

Kingfisher plc
2019/20 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
CONSOLIDATED INCOME STATEMENT

£ millions	Notes	Half year ended 31 July 2019			Half year ended 31 July 2018 restated (note 18)		
		Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
Sales	4	5,997	–	5,997	6,080	–	6,080
Cost of sales		(3,776)	–	(3,776)	(3,864)	–	(3,864)
Gross profit		2,221	–	2,221	2,216	–	2,216
Selling and distribution expenses		(1,414)	(94)	(1,508)	(1,412)	4	(1,408)
Administrative expenses		(396)	–	(396)	(402)	(46)	(448)
Other income		10	1	11	11	–	11
Share of post-tax results of joint ventures and associates		–	–	–	(2)	–	(2)
Operating profit	4	421	(93)	328	411	(42)	369
Finance costs		(93)	–	(93)	(97)	–	(97)
Finance income		10	–	10	8	–	8
Net finance costs	6	(83)	–	(83)	(89)	–	(89)
Profit before taxation		338	(93)	245	322	(42)	280
Income tax expense	7	(93)	19	(74)	(87)	13	(74)
Profit for the period		245	(74)	171	235	(29)	206
Earnings per share	8						
Basic				8.1p			9.6p
Diluted				8.1p			9.6p
Adjusted basic				11.8p			11.0p
Adjusted diluted				11.8p			11.0p
Underlying basic				12.3p			12.8p
Underlying diluted				12.3p			12.7p

Reconciliation of non-GAAP underlying and adjusted pre-tax profit:

Underlying pre-tax profit		353	377
Transformation costs before exceptional items	4	(16)	(52)
Adjusted pre-tax profit		337	325
Exchange differences on lease liabilities		1	(3)
Exceptional items	5	(93)	(42)
Profit before taxation		245	280

The proposed interim ordinary dividend for the period ended 31 July 2019 is 3.33p per share.

Kingfisher plc
2019/20 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
CONSOLIDATED INCOME STATEMENT

£ millions	Notes	Year ended 31 January 2019 restated (note 18)		
		Before exceptional items	Exceptional items	Total
Sales	4	11,685	–	11,685
Cost of sales		(7,367)	–	(7,367)
Gross profit		4,318	–	4,318
Selling and distribution expenses		(2,800)	(174)	(2,974)
Administrative expenses		(799)	(63)	(862)
Other income		27	27	54
Other expenses		–	(57)	(57)
Share of post-tax results of joint ventures and associates		1	–	1
Operating profit	4	747	(267)	480
Finance costs		(196)	–	(196)
Finance income		16	–	16
Net finance costs	6	(180)	–	(180)
Profit before taxation		567	(267)	300
Income tax expense	7	(170)	63	(107)
Profit for the year		397	(204)	193
Earnings per share	8			
Basic				9.1p
Diluted				9.0p
Adjusted basic				19.8p
Adjusted diluted				19.7p
Underlying basic				23.9p
Underlying diluted				23.8p

Reconciliation of non-GAAP underlying and adjusted pre-tax profit:

Underlying pre-tax profit		694
Transformation costs before exceptional items	4	(120)
Adjusted pre-tax profit		574
Exchange differences on lease liabilities		(7)
Exceptional items	5	(267)
Profit before taxation		300

Kingfisher plc
2019/20 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

£ millions	Notes	Half year ended 31 July 2019	Half year ended 31 July 2018 restated (note 18)	Year ended 31 January 2019 restated (note 18)
Profit for the period		171	206	193
Actuarial gains on post-employment benefits	11	73	86	78
Inventory cash flow hedges – fair value gains		47	63	85
Tax on items that will not be reclassified		(37)	(47)	(53)
Total items that will not be reclassified subsequently to profit or loss		83	102	110
Currency translation differences				
Group		153	34	(46)
Other cash flow hedges				
Fair value gains/(losses)		4	–	(2)
(Gains)/losses transferred to income statement		(4)	–	2
Tax on items that may be reclassified		–	(1)	–
Total items that may be reclassified subsequently to profit or loss		153	33	(46)
Other comprehensive income for the period		236	135	64
Total comprehensive income for the period		407	341	257

Kingfisher plc
2019/20 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

£ millions	Half year ended 31 July 2019						
	Share capital	Share premium	Own shares held	Retained earnings	Capital redemption reserve	Other reserves (note 13)	Total equity
At 1 February 2019	332	2,228	(25)	3,192	43	379	6,149
Profit for the period	-	-	-	171	-	-	171
Other comprehensive income for the period	-	-	-	45	-	191	236
Total comprehensive income for the period	-	-	-	216	-	191	407
Inventory cash flow hedges - gains transferred to inventories	-	-	-	-	-	(24)	(24)
Share-based compensation	-	-	-	8	-	-	8
Own shares issued under share schemes	-	-	9	(9)	-	-	-
Purchase of own shares for ESOP trust	-	-	(10)	-	-	-	(10)
Dividends (note 9)	-	-	-	(157)	-	-	(157)
Tax on equity items	-	-	-	-	-	5	5
At 31 July 2019	332	2,228	(26)	3,250	43	551	6,378

£ millions	Half year ended 31 July 2018 restated (note 18)						
	Share capital	Share premium	Own shares held	Retained earnings	Capital redemption reserve	Other reserves (note 13)	Total equity
At 1 February 2018	340	2,228	(29)	3,311	35	378	6,263
Profit for the period	-	-	-	206	-	-	206
Other comprehensive income for the period	-	-	-	54	-	81	135
Total comprehensive income for the period	-	-	-	260	-	81	341
Inventory cash flow hedges - losses transferred to inventories	-	-	-	-	-	15	15
Share-based compensation	-	-	-	10	-	-	10
New shares issued under share schemes	-	-	-	2	-	-	2
Own shares issued under share schemes	-	-	3	(3)	-	-	-
Purchase of own shares for cancellation	(5)	-	-	(90)	5	-	(90)
Dividends (note 9)	-	-	-	(160)	-	-	(160)
Tax on equity items	-	-	-	-	-	(4)	(4)
At 31 July 2018	335	2,228	(26)	3,330	40	470	6,377

£ millions	Year ended 31 January 2019 restated (note 18)						
	Share capital	Share premium	Own shares held	Retained earnings	Capital redemption reserve	Other reserves (note 13)	Total equity
At 1 February 2018	340	2,228	(29)	3,311	35	378	6,263
Profit for the year	-	-	-	193	-	-	193
Other comprehensive income for the year	-	-	-	46	-	18	64
Total comprehensive income for the year	-	-	-	239	-	18	257
Inventory cash flow hedges - gains transferred to inventories	-	-	-	-	-	(22)	(22)
Share-based compensation	-	-	-	15	-	-	15
New shares issued under share schemes	-	-	-	2	-	-	2
Own shares issued under share schemes	-	-	4	(4)	-	-	-
Purchase of own shares for cancellation	(8)	-	-	(140)	8	-	(140)
Dividends (note 9)	-	-	-	(231)	-	-	(231)
Tax on equity items	-	-	-	-	-	5	5
At 31 January 2019	332	2,228	(25)	3,192	43	379	6,149

