

RNS Number : 3698T
Kingfisher PLC
20 March 2019

Consolidated income statement
Year ended 31 January 2019

£ millions	Notes	2018/19			2017/18		
		Before exceptional items	Exceptional items (note 4)	Total	Before exceptional items	Exceptional items (note 4)	Total
Sales	3	11,685	-	11,685	11,655	-	11,655
Cost of sales		(7,376)	-	(7,376)	(7,352)	-	(7,352)
Gross profit		4,309	-	4,309	4,303	-	4,303
Selling and distribution expenses		(2,954)	(160)	(3,114)	(2,863)	14	(2,849)
Administrative expenses		(804)	(63)	(867)	(782)	(15)	(797)
Other income		27	29	56	24	1	25
Other expenses		-	(57)	(57)	-	-	-
Share of post-tax results of joint ventures and associates		2	-	2	3	-	3
Operating profit		580	(251)	329	685	-	685
Finance costs		(20)	-	(20)	(19)	-	(19)
Finance income		13	-	13	16	-	16
Net finance costs	5	(7)	-	(7)	(3)	-	(3)
Profit before taxation		573	(251)	322	682	-	682
Income tax expense	6	(165)	61	(104)	(197)	-	(197)
Profit for the year		408	(190)	218	485	-	485
Earnings per share	7						
Basic				10.3p			22.1p
Diluted				10.2p			22.0p
Adjusted basic				19.8p			21.8p
Adjusted diluted				19.7p			21.7p
Underlying basic				23.9p			25.5p
Underlying diluted				23.8p			25.4p

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

Underlying pre-tax profit		693	797
Transformation costs before exceptional items	3	(120)	(114)
Adjusted pre-tax profit		573	683
Financing fair value remeasurements		-	(1)
Exceptional items		(251)	-
Profit before taxation		322	682

The proposed final dividend for the year ended 31 January 2019, subject to approval by shareholders at the Annual General Meeting, is 7.49p per share.

Consolidated statement of comprehensive income

Year ended 31 January 2019

£ millions	Notes	2018/19	2017/18
Profit for the year		218	485
Actuarial gains/(losses) on post-employment benefits	9	78	(58)
Inventory cash flow hedges - fair value gains		85	-
Tax on items that will not be reclassified		(53)	16
Total items that will not be reclassified subsequently to profit or loss		110	(42)
Currency translation differences			
Group		(46)	84
Joint ventures and associates		(2)	(1)
Inventory cash flow hedges			
Fair value losses		-	(93)
Losses transferred to inventories		-	20
Other cash flow hedges			
Fair value losses		(2)	-
Losses transferred to income statement		2	-
Tax on items that may be reclassified		-	12
Total items that may be reclassified subsequently to profit or loss		(48)	22
Other comprehensive income/(loss) for the year		62	(20)
Total comprehensive income for the year		280	465

Consolidated statement of changes in equity

Year ended 31 January 2019

£ millions	Notes	Share capital	Share premium	Own shares held	Retained earnings	Capital redemption reserve	Other reserves	Total equity
At 1 February 2018		340	2,228	(29)	3,790	35	384	6,748
Profit for the year		-	-	-	218	-	-	218
Other comprehensive income for the year		-	-	-	46	-	16	62
Total comprehensive income for the year		-	-	-	264	-	16	280

Inventory cash flow	-	-	-	-	-	(22)	(22)
hedges - gains transferred to inventories							
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	8	-	-	(231)	-	-	(231)
Tax on equity items	-	-	-	-	-	5	5
At 31 January 2019	332	2,228	(25)	3,696	43	383	6,657
At 1 February 2017	352	2,221	(23)	3,837	22	362	6,771
Profit for the year	-	-	-	485	-	-	485
Other comprehensive (loss)/ income for the year	-	-	-	(42)	-	22	(20)
Total comprehensive income for the year	-	-	-	443	-	22	465
Share-based compensation	-	-	-	8	-	-	8
New shares issued under share schemes	1	7	-	-	-	-	8
Own shares issued under share schemes	-	-	7	(7)	-	-	-
Purchase of own shares for cancellation	(13)	-	-	(260)	13	-	(260)
Purchase of own shares for ESOP trust	-	-	(13)	-	-	-	(13)
Dividends	8	-	-	(231)	-	-	(231)
At 31 January 2018	340	2,228	(29)	3,790	35	384	6,748

