Brico Dépôt, announced closures will not take place in FY 2015/16

[3] Store closures expected to take place towards the end of FY 2015/16

[4] Screwfix sales area relates to the front of counter area of an outlet

- Income statement:

  - Retail losses from new country development activity expected to be around £17 million
  - Central costs are expected to be around £45 million
  - Group interest [1] charge is expected to be around £10 million
  - Corporation tax rate is expected to be around 26%, subject to the blend of profit within the companies various jurisdictions
  - IFRIC 21 will impact phasing of certain French levies resulting in a year on year reduction in operating costs in Q1 to Q3 of around £9 million per quarter and an increase in Q4 of around £27 million [2&3]
  - B&Q closures - income statement impact expected to be broadly neutral assuming on average that up to a third of sales transfer
  - Space restructuring UK & Ireland and Europe - exceptional charge of around £350 million over 2 years to FY 2016/17

[1] Interest charge excludes FFVR* (financing fair value remeasurements)

[2] Data tables for FY 2014/15 (Q1, Q2, H1, Q3, Q3 YTD, Q4 and the full year) are available for download in excel format at www.kingfisher.com/index.asp?pageid=59. They include a restatement schedule for these impacts

[3] Certain French levies were previously recognised on an accruals basis across the year. Going forward, they will be accounted in Q4 when the liability is triggered, hence impacting quarterly phasing of French retail profit

- Cash flow:
  - Investing £350-400 million in capital expenditure
  - Full year dividend to be covered 2.0-2.5 times by adjusted earnings
  - Capital return of £200 million to be via share buyback
  - No material incremental cash outflow resulting from the B&Q closures exceptional item, as principally relates to onerous lease provision

Section 4: 2015/16 Financial Review

A summary of the reported financial results for the six months ended 1 August 2015 is set out below:

	2015/16	2014/15	% Reported Change	% Constant Currency Change
Adjusted sales	**£5,382m**	£5,605m	(4.0)%	+3.5%
Statutory sales[1]	**£5,492m**	£5,768m	(4.8)%	+2.0%
Retail profit	**£410m**	£419m	(2.2)%	+5.0%
Adjusted pre-tax profit	**£384m**	£393m	(2.3)%	
Statutory pre-tax profit	**£386m**	£393m	(1.8)%	
Exceptional items (post-tax)	**£38m**	£11m	n/a	
Adjusted basic earnings per share	**12.3p**	12.3p	Flat	
Basic earnings per share	**13.6p**	12.3p	+10.6%	
Dividends – interim	**3.18p**	3.15p	+1.0%	
– special	**-**	4.20p	n/a	
Capital Return				
- Share buyback	**£139m**	£35m		
- Special dividend	**-**	£100m		
Total Capital Return	**£139m**	£135m		

[1] Statutory results include sales for B&Q China up to the date of disposal (30th April 2015)

Reported retail profit declined 2.2% reflecting £29 million adverse foreign exchange movement on translating foreign currency results into sterling. Excluding foreign exchange impacts, retail profit grew by 5.0%, reflecting a mixed picture across our major markets with the UK and Poland markets improving, offset by France where conditions remain more challenging. However, our ongoing focus on cash and tight capital discipline meant we were able to continue to invest in the business whilst maintaining a strong balance sheet, pay £160 million in cash dividends and return a further £139 million to shareholders via share buybacks (£160 million to date).

Total adjusted **sales** grew by 3.5% on a constant currency basis to £5.4 billion with LFL sales up 2.0%. On a reported rate basis, which includes the impact of exchange rates, sales declined by 4.0%. During the period, sales growth benefitted from the addition of new space with 12 net new stores, driven by Screwfix outlet openings in the UK (excluding net three stores opened in the Turkey JV).

On a constant currency basis **retail profit** of £410 million increased by 5.0% including £11 million of new country development costs relating to Brico Dépôt Romania and Portugal and Screwfix in Germany.

As previously announced, the results for 2015/16 have been impacted by both a new IFRS accounting requirement, IFRIC 21 'Levies', and the disposal of operations in China in 2015/16. Comparatives have also been adjusted for IFRIC 21 and the China disposal. For H1 2014/15, this increased both retail profit and adjusted pre-tax profit by £29 million.

Restatement data tables for 2014/15 have been published at:
www.kingfisher.com/index.asp?pageid=59

Adjusted pre-tax profit decreased by 2.3% to £384 million, in line with retail profit, primarily reflecting adverse foreign exchange movements.

Statutory pre-tax profit, decreased by 1.8% to £386 million. A reconciliation from the adjusted basis to the statutory basis for pre-tax profit is set out below:

	2015/16 £m	2014/15 £m	Increase/ (decrease)
Adjusted pre-tax profit	**384**	393	(2.3)%
B&Q China operating loss	**(4)**	(11)	
Financing fair value remeasurements (FFVR)	**(3)**	1	
Profit before exceptional items and taxation	**377**	383	(1.6)%
Exceptional items before tax	**9**	10	
Statutory pre-tax profit	**386**	393	(1.8)%

Exceptional items (post tax) were a credit of £38 million (2014/15: £11 million credit) as detailed below:

	2015/16 £m Gain/(charge)	2014/15 £m Gain/(charge)
UK & Ireland and Europe restructuring	**(151)**	(6)
Profit on disposal of B&Q China	**143**	-
Disposal of properties[1]	**17**	21
Transaction costs	**-**	(5)
Exceptional items before tax	**9**	10
Exceptional tax items	**29**	1
Net exceptional items	**38**	11

[1] Disposal of properties includes the disposal of a property company

As previously announced, B&Q will close around 15% of space (c.60 stores; 6 right-sizes) by the end of FY 2016/17. There will also be a few closures of loss making stores across Europe. During the period we announced the decision to close two Castorama France stores.

This is expected to give rise to an exceptional charge of around £350 million relating principally to onerous lease provisions. At H1 2015/16 an exceptional charge for £151 million was recorded.

Profits were recorded in the period following the disposal of a controlling 70% stake in B&Q China. The disposal to Wumei Holdings Inc completed on 30 April 2015 for a gross cash consideration of £140 million resulting in a gain of £143 million.

Earnings per share

Adjusted basic earnings per share was flat at 12.3p (2014/15: 12.3p), which excludes the impact of B&Q China operating losses, exceptional items, financing fair value remeasurements and the effect of prior year tax items. Including these items **basic earnings per share** increased by 10.6% to 13.6p (2014/15: 12.3p) as set out below:

	Earnings £m	2015/16 EPS pence	Earnings £m	2014/15 EPS pence
Adjusted basic earnings per share	**285**	**12.3**	291	12.3
B&Q China operating loss	**(4)**	**(0.2)**	(11)	(0.5)
Net exceptional items	**38**	**1.6**	11	0.5
Prior year tax items	**1**	**-**	(1)	(0.1)
FFVR (net of tax)	**(2)**	**(0.1)**	1	0.1
Basic earnings per share	**318**	**13.6**	291	12.3

Dividends and capital returns

The Board has declared an interim ordinary dividend of 3.18p, an increase of 1.0% (2014/15: 3.15p). As previously announced, we are comfortable with full year dividend cover in the range of 2.0 to 2.5 times, a level the Board believes is prudent and consistent with the capital needs of the business.