Kingfisher plc
2019/20 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
CONSOLIDATED BALANCE SHEET

£ millions	Notes	At 31 July 2019	At 31 July 2018 restated (note 18)	At 31 January 2019 restated (note 18)
Non-current assets				
Goodwill		2,439	2,438	2,436
Other intangible assets	10	374	375	371
Property, plant and equipment	10	3,356	3,567	3,302
Right-of-use assets		2,030	2,221	2,017
Investment property	10	8	21	8
Investments in joint ventures and associates		13	12	15
Post-employment benefits	11	413	318	320
Deferred tax assets		13	40	13
Derivative assets	12	2	–	–
Other receivables		40	53	41
		8,688	9,045	8,523
Current assets				
Inventories		2,765	2,718	2,574
Trade and other receivables		415	472	406
Derivative assets	12	62	47	26
Current tax assets		3	1	1
Cash and cash equivalents		385	181	229
Assets held for sale		58	–	89
		3,688	3,419	3,325
Total assets		12,376	12,464	11,848
Current liabilities				
Trade and other payables		(2,554)	(2,657)	(2,415)
Borrowings	12	(47)	(2)	(1)
Lease liabilities		(318)	(363)	(308)
Derivative liabilities	12	(19)	(16)	(21)
Current tax liabilities		(148)	(145)	(118)
Provisions		(84)	(38)	(27)
		(3,170)	(3,221)	(2,890)
Non-current liabilities				
Other payables		(4)	(6)	(6)
Borrowings	12	(97)	(47)	(139)
Lease liabilities		(2,320)	(2,437)	(2,318)
Derivative liabilities	12	-	-	(2)
Deferred tax liabilities		(242)	(220)	(192)
Provisions		(39)	(34)	(37)
Post-employment benefits	11	(126)	(122)	(115)
		(2,828)	(2,866)	(2,809)
Total liabilities		(5,998)	(6,087)	(5,699)
Net assets		6,378	6,377	6,149
Equity				
Share capital		332	335	332
Share premium		2,228	2,228	2,228
Own shares held in ESOP trust		(26)	(26)	(25)
Retained earnings		3,250	3,330	3,192
Capital redemption reserve		43	40	43
Other reserves	13	551	470	379
Total equity		6,378	6,377	6,149

The interim financial report was approved by the Board of Directors on 17 September 2019 and signed on its behalf by:

Veronique Laury, Chief Executive Officer

Andy Cosslett, Chairman

Kingfisher plc
2019/20 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
CONSOLIDATED CASH FLOW STATEMENT

£ millions	Notes	Half year ended 31 July 2019	Half year ended 31 July 2018 restated (note 18)	Year ended 31 January 2019 restated (note 18)
Operating activities				
Cash generated by operations	14	613	716	1,243
Income tax paid		(34)	(77)	(132)
Net cash flows from operating activities		579	639	1,111
Investing activities				
Purchase of property, plant and equipment and intangible assets		(163)	(164)	(332)
Disposal of property, plant and equipment, investment property, assets held for sale and intangible assets		125	4	45
Interest received		6	4	11
Interest element of lease rental receipts		1	2	3
Principal element of lease rental receipts		2	3	6
Advance payments on right-of-use assets		–	(1)	(4)
Dividends received from joint ventures and associates		2	5	5
Net cash flows used in investing activities		(27)	(147)	(266)
Financing activities				
Interest paid		(13)	(7)	(19)
Interest element of lease rental payments		(82)	(87)	(174)
Principal element of lease rental payments		(158)	(137)	(312)
Repayment of bank loans		(1)	(1)	(1)
Issue of fixed term debt		–	44	139
Repayment of fixed term debt		–	(134)	(134)
Receipt on financing derivatives		–	37	37
New shares issued under share schemes		–	2	2
Purchase of own shares for ESOP trust		(10)	–	–
Purchase of own shares for cancellation		–	(90)	(140)
Ordinary dividends paid to equity shareholders of the Company	9	(157)	(160)	(231)
Net cash flows from financing activities		(421)	(533)	(833)
Net increase/(decrease) in cash and cash equivalents				
Cash and cash equivalents at beginning of period		131	(41)	12
Exchange differences		25	(8)	(13)
Cash and cash equivalents at end of period		385	181	229

Kingfisher plc

2019/20 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.

The Company is incorporated in the United Kingdom and is listed on the London Stock Exchange. The address of its registered office is 3 Sheldon Square, Paddington, London W2 6PX.

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 2019 were approved by the Board of Directors on 19 March 2019 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 17 September 2019.

2. Basis of preparation

The interim financial report for the six months ended 31 July 2019 ('the half year') has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct 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 2019, 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, '2018/19' refers to the six months ended 31 July 2018.

New and amended accounting standards

The Group adopted IFRS 16 'Leases' on 1 February 2019 on a fully retrospective basis, resulting in the restatement of comparatives for the six months ended 31 July 2018 and year ended 31 January 2019. The cumulative effect of initial application is recognised as an adjustment to opening equity on the date of transition (1 February 2018). Refer to note 18 for further details of the Group's initial application of IFRS 16.

The statement of comprehensive income and statement of changes in equity for the half year ended 31 July 2018 have been adjusted to reflect changes to presentation required under IFRS 9 'Financial Instruments'.

Other new standards, amendments and interpretations are in issue and effective for the Group's financial year ended 31 January 2020, but they do not have a material impact on the consolidated financial statements.

Going concern

The Directors of Kingfisher plc, having made appropriate enquiries, consider that adequate resources exist for the Group to continue in operational existence and that, therefore, it is appropriate to adopt the going concern basis in preparing the condensed consolidated financial statements for the half year ended 31 July 2019.

Principal rates of exchange against Sterling

	Half year ended 31 July 2019		Half year ended 31 July 2018		Year ended 31 January 2019	
	Average rate	Period end rate	Average rate	Period end rate	Average rate	Year end rate
Euro	1.14	1.10	1.14	1.12	1.13	1.15
US Dollar	1.29	1.22	1.37	1.31	1.33	1.31
Polish Zloty	4.90	4.70	4.83	4.79	4.83	4.88
Russian Rouble	83.14	77.46	82.55	81.81	84.34	86.01

Risks and uncertainties

The principal risks and uncertainties to which the Group is exposed are set out on pages 44-51 of the Kingfisher plc Annual Report and Accounts for the year ended 31 January 2019. These have been reviewed as part of the Group's half year procedures and are listed in the Financial Review.