Consolidated balance sheet
At 31 January 2019

£ millions	Notes	2018/19	2017/18
Non-current assets			
Goodwill		2,436	2,437
Other intangible assets		371	355
Property, plant and equipment		3,454	3,736
Investment property		8	20
Investments in joint ventures and associates		20	25
Post-employment benefits	9	320	214
Deferred tax assets		9	30
Other receivables		10	8
		6,628	6,825
Current assets			

Inventories		2,574	2,701
Trade and other receivables		453	550
Derivative assets		26	41
Current tax assets		1	-
Cash and cash equivalents		229	230
Assets held for sale		89	-
		3,372	3,522
Total assets		10,000	10,347
Current liabilities			
Trade and other payables		(2,444)	(2,666)
Borrowings		(14)	(140)
Derivative liabilities		(21)	(79)
Current tax liabilities		(118)	(140)
Provisions		(35)	(25)
		(2,632)	(3,050)
Non-current liabilities			
Other payables		(64)	(61)
Borrowings		(162)	(36)
Derivative liabilities		(2)	-
Deferred tax liabilities		(286)	(264)
Provisions		(82)	(73)
Post-employment benefits	9	(115)	(115)
		(711)	(549)
Total liabilities		(3,343)	(3,599)
Net assets		6,657	6,748
Equity			
Share capital		332	340
Share premium		2,228	2,228
Own shares held in ESOP trust		(25)	(29)
Retained earnings		3,696	3,790
Capital redemption reserve		43	35
Other reserves		383	384
Total equity		6,657	6,748

The financial statements were approved by the Board of Directors on 19 March 2019 and signed on its behalf by:

Véronique Laury

Chief Executive Officer

Karen Witts

Chief Financial Officer

Consolidated cash flow statement
Year ended 31 January 2019

£ millions	Notes	2018/19	2017/18
Operating activities			
Cash generated by operations	10	781	475
Income tax paid		(132)	(182)
Net cash flows from operating activities		649	293
Investing activities			
Purchase of property, plant and equipment and intangible assets		(339)	(368)
Purchase of businesses, net of cash acquired	12	-	(12)
Disposal of property, plant and equipment, investment property and intangible assets		45	6
Interest received		11	11
Dividends received from joint ventures and associates		5	-
Net cash flows used in investing activities		(278)	(363)
Financing activities			
Interest paid		(19)	(10)
Interest element of finance lease rental payments		(2)	(2)
Repayment of bank loans		(1)	(7)
Repayment of fixed term debt		(134)	-
Issue of fixed term debt		139	-
Receipt on financing derivatives		37	-
Capital element of finance lease rental payments		(10)	(11)
New shares issued under share schemes		2	8
Purchase of own shares for ESOP trust		-	(13)
Purchase of own shares for cancellation		(140)	(260)
Ordinary dividends paid to equity shareholders of the Company		(231)	(231)
Net cash flows from financing activities		(359)	(526)
Net increase/(decrease) in cash and cash equivalents		12	(596)
Cash and cash equivalents at beginning of year		230	795
Exchange differences		(13)	31
Cash and cash equivalents at end of year		229	230

Notes

1 General information

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

2 Basis of preparation

The consolidated financial statements of the Company, its subsidiaries, joint ventures and associates are made up to 31 January. The current financial year is the year ended 31 January 2019 ('the year' or '2018/19'). The comparative financial year is the year ended 31 January 2018 ('the prior year' or '2017/18').

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 consolidated financial statements for the year ended 31 January 2019.