The interim dividend will be paid on 13 November 2015 to shareholders on the register at close of business on 9 October 2015. 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 8 October 2015. For those shareholders electing to receive the DRIP the last date for receipt of election is 23 October 2015.

In addition to the ordinary dividend Kingfisher has implemented a multi-year capital returns programme to return surplus capital to shareholders. Of the £200 million due to be returned in FY 2015/16, £139 million has been returned during H1 (£160m to date) via share buyback with the balance expected to be returned as a share buyback over the remainder of the year.

Taxation

The effective rate of corporation tax, calculated on profit before exceptional items and prior year tax adjustments, was 26% (2014/15: 27%).

The overall rate of tax includes the impact of exceptional items and prior year tax adjustments. The impact of such items in the period results in a rate of 18% reflecting one off transactions which are not subject to tax.

Effective tax rate calculation	**Profit £m**	**Tax £m**	**2015/16 %**	2014/15 %
Profit before tax and exceptional items	**377**	**(98)**	**26%**	27%
Exceptional items	**9**	**29**		
Prior year items		**1**		
Total overall	**386**	**(68)**	**18%**	26%

The statutory rates for the Group's main operating companies during 2015/16 are:

- UK 20%
- France 38%
- Poland 19%

The Group's effective tax rate is sensitive to the blend of tax rates and profits in the Group's various jurisdictions. The effective rate of tax 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.

Free cash flow*

A reconciliation of free cash flow is set out below:

	2015/16 £m	2014/15 £m
Operating profit (before exceptional items)	**385**	386
Other non-cash items[(1)]	**133**	142
Change in working capital	**39**	15
Pensions and provisions	**(20)**	(20)
Operating cash flow	**537**	523
Net interest paid	**(7)**	(3)
Tax paid	**(65)**	(65)
Gross capital expenditure	**(177)**	(119)
Disposal of assets[(2)]	**20**	47
Free cash flow	**308**	383
Ordinary dividends paid	**(160)**	(159)
Special dividend paid	**-**	(100)
Share buyback	**(139)**	(35)
Share purchase for employee incentive schemes	**(11)**	-
Disposal of B&Q China (net of disposal costs)	**137**	-
Disposal of Hornbach	**-**	198
Other[(3)]	**2**	(2)
Net cash flow	**137**	285
Opening net cash	**329**	238
Other movement including foreign exchange	**(31)**	(27)
Closing net cash	**435**	496

(1) Other non-cash items includes depreciation and amortisation, share-based compensation charge, share of post-tax results of JVs and associates, pension operating cost and profit/loss on non-property disposals
(2) Disposal of assets includes the disposal of a property company in the current period
(3) Includes dividends received from JVs and associates, issue of shares and exceptional items (excluding property disposals)

Net cash at the end of the period was £435 million (2014/15: £496 million net cash).

Free cash flow of £308 million was generated in the period, a decrease of £75 million against the prior period, due primarily to higher capital expenditure. Gross capital expenditure for the half year was £177 million (H1 2014/15: £119 million). Of this around 19% was invested in new stores and relocations, 44% on existing stores and 37% on IT, supply chain and omnichannel development.

Of free cash flow, £299 million was returned to shareholders in the form of the ordinary dividend and share buybacks. A further £11 million was used to buy shares to cover future share awards for employee incentive schemes.

Management of balance sheet and liquidity risk and financing

The Group finished the period with £435 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* on a moving annual total basis is 2.1 times as at 1 August 2015. 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:

	2015/16 Moving annual total £m	2014/15 Year end[(1)] £m
EBITDA*	**938**	953
Property operating lease rentals	**410**	415
EBITDAR	**1,348**	1,368
Financial net cash	**(435)**	(329)
Pension deficit	**-**	-
Property operating lease rentals (8x)[(2)]	**3,280**	3,320
Lease adjusted net debt	**2,845**	2,991
Lease adjusted net debt to EBITDAR	**2.1x**	2.2x

(1) Restated to exclude contribution from China following its disposal in April 2015
(2) Kingfisher believes 8x is a reasonable industry standard for estimating the economic value of its leased assets

The Group has a £225 million committed facility that expires in 2020 and was undrawn at 1 August 2015. The next significant debt maturity is in May 2016 when the Group is required to repay US Private Placement debt with a nominal value of $68 million.

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

Kingfisher now holds a BBB credit rating with all three rating agencies. 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.

Disposals

On 22 December 2014, Kingfisher announced a binding agreement to dispose of a controlling 70% stake in its B&Q China business to Wumei Holdings Inc. Gross cash proceeds of £140 million were received in April 2015 following MOFCOM (Chinese Ministry of Commerce) approval. Kingfisher has the option from May 2017, or sooner where agreed by both parties, to sell the remaining 30% economic interest to Wumei Holdings Inc for a fixed price of the Sterling equivalent of RMB 582 million (£60 million at 1 August 2015).

During the period Kingfisher completed the sale of a property company (that owned three freehold properties) for proceeds of £18 million.

Pensions

At the period end, the Group had a net surplus of £59 million (£112 million net surplus at 31 January 2015) in relation to defined benefit pension arrangements, of which a £140 million surplus (£194 million surplus at 31 January 2015) is in relation to the UK Scheme. The adverse movement is mainly driven by the fall in market value of assets over the period, only partially offset by the favourable impact of a higher discount rate (net of inflation) applied to the scheme liabilities. This accounting valuation is sensitive to a number of assumptions and market rates which are likely to fluctuate in the future.

Property – sales area restatements

As part of 'ONE' Kingfisher we have completed a review of sales area reporting to ensure consistency across our operating companies. This has resulted in a 6% increase in sales areas across Kingfisher, details of which are below.

At 1 August 2015	**Restated sales area (000s m^2)**	**Previous sales area (000s m^2)**	**Change (000s m^2)**
Castorama	1,237	1,118	119
Brico Dépôt	810	649	161
France	**2,047**	**1,767**	**280**
B&Q UK & Ireland	2,540	2,540	-
Screwfix	26	26	-
UK & Ireland	**2,566**	**2,566**	**-**
Poland	603	522	81
Portugal	12	12	-
Romania	121	121	-
Russia	207	207	-
Spain	168	168	-
Turkey JV	239	239	-
Screwfix Germany	1	1	-
Other International	**1,351**	**1,270**	**81**
Total Group	**5,964**	**5,603**	**361**

Restatements of Kingfisher's quarterly space for the previous 3 years are available in data tables at:

www.kingfisher.com/index.asp?pageid=59

Risks

The Board considers risk assessment, identification of mitigating actions and internal control to be fundamental to achieving Kingfisher's strategic objectives. The principal risks have been reviewed as part of our half year procedures. The Board considers that the principal risks to achieving its objectives, are as listed below:

- Organising Kingfisher as a more unified company with a unified customer offer rather than a collection of individual businesses fails to deliver the anticipated benefits
- Our investments fail to deliver value to the Group, especially our investment in the IT strategy programme
- We fail to deliver the benefits of a more unified and unique offer and standardised activities and processes
- We fail to create a culture of innovation and innovate in our offer, format and digital channels to stimulate consumer spend and deliver the desired sales growth
- We fail to identify and maximise potential cost reductions and efficiency savings
- Uncertainty surrounding the resilience of the global economy and increased geo-political volatility, particularly in Russia, may impact both consumer confidence and the long-term sustainability and capabilities of our supplier base
- We do not make the necessary investment in our people to ensure that we have the appropriate capacity, skills and experience
- We fail to deliver our sustainability targets due to not integrating our sustainability plan into the day to day operations of the business
- A lack of perceived price competitiveness, particularly when compared to more discount based or online competitors, would affect our ability to maintain or grow market share
- We fail to maintain a safe environment for our customers and store colleagues which results in a major incident or fatality that is directly attributable to a failure in our Health & Safety management systems
- Kingfisher's reputation and brand are affected by a major environmental or ethical failure, a significant corporate fraud or material non-compliance with legislative or regulatory requirements resulting in punitive or custodial procedures

Further details of the Group risks and risk management process can be found on pages 26 to 29 of the 2014/15 Annual Report and Accounts.

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. 2014/15 comparatives have been restated for IFRIC 21 and to exclude B&Q China's results. A reconciliation to statutory amounts is set out in the Financial Review (Section 4).

Adjusted sales excludes B&Q China sales.

Banque de France data includes relocated and extended stores.
http://webstat.banque-france.fr/en/browse.do?node=5384326

Cut existing product tail - plan to reduce the number of delisted and ex-promotional ranges which do not form part of existing retail planograms.

EBITDA (earnings before interest, tax, depreciation and amortisation) 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) is calculated as retail profit less central costs, before depreciation and amortisation and property operating lease rentals.

Europe+ consists of Europe and its bordering countries (e.g. Russia, Turkey).

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 business acquisitions and disposals). A reconciliation from operating profit (before exceptional items) is set out in the Financial Review (Section 4).

French house building market - new housing starts and planning consent data for the 6 months to July 2015 according to the Ministry of Housing.
http://www.statistiques.developpement-durable.gouv.fr/logement-construction/s/construction-logements.html

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.

GNFR is defined as Goods Not For Resale and covers the procurement of all goods and services a retailer needs (including e.g. media buying, mechanical handling equipment, printing & paper).

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

Net cash comprises borrowings and financing derivatives (excluding accrued interest), less cash and cash equivalents and short term deposits. It excludes balances classified as held for sale.

New country development consists of Germany, Portugal and Romania.

Omnichannel - allowing customers to shop with us in any way they prefer.

Other International consists of Germany, Poland, Portugal, Romania, Russia, Spain and Turkey (Koçtaş JV).

Planogram - a diagram that shows how and where specific retail products should be placed on retail shelves or displays.

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. 2014/15 comparatives have been restated for IFRIC 21 and to exclude B&Q China's operating loss.

Right-size refers to the space optimisation programme of B&Q's property estate (downsizing through space reduction and relocations).

Statutory sales - Group sales exclude Joint Venture (Koçtaş JV) sales.

SKU (Stock Keeping Unit) - the number of individual variants of products sold or remaining in stock. It is a distinct type of item for sale, such as a product and all attributes associated with the item type that distinguish it from others. These attributes could include, but are not limited to, manufacturer, description, material, size, colour, packaging, and warranty terms.

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

Section 6: Forward-looking statements

You are not to construe the content of this announcement as investment, legal or tax advice and you should make you own evaluation of the Company and the market. If you are in any doubt about the contents of this announcement or the action you should take, you should consult a person authorised under the Financial Services and Markets Act 2000 (as amended) (or if you are a person outside the UK, otherwise duly qualified in your jurisdiction).

This announcement has been prepared in relation to the financial results for the half year ended 1 August 2015. The financial information referenced in this announcement is not audited and does not contain sufficient detail to allow a full understanding of the results of the group. Nothing in this announcement should be construed as either an offer or invitation to sell or any offering of securities or any invitation or inducement to any person to underwrite, subscribe for or otherwise acquire securities in any company within the group or an invitation or inducement to engage in investment activity under section 21 of the Financial Services and Markets Act 2000 (as amended).
Certain information contained in this announcement may constitute “forward-looking statements” (including within the meaning of the safe harbour provisions of the United States Private Securities Litigation Reform Act of 1995), which can be identified by the use of terms such as “may”, “will”, “would”, “could”, “should”, “expect”, “anticipate”, “project”, “estimate”, “intend”, “continue,” “target”, “plan”, “goal”, “aim” or “believe” (or the negatives thereof) or other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts and include statements regarding the Company’s intentions, beliefs or current expectations concerning, among other things, the Company’s results of operations, financial condition, changes in tax rates, liquidity, prospects, growth and strategies. By their nature, forward-looking statements involve risks, assumptions and uncertainties that could cause actual events or results or actual performance of the Company to differ materially from those reflected or contemplated in such forward-looking statements. No representation or warranty is made as to the achievement or reasonableness of and no reliance should be placed on such forward-looking statements.

The Company does not undertake any obligation to update or revise any forward-looking statement to reflect any change in circumstances or in the Company’s expectations.

KINGFISHER PLC

2015/16 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED INCOME STATEMENT

£ millions	Notes	Half year ended 1 August 2015 Before exceptional items	Exceptional items (note 5)	Total	Half year ended 2 August 2014 (restated - note 2) Before exceptional items	Exceptional items (note 5)	Total
Sales	4	**5,492**	**-**	**5,492**	5,768	-	5,768
Cost of sales		**(3,474)**	**-**	**(3,474)**	(3,660)	-	(3,660)
Gross profit		**2,018**	**-**	**2,018**	2,108	-	2,108
Selling and distribution expenses		**(1,360)**	**(151)**	**(1,511)**	(1,446)	(11)	(1,457)
Administrative expenses		**(288)**	**-**	**(288)**	(297)	-	(297)
Other income		**15**	**160**	**175**	19	21	40
Share of post-tax results of joint ventures and associates		**-**	**-**	**-**	2	-	2
Operating profit		**385**	**9**	**394**	386	10	396
Analysed as:							
Retail profit	4	**410**	**9**	**419**	419	10	429
Central costs		**(19)**	**-**	**(19)**	(19)	-	(19)
Share of interest and tax of joint ventures and associates		**(2)**	**-**	**(2)**	(3)	-	(3)
B&Q China operating loss		**(4)**	**-**	**(4)**	(11)	-	(11)
Finance costs		**(11)**	**-**	**(11)**	(6)	-	(6)
Finance income		**3**	**-**	**3**	3	-	3
Net finance costs	6	**(8)**	**-**	**(8)**	(3)	-	(3)
Profit before taxation		**377**	**9**	**386**	383	10	393
Income tax expense	7	**(97)**	**29**	**(68)**	(104)	1	(103)
Profit for the period		**280**	**38**	**318**	279	11	290
Attributable to:							
Equity shareholders of the Company				**318**			291
Non-controlling interests				**-**			(1)
				318			290
Earnings per share	8						
Basic				**13.6p**			12.3p
Diluted				**13.6p**			12.2p
Adjusted basic				**12.3p**			12.3p
Adjusted diluted				**12.3p**			12.2p

The proposed interim ordinary dividend for the period ended 1 August 2015 is 3.18p per share.