Use of non-GAAP measures

In the reporting of financial information, the Group uses certain measures that are not required under IFRS, the generally accepted accounting principles ('GAAP') under which the Group reports. Kingfisher believes that retail profit, underlying pre-tax profit,

adjusted pre-tax profit, adjusted effective tax rate, underlying earnings per share and adjusted earnings per share provide additional useful information on performance and trends to shareholders. These and other non-GAAP measures (also known as 'Alternative Performance Measures'), such as net debt, are used by Kingfisher for internal performance analysis and incentive compensation arrangements for employees. The terms 'retail profit', 'exceptional items', 'transformation costs', 'underlying', 'adjusted', 'adjusted effective tax rate' and 'net debt' 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, the Group's share of interest and tax of joint ventures and associates, transformation costs and exceptional items. It includes the sustainable benefits of the transformation plan. Central costs principally comprise the costs of the Group's head office before transformation costs.

The separate reporting of exceptional items, which are presented as exceptional within their relevant income statement category, helps provide an indication of the Group's ongoing 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, exit or impairment of subsidiaries, joint ventures, associates and investments which do not form part of the Group's ongoing trading activities;
- profits and losses on the disposal of properties and impairment losses on non-operational assets; and
- the costs of significant restructuring, including certain restructuring costs of the Group's five-year transformation plan launched in 2016/17, and incremental acquisition integration costs.

The term 'adjusted' refers to the relevant measure being reported for continuing operations excluding exceptional items, exchange differences on lease liabilities, financing fair value remeasurements, related tax items and prior year tax items (including the impact of changes in tax rates on deferred tax). Exchange differences on lease liabilities represent the income statement impact of translating lease liabilities denominated in non-functional currencies (e.g. a dollar-denominated lease in Russia) which are not able to be designated as net investment hedges. 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 hedged items of a financing nature.

The term 'underlying' refers to the relevant adjusted measure being reported before non-exceptional transformation costs. Non-exceptional transformation costs represent the additional costs that arise only as a result of the transformation plan launched in 2016/17, which either because of their nature or the length of the period over which they are incurred are not considered as exceptional items. These costs principally relate to the unified and unique offer range implementation and the digital strategic initiative. The separate reporting of such costs (in addition to exceptional items) helps provide an indication of the Group's underlying business performance, which includes the sustainable benefits of the transformation plan.

The adjusted 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. The exclusion of items relating to prior years, and those not in the ordinary course of business, helps provide a better indication of the Group's ongoing rate of tax.

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

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 January 2019, as described in note 2 of those financial statements, except where set out below. The critical accounting estimates and judgements are set out in note 3 of the annual financial statements for the year ended 31 January 2019 and remain unchanged, with the exception of those relating to IFRS 16 'Leases' as described in note 18.

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

IFRS 16 was issued by the IASB in January 2016 and has been endorsed by the European Union. The standard supersedes IAS 17 'Leases' and is effective for periods beginning on or after 1 January 2019. The adoption of IFRS 16 has had a material impact on the Group's primary financial statements, including impacts on the operating profit, profit before taxation, total assets and total liabilities lines. Further details of the Group's initial application of IFRS 16 are included in note 18, including details on the effect of initial application on the Group's financial results and the critical accounting estimates and judgements arising from application of the standard.

4. Segmental analysis

Income statement

£ millions	Half year ended 31 July 2019				
	UK & Ireland	France	Other International		Total
			Poland	Other	
Sales	2,655	2,158	753	431	5,997
Retail profit	277	114	88	(13)	466
Central costs					(25)
Share of interest and tax of joint ventures and associates before exchange differences on lease liabilities					(5)
Exchange differences on lease liabilities of joint ventures and associates					1
Transformation costs before exceptional items					(16)
Exceptional items					(93)
Operating profit					328
Net finance costs					(83)
Profit before taxation					245

£ millions	Half year ended 31 July 2018 restated (note 18)				
	UK & Ireland	France	Other International		Total
			Poland	Other	
Sales	2,635	2,267	726	452	6,080
Retail profit	282	131	90	(13)	490
Central costs					(23)
Share of interest and tax of joint ventures and associates before exchange differences on lease liabilities					(3)
Exchange differences on lease liabilities of joint ventures and associates					(1)
Transformation costs before exceptional items					(52)
Exceptional items					(42)
Operating profit					369
Net finance costs					(89)
Profit before taxation					280

£ millions	Year ended 31 January 2019 restated (note 18)				
	UK & Ireland	France	Other International		Total
			Poland	Other	
Sales	5,061	4,272	1,431	921	11,685
Retail profit	530	221	185	(12)	924
Central costs					(49)
Share of interest and tax of joint ventures and associates before exchange differences on lease liabilities					(5)
Exchange differences on lease liabilities of joint ventures and associates					(3)
Transformation costs before exceptional items					(120)
Exceptional items					(267)
Operating profit					480
Net finance costs					(180)
Profit before taxation					300

Balance sheet

£ millions	At 31 July 2019				
	UK & Ireland	France	Other International		Total
			Poland	Other	
Segment assets	3,083	1,858	867	677	6,485
Central liabilities					(162)
Goodwill					2,439
Net debt					(2,384)
Net assets					6,378

£ millions	At 31 July 2018 restated (note 18)				
	UK & Ireland	France	Other International		Total
			Poland	Other	
Segment assets	3,174	2,045	781	759	6,759
Central liabilities					(159)
Goodwill					2,438
Net debt					(2,661)
Net assets					6,377

£ millions	At 31 January 2019 restated (note 18)				
	UK & Ireland	France	Other International		Total
			Poland	Other	
Segment assets	3,062	1,865	791	697	6,415
Central liabilities					(160)
Goodwill					2,436
Net debt					(2,542)
Net assets					6,149

The operating segments disclosed above are based on the information reported internally to the Board of Directors and Group Executive, representing the geographical areas in which the Group operates. The Group only has one business segment being the supply of home improvement products and services. The majority of the sales in each geographical area are derived from in-store sales of products.

The 'Other International' segment consists of Poland, Iberia, 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 before transformation costs. Central liabilities comprise unallocated head office and other central items including central assets, pensions, insurance, interest and tax.

Transformation costs before exceptional items principally relate to the unified and unique offer range implementation and the digital strategic pillar, with £1m (2018/19: £21m) included within selling and distribution expenses and £15m (2018/19: £31m) included within administrative expenses.