The condensed financial information, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated balance sheet, consolidated cash flow statement and related notes do not constitute statutory financial statements for the year ended 31 January 2019, but are derived from those statements. Statutory financial statements for 2017/18 have been filed with the Registrar of Companies and those for 2018/19 will be filed in due course. The Group's auditors have reported on both years' accounts; their reports were unqualified and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

The condensed financial information has been abridged from the 2018/19 statutory financial statements, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS') and those parts of the Companies Act 2006 applicable to companies reporting under IFRS and therefore the consolidated financial statements comply with Article 4 of the EU IAS legislation. The consolidated income statement and related notes represent results for continuing operations, there being no discontinued operations in the years presented. The condensed financial information has been prepared under the historical cost convention, as modified by the use of valuations for certain financial instruments, share-based payments and post-employment benefits.

Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 January 2018, as described in note 2 of those financial statements, except where set out below.

Changes to accounting policies as a result of new standards issued and effective

The Group has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' from 1 February 2018. The new standards have been adopted prospectively with no retrospective adjustments required. The effect of adopting these standards is outlined below.

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement' and addresses the classification, measurement and recognition of financial assets and liabilities, and introduces a new impairment model for financial assets as well as new hedge accounting rules. A detailed assessment of the new standard was undertaken and concluded that there are no material impacts on the consolidated financial statements, except for additional disclosure requirements relating to hedge accounting. The standard has also resulted in changes to the presentation of inventory cash flow hedge gains and losses within the consolidated statements of other comprehensive income and changes in equity.

IFRS 9 introduces the following new requirements:

- The classification and measurement of financial assets is now based on the entity's business model for managing the financial asset and its contractual cash flow characteristics. Given the nature of the Group's financial assets, comprising principally derivatives, trade and other receivables and cash, this has had no material impact.
- The new impairment model requires the recognition of expected credit losses, in contrast to the requirement to recognise incurred credit losses under IAS 39. The Group does not hold financial assets for which application of the new impairment model is significant. The Group's trade and other receivables mainly relate to trade receivables and rebates which comprise low individual balances with short maturity spread across a large number of unrelated customers and suppliers, resulting in low credit risk levels.

All Group hedging relationships designated under IAS 39 at 31 January 2018 met the criteria for hedge accounting under IFRS 9 at 1 February 2018, and are therefore regarded as continuing hedging relationships.

IFRS 15 replaces IAS 18 'Revenue' and establishes a principles-based approach to revenue recognition and measurement based on the concept of recognising revenue when performance obligations are satisfied.

The adoption of IFRS 15 has not had a material effect on the financial statements or the amount, timing or nature of revenue recognised by the Group. All revenue from the Group relates to contracts with customers and the Group does not apply significant judgement in determining the timing of satisfaction of its performance obligations or the transaction price allocated to those performance obligations, as the vast majority of the Group's revenue derives from in-store purchases of products by customers, where revenue is generally recognised at the point of cash receipt. Revenue arising from performance obligations satisfied over a period of time or at a future point in time (delivered products and services) typically have contract lengths of less than one year and represent only a small component of the Group's sales.

The Group's accounting policies for financial instruments and revenue recognition have been updated to reflect the above changes in requirements.

No retrospective adjustments, restatements or changes to opening retained earnings have been made to the financial statements as a result of adopting IFRS 9 and IFRS 15.

Other new standards, amendments and interpretations are in issue and effective for the Group's financial year ended 31 January 2019, but they do not have a material impact on the consolidated financial statements.

Standards issued but not yet effective

The following new standard will be effective for the Group's 2019/20 financial year:

IFRS 16 'Leases' 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 will have a material impact on the Group's primary financial statements, including impacts on operating profit, profit before tax, total assets and total liabilities lines. The project is being led by Group Finance and has a steering committee in place to provide appropriate oversight and governance.

Lessee accounting

For operating leases in which the Group is a lessee, the Group will recognise a new right-of-use asset and a new lease liability for its leases of properties and equipment assets. Existing finance leases and onerous lease provisions for rental charges will be derecognised under IFRS 16.

