**Preliminary results for the year ended 31 January 2015. Sales up 2.9%, adjusted pre-tax profit of £675m, down 7.5%. New CEO outlines plans to organise Kingfisher very differently and announces her first ‘sharp’ decisions on the journey to ‘ONE’ Kingfisher**

**2014/15 Financial overview:**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **% Total**  **Change** | | **% Total Change** | **% LFL\* Change** |
|  | **2014/15** | **2013/14** | **Reported** | **Constant currency** | | **Constant currency** |
| Sales\* | £10,966m | £11,125m | (1.4)% | | +2.9% | +0.5% |
| Retail profit\* | £733m | £779m | (5.9)% | | (1.6)% |  |
| Adjusted\* pre-tax profit | £675m | £730m | (7.5)% | |  |  |
| Adjusted basic EPS | 20.9p | 22.8p | (8.3)% | |  |  |
| Full year dividend | 10.0p | 9.9p | +1.0% | |  |  |
| Net cash\* | £329m | £238m | n/a | |  |  |

August 2014ed 1ax profit []ies, \*Throughout this release ‘\*’ indicates the first instance of terms defined in Section 5 ‘Glossary’ of this announcement.

**2014/15 highlights**

* Total sales in constant currencies up 2.9% (France -1.0%, UK & Ireland +5.5%, Other International +5.0%)
* Adjusted pre-tax profit of £675m impacted by a slower market in France since summer 2014, £34m adverse foreign exchange movements on the translation of non-sterling profits and £22m charges for new country development activity
* Year end net cash of £329m is after £275m capital investment and £434m of cash returned to shareholders
* Appointed new Chief Executive Officer in December 2014, new initiatives underway on the journey for ‘ONE’ Kingfisher

**Commenting on the strategic update:**

**Véronique Laury, Chief Executive Officer, said:**

“Home improvement is a great market with huge potential and Kingfisher has a strong position within it with further scope to grow in a sustainable way. However, it is clear to me that we need to organise ourselves very differently to unlock our potential. This will involve taking what is essentially a locally managed set of businesses and creating instead a single, unified company where customer needs come first. The first step in developing this new organisation is the creation of a new, international leadership team with more focused cross-company roles.

“We have a lot to do and we are announcing today a set of first ‘sharp’ decisions which are already underway including the closure of around 15% surplus B&Q space (c.60 stores) and our few loss making stores in Europe, the development of unified garden and bathroom businesses and the start of a Big Box revitalisation programme across Europe.

“In addition, we will be developing our detailed plans for the wider reorganisation of the company as we progress on this exciting journey towards becoming ‘ONE’ Kingfisher.”

**Karen Witts, Chief Financial Officer, said:**

“We believe our plans will drive an increase in the value of our business for shareholders, with improved financial metrics through higher sales and lower costs, whilst at the same time optimising the generation and use of cash. Besides the growth in full year dividend, we are also pleased to be announcing today a further £200 million capital return during FY 2015/16 reflecting our confidence in our medium term prospects. In the short term, whilst we remain encouraged by the improving economic backdrop in the UK, we remain cautious on the outlook for France, our biggest market.”

**Statutory reporting:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2014/15** | **2013/14** | **% Change Reported** |  |
| Statutory pre-tax profit | £644m | £759m | (15.2)% |  |
| Statutory post-tax profit | £573m | £710m | (19.3)% |  |
| Basic EPS | 24.3p | 30.0p | (19.0)% |  |

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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. Strategic update
2. 2014/15 review by major geography
3. 2014/15 Financial Review and, in part 2 of this release, the preliminary Financial Statements
4. 2015/16 Technical guidance
5. Glossary
6. Forward-looking statements

**Section 1: STRATEGIC UPDATE**

Following the appointment of Véronique Laury as Chief Executive Officer the leadership team commenced a review of Kingfisher’s business and strategy. They concluded that Kingfisher’s position and prospects in the attractive European home improvement market were strong, but that the business needs to be organised very differently to deliver the full potential of ‘ONE’ Kingfisher.

A summary of the review findings are below:

* **Home improvement is a great market with huge potential**. Home improvement is a top customer spending priority, with an estimated 58% of Europeans doing a home improvement project last year. The market is resilient and its growth is supported by favourable ‘megatrends’ which are similar across all markets. For example, changing demographics as well as ongoing societal trends mean that households are needing to adapt their homes, while increasing urbanisation means more people are living in smaller homes. In addition, the rise in home technology and automation is changing the type of improvements people want to make to their homes, all of which provide us with sustainable opportunity.
* **We are right to focus on Europe+\***. The European home improvement market is an attractive sector, worth £235 billion(1) across a customer base of 320 million(1) homes. Kingfisher currently has a 5%(1) share of this large, fragmented market, meaning there is plenty of scope for growth.
* **We can achieve significant benefits from developing a more common, unique and effective offer**. It is becoming increasingly clear that customer needs are already largely the same, that the markets we serve are fundamentally more similar than different, and that there are few known manufacturer brands across the sector. There is therefore an opportunity for Kingfisher to develop a unique offer that can be sold across our businesses. Kingfisher already has significant scale, with over a million customers a day. The potential of our £7.4 billion buying scale is still relatively untapped and we have a fragmented supplier base. However, we have made progress on group sourcing (now at 22%(2) of sales) and establishing our own brand product ranges (now at 30%(2) of sales).
* **There is no one clear winning format or channel in our market today**. Kingfisher’s multi-format structure is therefore an advantage, having businesses across ‘Big Box’, ‘Medium Box’ and ‘Omnichannel’\* formats. However, being omnichannel everywhere is a ‘given’.
* **We can achieve significant benefits from unifying activities and standardising processes**. Currently there are few shared processes within Kingfisher and the sharing of infrastructure is limited. There is also no standardised operating model, which means, for example, that our Brico Dépôt businesses in France, Spain, Romania and Portugal operate in different ways.