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 31 July 2019	Half year ended 31 July 2018 restated (note 18)	Year ended 31 January 2019 restated (note 18)
Included within selling and distribution expenses			
UK & Ireland and continental Europe restructuring	(68)	4	(124)
Impairments of Russia and Iberia assets	(26)	–	(16)
B&Q store replenishment	–	–	(12)
Romania acquisition integration	–	–	(16)
France exceptional employee bonus	–	–	(6)
	(94)	4	(174)
Included within administrative expenses			
Transformation exceptional costs	–	(46)	(58)
UK guaranteed minimum pension charge	–	–	(5)
	–	(46)	(63)
Included within other income			
Profit on disposal of properties	1	–	27
	1	–	27
Included within other expenses			
Impairments of properties held for sale	–	–	(57)
	–	–	(57)
Exceptional items before tax	(93)	(42)	(267)
Tax on exceptional items	19	13	63
Exceptional items	(74)	(29)	(204)

Current period exceptional items include a £68m net restructuring charge principally relating to redundancy costs following formal consultation with employee representatives regarding the Group's plans to close 11 stores in France and 19 Screwfix Germany outlets.

Additional impairments of £26m have been recorded in the period primarily relating to store assets in Russia following a deterioration in trading. The Group announced the decision to exit Russia and Iberia in November 2018 and recorded impairments of £16m to store and non-operational assets in the prior year.

A profit of £1m has been recorded in the period on the disposal of properties in the UK.

6. Net finance costs

£ millions	Half year ended 31 July 2019	Half year ended 31 July 2018 restated (note 18)	Year ended 31 January 2019 restated (note 18)
Bank overdrafts and bank loans	(10)	(7)	(15)
Fixed term debt	(2)	(1)	(3)
Lease liabilities	(82)	(87)	(174)
Exchange differences on lease liabilities	–	(2)	(4)
Unwinding of discount on provisions	–	–	(2)
Capitalised interest	1	2	2
Other interest payable	–	(2)	–
Finance costs	(93)	(97)	(196)
Cash and cash equivalents and short-term deposits	6	4	9
Net interest income on defined benefit pension schemes	3	2	4
Finance lease income	1	2	3
Finance income	10	8	16
Net finance costs	(83)	(89)	(180)

7. Income tax expense

£ millions	Half year ended 31 July 2019	Half year ended 31 July 2018 restated (note 18)	Year ended 31 January 2019 restated (note 18)
UK corporation tax			
Current tax on profits for the period	(30)	(49)	(52)
Adjustments in respect of prior years	–	–	(1)
	(30)	(49)	(53)
Overseas tax			
Current tax on profits for the period	(29)	(31)	(66)
Adjustments in respect of prior years	(2)	–	7
	(31)	(31)	(59)
Deferred tax			
Current period	(11)	6	30
Adjustments in respect of prior years	(2)	–	(25)
	(13)	6	5
Income tax expense	(74)	(74)	(107)

The adjusted effective tax rate on profit before exceptional items and excluding prior year tax adjustments and the impact of changes in tax rates on deferred tax is 26% (2018/19: 27%), representing the best estimate of the effective rate for the full financial year. The adjusted effective tax rate on the same basis for the year ended 31 January 2019 was 27%. Exceptional tax items for the current period amount to a credit of £19m, none of which relates to prior year items (2018/19: £13m credit, none of which related to prior year items). Exceptional tax items for the year ended 31 January 2019 amounted to a credit of £63m, none of which related to prior year items.

8. Earnings per share

Pence	Half year ended 31 July 2019	Half year ended 31 July 2018 restated (note 18)	Year ended 31 January 2019 restated (note 18)
Basic earnings per share	8.1	9.6	9.1
Effect of dilutive share options	–	–	(0.1)
Diluted earnings per share	8.1	9.6	9.0
Basic earnings per share	8.1	9.6	9.1
Exceptional items before tax	4.4	1.9	12.6
Tax on exceptional and prior year items	(0.7)	(0.6)	(2.1)
Exchange differences on lease liabilities	–	0.1	0.3
Tax on exchange differences on lease liabilities	–	–	(0.1)
Adjusted basic earnings per share	11.8	11.0	19.8
Transformation costs before exceptional items	0.7	2.5	5.6
Tax on transformation costs before exceptional items	(0.2)	(0.7)	(1.5)
Underlying basic earnings per share	12.3	12.8	23.9
Diluted earnings per share	8.1	9.6	9.0
Exceptional items before tax	4.4	1.9	12.6
Tax on exceptional and prior year items	(0.7)	(0.6)	(2.1)
Exchange differences on lease liabilities	–	0.1	0.3
Tax on exchange differences on lease liabilities	–	–	(0.1)
Adjusted diluted earnings per share	11.8	11.0	19.7
Transformation costs before exceptional items	0.7	2.4	5.6
Tax on transformation costs before exceptional items	(0.2)	(0.7)	(1.5)
Underlying diluted earnings per share	12.3	12.7	23.8

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 and underlying earnings is set out below:

£ millions	Half year ended 31 July 2019	Half year ended 31 July 2018 restated (note 18)	Year ended 31 January 2019 restated (note 18)
Earnings	171	206	193
Exceptional items before tax	93	42	267
Tax on exceptional and prior year items	(15)	(13)	(44)
Exchange differences on lease liabilities	(1)	3	7
Tax on exchange differences on lease liabilities	–	(1)	(2)
Adjusted earnings	248	237	421
Transformation costs before exceptional items	16	52	120
Tax on transformation costs before exceptional items	(4)	(14)	(32)
Underlying earnings	260	275	509

The weighted average number of shares in issue during the period, excluding those held in the Employee Share Ownership Plan Trust ('ESOP trust'), is 2,101m (2018/19: 2,141m). The diluted weighted average number of shares in issue during the period is 2,112m (2018/19: 2,151m). For the year ended 31 January 2019, the weighted average number of shares in issue was 2,129m and the diluted weighted average number of shares in issue was 2,140m.

9. Dividends

£ millions	Half year ended 31 July 2019	Half year ended 31 July 2018	Year ended 31 January 2019
Dividends to equity shareholders of the Company			
Ordinary final dividend for the year ended 31 January 2019 of 7.49p per share	157	–	–
Ordinary interim dividend for the year ended 31 January 2019 of 3.33p per share	–	–	71
Ordinary final dividend for the year ended 31 January 2018 of 7.49p per share	–	160	160
	157	160	231

The proposed ordinary interim dividend for the period ended 31 July 2019 is 3.33p 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 £144m (2018/19: £152m) and for the year ended 31 January 2019 were £334m. Disposals in net book value of property, plant and equipment, investment property, property assets held for sale and other intangible assets are £77m (2018/19: £6m) and for the year ended 31 January 2019 were £68m.

Capital commitments contracted but not provided for at the end of the period are £161m (2018/19: £90m) and at 31 January 2019 were £40m.