Under IFRS 16 the income statement expense comprises a straight-line depreciation charge on the right-of-use asset and a front-loaded interest charge on the lease liability, both over the term of the lease. For an individual lease, this provides an overall front-loaded expense profile compared with the straight-line rental charge recognised under IAS 17.

The historical discount rates applied have been based on the incremental borrowing rate where the implicit rate in the lease is not readily determinable. 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.

Lessor accounting

No significant impact is expected for leases in which the Group is a lessor. 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).

Transition

The Group plans to apply IFRS 16 from 1 February 2019 using the full retrospective method and will thereby restate the comparatives for the year ended 31 January 2019. The Group plans to apply the practical expedient available for low-value items and short-term leases, recognising rental payments for these leases on a straight-line basis but not recognising a right-of-use asset or lease liability.

Impact of the new standard

The Group has assessed the impact that the application of IFRS 16 has on its income statement for the year ended 31 January 2019 and on its balance sheet as at that date. The standard is not expected to result in a material impact on restated underlying profit before tax. It is expected that the right-of-use asset recognised on the restated balance sheet as at 31 January 2019 will be c.£2.0bn, whilst the lease liability will be c.£2.6bn.

IFRS 16 indicative impact on FY 2018/19 income statement

£m	IAS 17	Adjustment ⁽¹⁾	IFRS 16
Sales	11,685	-	11,685
Retail profit	753	160	913
Central costs, joint venture/associate interest and tax	(53)	-	(53)
Finance costs (excl. lease FX) ⁽²⁾	(7)	(170)	(177)
Underlying pre-tax profit	693	(10)	683
Rent elimination		430	
Right-of-use asset depreciation		(270)	
Retail profit adjustment		160	

(1) Numbers are rounded to the nearest £10m

(2) Excludes foreign exchange differences relating to translation of leases denominated in non-functional currencies

IFRS 16 indicative impact on 31 January 2019 balance sheet

£bn	IAS 17	Adjustment	IFRS 16
Right-of-use assets	-	2.0	2.0
Other fixed assets ⁽¹⁾	6.3	(0.2)	6.1
Inventory, trade and other receivables/payables	0.5	0.1	0.6
Provisions	(0.1)	0.1	-
Current and deferred tax	(0.4)	0.1	(0.3)
Lease debt	-	(2.6)	(2.6)
Financial net cash	0.1	-	0.1
Net cash/(debt) ⁽²⁾	0.1	(2.6)	(2.5)
Other	0.3	-	0.3
Net assets	6.7	(0.5)	6.2

(1) Includes goodwill, other intangible assets, property, plant and equipment, investment property and investments in joint ventures and associates

(2) Net debt under IFRS 16 comprises lease liabilities and financial net cash ('net cash' under IAS 17 excluding finance leases)

Other new standards, amendments and interpretations which are in issue but not yet effective are not expected to have a material impact on the consolidated financial statements.

Principal rates of exchange against Sterling

		2018/19		2017/18	
	Average rate	Year end rate	Average rate	Year end rate	
Euro	1.13	1.15	1.14	1.14	
US Dollar	1.33	1.31	1.30	1.42	
Polish Zloty	4.83	4.88	4.83	4.75	
Russian Rouble	84.34	86.01	75.53	79.74	

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 cash, 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 cash' are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, GAAP measures.

Retail profit is defined as continuing operating profit before central costs, 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 and exceptional items.

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 or impairment of subsidiaries, joint ventures, associates and investments which do not form part of the Group's trading activities;
- profits and losses on the disposal of properties and impairment losses on non-operational assets; and
- the costs of significant restructuring, 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, financing fair value remeasurements, related tax items and prior year tax items (including the impact of changes in tax rates on deferred tax). Financing fair value remeasurements represent changes in the fair value of financing derivatives, excluding interest accruals, offset by fair value adjustments to the carrying amount of borrowings and other hedged items under fair value hedge relationships. Financing derivatives are those that relate to 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 cash comprises cash and cash equivalents and short-term deposits less borrowings and financing derivatives (excluding accrued interest).