KINGFISHER PLC

2015/16 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED INCOME STATEMENT

£ millions	Notes	Year ended 31 January 2015 (restated - note 2) Before exceptional items	Exceptional items (note 5)	Total
Sales	4	10,966	-	10,966
Cost of sales		(6,918)	-	(6,918)
Gross profit		4,048	-	4,048
Selling and distribution expenses		(2,835)	(32)	(2,867)
Administrative expenses		(571)	-	(571)
Other income		40	(3)	37
Share of post-tax results of joint ventures and associates		5	-	5
Operating profit		687	(35)	652
Analysed as:				
Retail profit	4	742	(35)	707
Central costs		(40)	-	(40)
Share of interest and tax of joint ventures and associates		(6)	-	(6)
B&Q China operating loss		(9)	-	(9)
Finance costs		(13)	-	(13)
Finance income		5	-	5
Net finance costs	6	(8)	-	(8)
Profit before taxation		679	(35)	644
Income tax expense	7	(177)	106	(71)
Profit for the year		502	71	573
Attributable to:				
Equity shareholders of the Company				573
Non-controlling interests				-
				573
Earnings per share	8			
Basic				24.3p
Diluted				24.2p
Adjusted basic				21.3p
Adjusted diluted				21.2p

KINGFISHER PLC

2015/16 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

£ millions	Notes	Half year ended 1 August 2015	Half year ended 2 August 2014 (restated – note 2)	Year ended 31 January 2015
Profit for the period		**318**	290	573
Actuarial (losses)/gains on post employment benefits	11	**(72)**	42	175
Tax on items that will not be reclassified		**23**	(39)	(85)
Total items that will not be reclassified subsequently to profit or loss		**(49)**	3	90
Currency translation differences				
Group		**(136)**	(77)	(308)
Joint ventures and associates		**(3)**	-	(2)
Transferred to income statement	16	**(7)**	-	-
Cash flow hedges				
Fair value (losses)/gains		**(21)**	(6)	70
(Gains)/losses transferred to inventories		**(30)**	16	(5)
Tax on items that may be reclassified		**12**	(3)	(14)
Total items that may be reclassified subsequently to profit or loss		**(185)**	(70)	(259)
Other comprehensive income for the period		**(234)**	(67)	(169)
Total comprehensive income for the period		**84**	223	404
Attributable to:				
Equity shareholders of the Company		**84**	224	403
Non-controlling interests		**-**	(1)	1
		84	223	404

KINGFISHER PLC

2015/16 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders of the Company							
£ millions	Share capital	Share premium	Own shares held	Retained earnings	Other reserves (note 13)	Total	Non-controlling interests	Total equity
At 1 February 2015 (restated – note 2)	**369**	**2,214**	**(26)**	**3,652**	**11**	**6,220**	**10**	**6,230**
Profit for the period	**-**	**-**	**-**	**318**	**-**	**318**	**-**	**318**
Other comprehensive income for the period	**-**	**-**	**-**	**(49)**	**(185)**	**(234)**	**-**	**(234)**
Total comprehensive income for the period	**-**	**-**	**-**	**269**	**(185)**	**84**	**-**	**84**
Disposal of B&Q China (note 16)	**-**	**-**	**-**	**-**	**-**	**-**	**(10)**	**(10)**
Share-based compensation	**-**	**-**	**-**	**7**	**-**	**7**	**-**	**7**
New shares issued under share schemes	**-**	**1**	**-**	**-**	**-**	**1**	**-**	**1**
Own shares issued under share schemes	**-**	**-**	**15**	**(14)**	**-**	**1**	**-**	**1**
Purchase of own shares for cancellation	**(6)**	**-**	**-**	**(111)**	**6**	**(111)**	**-**	**(111)**
Purchase of own shares for ESOP trust	**-**	**-**	**(11)**	**-**	**-**	**(11)**	**-**	**(11)**
Dividends	**-**	**-**	**-**	**(160)**	**-**	**(160)**	**-**	**(160)**
At 1 August 2015	**363**	**2,215**	**(22)**	**3,643**	**(168)**	**6,031**	**-**	**6,031**
At 2 February 2014 (restated – note 2)	373	2,209	(35)	3,486	266	6,299	9	6,308
Profit for the period (restated – note 2)	-	-	-	291	-	291	(1)	290
Other comprehensive income for the period	-	-	-	3	(70)	(67)	-	(67)
Total comprehensive income for the period	-	-	-	294	(70)	224	(1)	223
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 (restated – note 2)	372	2,210	(24)	3,482	197	6,237	8	6,245
At 2 February 2014 (restated – note 2)	373	2,209	(35)	3,486	266	6,299	9	6,308
Profit for the year	-	-	-	573	-	573	-	573
Other comprehensive income for the year	-	-	-	90	(260)	(170)	1	(169)
Total comprehensive income for the year	-	-	-	663	(260)	403	1	404
Share-based compensation	-	-	-	11	-	11	-	11
New shares issued under share schemes	1	5	-	-	-	6	-	6
Own shares issued under share schemes	-	-	26	(24)	-	2	-	2
Purchase of own shares for cancellation	(5)	-	-	(150)	5	(150)	-	(150)
Purchase of own shares for ESOP trust	-	-	(17)	-	-	(17)	-	(17)
Dividends	-	-	-	(334)	-	(334)	-	(334)
At 31 January 2015 (restated – note 2)	369	2,214	(26)	3,652	11	6,220	10	6,230

KINGFISHER PLC

2015/16 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED BALANCE SHEET

£ millions	Notes	At 1 August 2015	At 2 August 2014 (restated – note 2)	At 31 January 2015 (restated – note 2)
Non-current assets				
Goodwill		**2,412**	2,416	2,414
Other intangible assets	10	**270**	240	258
Property, plant and equipment	10	**3,088**	3,526	3,203
Investment property	10	**53**	40	30
Investments in joint ventures and associates		**19**	26	28
B&Q China investment	12	**60**	-	-
Post employment benefits	11	**140**	28	194
Deferred tax assets		**9**	11	10
Derivative assets	12	**31**	33	52
Other receivables		**7**	14	7
		6,089	6,334	6,196
Current assets				
Inventories		**2,064**	2,199	2,021
Trade and other receivables		**558**	610	537
Derivative assets	12	**33**	11	70
Current tax assets		**7**	11	6
Short-term deposits		**123**	167	48
Cash and cash equivalents		**537**	627	561
Assets held for sale		**-**	11	274
		3,322	3,636	3,517
Total assets		**9,411**	9,970	9,713
Current liabilities				
Trade and other payables		**(2,431)**	(2,687)	(2,337)
Borrowings	12	**(102)**	(103)	(105)
Derivative liabilities	12	**(17)**	(18)	(10)
Current tax liabilities		**(97)**	(203)	(87)
Provisions		**(40)**	(9)	(13)
Liabilities held for sale		**-**	-	(195)
		(2,687)	(3,020)	(2,747)
Non-current liabilities				
Other payables		**(62)**	(85)	(64)
Borrowings	12	**(168)**	(218)	(232)
Deferred tax liabilities		**(276)**	(286)	(324)
Provisions		**(106)**	(42)	(34)
Post employment benefits	11	**(81)**	(74)	(82)
		(693)	(705)	(736)
Total liabilities		**(3,380)**	(3,725)	(3,483)
Net assets		**6,031**	6,245	6,230
Equity				
Share capital		**363**	372	369
Share premium		**2,215**	2,210	2,214
Own shares held in ESOP trust		**(22)**	(24)	(26)
Retained earnings		**3,643**	3,482	3,652
Other reserves	13	**(168)**	197	11
Total attributable to equity shareholders of the Company		**6,031**	6,237	6,220
Non-controlling interests		**-**	8	10
Total equity		**6,031**	6,245	6,230