11. Post-employment benefits

£ millions	Half year ended 31 July 2019	Half year ended 31 July 2018	Year ended 31 January 2019
Net surplus in schemes at beginning of period	205	99	99
Current service cost	(5)	(6)	(11)
Past service cost	-	-	(2)
Administration costs	(2)	(2)	(4)
Net interest income	3	2	4
Net actuarial gains	73	86	78
Contributions paid by employer	19	19	40
Exchange differences	(6)	(2)	1
Net surplus in schemes at end of period	287	196	205
UK	413	318	320
Overseas	(126)	(122)	(115)
Net surplus in schemes at end of period	287	196	205
Present value of defined benefit obligations	(3,249)	(3,036)	(2,977)
Fair value of scheme assets	3,536	3,232	3,182
Net surplus in schemes at end of period	287	196	205

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 26 of the annual financial statements for the year ended 31 January 2019.

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 as 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:

	At 31 July 2019	At 31 July 2018	At 31 January 2019
Annual % rate			
Discount rate	2.1	2.5	2.5
Price inflation	3.4	3.3	3.3

12. Financial instruments

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

£ millions	At 31 July 2019	At 31 July 2018	At 31 January 2019
Cross currency interest rate swaps	1	–	–
Foreign exchange contracts	63	47	26
Derivative assets	64	47	26

£ millions	At 31 July 2019	At 31 July 2018	At 31 January 2019
Cross currency interest rate swaps	–	–	(2)
Foreign exchange contracts	(19)	(16)	(21)
Derivative liabilities	(19)	(16)	(23)

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.

Except as detailed in the following table of borrowings, the carrying amounts of financial instruments (excluding lease liabilities) 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 2 inputs for borrowings as defined by the IFRS 13 fair value hierarchy.

£ millions	Carrying amount		
	At 31 July 2019	At 31 July 2018 restated (note 18)	At 31 January 2019 restated (note 18)
Bank loans	4	5	4
Fixed term debt	140	44	136
Borrowings	144	49	140

£ millions	Fair value		
	At 31 July 2019	At 31 July 2018 restated (note 18)	At 31 January 2019 restated (note 18)
Bank loans	4	5	5
Fixed term debt	143	44	138
Borrowings	147	49	143

At 31 July 2019, the Group had undrawn revolving credit facilities of £550 million due to expire in August 2021 and £225 million due to expire in March 2022. In August 2019, the Group completed an extension of the £550 million revolving credit facility, taking the term to August 2022.

13. Other reserves

£ millions	Half year ended 31 July 2019			
	Translation reserve	Cash flow hedge reserve	Other	Total
At 1 February 2019	210	10	159	379
Inventory cash flow hedges - fair value gains	-	47	-	47
Tax on items that will not be reclassified subsequently to profit or loss	-	(9)	-	(9)
Currency translation differences				
Group	153	-	-	153
Other cash flow hedges				
Fair value gains	-	4	-	4
Gains transferred to income statement	-	(4)	-	(4)
Other comprehensive income for the period	153	38	-	191
Inventory cash flow hedges - gains transferred to inventories	-	(24)	-	(24)
Tax on equity items	-	5	-	5
At 31 July 2019	363	29	159	551

£ millions	Half year ended 31 July 2018 restated (note 18)			
	Translation reserve	Cash flow hedge reserve	Other	Total
At 1 February 2018	256	(37)	159	378
Inventory cash flow hedges - fair value gains	-	63	-	63
Tax on items that will not be reclassified subsequently to profit or loss	-	(15)	-	(15)
Currency translation differences				
Group	34	-	-	34
Tax on items that may be reclassified	(1)	-	-	(1)
Other comprehensive income for the period	33	48	-	81
Inventory cash flow hedges - losses transferred to inventories	-	15	-	15
Tax on equity items	-	(4)	-	(4)
At 31 July 2018	289	22	159	470

£ millions	Year ended 31 January 2019 restated (note 18)			
	Translation reserve	Cash flow hedge reserve	Other	Total
At 1 February 2018	256	(37)	159	378
Inventory cash flow hedges - fair value gains	-	85	-	85
Tax on items that will not be reclassified subsequently to profit or loss	-	(21)	-	(21)
Currency translation differences				
Group	(46)	-	-	(46)
Other cash flow hedges				
Fair value losses	-	(2)	-	(2)
Losses transferred to income statement	-	2	-	2
Other comprehensive income for the year	(46)	64	-	18
Inventory cash flow hedges - gains transferred to inventories	-	(22)	-	(22)
Tax on equity items	-	5	-	5
At 31 January 2019	210	10	159	379

14. Cash generated by operations

£ millions	Half year ended 31 July 2019	Half year ended 31 July 2018 restated (note 18)	Year ended 31 January 2019 restated (note 18)
Operating profit	328	369	480
Share of post-tax results of joint ventures and associates	–	2	(1)
Depreciation and amortisation	270	261	535
Net impairment losses	24	–	201
(Gain)/loss on disposal of property, plant and equipment, investment property, assets held for sale and intangible assets	(2)	2	(25)
Lease losses	2	–	2
Share-based compensation charge	8	10	15
(Increase)/decrease in inventories	(111)	3	95
(Increase)/decrease in trade and other receivables	(43)	41	142
Increase/(decrease) in trade and other payables	94	12	(197)
Movement in provisions	55	27	19
Movement in post-employment benefits	(12)	(11)	(23)
Cash generated by operations	613	716	1,243

15. Net debt

£ millions	At 31 July 2019	At 31 July 2018 restated (note 18)	At 31 January 2019 restated (note 18)
Cash and cash equivalents	385	181	229
Bank loans	(4)	(5)	(4)
Fixed term debt	(140)	(44)	(136)
Lease liabilities	(2,638)	(2,800)	(2,626)
Financing derivatives	13	7	(5)
Net debt	(2,384)	(2,661)	(2,542)

£ millions	At 31 July 2019	At 31 July 2018 restated (note 18)	At 31 January 2019 restated (note 18)
Net debt at beginning of period	(2,542)	(2,678)	(2,678)
Net increase/(decrease) in cash and cash equivalents	131	(41)	12
Repayment of bank loans	1	1	1
Issue of fixed term debt	–	(44)	(139)
Repayment of fixed term debt	–	134	134
Receipt on financing derivatives	–	(37)	(37)
Net cash flow	132	13	(29)
Movement in lease liabilities	18	1	157
Exchange differences and other non-cash movements	8	3	8
Net debt at end of period	(2,384)	(2,661)	(2,542)

16. Contingent liabilities

The Group has arranged for certain guarantees to be provided to third parties in the ordinary course of business. Of these guarantees, £45m (2018/19: £44m) would crystallise due to possible future events not wholly within the Group's control. At 31 January 2019, the amount was £43m.