3 Segmental analysis

Income statement

	2018/19				
	UK & Ireland	France	Other International		Total
£ millions			Poland	Other	
Sales	5,061	4,272	1,431	921	11,685
Retail profit	399	209	181	(36)	753
Central costs					(49)
Share of interest and tax of joint ventures and associates					(4)
Transformation costs before exceptional items					(120)
Exceptional items					(251)
Operating profit					329
Net finance costs					(7)
Profit before taxation					322

	2017/18				
	UK & Ireland	France	Other International		Total
£ millions			Poland	Other	
Sales	5,003	4,387	1,384	881	11,655
Retail profit	375	320	170	(16)	849
Central costs					(46)
Share of interest and tax of joint ventures and associates					(4)
Transformation costs before exceptional items					(114)
Operating profit					685
Net finance costs					(3)
Profit before taxation					682

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

Central costs principally comprise the costs of the Group's head office before transformation costs and exceptional items.

Transformation costs before exceptional items principally relate to the unified and unique offer range implementation and the digital strategic pillar, with £47m (2017/18: £42m) included within selling and distribution expenses and £73m (2017/18: £72m) included within administrative expenses.

4 Exceptional items

£ millions	2018/19	2017/18
Included within selling and distribution expenses		
UK & Ireland and continental Europe restructuring	(111)	12
Impairments of Russia and Iberia assets	(16)	-
B&Q store replenishment	(12)	-
Romania acquisition integration	(15)	2
France exceptional employee bonus	(6)	-
	(160)	14
Included within administrative expenses		
Transformation exceptional costs	(58)	(15)
UK guaranteed minimum pension charge	(5)	-
	(63)	(15)
Included within other income/expenses		
Profit on disposal of properties	29	1
Impairments of properties held for sale	(57)	-
	(28)	1
Exceptional items before tax	(251)	-
Tax on exceptional items	61	-
Exceptional items	(190)	-

Current year exceptional items include a £111m net restructuring charge principally relating to impairments for underperforming stores. This includes 15 stores across our business that we are considering closing in the next two years and 19 Screwfix Germany outlets. In the prior year, a £12m credit was recognised, principally due to savings on B&Q store exit costs as compared with the original restructuring provisions recognised.

Impairments of £16m have been recorded relating to assets, including stores and non-operational assets, in Russia and Iberia. We announced in November 2018 the decision to exit these markets.

Costs of £12m have been recognised relating to B&Q redundancies associated with the local transfer of store replenishment routines from the night-time into the daytime.

Romania acquisition integration costs of £15m principally comprise the costs of closure of certain Praktiker stores acquired in November 2017.

Our businesses in France have experienced significant disruption from national demonstrations. In line with a number of other large corporates, we have committed to paying our staff an exceptional end-of-year bonus, resulting in a charge of £6m in the year.

In February 2018, the Group commenced formal consultation with employee representatives regarding its plans in France to restructure the business as part of the Group's transformation plan. Transformation exceptional costs of £58m have been recorded in the year, principally representing restructuring costs in France of £39m and other costs of people change in the UK.

In the UK we have incurred a £5m charge for the equalisation of guaranteed minimum pension benefits between men and women. This increases the liabilities of our UK defined benefit scheme, which was closed to future accrual in 2012.

A profit of £29m has been recorded on the disposal of properties in the UK and France. In addition, impairment losses of £57m have been recognised in advance of planned disposals for properties classified as held for sale in the UK and Poland.