(1) Source : AMA builders merchants report 2014, AMA commissioned research, Mintel Europe DIY report 2014; BCG, KFI annual reports

(2) Across top five operating companies - Castorama France, Brico Dépôt France, B&Q UK & Ireland, Screwfix UK and Poland

**Going forward, we will operate within the following clear set of guiding principles:**

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

**We need to organise ourselves very differently**

This will involve taking what is essentially a locally managed set of businesses and creating instead a single, unified company. The first step in developing this new organisation (‘ONE’ Kingfisher) is the creation of a new, international leadership team with more focused cross-company roles including:

* Chief Executive Officer
* Chief Financial Officer
* Chief Offer & Supply Chain Officer
* Chief Digital & IT Officer
* Chief People Officer
* 3 Operations Directors by format for Big Box, Medium Box & Omnichannel

**Our work to mobilise ‘ONE’ Kingfisher will be focused on the following five areas, where we have identified the first ‘sharp’ decisions that are being implemented at pace:**

1. Customer

Everything will be based on our deep knowledge of customer needs and customers’ shopping journey.

*First sharp decision:*

To develop unified garden and bathroom businesses across Europe, covering the full design process from customers’ needs to customers’ homes.

1. Offer

Of a total of 393,000(1) products sold across the company, only 7,000(1) products (representing 7%(1) of sales) are currently sold in at least two operating companies. Of the 393,000 products, a large proportion relate to delisted and ex-promotional ranges which do not form part of existing retail planograms\*. Beyond this, driven by the knowledge that customer needs are more similar than different across geographies, planogram product ranges can be more similar in all our markets across Europe.

*First sharp decision:*

Develop plan to cut existing product tail\*

1. Formats/Channels

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:*

* Address our property tail:
  + Kingfisher has said for some time that B&Q UK & Ireland can adequately meet local customer needs from fewer stores and that some of the stores should be smaller. As a result of detailed catchment reviews Kingfisher today announces the following plans:
    - Close 15% surplus B&Q space (c.60 stores; 6 right-sizes\*). The closures will take place over the next 2 years with the right-sizes planned to be completed in FY 2015/16. The closures are being prioritised by the most over-spaced catchments in order to retain customers and sales. This will give rise to an exceptional charge of around £350m relating principally to onerous lease provisions over the next 2 years
    - Optimise vacant space through a combination of outright sale and sub-letting. We are already in discussions with several retailers
  + Close the small number of loss-making stores we have across Europe
* Do more of the good we have:
  + Start Big Box revitalisation programme across Europe, drawing on our latest, most developed formats
  + Extend the Screwfix Germany trial by 5 outlets taking the total to 9, replicating our highly successful omnichannel format developed in the UK

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

1. 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 company-wide unified SAP IT platform in B&Q Ireland, then look to accelerate
* Unify the process for managing £1.2 billion of goods not for resale process (e.g. store maintenance, cleaning and merchandising equipment)

1. People

To drive through these changes we have announced today a new leadership team and the need to move to a wider reorganisation of the structure of our teams in order to unlock the real potential of ‘ONE’ Kingfisher.

The new leadership team combines existing and new talent with cross-company and more focused roles. We are pleased to announce that Arja Taaveniku will be joining Kingfisher in early May as Chief Offer & Supply Chain Officer. She has 22 years of experience from the IKEA Group, including 13 years at IKEA of Sweden, working in various senior roles involved in developing, managing and supplying the global IKEA product range (e.g. she was Global Business Area manager for IKEA Kitchen & Dining from 2008 to 2012). Since 2012 she has been CEO of the Ikano Group.

We are also appointing three Operations Directors by format. Guy Colleau, currently CEO, Group Sourcing & Offer and former CEO of Castorama France, will become our Operations Director for Big Box (B&Q, Castorama, Koçtaş). Alain Souillard, currently CEO, Brico Dépôt International will become our Operations Director for Medium Box (Brico Dépôt). Steve Willett, currently CEO, Group Productivity & Development will become our Omnichannel Operations Director (Screwfix) as well taking the role of Chief Digital & IT Officer. Our operating company CEOs will report into our Operations Directors. We will update on the Chief People Officer in due course.

*First sharp decision:*

* Finalise new leadership team and wider reorganisation structure

In summary, European home improvement is a great market with huge potential. We have a clear set of principles which will unlock the real potential of ‘ONE’ Kingfisher. We are organising ourselves very differently in order to effect the necessary change, we are getting on with this at real pace and we will provide further updates as the year progresses.

**Section 2: 2014/15 REVIEW BY MAJOR GEOGRAPHY**

*All trading commentary is in constant currencies*

Note:Data tables for Q1, Q2, H1, Q3, Q4 and the full year are available for download in excel format at <http://www.kingfisher.com/index.asp?pageid=59>.