The interim financial report was approved by the Board of Directors on 14 September 2015 and signed on its behalf by:

Véronique Laury, Chief Executive Officer Karen Witts, Chief Financial Officer

KINGFISHER PLC

2015/16 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED CASH FLOW STATEMENT

£ millions	Notes	Half year ended 1 August 2015	Half year ended 2 August 2014	Year ended 31 January 2015
Operating activities				
Cash generated by operations	14	**531**	512	806
Income tax paid		**(65)**	(65)	(146)
Net cash flows from operating activities		**466**	447	660
Investing activities				
Purchase of property, plant and equipment and intangible assets		**(177)**	(119)	(275)
Disposal of property, plant and equipment and property held for sale		**2**	47	50
Disposal of property company	16	**18**	-	-
Disposal of B&Q China	16			
- Proceeds (net of costs and cash disposed)		**105**	-	-
- Deposit (repaid)/received		**(12)**	-	12
Disposal of Hornbach	16	**-**	198	198
Increase in short-term deposits		**(75)**	(167)	(48)
Interest received		**1**	2	5
Dividends received from joint ventures and associates		**6**	7	7
Net cash flows from investing activities		**(132)**	(32)	(51)
Financing activities				
Interest paid		**(6)**	(3)	(10)
Interest element of finance lease rental payments		**(2)**	(2)	(3)
Repayment of bank loans		**(1)**	(2)	(2)
Repayment of Medium Term Notes and other fixed term debt		**-**	-	(73)
Payment on financing derivatives		**-**	-	(9)
Capital element of finance lease rental payments		**(6)**	(7)	(14)
New shares issued under share schemes		**1**	1	6
Own shares issued under share schemes		**1**	1	2
Purchase of own shares for ESOP trust		**(11)**	-	(17)
Purchase of own shares for cancellation		**(139)**	(35)	(100)
Special dividend paid to equity shareholders of the Company		**-**	(100)	(100)
Ordinary dividends paid to equity shareholders of the Company		**(160)**	(159)	(234)
Net cash flows from financing activities		**(323)**	(306)	(554)
Net increase in cash and cash equivalents and bank overdrafts, including amounts classified as held for sale		**11**	109	55
Cash and cash equivalents and bank overdrafts, including amounts classified as held for sale, at beginning of period		**527**	534	534
Exchange differences		**(44)**	(31)	(62)
Cash and cash equivalents and bank overdrafts, including amounts classified as held for sale, at end of period		**494**	612	527
Cash and cash equivalents classified as held for sale (B&Q China)		**-**	-	(57)
Cash and cash equivalents and bank overdrafts at end of period	15	**494**	612	470

KINGFISHER PLC

2015/16 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 and continental Europe.

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 31 January 2015 were approved by the Board of Directors on 30 March 2015 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 14 September 2015.

2. Basis of preparation

The interim financial report for the 26 weeks ended 1 August 2015 ('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 31 January 2015, 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, '2014/15' refers to the prior half year.

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 1 August 2015.

The following statutory (GAAP) measures have been restated following the adoption of IFRIC 21 'Levies', in the current period (see note 3):

	Half year ended 2 August 2014			Year ended 31 January 2015		
£ millions	Before restatement	IFRIC 21	After restatement	Before restatement	IFRIC 21	After restatement
Selling and distribution expenses	(1,475)	18	(1,457)	(2,867)	-	(2,867)
Income tax expense	(98)	(5)	(103)	(71)	-	(71)
Trade and other payables	(2,691)	4	(2,687)	(2,323)	(14)	(2,337)
Deferred tax liabilities	(286)	-	(286)	(329)	5	(324)
Retained earnings at beginning of period	3,495	(9)	3,486	3,495	(9)	3,486
Retained earnings at end of period	3,478	4	3,482	3,661	(9)	3,652
Basic earnings per share	11.8p	0.5p	12.3p	24.3p	-	24.3p
Diluted earnings per share	11.7p	0.5p	12.2p	24.2p	-	24.2p

In addition to the adoption of IFRIC 21, the following adjusted (non-GAAP) measures have also been restated in the comparatives to exclude B&Q China's operating results, in order to improve comparability following the disposal of the Group's controlling interest in the current period (see note 16):

	Half year ended 2 August 2014				Year ended 31 January 2015			
£ millions	Before restatement	IFRIC 21	B&Q China	After restatement	Before restatement	IFRIC 21	B&Q China	After restatement
Adjusted sales	5,768	-	(163)	5,605	10,966	-	(361)	10,605
Retail profit	390	18	11	419	733	-	9	742
Adjusted pre-tax profit	364	18	11	393	675	-	9	684
Adjusted earnings	267	13	11	291	493	-	9	502
Adjusted basic earnings per share	11.3p	0.5p	0.5p	12.3p	20.9p	-	0.4p	21.3p
Adjusted diluted earnings per share	11.2p	0.5p	0.5p	12.2p	20.8p	-	0.4p	21.2p
Segment assets	3,554	4	(19)	3,539	3,679	(9)	(72)	3,598

The IFRIC 21 and B&Q China restatements have only impacted the France and Other International segments respectively. Refer to the data tables for the full year 2014/15 results at www.kingfisher.com for the impact of the restatements on quarterly segmental sales and retail profit comparatives.

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

Principal rates of exchange against Sterling

	Half year ended 1 August 2015		Half year ended 2 August 2014		Year ended 31 January 2015	
	Average rate	Period end rate	Average rate	Period end rate	Average rate	Year end rate
Euro	**1.38**	**1.41**	1.23	1.25	1.25	1.33
US Dollar	**1.53**	**1.57**	1.68	1.68	1.64	1.50
Polish Zloty	**5.70**	**5.87**	5.11	5.24	5.23	5.57
Russian Rouble	**86.58**	**95.18**	59.05	60.18	66.70	105.58

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 adjusted sales, 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. 2014/15 comparatives have been restated for the adoption of IFRIC 21 (impacting only the half year) and to exclude B&Q China’s operating results.