5 Net finance costs

£ millions	2018/19	2017/18
Bank overdrafts and bank loans	(15)	(10)
Fixed term debt	(3)	(2)
Finance leases	(2)	(2)
Financing fair value remeasurements	-	(1)
Unwinding of discount on provisions	(2)	(1)
Capitalised interest	2	2
Other interest payable	-	(5)
Finance costs	(20)	(19)
Cash and cash equivalents and short term deposits	9	8
Net interest income on defined benefit pension schemes	4	5
Other interest income	-	3
Finance income	13	16
Net finance costs	(7)	(3)

6 Income tax expense

£ millions	2018/19	2017/18
UK corporation tax		
Current tax on profits for the year	(52)	(32)
Adjustments in respect of prior years	(1)	(8)
	(53)	(40)
Overseas tax		
Current tax on profits for the year	(66)	(152)
Adjustments in respect of prior years	7	(2)
	(59)	(154)
Deferred tax		
Current year	27	(20)
Adjustments in respect of prior years	(19)	1
Adjustments in respect of changes in tax rates	-	16
	8	(3)
Income tax expense	(104)	(197)

The adjusted effective tax rate, based on profit before exceptional items and excluding prior year tax adjustments and the impact of changes in tax rates on deferred tax, is 27% (2017/18: 30%). The reduction in the adjusted effective tax rate is largely due to the one-off French tax surcharge that was applicable in 2017/18. Tax on exceptional items for the year amount to a credit of £61m (2017/18: £nil).

7 Earnings per share

	2018/19 Weighted average number of shares		2017/18 Weighted average number of shares			
	Earnings £ millions	millions	Earnings per share Pence	Earnings £ millions	millions	Earnings per share pence
Basic earnings per share	218	2,129	10.3	485	2,192	22.1
Effect of dilutive share options	-	11	(0.1)	-	9	(0.1)
Diluted earnings per share	218	2,140	10.2	485	2,201	22.0
Basic earnings per share	218	2,129	10.3	485	2,192	22.1
Exceptional items before tax	251		11.8	-		-
Tax on exceptional and prior year items	(48)		(2.3)	(7)		(0.3)
Financing fair value remeasurements	-		-	1		-
Adjusted basic earnings per share	421	2,129	19.8	479	2,192	21.8
Transformation costs before exceptional items	120		5.6	114		5.2
Tax on transformation costs before exceptional items	(32)		(1.5)	(35)		(1.5)
Underlying basic earnings per share	509	2,129	23.9	558	2,192	25.5
Diluted earnings per share	218	2,140	10.2	485	2,201	22.0
Exceptional items before tax	251		11.8	-		-
Tax on exceptional and prior year items	(48)		(2.3)	(7)		(0.3)
Financing fair value remeasurements	-		-	1		-
Adjusted diluted earnings per share	421	2,140	19.7	479	2,201	21.7
Transformation costs before exceptional items	120		5.6	114		5.2
Tax on transformation costs before exceptional items	(32)		(1.5)	(35)		(1.5)
Underlying diluted earnings per share	509	2,140	23.8	558	2,201	25.4

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

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

8 Dividends

£ millions	2018/19	2017/18
Dividends to equity shareholders of the Company		
Ordinary interim dividend for the year ended 31 January 2019 of 3.33p per share		
(year ended 31 January 2018: 3.33p per share)	71	72
Ordinary final dividend for the year ended 31 January 2018 of 7.49p per share		
(year ended 31 January 2017: 7.15p per share)	160 231	159 231

The proposed final dividend for the year ended 31 January 2019 of 7.49p per ordinary share (amounting to £158m, based on the issued share capital at the year end) is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these condensed financial statements.

9 Post-employment benefits

£ millions	2018/19			2017/18		
	UK	Overseas	Total	UK	Overseas	Total
Net surplus/(deficit) in schemes at beginning of year	214	(115)	99	239	(108)	131
Current service cost	(2)	(9)	(11)	(2)	(9)	(11)
Past service cost	(5)	3	(2)	-	-	-
Administration costs	(4)	-	(4)	(4)	-	(4)
Net interest income/(expense)	6	(2)	4	7	(2)	5
Net actuarial gains/(losses)	74	4	78	(62)	4	(58)

Contributions paid by employer	37	3	40	36	2	38
Exchange differences	-	1	1	-	(2)	(2)
Net surplus/(deficit) in schemes at end of year	320	(115)	205	214	(115)	99
Present value of defined benefit obligations	(2,842)	(135)	(2,977)	(3,002)	(134)	(3,136)
Fair value of scheme assets	3,162	20	3,182	3,216	19	3,235
Net surplus/(deficit) in schemes	320	(115)	205	214	(115)	99

For the UK scheme, a £5m exceptional past service cost has been recognised in the year relating to the equalisation of guaranteed minimum pension benefits between men and women.