**FRANCE\***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Sales £m** | **2014/15** | **2013/14** | **% Reported Change** | **% Constant**  **Currency**  **Change** | **% LFL**  **Change** |
| France | 4,132 | 4,423 | (6.6)% | (1.0)% | (2.3)% |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Retail profit £m** | **2014/15** | **2013/14** | **% Reported Change** | **% Constant**  **Currency**  **Change** |
| France | 349 | 396 | (11.8)% | (6.5)% |

Kingfisher France sales declined by 1.0% (-2.3% LFL) to £4,132 million in an ongoing soft market impacted by weak consumer confidence and a declining housing and construction market.

Across the two businesses, three net new stores were opened, three were revamped, and two Castorama stores were converted to Brico Dépôt, adding around 2% new space. ‘Click, pay & collect’ omnichannel capability had been rolled out to 34 stores by the end of the year.

Gross margins were down 10 basis points, with on-going self-help initiatives offset by higher price promotional activity. Despite continued focus on cost control including lower levels of variable pay, retail profit declined by 6.5% to £349 million.

**Castorama** total sales declined by 1.7% (-1.4% LFL) to £2,291 million. According to Banque de France data*\**, sales for the home improvement market were down around 1.5%. LFL sales of outdoor products were up 3% and sales of indoor and building products were down 2%.

**Brico Dépôt**, which more specifically targets trade professionals and highly proficient retail customers, was impacted by the ongoing slow house building market\* with new housing starts and planning consent data down around 12% and 8% respectively. Total sales declined by 0.1% (-3.2% LFL) to £1,841 million.

**UK & IRELAND\***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Sales £m** | **2014/15** | **2013/14** | **% Reported Change** | **% Constant**  **Currency**  **Change** | **% LFL**  **Change** |
| UK & Ireland | 4,600 | 4,363 | +5.4% | +5.5% | +3.2% |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Retail profit £m** | **2014/15** | **2013/14** | **% Reported Change** | **% Constant**  **Currency**  **Change** |
| UK & Ireland | 276 | 238 | +16.2% | +16.1% |

Kingfisher UK & Ireland sales were up 5.5% (+3.2% LFL) to £4,600 million and retail profit grew by 16.1% to £276 million. Gross margins were down 60 basis points impacted by the recognition in Q1 of more promotionally-led showroom sales (kitchens, bathrooms and bedrooms) from Q4 last year. Tight cost control continued despite higher levels of variable pay.

On a value basis, the UK home improvement leader market\* was up 4.8% reflecting better weather year on year, a stronger UK economy and more buoyant housing construction. On the same definition, Kingfisher UK sales were up around 3.5%. The market for the smaller tradesmen\* was up around 7%.

During the year B&Q reduced prices on c.5,000 products helping improve price perception and increase sales volumes. Over time, as the initiative gains momentum, the resulting growth in sales volume will also drive growth in sales on a value basis, however so far it is too early for the results to be seen in Kingfisher UK’s sales performance on a value basis.

Consequently, on a volume basis (being quantity of products sold), the UK home improvement leader market was up 3.6%. On the same definition, Kingfisher UK sales were up 6.5% with both businesses ahead of the market.

**B&Q UK & Ireland’s** total sales were up 1.9% (+1.4% LFL) to £3,765 million. Sales of outdoor seasonal and building products were up 4%. Sales of indoor products, excluding showroom, were up 2%. Sales of showroom products were down 5% driven by the decision to reduce promotional activity, and instead offer customers ‘Every Day Great Value’.

FY 2014/15 has been a year of re-energising the business. Examples of initiatives have included simplifying in-store price messaging, lowering prices and increasing customer transactions with better targeted marketing. The results have been encouraging, helping to drive sales and deliver profit growth, while improving value perception and marketing awareness.

B&Q has also been working on driving productivity benefits across the business. B&Q aims to be a simpler, more efficient business with a lower cost operating model and with stores that are easier for customers to shop. 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 & database accuracy). The projects are on track and are expected to deliver discounted paybacks of less than 18 months.

B&Q also launched ‘Click, Pay & Collect’ on over 14,000 products with the release of the new diy.com supported by better online content. Transacted online sales, including home delivery, are making encouraging early progress, growing 63%.

**Screwfix**, the highly successful omnichannel business, grew total sales by 25.5% (+13.4% LFL) to £835 million, driven by new ranges, a strong promotional programme reinforcing its value credentials and the continued roll out of new outlets, complimented by further digital and mobile development. Sixty net new outlets were opened, taking the total to 395.

**OTHER INTERNATIONAL\***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Sales £m** | **2014/15** | **2013/14** | **% Reported Change** | **% Constant**  **Currency**  **Change** | **% LFL**  **Change** |
| Other International | 2,234 | 2,339 | (4.5)% | +5.0% | +0.1% |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Retail profit £m** | **2014/15** | **2013/14** | **% Reported Change** | **% Constant**  **Currency**  **Change** |
| Other International (established) | 139 | 150 | (7.7)% | +0.3% |
| New country development\* | (22) | 1 | n/a | n/a |
| Asset held for sale (China) | (9) | (6) | (53.6)% | (61.4)% |
| Total | 108 | 145 | (26.1)% | (19.5)% |

Other International total sales increased by 5.0% (+0.1% LFL) to £2,234 million driven by store openings and LFL growth in Russia and Poland. Retail profit decreased by 19.5% to £108 million primarily driven by higher losses in China and new country development charges partly offset by profit growth in Poland.