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.

The Group files tax returns in many jurisdictions around the world and at any one time, is subject to periodic tax audits in the ordinary course of its business. Applicable tax laws and regulations are subject to differing interpretations and the resolution of a final tax position can take several years to complete. Where it is considered that future tax liabilities are more likely than not to arise, an appropriate provision is recognised in the financial statements.

Included within these audits is a dispute with the French Tax Authority regarding the treatment of interest paid since the 2010 year end, where additional French tax of €49m (£45m) has been assessed and for which a bank guarantee is now in place. At the balance sheet date, interest and penalties of €52m (£47m) would be due on this assessment if not challenged successfully. Having taken external professional advice, the Group disagrees with the assessment and intends to defend its position through the courts. The Group does not consider it necessary to make provision for the amounts assessed at the current time, nor for any potential further amounts which may be assessed for subsequent years.

In October 2017, the European Commission opened a state aid investigation into the Group Financing Exemption section of the UK controlled foreign company rules. While the Group has complied with the requirements of UK tax law in force at the time, in April 2019 the European Commission concluded that aspects of the UK controlled foreign company regime partially constitutes state aid. Along with many other UK-based international companies, the Group may be affected by the Commission's decision.

In June 2019, the UK government submitted an appeal to the European Courts against the decision. The Group has calculated its maximum potential liability (including compound interest) to be £62m in the event that all appeals against the position are unsuccessful. The final impact on the Group remains uncertain but based upon advice taken, the Group considers that no provision is required at this time. The Group will continue to monitor the position as it develops.

Whilst the procedures that must be followed to resolve these types of tax issues make it likely that it will be some years before the eventual outcome is known, the Group does not currently expect the outcome of these contingent liabilities to have a material effect on the Group's financial position.

17. Related party transactions

The Group's significant related parties are its joint venture, associate and pension schemes as disclosed in note 36 of the annual financial statements for the year ended 31 January 2019. There have been no significant changes in related parties or related party transactions in the period.

18. Impact of the adoption of IFRS 16 'Leases'

Initial adoption of IFRS 16 'Leases'

The Group has adopted IFRS 16 from 1 February 2019 using the full retrospective method. Comparatives for the half year ended 31 July 2018 and the year ended 31 January 2019 have been restated.

The Group applied the practical expedient available for low-value items and short-term leases, recognising rental payments for these leases on a straight-line basis in the income statement and not recognising a right-of-use asset or lease liability. This presentation of these expenses remains consistent with the annual financial statements for the year ended 31 January 2019.

Following the adoption of IFRS 16, the Group's accounting policy in respect of leases is as follows:

Lessee accounting

The Group assesses whether a contract is or contains a lease at inception of the contract. Typically, lease contracts relate to properties such as stores and distribution centres, and equipment leases such as mechanical handling equipment and vehicles. For leases in which the Group is a lessee, the Group recognises a right-of-use asset and a lease liability.

The liability is initially measured as the present value of the lease payments not yet paid at the commencement date, discounted at an appropriate discount rate. Where the implicit rate in the lease is not readily determinable, an incremental borrowing rate is calculated and applied. The calculation methodology is based upon applying a financing spread to a risk-free rate, with the resulting rate including the effect of the credit worthiness of the operating company in which the lease is contracted, as well as the underlying term, currency and start date of the lease agreement.

Lease payments used in the measurement of the lease liability principally comprise fixed lease payments (subject to indexation/rent reviews) less any incentives. The lease liability is subsequently measured using an effective interest method whereby the carrying amount of the lease liability is measured on an amortised cost basis, and the interest expense is allocated over the lease term. The lease term comprises the non-cancellable lease term, in addition to optional periods when the Group is reasonably certain to exercise an option to extend (or not to terminate) a lease.

The Group remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever an event occurs that changes the term or payment profile of a lease, such as the renewal of an existing lease, the exercise of lease term options, market rent reviews and indexation. A lease liability which is denominated in a currency that is not the functional currency of the relevant Group entity (e.g. a dollar-denominated lease in Castorama Russia) is translated into that entity's functional currency with foreign exchange gains and losses recorded in the income statement, unless the lease liability is able to be designated as a net investment hedge with foreign exchange gains and losses recorded in other comprehensive income.

The right-of-use assets are initially measured at the amount equal to the lease liability, adjusted by any upfront lease payments or incentives and any initial direct costs incurred. Subsequently, the assets are measured at cost less accumulated depreciation and impairment losses.

Lessor accounting

Lessor accounting is broadly consistent with the annual financial statements for the year ended 31 January 2019. However, where the Group subleases assets, it is determined whether the sublease should be classified as an operating lease or a finance lease, with reference to the right-of-use asset (not the underlying asset as per IAS 17).

Critical accounting estimates and judgements

For IFRS 16, judgement and estimates are applied to the calculation of incremental borrowing rates for lease contracts.

Given that risk-free rates such as government bonds are based on specified terms, the range of lease terms in the Group's portfolio has required the Group to apply judgement and estimate appropriate adjustments to available risk-free rates. Additionally, the application of financing spreads which are specific to operating companies requires an estimation of the credit quality of those companies. Given that the Group has applied the full retrospective approach to IFRS 16, these judgements and estimates have been applied in the calculation of historical discount rates.

The Group expects to continue to apply judgement and estimates to the calculation of incremental borrowing rates.

Impact on the financial statements on transition

The Group adopted IFRS 16 on 1 February 2019 on a fully retrospective basis, resulting in the restatement of comparatives for the six months ended 31 July 2018 and year ended 31 January 2019. The cumulative effect of initial application is recognised as an adjustment to opening equity on the date of transition (1 February 2018).