The assumptions used in calculating the costs and obligations of the Group's defined benefit pension schemes are set by the Directors after consultation with independent professionally qualified actuaries. The assumptions are based on the conditions at the time and changes in these assumptions can lead to significant movements in the estimated obligations, as illustrated in the sensitivity analysis.

A key assumption in valuing the pension obligations is the discount rate. Accounting standards require this to be set based on market yields on high quality corporate bonds at the balance sheet date. The UK scheme discount rate is 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 are as follows:

Annual % rate	2018/19	2017/18
Discount rate	2.5	2.5
Price inflation	3.3	3.4
Rate of pension increases	3.0	3.1

For the UK scheme, the mortality assumptions used have been selected with regard to the characteristics and experience of the membership of the scheme as assessed from time to time relating to triennial funding valuations. The assumptions for life expectancy of UK scheme members are as follows:

Years	2018/19	2017/18
Age to which current pensioners are expected to live (60 now)		
- Male	87.3	87.2
- Female	89.0	88.9
Age to which future pensioners are expected to live (60 in 15 years' time)		
- Male	88.5	88.4
- Female	90.9	90.8

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

Assumption	Change in assumption	Impact on defined benefit obligation
Discount rate	Increase/decrease by 0.5%	Decrease/increase by £315m
Price inflation	Increase/decrease by 0.5%	Increase/decrease by £252m
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £260m
Mortality	Increase in life expectancy by one year	Increase by £94m

10 Cash generated by operations

£ millions	2018/19	2017/18
Operating profit	329	685
Share of post-tax results of joint ventures and associates	(2)	(3)
Depreciation and amortisation	272	254
Net impairment losses	160	1
(Profit)/loss on disposal of property, plant and equipment and investment property	(25)	2
Share-based compensation charge	15	8
Decrease/(increase) in inventories	95	(473)
Decrease in trade and other receivables	144	12
(Decrease)/increase in trade and other payables	(203)	87
Movement in provisions	19	(75)
Movement in post-employment benefits	(23)	(23)
Cash generated by operations	781	475

11 Net cash

£ millions	2018/19	2017/18
Cash and cash equivalents	229	230
Bank loans	(4)	(6)
Fixed term debt	(136)	(125)
Financing derivatives	(5)	14
Finance leases	(36)	(45)
Net cash	48	68

£ millions	2018/19	2017/18
------------	---------	---------

Net cash at beginning of year	68	641
Net increase/(decrease) in cash and cash equivalents	12	(596)
Repayment of bank loans	1	7
Repayment of fixed term debt	134	-
Issue of fixed term debt	(139)	-
Receipt on financing derivatives	(37)	-
Capital element of finance lease rental payments	10	11
Cash flow movement in net cash	(19)	(578)
Borrowings acquired	-	(7)
Exchange differences and other non-cash movements	(1)	12
Net cash at end of year	48	68

12 Acquisitions

In the prior year on 30 November 2017, the Group obtained control of Praktiker Romania S.A. ("Praktiker") by acquiring 100% of its share capital for a cash consideration of £14m (excluding cash acquired of £2m). Praktiker is a home improvement retailer and was acquired to strengthen the Group's position in Romania.

Goodwill of £36m was recognised on net liabilities acquired of £22m, representing a strategic premium to strengthen the Group's position in Romania and anticipated synergies that will arise from the acquisition.

13 Contingent liabilities

The Group has arranged for certain guarantees to be provided to third parties in the ordinary course of business. Of these guarantees, £43m (2017/18: £43m) would crystallise due to possible future events not wholly within the Group's control.