**Other International (established):**

Sales in **Poland** were up 0.7% (+0.4% LFL) to £1,055 million. LFL sales of seasonal products were up 4% with sales of indoor and building products broadly flat. Gross margins were up 50 basis points benefiting from ongoing self-help initiatives. Retail profit grew by 1.7% to £118 million supported by the sales growth and higher gross margins, offset by higher levels of variable pay.

In **Russia** sales grew by 19.0% (+14.9% LFL) to £408 million benefiting from a strong market. Retail profit declined by 14.6% to £10 million largely reflecting adverse foreign currency exchange movements on the cost base. In **Turkey,** Kingfisher’s 50% JV, Koçtaş, grew sales by 13.1% (+4.2% LFL) to £319 million reflecting new store openings, improvements in customer offer and more promotional activity. Retail profit contribution was flat at £9 million after higher pre-opening costs compared to last year. In **Spain** sales grew by 14.2% (-5.5% LFL) to £306 million reflecting new store openings. Retail profit was £2 million (2013/14: £1 million retail profit).

During the year nine net new stores, representing around 6% new space, were added in our established geographies, one in Russia, four in Spain and four in Turkey.

**New country development activity:**

**Romania** - InQ2 2013/14 Kingfisher acquired a chain of 15 home improvement stores trading under the name Bricostore. Since then, work has been underway to transform these stores into the successful Brico Dépôt format aimed at trade professionals and highly proficient retail customers. Following encouraging results from the early conversions, the transformation programme was accelerated during 2014/15 with 14 stores now trading as Brico Dépôt. The business delivered sales of £91 million and retail loss of £12 million reflecting this year of transition.

**Portugal** - In a wider strategy to expand Brico Dépôt across Iberia, the first two Brico Dépôt stores opened during the year generating sales of £12 million. Retail loss of £2 million includes store pre-opening costs and central operations.

**Germany** - During FY 2013/14 Kingfisher announced its plans to evaluate international opportunities for its highly successful omnichannel business, Screwfix. In the summer a four store pilot commenced in the Frankfurt area, supported by a website offering 'click & collect' as well as country-wide next day delivery. Sales and brand awareness are building with an encouraging number of repeat customers; retail loss including start-up costs was £8 million. A further five stores are planned for FY 2015/16 within the Frankfurt area.

**Assets held for sale - China:**

In December 2014 Kingfisher announced a binding agreement to sell a controlling 70% stake in its B&Q China business to Wumei Holdings Inc for a total cash consideration of £140 million. The agreement follows Kingfisher’s previous announcement of its plans to look for a strategic partner to help develop its B&Q business in China. The transaction is awaiting MOFCOM (Chinese Ministry of Commerce) approval and is expected to complete during H1 2015/16.

During 2014/15 sales declined by 9.8% (-9.7% LFL) to £361 million impacted by a slowing Chinese property market\* which was down 11%. Retail loss was £9 million (2013/14: £6 million reported loss). If the disposal is approved, China will be accounted for as an investment and its results will not be consolidated in Group retail profit.

**Section 3: 2014/15 FINANCIAL REVIEW**

A summary of the reported financial results for the year ended 31 January 2015 is set out below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2014/15** | 2013/14 | % Reported Change | % Constant Currency Change |
|  |  |  |  |  |
| Sales | **£10,966m** | £11,125m | (1.4)% | 2.9% |
| Retail profit | **£733m** | £779m | (5.9)% | (1.6)% |
| Adjusted pre-tax profit | **£675m** | £730m | (7.5)% |  |
| Statutory pre-tax profit | **£644m** | £759m | (15.2)% |  |
| Exceptional items (post-tax) | **£71m** | £131m | (45.8)% |  |
| Adjusted basic earnings per share | **20.9p** | 22.8p | (8.3)% |  |
| Basic earnings per share | **24.3p** | 30.0p | (19.0)% |  |
| Dividends – ordinary | **10.0p** | 9.9p | 1.0% |  |
| **Capital Return** |  |  |  |  |
| * Special dividend (4.2p) | **£100m** | - | n/a |  |
| * Share buy back | **£100m** | - | n/a |  |

The results for the year reflect a mixed picture across our markets with the UK market improving but continental Europe, particularly France, proving to be a more challenging environment. 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 £234 million in annual cash dividends and return a further £200 million to shareholders via special dividends and share buy backs.

Total **sales** grew by 2.9% on a constant currency basis to £11.0 billion with LFL sales up 0.5% (2013/14: up 0.7%). On a reported rate basis, which includes the impact of exchange rates, sales declined by 1.4%. Sales growth benefitted from the addition of new space with 74 new stores, including 60 Screwfix trade counters in the UK, opening during the year (excluding 4 stores opened in the Turkey JV).

On a constant currency basis **retail profit** of £733 million declined by 1.6% including £22 million of new country development costs resulting from launching Brico Dépôt in Romania and Portugal and Screwfix in Germany during the year. Reported retail profit declined 5.9% reflecting £34 million adverse foreign exchange movement on translating foreign currency results into sterling.

**Adjusted pre-tax profit** decreased by 7.5% to £675 million primarily reflecting the more challenging trading environment in France, adverse foreign exchange movements and the investment in new country development. Furthermore, underlying net interest (excluding exceptional items and FFVR\*) for the year was £10 million higher reflecting a pensions interest charge on the defined benefit pension deficit at the start of the year.