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 impairment losses on non-operational assets; 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). 2014/15 comparatives have been restated for the adoption of IFRIC 21 (impacting only the half year) and to exclude B&Q China’s operating 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 is calculated as continuing income tax expense excluding tax on exceptional items and adjustments in respect of prior years and the impact of changes in tax rates on deferred tax, divided by continuing profit before taxation excluding exceptional items.

Net debt/cash comprises borrowings and financing derivatives (excluding accrued interest), less cash and cash equivalents and short-term deposits. It excludes balances classified as assets and liabilities held for sale.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 January 2015, as described in note 2 of those financial statements, with the exception of the adoption in the period of IFRIC 21 ‘Levies’.

IFRIC 21 sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation changes the timing of when such liabilities are recognised, particularly in connection with levies that are triggered by circumstances on a specific date. This applies from the start of the current financial year, with restatement of 2014/15 comparatives. It will have no material impact on the annual results, but has had a significant impact on the phasing of operating profit (and related deferred tax) in France, with fewer costs recognised in the first half (and third quarter) but more costs to be recognised in the final quarter of the year. It has also resulted in a restatement of balance sheet payables and deferred tax.

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

The most significant areas of accounting estimates and judgements are set out in note 3 of the annual financial statements for the year ended 31 January 2015 and remain unchanged.

The directors intend to prepare the Kingfisher plc parent company financial statements under the accounting standard FRS 101, 'Reduced disclosure framework', for the first time for the year ended 30 January 2016. These have previously been prepared under existing UK GAAP but will need to be prepared under FRS 101 or an alternative standard in 2015/16. FRS 101 allows qualifying UK companies to apply the recognition and measurement requirements of IFRS, but with reduced disclosures, and the directors consider it is in the best interests of the Group for Kingfisher plc to adopt this standard. A shareholder or shareholders holding in aggregate 5% or more of the total issued shares in Kingfisher plc may object to the use of the disclosure exemptions, in writing, to the Company Secretary at the registered office no later than 31 December 2015. The consolidated financial statements for the Group will continue to be prepared under IFRS as adopted by the European Union.

4. Segmental analysis

Income statement

	Half year ended 1 August 2015				
			Other International		
£ millions	France	UK & Ireland	Poland	Other	Total
Adjusted sales	**1,976**	**2,527**	**508**	**371**	**5,382**
B&Q China sales					**110**
Sales					**5,492**
Retail profit	**167**	**194**	**53**	**(4)**	**410**
Central costs					**(19)**
Share of interest and tax of joint ventures and associates					**(2)**
B&Q China operating loss					**(4)**
Exceptional items					**9**
Operating profit					**394**
Net finance costs					**(8)**
Profit before taxation					**386**

	Half year ended 2 August 2014 (restated - note 2)				
			Other International		
£ millions	France	UK & Ireland	Poland	Other	Total
Adjusted sales	2,205	2,419	554	427	5,605
B&Q China sales					163
Sales					5,768
Retail profit	200	166	54	(1)	419
Central costs					(19)
Share of interest and tax of joint ventures and associates					(3)
B&Q China operating loss					(11)
Exceptional items					10
Operating profit					396
Net finance costs					(3)
Profit before taxation					393

	Year ended 31 January 2015 (restated - note 2)				
			Other International		
£ millions	France	UK & Ireland	Poland	Other	Total
Adjusted sales	4,132	4,600	1,055	818	10,605
B&Q China sales					361
Sales					10,966
Retail profit	349	276	118	(1)	742
Central costs					(40)
Share of interest and tax of joint ventures and associates					(6)
B&Q China operating loss					(9)
Exceptional items					(35)
Operating profit					652
Net finance costs					(8)
Profit before taxation					644

Balance sheet

£ millions	France	UK & Ireland	Other International Poland	Other International Other	Total
					At 1 August 2015
Segment assets	**1,162**	**1,343**	**463**	**340**	**3,308**
B&Q China investment					**60**
Central liabilities					**(184)**
Goodwill					**2,412**
Net cash					**435**
Net assets					**6,031**

£ millions	France	UK & Ireland	Other International Poland	Other International Other	Total
					At 2 August 2014 (restated - note 2)
Segment assets	1,283	1,366	518	372	3,539
B&Q China assets (excluding cash) and liabilities					19
Central liabilities					(225)
Goodwill					2,416
Net cash					496
Net assets					6,245

£ millions	France	UK & Ireland	Other International Poland	Other International Other	Total
					At 31 January 2015 (restated - note 2)
Segment assets	1,231	1,543	501	323	3,598
B&Q China assets (including cash) and liabilities held for sale					72
Central liabilities					(183)
Goodwill					2,414
Net cash					329
Net assets					6,230

The ‘Other International’ segment consists of Poland, 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

£ millions	Half year ended 1 August 2015	Half year ended 2 August 2014	Year ended 31 January 2015
Included within selling and distribution expenses			
UK & Ireland and continental Europe restructuring	**(151)**	(6)	(17)
Transaction costs	**-**	(5)	(15)
	(151)	(11)	(32)
Included within other income			
Profit on disposal of B&Q China	**143**	-	-
Profit on disposal of property company	**16**	-	-
Disposal of properties and non-operational asset losses	**1**	21	(3)
	160	21	(3)
Exceptional items before tax	**9**	10	(35)
Exceptional tax items	**29**	1	106
Exceptional items	**38**	11	71

Current period exceptional items include a £151m restructuring charge relating to the transformation of B&Q in the UK and the announced closure of two loss-making stores in France. In the UK, the transformation of B&Q involves the closure of stores in over-spaced catchments and optimisation of vacant space, and productivity initiatives aimed at delivering a simpler, more efficient business with a lower cost operating model. The exceptional loss includes lease exit costs, store asset impairments, inventory write downs and employee redundancy costs. In the prior year, transformation costs amounted to £17m. In France, the exceptional charge includes lease exit costs and store asset impairments.

In the prior year, exceptional transaction costs were incurred relating to the potential acquisition of Mr Bricolage, which ultimately did not proceed, and the agreement to dispose of a controlling stake in the B&Q China business.

Profits were recorded in the period on the disposal of the Group's controlling 70% stake in B&Q China and the sale of a property company. Refer to note 16 for further information.

Exceptional tax items for the period amount to a credit of £29m. In the prior year, exceptional tax credits included the tax impact on exceptional items and the release of prior year provisions, which had either been agreed with the tax authorities, reassessed or time expired.