The effect of the changes made to the Group's comparative consolidated income statements, balance sheets and cash flow statements are as follows:

Consolidated income statements – IFRS 16 restatements

£ millions	Half year ended 31 July 2018			Year ended 31 January 2019		
	As previously reported	Impact of IFRS 16	Restated	As previously reported	Impact of IFRS 16	Restated
Sales	6,080	–	6,080	11,685	–	11,685
Cost of sales	(3,868)	4	(3,864)	(7,376)	9	(7,367)
Gross profit	2,212	4	2,216	4,309	9	4,318
Selling and distribution expenses	(1,486)	78	(1,408)	(3,114)	140	(2,974)
Administrative expenses	(452)	4	(448)	(867)	5	(862)
Other income	11	–	11	56	(2)	54
Other expenses	–	–	–	(57)	–	(57)
Share of post-tax results of joint ventures and associates	(1)	(1)	(2)	2	(1)	1
Operating profit	284	85	369	329	151	480
Finance costs	(9)	(88)	(97)	(20)	(176)	(196)
Finance income	6	2	8	13	3	16
Net finance costs	(3)	(86)	(89)	(7)	(173)	(180)
Profit before taxation	281	(1)	280	322	(22)	300
Income tax expense	(73)	(1)	(74)	(104)	(3)	(107)
Profit for the period	208	(2)	206	218	(25)	193

Earnings per share

Basic	9.7p	(0.1)p	9.6p	10.3p	(1.2)p	9.1p
Diluted	9.7p	(0.1)p	9.6p	10.2p	(1.2)p	9.0p
Adjusted basic	11.0p	–	11.0p	19.8p	–	19.8p
Adjusted diluted	11.0p	–	11.0p	19.7p	–	19.7p
Underlying basic	12.8p	–	12.8p	23.9p	–	23.9p
Underlying diluted	12.7p	–	12.7p	23.8p	–	23.8p

Underlying pre-tax profit	375	2	377	693	1	694
Transformation costs before exceptional items	(52)	–	(52)	(120)	–	(120)
Adjusted pre-tax profit	323	2	325	573	1	574
Exchange differences on lease liabilities	–	(3)	(3)	–	(7)	(7)
Exceptional items	(42)	–	(42)	(251)	(16)	(267)
Profit before taxation	281	(1)	280	322	(22)	300

Segmental analysis

UK & Ireland	218	64	282	399	131	530
France	122	9	131	209	12	221
Poland	88	2	90	181	4	185
Other	(24)	11	(13)	(36)	24	(12)
Retail profit	404	86	490	753	171	924
Central costs	(24)	1	(23)	(49)	–	(49)
Share of interest and tax of joint ventures and associates before exchange differences on lease liabilities	(2)	(1)	(3)	(4)	(1)	(5)
Exchange differences on lease liabilities of joint ventures and associates	–	(1)	(1)	–	(3)	(3)
Transformation costs before exceptional items	(52)	–	(52)	(120)	–	(120)
Exceptional items	(42)	–	(42)	(251)	(16)	(267)
Operating profit	284	85	369	329	151	480

Consolidated balance sheets – IFRS 16 restatements

£ millions	At 31 July 2018			At 31 January 2019			At 31 January 2018		
	As previously reported	Impact of IFRS 16	Restated	As previously reported	Impact of IFRS 16	Restated	As previously reported	Impact of IFRS 16	Restated
Non-current assets									
Goodwill	2,438	–	2,438	2,436	–	2,436	2,437	–	2,437
Other intangible assets	375	–	375	371	–	371	355	–	355
Property, plant and equipment	3,757	(190)	3,567	3,454	(152)	3,302	3,736	(200)	3,536
Right-of-use assets	–	2,221	2,221	–	2,017	2,017	–	2,218	2,218
Investment property	21	–	21	8	–	8	20	–	20
Investments in joint ventures and associates	18	(6)	12	20	(5)	15	25	(6)	19
Post-employment benefits	318	–	318	320	–	320	214	–	214
Deferred tax assets	31	9	40	9	4	13	30	9	39
Derivative assets	–	–	–	–	–	–	–	–	–
Other receivables	8	45	53	10	31	41	8	47	55
	6,966	2,079	9,045	6,628	1,895	8,523	6,825	2,068	8,893
Current assets									
Inventories	2,718	–	2,718	2,574	–	2,574	2,701	–	2,701
Trade and other receivables	521	(49)	472	453	(47)	406	550	(49)	501
Derivative assets	47	–	47	26	–	26	41	–	41
Current tax assets	1	–	1	1	–	1	–	–	–
Cash and cash equivalents	181	–	181	229	–	229	230	–	230
Assets held for sale	–	–	–	89	–	89	–	–	–
	3,468	(49)	3,419	3,372	(47)	3,325	3,522	(49)	3,473
Total assets	10,434	2,030	12,464	10,000	1,848	11,848	10,347	2,019	12,366
Current liabilities									
Trade and other payables	(2,701)	44	(2,657)	(2,444)	29	(2,415)	(2,666)	36	(2,630)
Borrowings	(17)	15	(2)	(14)	13	(1)	(140)	13	(127)
Lease liabilities	–	(363)	(363)	–	(308)	(308)	–	(309)	(309)
Derivative liabilities	(16)	–	(16)	(21)	–	(21)	(79)	–	(79)
Current tax liabilities	(145)	–	(145)	(118)	–	(118)	(140)	–	(140)
Provisions	(44)	6	(38)	(35)	8	(27)	(25)	10	(15)
	(2,923)	(298)	(3,221)	(2,632)	(258)	(2,890)	(3,050)	(250)	(3,300)
Non-current liabilities									
Other payables	(64)	58	(6)	(64)	58	(6)	(61)	59	(2)
Borrowings	(72)	25	(47)	(162)	23	(139)	(36)	32	(4)
Lease liabilities	–	(2,437)	(2,437)	–	(2,318)	(2,318)	–	(2,482)	(2,482)
Derivative liabilities	–	–	–	(2)	–	(2)	–	–	–
Deferred tax liabilities	(313)	93	(220)	(286)	94	(192)	(264)	93	(171)
Provisions	(77)	43	(34)	(82)	45	(37)	(73)	44	(29)
Post-employment benefits	(122)	–	(122)	(115)	–	(115)	(115)	–	(115)
	(648)	(2,218)	(2,866)	(711)	(2,098)	(2,809)	(549)	(2,254)	(2,803)
Total liabilities	(3,571)	(2,516)	(6,087)	(3,343)	(2,356)	(5,699)	(3,599)	(2,504)	(6,103)
Net assets	6,863	(486)	6,377	6,657	(508)	6,149	6,748	(485)	6,263
Equity									
Share capital	335	–	335	332	–	332	340	–	340
Share premium	2,228	–	2,228	2,228	–	2,228	2,228	–	2,228
Own shares held in ESOP trust	(26)	–	(26)	(25)	–	(25)	(29)	–	(29)
Retained earnings	3,811	(481)	3,330	3,696	(504)	3,192	3,790	(479)	3,311
Capital redemption reserve	40	–	40	43	–	43	35	–	35
Other reserves	475	(5)	470	383	(4)	379	384	(6)	378
Total equity	6,863	(486)	6,377	6,657	(508)	6,149	6,748	(485)	6,263