During the year the Group sold its stake in Hornbach and for comparative purposes adjusted pre-tax profit excludes their results (2013/14: Hornbach contributed £14 million to pre-tax profit and 0.6p to earnings per share).

**Statutory pre-tax profit**, which includes the impact of exceptional items before tax and Hornbach’s results prior to disposal, decreased by 15.2% to £644 million. A reconciliation from the adjusted basis to the statutory basis for pre-tax profit is set out below:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2014/15**  **£m** | 2013/14  £m | Decrease |
| **Adjusted pre-tax profit** | **675** | 730 | (7.5)% |
| Share of Hornbach post-tax results | **-** | 14 |  |
| Financing fair value remeasurements (FFVR) | **4** | (2) |  |
| Profit before exceptional items and taxation | **679** | 742 | (8.5%) |
| Exceptional items before tax | **(35)** | 17 |  |
| **Statutory pre-tax profit** | **644** | 759 | (15.2)% |

**Exceptional items (post tax)** were a credit of £71 million (2013/14: £131 million credit) as detailed below:

|  |  |  |
| --- | --- | --- |
|  | **2014/15**  **£m**  **(Charge)/gain** | 2013/14  £m  (Charge)/gain |
| UK & Ireland restructuring | **(17)** | 7 |
| Transaction costs | **(15)** | (5) |
| Disposal of properties and non-operational asset losses | **(3)** | 2 |
| Kesa demerger French tax case – repayment supplement | **-** | 27 |
| Net impairment of investment in Hornbach | **-** | (14) |
| **Exceptional items before tax** | **(35)** | 17 |
| Exceptional tax items | **106** | 114 |
| **Net exceptional items** | **71** | 131 |

During the year there were restructuring costs of £17 million relating to the B&Q UK transformation plan (2013/14: £7 million credit following the successful exit of the Examinership process in B&Q Ireland). Transaction costs of £15 million are associated with Mr Bricolage and the agreement to sell a controlling stake in the B&Q China business (2013/14: £5 million for Bricostore Romania).These exceptional charges were more than offset by a £106 million tax credit including the tax impact on exceptional items and the release of prior year provisions which have either been agreed with the tax authorities, reassessed, or time expired (2013/14: £114 million primarily reflecting the successful resolution of the Kesa demerger French tax case).

**Earnings per share**

**Adjusted basic earnings per share** decreased by 8.3% to 20.9p (2013/14: 22.8p) reflecting the lower profits and an increased tax rate. As noted previously this excluded the impact of exceptional items, financing fair value remeasurements and the effect of prior year tax items. Including these items **basic earnings per share** decreased by 19.0% to 24.3p (2013/14: 30.0p) as set out below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Earnings**  **£m** | **2014/15** | Earnings  £m | 2013/14 |
| **Adjusted earnings per share** | **493** | **20.9p** | 538 | 22.8p |
| Share of Hornbach post-tax results | **-** | **-** | 14 | 0.6p |
| Net exceptional items | **71** | **3.1p** | 131 | 5.5p |
| Prior year tax items | **6** | **0.2p** | 27 | 1.2p |
| FFVR (net of tax) | **3** | **0.1p** | (1) | (0.1)p |
| **Basic earnings per share** | **573** | **24.3p** | 709 | 30.0p |

**Dividends and capital returns**

The Board has proposed a final dividend of 6.85p which results in a full year dividend of 10.0p, an increase of 1.0% (2013/14: 9.9p). The final dividend reduces full year dividend cover on adjusted earnings to 2.1 times (2013/14: 2.3 times). Going forward we are comfortable with 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 final dividend for the year ended 31 January 2015 will be paid on 15 June 2015 to shareholders on the register at close of business on 15 May 2015, subject to approval of shareholders at the Annual General Meeting, to be held on 9 June 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 14 May 2015. For those shareholders electing to receive the DRIP the last date for receipt of election is 22 May 2015.

In addition to the annual dividend Kingfisher announced last year its intention to commence a multi-year capital returns programme to return surplus capital to shareholders. In FY 2014/15 a total of £200 million was returned to shareholders, £100 million via a special dividend of 4.2p per share paid on 25 July 2014 and £100 million by a share buyback. The Group will return a further £200 million to shareholders in FY 2015/16. Around £30 million of shares have been purchased already with the balance expected to be returned as a share buyback over the remainder of the year.

**Taxation**

Kingfisher’s effective tax rate is sensitive to the blend of tax rates and profits in the Group’s various jurisdictions. The adjusted effective rate of tax, calculated on profit before exceptional items, prior year tax adjustments and the impact of rate changes is 27% (2013/14: 26%).

This effective rate of tax is higher than in 2013/14 reflecting higher losses in developing countries for which no future tax benefit is currently recognised for accounting purposes.