6. Net finance costs

£ millions	Half year ended 1 August 2015	Half year ended 2 August 2014	Year ended 31 January 2015
Bank overdrafts and bank loans	**(5)**	(3)	(7)
Medium Term Notes and other fixed term debt	**(1)**	(1)	(3)
Finance leases	**(2)**	(2)	(3)
Financing fair value remeasurements	**(3)**	1	4
Net interest expense on defined benefit pension schemes	**-**	(1)	(3)
Other interest payable	**-**	-	(1)
Finance costs	**(11)**	(6)	(13)
Cash and cash equivalents and short-term deposits	**1**	3	5
Net interest income on defined benefit pension schemes	**2**	-	-
Finance income	**3**	3	5
Net finance costs	**(8)**	(3)	(8)

7. Income tax expense

£ millions	Half year ended 1 August 2015	Half year ended 2 August 2014 (restated - note 2)	Year ended 31 January 2015
UK corporation tax			
Current tax on profits for the period	**(15)**	(35)	(46)
Adjustments in respect of prior years	**-**	-	96
	(15)	(35)	50
Overseas tax			
Current tax on profits for the period	**(59)**	(64)	(138)
Adjustments in respect of prior years	**1**	(1)	6
	(58)	(65)	(132)
Deferred tax			
Current period	**5**	(3)	12
Adjustments in respect of changes in tax rates	**-**	-	(1)
	5	(3)	11
Income tax expense	**(68)**	(103)	(71)

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% (2014/15: 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 31 January 2015 was 27%. Exceptional tax items for the current period amount to a credit of £29m, none of which relates to prior year items (2014/15: £1m credit, none of which related to prior year items). Exceptional tax items for the year ended 31 January 2015 amounted to a credit of £106m, £95m of which related to prior year items.

8. Earnings per share

Pence	Half year ended 1 August 2015	Half year ended 2 August 2014 (restated – note 2)	Year ended 31 January 2015 (restated – note 2)
Basic earnings per share	**13.6**	12.3	24.3
Effect of dilutive share options	**-**	(0.1)	(0.1)
Diluted earnings per share	**13.6**	12.2	24.2
Basic earnings per share	**13.6**	12.3	24.3
B&Q China operating loss	**0.2**	0.5	0.4
Exceptional items before tax	**(0.4)**	(0.4)	1.5
Tax on exceptional and prior year items	**(1.2)**	-	(4.8)
Financing fair value remeasurements	**0.2**	(0.1)	(0.2)
Tax on financing fair value remeasurements	**(0.1)**	-	0.1
Adjusted basic earnings per share	**12.3**	12.3	21.3
Diluted earnings per share	**13.6**	12.2	24.2
B&Q China operating loss	**0.2**	0.5	0.4
Exceptional items before tax	**(0.4)**	(0.4)	1.5
Tax on exceptional and prior year items	**(1.2)**	-	(4.8)
Financing fair value remeasurements	**0.2**	(0.1)	(0.2)
Tax on financing fair value remeasurements	**(0.1)**	-	0.1
Adjusted diluted earnings per share	**12.3**	12.2	21.2

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:

£ millions	Half year ended 1 August 2015	Half year ended 2 August 2014 (restated – note 2)	Year ended 31 January 2015 (restated – note 2)
Earnings	**318**	291	573
B&Q China operating loss	**4**	11	9
Exceptional items before tax	**(9)**	(10)	35
Tax on exceptional and prior year items	**(30)**	-	(112)
Financing fair value remeasurements	**3**	(1)	(4)
Tax on financing fair value remeasurements	**(1)**	-	1
Adjusted earnings	**285**	291	502

The weighted average number of shares in issue during the period, excluding those held in the Employee Share Ownership Plan Trust (‘ESOP trust’), is 2,327m (2014/15: 2,364m). The diluted weighted average number of shares in issue during the period is 2,329m (2014/15: 2,375m). For the year ended 31 January 2015, the weighted average number of shares in issue was 2,358m and the diluted weighted average number of shares in issue was 2,369m.

9. Dividends

£ millions	Half year ended 1 August 2015	Half year ended 2 August 2014	Year ended 31 January 2015
Dividends to equity shareholders of the Company			
Ordinary final dividend for the year ended 31 January 2015 of 6.85p per share	**160**	-	-
Special interim dividend of 4.2p per share paid 25 July 2014	**-**	100	100
Ordinary interim dividend for the year ended 31 January 2015 of 3.15p per share	**-**	-	75
Ordinary final dividend for the year ended 1 February 2014 of 6.78p per share	**-**	159	159
	160	259	334

The proposed ordinary interim dividend for the period ended 1 August 2015 is 3.18p per share.

10. Property, plant and equipment, investment property and other intangible assets

Additions to the cost of property, plant and equipment, investment property and other intangible assets are £178m (2014/15: £124m) and for the year ended 31 January 2015 were £291m. Disposals in net book value of property, plant and equipment, investment property, property assets held for sale and other intangible assets are £2m (2014/15: £24m) and for the year ended 31 January 2015 were £26m.

Store asset impairment losses of £39m were recorded in the period as part of the UK and continental Europe exceptional restructuring programmes set out in note 5. These were based on a determination of recoverable amounts of the stores as the net present value of future pre-tax cash flows ('value-in-use') or fair value less costs to sell (using market valuations performed by independent external valuers) if higher.

Capital commitments contracted but not provided for at the end of the period are £50m (2014/15: £54m) and at 31 January 2015 were £57m.

11. Post employment benefits

£ millions	Half year ended 1 August 2015	Half year ended 2 August 2014	Year ended 31 January 2015
Net surplus/(deficit) in schemes at beginning of period	**112**	(100)	(100)
Current service cost	**(4)**	(4)	(9)
Administration costs	**(2)**	(2)	(3)
Curtailment gain	**-**	-	9
Net interest income/(expense)	**2**	(1)	(3)
Net actuarial (losses)/gains	**(72)**	42	175
Contributions paid by employer	**18**	18	36
Exchange differences	**5**	1	7
Net surplus/(deficit) in schemes at end of period	**59**	(46)	112

£ millions	At 1 August 2015	At 2 August 2014	At 31 January 2015
UK	**140**	28	194
Overseas	**(81)**	(74)	(82)
Net surplus/(deficit) in schemes	**59**	(46)	112

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 31 January 2015.

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 derived using a single equivalent discount rate approach, based on the yields available on a portfolio of high-quality Sterling corporate bonds with the same duration to that of the scheme liabilities.

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

Annual % rate	At 1 August 2015	At 2 August 2014	At 31 January 2015
Discount rate	**3.6**	4.2	3.0
Price inflation	**3.3**	3.2	2.8

12. Financial instruments

The Group holds the following derivative financial instruments at fair value:

£ millions	At 1 August 2015	At 2 August 2014	At 31 January 2015
Cross-currency interest rate swaps	**42**	37	54
Foreign exchange contracts	**22**	7	68
Derivative assets	**64**	44	122

£ millions	At 1 August 2015	At 2 August 2014	At 31 January 2015
Cross-currency interest rate swaps	**-**	(8)	-
Foreign exchange contracts	**(17)**	(10)	(10)
Derivative liabilities	**(17)**	(18)	(10)

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', representing significant observable inputs other than quoted prices in active markets for identical assets or liabilities. 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.

The Group has a 30% interest in B&Q China, along with an option to sell this interest in the future – refer to note 16 for further details. At 1 August 2015 the fair value of this 30% B&Q China investment is judged to be £60m, based on a consideration of the economic value attributed to the B&Q China business, and the fair value of the option is judged not to be significant. The value of the option is based on the value of the investment, which incorporates non-observable inputs that would be classified as ‘level 3’ in the IFRS 13 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 ‘level 1’ inputs for the Medium Term Notes and ‘level 2’ inputs for other borrowings as defined by the IFRS 13 fair value hierarchy.