Consolidated cash flow statements – IFRS 16 restatements

£ millions	Half year ended 31 July 2018			Year ended 31 January 2019		
	As previously reported	Impact of IFRS 16	Restated	As previously reported	Impact of IFRS 16	Restated
Operating activities						
Cash generated by operations	503	213	716	781	462	1,243
Income tax paid	(77)	–	(77)	(132)	–	(132)
Net cash flows from operating activities	426	213	639	649	462	1,111
Investing activities						
Purchase of property, plant and equipment and intangible assets	(165)	1	(164)	(339)	7	(332)
Disposal of property, plant and equipment, investment property, assets held for sale and intangible assets	4	–	4	45	–	45
Interest received	4	–	4	11	–	11
Interest element of lease rental receipts	–	2	2	–	3	3
Principal element of lease rental receipts	–	3	3	–	6	6
Advance payments on right-of-use assets	–	(1)	(1)	–	(4)	(4)
Dividends received from joint ventures and associates	5	–	5	5	–	5
Net cash flows used in investing activities	(152)	5	(147)	(278)	12	(266)
Financing activities						
Interest paid	(7)	–	(7)	(19)	–	(19)
Interest element of lease rental payments	(1)	(86)	(87)	(2)	(172)	(174)
Principal element of lease rental payments	(5)	(132)	(137)	(10)	(302)	(312)
Repayment of bank loans	(1)	–	(1)	(1)	–	(1)
Issue of fixed term debt	44	–	44	139	–	139
Repayment of fixed term debt	(134)	–	(134)	(134)	–	(134)
Receipt on financing derivatives	37	–	37	37	–	37
New shares issued under share schemes	2	–	2	2	–	2
Purchase of own shares for cancellation	(90)	–	(90)	(140)	–	(140)
Ordinary dividends paid to equity shareholders of the Company	(160)	–	(160)	(231)	–	(231)
Net cash flows from financing activities	(315)	(218)	(533)	(359)	(474)	(833)
Net (decrease)/increase in cash and cash equivalents	(41)	–	(41)	12	–	12
Cash and cash equivalents at beginning of period	230	–	230	230	–	230
Exchange differences	(8)	–	(8)	(13)	–	(13)
Cash and cash equivalents at end of period	181	–	181	229	–	229
Operating profit	284	85	369	329	151	480
Share of post-tax results of joint ventures and associates	1	1	2	(2)	1	(1)
Depreciation and amortisation	132	129	261	272	263	535
Net impairment losses	–	–	–	160	41	201
Loss/(gain) on disposal of property, plant and equipment, investment property, assets held for sale and intangible assets	2	–	2	(25)	–	(25)
Lease losses	–	–	–	–	2	2
Share-based compensation charge	10	–	10	15	–	15
Decrease in inventories	3	–	3	95	–	95
Decrease in trade and other receivables	41	–	41	144	(2)	142
Increase/(decrease) in trade and other payables	20	(8)	12	(203)	6	(197)
Movement in provisions	21	6	27	19	–	19
Movement in post-employment benefits	(11)	–	(11)	(23)	–	(23)
Cash generated by operations	503	213	716	781	462	1,243

Notes to the restatement tables

Income statement

- There is no impact on sales.
- The reduction in cost of sales, selling and distribution expenses and administrative expenses is due to the removal of the IAS 17 operating lease rental expense, partially offset by the IFRS 16 depreciation charge on in-scope property and equipment lease right-of-use assets. The leased properties principally comprise stores, hence the significant impact on selling and distribution expenses, but also include certain distribution centres and offices. The majority of the impact on operating profit (and the Group's alternative measure of retail profit) arises in the UK, due to the high proportion of leasehold stores.
- The increase in net finance costs is driven by the IFRS 16 interest expense on lease liabilities. Other impacts include a small increase in finance income from IFRS 16 interest income on sublease assets, the removal of IAS 17 finance lease interest expense and the recognition of IFRS 16 exchange differences on lease liabilities ('lease FX').
- Lease FX represents the impact of translating leases denominated in non-functional currencies (e.g. a dollar-denominated lease in Russia) which are not able to be designated as net investment hedges and has been excluded from the Group's adjusted and underlying performance measures due to its fluctuating nature.
- The movement in exceptional items mainly reflects the recognition of IFRS 16 impairments to right-of-use assets, partially offset by the derecognition of IAS 17 charges to onerous lease rental provisions.
- The impact on deferred tax of the above adjustments has been recorded. Note that the Group's alternative measure of adjusted effective tax rate remains broadly unchanged.
- Earnings per share reflects the net impact of the above adjustments on post-tax results. The Group's alternative measures of underlying and adjusted earnings per share remain unchanged, reflecting the broadly neutral impacts on underlying and adjusted pre-tax profits and adjusted effective tax rate.

Balance sheet

- IFRS 16 right-of-use assets and lease liabilities have been recognised for in-scope property and equipment lease contracts.
- IAS 17 finance lease assets, upfront lease premiums and capitalised costs incurred to secure leases have been derecognised from property, plant and equipment.
- IAS 17 finance lease liabilities have been derecognised from borrowings.
- IAS 17 rental prepayments and accruals have been derecognised from other receivables and payables respectively, the former partially offset by recognition of sublease assets.
- IAS 17 onerous lease rental provisions have been derecognised.
- The impact on deferred tax of the above adjustments has been recorded.
- Retained earnings have reduced, reflecting the higher cumulative expenses under IFRS 16.

Cash flow statement

- No change in reported cash and cash equivalent balances and net movement in these.
- The presentational changes to the cash flow statement principally comprise the reclassification of lease rental payments from net cash flows from operating activities to net cash flows from financing activities, with payments split between interest and principal elements.
- Other presentational changes include the increased add-back to operating profit for IFRS 16 right-of-use asset depreciation and impairment losses.
- Note that the Group's alternative measure of net debt increases significantly with the inclusion of IFRS 16 lease liabilities. The ratio of net debt to EBITDA, previously 'lease adjusted net debt to EBITDAR', reduces due to a lower lease liability than the previous '8x' rent assumption.
- Note that the Group's alternative measure of free cash flow reduces slightly under IFRS 16 to reflect the inclusion of the principal element of rental payments related to IAS 17 finance leases.

Note that the impacts on the statement of comprehensive income and statement of changes in equity are limited to the restatement of profits and adjustments for exchange differences.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that to the best of their knowledge 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 2019. Karen Witts resigned as Chief Financial Officer on 21 March 2019 and Anders Dahlvig resigned as a non-Executive Director on 12 June 2019.

By order of the Board

Veronique Laury
Chief Executive Officer
17 September 2019

Andy Cosslett
Chairman
17 September 2019

INDEPENDENT REVIEW REPORT TO KINGFISHER PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2019 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated balance sheet, the condensed consolidated cash flow statement and related notes 1 to 18. We have read the other information contained in the half-yearly 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 Financial Reporting Council. 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 half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance 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 half-yearly 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 half-yearly 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 Financial Reporting Council 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 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 half-yearly financial report for the six months ended 31 July 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
London, United Kingdom
17 September 2019