The overall rate of tax includes the impact of exceptional items and prior year adjustments. The impact of such items reduced the rate from 27% to 11% reflecting the release of prior year provisions which have either been agreed with tax authorities, reassessed, or time expired.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Effective tax rate calculation** | **Profit**  **£m** | **Tax**  **£m** | **2014/15**  **%** | 2013/14  % |
| Profit before tax and tax thereon | **644** | **(71)** | **11** | 6 |
| Exceptional items | **35** | **(106)** |  |  |
| Prior year items |  | **(6)** |  |  |
| **Total – effective** | **679** | **(183)** | **27** | 26 |

The tax rates for this financial year and the expected rates for next year in our main jurisdictions are as follows:

|  |  |  |
| --- | --- | --- |
| **Jurisdiction** | **Statutory tax rate 2015/16** | **Statutory tax rate 2014/15** |
| UK | 20% | 21% |
| France | 34.4% - 38.0% | 34.4% - 38.0% |
| Poland | 19% | 19% |

**Tax contribution**

Kingfisher makes a significant economic contribution to the countries in which it operates. In 2014/15 it contributed £1.7 billion in taxes it both pays and collects for these governments. The Group pays tax on its profits, its properties, in employing 79,000 people, in environmental levies, in customs duties and levies as well as other local taxes. The most significant taxes it collects for governments are the sales taxes charged to its customers on their purchases (VAT) and employee payroll related taxes. Taxes paid and collected together represent Kingfisher's total tax contribution which is shown below:

|  |  |  |
| --- | --- | --- |
| **Total tax contribution as a result of Group operations** | **2014/15**  **£bn** | 2013/14  £bn |
| Taxes paid | **0.7** | 0.7 |
| Taxes collected | **1.0** | 1.0 |
| **Total tax contribution** | **1.7** | (1)1.7 |

(1) In constant currency at 2014/15 rates this would be £1.6bn

Kingfisher participates in the Total Tax Contribution survey that PwC perform for the Hundred Group of Finance Directors. The 2014 survey ranked Kingfisher 33rd for its Total Tax Contribution in the UK. In 2014, 103 companies contributed to the survey.

**Economic returns**

Management are focused on Kingfisher Economic Profit (KEP) as a main measure of return on capital. It is used in the capital investment process, to assess performance and drive returns in strategic plans. Information on the calculation of KEP is included in the glossary. In 2014/15 KEP was £34 million, down from £74 million in the previous year reflecting the start-up nature of investment in new developing countries, the higher effective tax rate and foreign exchange translation. KEP by business segment is analysed below:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | Returns £m KEP | |
|  | Sales £bn | Proportion of Group sales % | Invested Capital  (IC) £bn | Proportion of Group IC % | **2014/15** | 2013/14 |
| UK & Ireland | 4.6 | 42% | 5.9 | 51% | **55** | 17 |
| France | 4.1 | 38% | 2.2 | 19% | **106** | 137 |
| Other International | 2.3 | 20% | 1.6 | 14% | **18** | 44 |
| Goodwill & Central |  |  | 2.0 | 16% | **(145)** | (124) |
| **Total** | 11.0 |  | 11.7 |  | **34** | 74 |

**Free cash flow**

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

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2014/15**  **£m** | | 2013/14  £m |
| **Operating profit (before exceptional items)** | | **687** | 746 |
| Other non-cash items(1) | | **275** | 265 |
| Change in working capital | | **(93)** | 27 |
| Pensions and provisions (before exceptional items) | | **(40)** | (37) |
| Operating cash flow | | **829** | 1,001 |
| Net interest paid | | **(8)** | (8) |
| Tax paid | | **(146)** | (142) |
| Gross capital expenditure | | **(275)** | (304) |
| Disposal of assets | | **50** | 12 |
| **Free cash flow** | | **450** | 559 |
| Ordinary dividends paid | | **(234)** | (224) |
| Special dividend paid | | **(100)** | - |
| Share buyback | | **(100)** | - |
| Share purchase for employee incentive schemes | | **(17)** | (24) |
| Disposal of Hornbach | | **198** | - |
| Acquisition of Bricostore Romania (including debt) | | **-** | (63) |
| Other(2) | | **4** | (1) |
| **Net cash flow** | | **201** | 247 |
| Opening net cash | | **238** | 38 |
| Reclassification of cash in B&Q China to assets held for sale | | **(57)** | - |
| Other movement including foreign exchange | | **(53)** | (47) |
| **Closing net cash** | | **329** | 238 |

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

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

**Net cash** at the end of the year was £329 million (2013/14: £238 million net cash), excluding cash held in B&Q China.

**Free cash flow** of £450 million was generated in the year, a decrease of £109 million against the prior year, due primarily to lower profits and an increase in working capital requirements, partially offset by lower capital expenditure and higher receipts from the disposal of assets. The year on year movement in working capital was primarily driven by a lower level of customer deposits for kitchen and bathroom sales at B&Q. This reflects B&Q’s move to a new ‘Every Day Great Value’ offer during 2014/15 with attractive prices all year round. As a result, unlike last year, customer deposits were less concentrated into the UK’s traditional January sale period, impacting the year end position.

Of the £450 million of free cash flow £434 million was returned to shareholders in the form of the ordinary dividend, an additional special dividend and share buybacks. A further £17 million was used to buy shares to cover future share awards for employee incentive schemes. The proceeds from the disposal of the Group’s shareholding in Hornbach AG have partially offset these additional outflows.

**Capital expenditure**

Gross capital expenditure for the year was £275 million (2013/14: £304 million). Of this around 30% was invested in new stores and relocations, 30% on refreshing existing stores and 40% on IT, supply chain and omnichannel development. A total of £50 million of proceeds from disposals were received during the year (2013/14: £12 million).

The Group has a rigorous approach to capital allocation and authorisation including an annual five year strategic planning and capital allocation process, a project by project capital approval process and an annual post-investment review process.