			Carrying amount
£ millions	At 1 August 2015	At 2 August 2014	At 31 January 2015
Bank overdrafts	**43**	15	91
Bank loans	**10**	12	11
Medium Term Notes and other fixed term debt	**170**	238	183
Finance leases	**47**	56	52
Borrowings	**270**	321	337

			Fair value
£ millions	At 1 August 2015	At 2 August 2014	At 31 January 2015
Bank overdrafts	**43**	15	91
Bank loans	**10**	13	12
Medium Term Notes and other fixed term debt	**177**	245	190
Finance leases	**59**	70	68
Borrowings	**289**	343	361

13. Other reserves

£ millions	Cash flow hedge reserve	Translation reserve	Other	Total
At 1 February 2015	**41**	**(194)**	**164**	**11**
Currency translation differences				
Group	**-**	**(136)**	**-**	**(136)**
Joint ventures and associates	**-**	**(3)**	**-**	**(3)**
Transferred to income statement	**-**	**(7)**	**-**	**(7)**
Cash flow hedges				
Fair value losses	**(21)**	**-**	**-**	**(21)**
Gains transferred to inventories	**(30)**	**-**	**-**	**(30)**
Tax on items that may be reclassified	**14**	**(2)**	**-**	**12**
Other comprehensive income for the period	**(37)**	**(148)**	**-**	**(185)**
Purchase of own shares for cancellation	**-**	**-**	**6**	**6**
At 1 August 2015	**4**	**(342)**	**170**	**(168)**
At 2 February 2014	(5)	112	159	266
Currency translation differences				
Group	-	(77)	-	(77)
Cash flow hedges				
Fair 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 2 February 2014	(5)	112	159	266
Currency translation differences				
Group	-	(309)	-	(309)
Joint ventures and associates	-	(2)	-	(2)
Cash flow hedges				
Fair value gains	70	-	-	70
Gains transferred to inventories	(5)	-	-	(5)
Tax on items that may be reclassified	(19)	5	-	(14)
Other comprehensive income for the year	46	(306)	-	(260)
Purchase of own shares for cancellation	-	-	5	5
At 31 January 2015	41	(194)	164	11

14. Cash generated by operations

£ millions	Half year ended 1 August 2015	Half year ended 2 August 2014 (restated – note 2)	Year ended 31 January 2015
Operating profit	**394**	396	652
Share of post-tax results of joint ventures and associates	**-**	(2)	(5)
Depreciation and amortisation	**120**	132	262
Impairment losses	**39**	-	30
Profit on disposal of property, plant and equipment, property held for sale and intangible assets	**-**	(22)	(20)
Profit on disposal of property company	**(16)**	-	-
Profit on disposal of B&Q China	**(143)**	-	-
Share-based compensation charge	**7**	6	11
Increase in inventories	**(111)**	(179)	(150)
(Increase)/decrease in trade and other receivables	**(40)**	(28)	12
Increase in trade and other payables	**191**	225	53
Movement in provisions	**102**	(4)	(6)
Movement in post employment benefits	**(12)**	(12)	(33)
Cash generated by operations	**531**	512	806

15. Net cash

£ millions	At 1 August 2015	At 2 August 2014	At 31 January 2015
Cash and cash equivalents	**537**	627	561
Bank overdrafts	**(43)**	(15)	(91)
Cash and cash equivalents and bank overdrafts	**494**	612	470
Short-term deposits	**123**	167	48
Bank loans	**(10)**	(12)	(11)
Medium Term Notes and other fixed term debt	**(170)**	(238)	(183)
Financing derivatives	**45**	23	57
Finance leases	**(47)**	(56)	(52)
Net cash	**435**	496	329

£ millions	Half year ended 1 August 2015	Half year ended 2 August 2014	Year ended 31 January 2015
Net cash at beginning of period	**329**	238	238
Net increase in cash and cash equivalents and bank overdrafts, including amounts classified as held for sale	**11**	109	55
Increase in short-term deposits	**75**	167	48
Repayment of bank loans	**1**	2	2
Repayment of Medium Term Notes and other fixed term debt	**-**	-	73
Payment on financing derivatives	**-**	-	9
Capital element of finance lease rental payments	**6**	7	14
Cash flow movement in net cash	**93**	285	201
Adjustment for cash classified as held for sale (B&Q China)	**57**	-	(57)
Exchange differences and other non-cash movements	**(44)**	(27)	(53)
Net cash at end of period	**435**	496	329

16. Disposals

On 30 April 2015 Wumei Holdings Inc acquired a controlling 70% stake in the B&Q China business from the Group for a gross cash consideration of £140m, and a £12m deposit received in the prior year was repaid. As part of the terms of the transaction, Kingfisher has the option from 1 May 2017, or sooner where agreed by both parties, to require Wumei Holdings Inc to acquire the Group's remaining 30% interest for a fixed price of the Sterling equivalent of RMB 582m.

The profit on disposal of £143m is analysed as follows:

£ millions	
Proceeds (net of disposal costs paid of £3m)	**137**
Cash disposed	**(32)**
Net disposal proceeds received	**105**
Other disposal costs	**(3)**
Net disposal proceeds	**102**
Fair value of 30% interest retained	**60**
	162
Net assets disposed excluding cash (see below)	**(32)**
Non-controlling interests disposed	**10**
Currency translation gains transferred from translation reserve	**3**
Exceptional profit on disposal	**143**

£ millions	
Property, plant and equipment	**150**
Inventories, trade and other receivables/(payables)	**(108)**
Provisions	**(3)**
Deferred tax liabilities	**(9)**
Other net assets	**2**
Net assets disposed excluding cash	**32**

The Group does not have the ability to exert significant influence on the B&Q China operations, for example, as part of the terms agreed with Wumei Holdings Inc, the Group currently does not have the right to appoint directors to the board. The remaining 30% B&Q China investment is therefore classified as a financial asset and not as an associate, with no share of B&Q China's results being recognised in the income statement after the disposal date. Included within the profit on disposal is a gain of £44m attributable to measuring this retained 30% investment at fair value. The B&Q China' business had been classified as a disposal group held for sale from 22 December 2014 (the date of announcement of the transaction agreement) up to the 30 April 2015 disposal date. Accordingly, depreciation of £4m was not charged with respect to B&Q China during the period.

In April 2015 the Group also completed the sale of a property company for proceeds of £18m and a profit of £16m. At disposal, the freehold properties had a net book value of £6m and £4m of currency translation gains were transferred from the translation reserve.

In the prior year the Group received proceeds of €236m (£198m) following the sale 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 (2014/15: £1m) would crystallise due to possible future events not wholly within the Group's control. At 31 January 2015 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 31 January 2015. There have been no significant changes in related parties or related party transactions in the period.

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 31 January 2015. With the exception of Kevin O'Byrne, who stepped down as a Director of Kingfisher plc on 15 May 2015, there have been no changes in the period.

By order of the Board

Véronique Laury
Chief Executive Officer
14 September 2015

Karen Witts
Chief Financial Officer
14 September 2015

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 1 August 2015 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 1 August 2015 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
14 September 2015