**Management of balance sheet and liquidity risk and financing**

The Group finished the period with £329 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 2.3 times as at 31 January 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:

|  |  |  |
| --- | --- | --- |
|  | **2014/15**  **£m** | 2013/14*(1)*  £m |
| EBITDA\* | **955** | 998 |
| Property operating lease rentals | **440** | 440 |
| **EBITDAR** | **1,395** | 1,438 |
| Financial net cash | **(329)** | (238) |
| Pension deficit | **-** | 100 |
| Property operating lease rentals (8x)*(2)* | **3,520** | 3,520 |
| **Lease adjusted net debt** | **3,191** | 3,382 |
| **Lease adjusted net debt to EBITDAR** | **2.3x** | 2.4x |

(1) Comparatives restated to reflect disposal of Hornbach.

(2) Kingfisher believes 8x is a reasonable industry standard for estimating the economic value of its leased assets.

Kingfisher currently holds a BBB credit rating with two of the three rating agencies. The third agency remains at BBB- with positive outlook. 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.

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

At 31 January 2015 the Group had a £200 million committed facility that expires in 2016 and was undrawn. A new £225 million committed facility that expires in March 2020 has been executed since the balance sheet date. 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 terms of the US Private Placement note agreement and the committed bank facility require only that the ratio of Group operating profit, excluding exceptional items, to net interest payable must be no less than 3:1 for the preceding 12 months at half year and full year ends. At the year end the Group’s ratio was significantly higher than this requirement.

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

The Group has entered into interest rate derivative contracts to convert the fixed rate payable on its MTNs\* and US Private Placement notes to a floating rate of interest. The floating interest rates paid by the Group under its financing arrangements are based on LIBOR and EURIBOR plus a margin, which were not changed during the year. In December 2014, the sterling MTN of £73 million was repaid.

**Acquisitions and disposals**

On 23 July 2014 Kingfisher entered into a binding agreement with the principal shareholders of Mr Bricolage to acquire their shareholdings subject to satisfactory anti-trust clearance. At a late stage Mr Bricolage and the ANPF (an organisation controlled by Mr Bricolage’s franchisees holding 41.9% of the share capital of Mr Bricolage), indicated that the undertakings in France required to obtain the competition clearance were no longer in their interests. Without the consent of Mr Bricolage and the ANPF, the competition clearance undertakings necessary to finalise the transaction could not be given. The agreement also made provision that it would lapse if the anti-trust clearance was not obtained by 31 March 2015 although an extension could have been agreed by all parties. The ANPF did not agree to this extension.

Notwithstanding Kingfisher’s efforts to pursue the completion of the transaction, the anti-trust clearance was not obtained by 31 March 2015 and therefore the July 2014 agreement lapsed on that date and the transaction could not proceed. Kingfisher is considering all of its options.

On 22 December 2014, Kingfisher announced a binding agreement to sell a controlling 70% stake in its B&Q China business to Wumei Holdings Inc for a total cash consideration of £140 million. The agreement followed Kingfisher’s previous announcement of its plans to look for a strategic partner to help develop its B&Q business in China. The transaction is conditional on MOFCOM (Chinese Ministry of Commerce) approval and, if approved, is expected to close during the first half of Kingfisher’s 2015/16 financial year.

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

In 2013/14 the Group acquired 100% of Bricostore Romania for £63 million (including debt).

**Pensions**

At the year end, the Group had a net surplus of £112 million (2013/14: £100 million deficit) in relation to defined benefit pension arrangements, of which a £194 million surplus (2013/14: £29 million deficit) is in relation to the UK Scheme. The favourable movement is driven by the strong asset returns over the year, only partially offset by the impact of the reduced discount rate 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**

The Group owns a significant property portfolio, most of which is used for trading purposes. A valuation was performed for internal purposes in November 2014 with the portfolio valued by external professional valuers. Based on this exercise, on a sale and leaseback basis with Kingfisher in occupancy, the value of property is £3.2 billion at year end (2013/14: £3.5 billion). The main reasons for the year on year change are foreign exchange movements and disposals.

|  |  |  |
| --- | --- | --- |
|  | **£bn** | **2014/15**  **Yields** |
| UK & Ireland | **0.8** | **6.5%** |
| France | **1.3** | **8.0%** |
| Poland | **0.5** | **8.1%** |
| China | **0.4** | **7.9%** |
| Other | **0.2** | **-** |
| **Total** | **3.2** |  |

This is compared to the property net book value of £2.4 billion (2013/14: £2.8 billion) recorded in the financial statements (including investment property and property assets held for sale), which is not revalued for accounting purposes.

**Retail profit on a fully rented basis**

The Group currently operates out of a mix of owned and leased property with the mix varying significantly between our geographic markets. In order to compare divisional performance more easily, a summary of the retail profit margins on a fully rented basis are set out below:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  | **2014/15** |
|  | **UK & Ireland** | **France** | **Poland** |
| Retail profit % | 6.0% | 8.4% | 11.2% |
| Adjustment to leasehold basis for owned properties | (0.8)% | (2.6)% | (3.6)% |
| Retail Profit % on leasehold basis | 5.2% | 5.8% | 7.6% |

**Net Positive and integrated reporting**

Kingfisher is committed to operating sustainably and to making a positive contribution to society through its business activities. Kingfisher’s ‘Net Positive’ approach is enabling the business to improve efficiency and resilience while generating revenue and supporting brand preference. Sustainability makes financial sense – the business has generated £2.4 billion in sales of products with eco credentials in 2014/15, and there are a number of energy saving initiatives underway, for example installing LED lighting across 15% of stores to date is saving £3 million per annum. The business is also trialling an approach to establish the financial benefits of initiatives to reduce waste, with a view to rolling this out across Kingfisher.

Reflecting the importance of Net Positive, the Group has integrated sustainability considerations into its capital expenditure processes.

Increasingly, the business aims to report in an integrated way taking account of financial, economic, social and environmental performance, and to reflect all the factors that contribute to business success. This supports decision-making within the business while enabling investors and stakeholders to more easily assess the business value of our commitment to Net Positive and the contribution the business makes to society.

**Impact of new accounting standard and China disposal on 2015/16 reporting**

The results for 2015/16 will be impacted by both a new IFRS accounting requirement, IFRIC 21 ‘Levies’, and how Kingfisher accounts for China if the proposed sale of 70% is approved by China’s competition authority. To help the readers of the accounts restatement data tables for 2014/15 have been published at: www.kingfisher.com/index.asp?pageid=59

IFRIC 21 ‘Levies’, will apply from 2015/16 with restatement of 2014/15 comparatives. This will not have a material impact on the annual results of Kingfisher, but will change the quarterly phasing in operating costs of certain French levies, in order to recognise the liabilities as they are triggered under the local legislation. As a result the related costs will no longer be spread over the year but will be recognised in the final quarter. Hence French and Group retail profit will be increased in Q1 to Q3 and decreased in Q4.

Subject to competition authority approval, the disposal of the Group’s 70% controlling stake in B&Q China would result in the Group accounting for its remaining 30% interest as an investment. Adjusted measures for 2015/16 and 2014/15 comparatives would exclude B&Q China’s operating results to enable a better understanding of underlying Group performance. Statutory reporting for 2014/15 would not be restated.

**Section 4: 2015/16 TECHNICAL GUIDANCE**

* Net new stores and space growth:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Employees**  **(FTE)** | **Store**  **Numbers** | **Selling space**  **(000s m2)** | **Net new stores** | **Space**  **% change** |
|  | **At 1 February 2015** | | | **FY 2015/16** | **FY 2015/16** |
| Castorama | 11,320 | 103 | 1,120 | (1)(1) | 0.3% |
| Brico Dépôt | 7,008 | 114 | 639 | 4 | 3.0% |
| **France** | **18,328** | **217** | **1,759** | **3** | **1.3%** |
| B&Q UK & Ireland | 20,199 | 360 | 2,570 | (31) | (7.4)%(2) |
| Screwfix | 5,193 | 395 | 25 | 60 | 10.6% |
| **UK & Ireland** | **25,392** | **755** | **2,595** | **29** | **(7.2)%** |
| Poland | 10,166 | 72 | 529 | 1 | 1.9% |
| China | 3,675 | 39 | 318 | - | - |
| Portugal | 134 | 2 | 12 | - | - |
| Romania | 1,036 | 15 | 139 | - | (8.4)% |
| Russia | 2,850 | 21 | 205 | - | - |
| Spain | 1,429 | 28 | 168 | 1 | 3.7% |
| Turkey JV | 3,585 | 49 | 230 | 4 | 8.2% |
| Screwfix Germany | 78 | 4 | 1 | 5 | n/a |
| **Other International** | **22,953** | **230** | **1,602** | **11** | **2.1%** |
| **Total Group** | **66,673** | **1,202** | **5,956** | **43** | **(2.2)%** |

(1) Castorama France store transfer to Brico Dépôt

(2) Store closures expected to take place towards the end of FY 2015/16

* Income statement:
  + Retail losses from new country development activity expected to be around half that of FY 2014/15 of £22 million
  + Group interest (1) charge is expected to be around £10 million
  + China will be treated as an investment, hence its operating results will not be consolidated within Group retail profit (2)
  + Corporation tax rate is expected to be broadly flat at 26-27%, subject to the blend of tax rates and 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
    - Exceptional charge of around £350 million over 2 years

(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 <http://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 for at year end when the liability is triggered, hence impacting quarterly phasing of French retail profit.

* Cash flow:
  + Investing £350-400 million in capital expenditure
  + Dividend to be covered 2.0-2.5 times by adjusted earnings
  + Capital return of £200 million expected to be via share buy back
  + Cash inflow of c.£140m from sale of B&Q China controlling stake expected in first half of FY 2015/16 (following competition authority approval)
  + No material incremental cash outflow resulting from the B&Q closures exceptional item, as principally relates to onerous lease provision

**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. 2013/14 comparatives have been restated to exclude the share of Hornbach results. A reconciliation to statutory amounts is set out in the Financial Review (Section 3).

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

<http://webstat.banque-france.fr/en/browse.do?node=5384326>

**Chinese property market** - new property market transactions sales down 11% for the 12 months to December 2014 for the 17 cities in which B&Q China operates, according to the China Real Estate Exchange.

**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 3).

**French house building market** - new housing starts and planning consent data for the 12 months to January 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.

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

**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.

**MTN** – Medium Term Note.

**Net cash** comprises borrowings and financing derivatives (excluding accrued interest), less cash and cash equivalents and other short term deposits.

**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 China, 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. 2013/14 comparatives have been restated to exclude the share of Hornbach operating profit.

**Right-size** refers to the space optimisation programme of B&Q’s property estate (covering downsizing, relocations and closures).

**Sales** - Group sales exclude Joint Venture (Koçtaş JV) sales.

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

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

**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 full year ended 31st January 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.