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 (£43m) has been assessed and for which a bank guarantee is now in place. At the balance sheet date, interest and penalties of €51m (£44m) 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. Along with many other UK-based international companies, the Group may be affected by the outcome of this investigation and is therefore monitoring developments. The Group does not currently consider any provision is required in relation to EU State Aid.

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.

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

END

FR SFMEFUFUSED

RNS Number : 3696T
Kingfisher PLC
20 March 2019

Final results for year ended 31 January 2019

Financial highlights			% Total	% Total	% LFL*
	2018/19	2017/18	Change Reported	Change Constant currency*	Change Constant currency
Sales*	£11,685m	£11,655m	+0.3%	+0.3%	(1.6)%
Gross margin*	36.9%	36.9%	-	(10)bps	
Retail profit*	£753m	£849m	(11.3)%	(11.4)%	
Underlying pre-tax profit*	£693m	£797m	(13.0)%		
Adjusted pre-tax profit*	£573m	£683m	(16.1)%		
Underlying basic EPS*(1)	23.9p	25.5p	(6.3)%		
Adjusted basic EPS* (1)	19.8p	21.8p	(9.2)%		
Lease adjusted ROCE*(1)	9.7%	10.4%	(70)bps		
Full year dividend	10.8p	10.8p	-		
Net cash*	£48m	£68m	n/a		

(1) FY 2017/18 includes c. £20m corporate tax surcharge in France

FY 18/19 Group results

- Total sales up 0.3% in constant currency; LFL down 1.6% with growth in Screwfix (UK), Brico Dépôt France and Poland offset by B&Q and Castorama France
- Gross margin after clearance flat (-10bps in constant currency)
 - o FY gross margin up in UK, Poland & Brico Dépôt France; H2 Group gross margin +30bps
- Underlying PBT down 13.0%, with retail profit increases in the UK and Poland (56% of total sales) more than offset by weakness in Castorama France and losses in Russia & Romania
- Statutory PBT down 52.8% largely reflecting property-related exceptional items
- Balance sheet remains strong:
 - o Working capital inflow of £24m with last year's mitigation stock eliminated
 - o Returned £371m to shareholders (£231m ordinary dividend; £140m share buyback)

ONE Kingfisher transformation progress update

- Building of Kingfisher 'engine' nearing completion

- Substantially delivered strategic milestones for third year in a row: Unified 44% of product (COGS) (exit rate 50%), continued growth in sales and margin from unified and unique ranges; successful further rollout of unified IT platform; delivered £42m of operational efficiencies
- Fulfilled commitment to return £600m via share buyback over first three years of plan
- Estimated benefits from transformation after three years in line with 2016 plan
- o Benefits offset by weaker performance from underlying business due to external environment and underperforming parts of the business; clear priorities for year ahead

FY 19/20 and beyond

- Expect FY 19/20 gross margin⁽²⁾ to be flat after incremental clearance costs
- Infrastructure to support more profitable future growth largely in place
- Remain convinced in ability to deliver significant further financial benefits from transformation
- Separation of transformation benefits ('£500m uplift in FY 20/21') from rest of business ('BAU') no longer reflects how we manage the business
- Targeting growth in Group sales, gross margin, retail profit and ROCE over the medium term, reflecting improved underlying business performance and further transformation benefits

Clear priorities for FY 19/20

- Address underperformance of Castorama France and other parts of the business
- Considering the closure of 15 poor performing stores across the business over next 2 years; also closing 19 Screwfix Germany outlets
- Extend rollout of Screwfix outlets in the UK and enter new markets
- Complete the building of the 'engine' and make our innovation more visible to customers

Statutory reporting	2018/19	2017/18	% Change
Statutory pre-tax profit	£322m	£682m	(52.8)%
Statutory post-tax profit	£218m	£485m	(55.1)%
Basic EPS	10.3p	22.1p	(53.4)%

Throughout this release '' indicates first instance of a term defined and explained in the Glossary (section 5). Not all of the figures and ratios used are readily available from the unaudited final results included in part 2 of the announcement. These non-GAAP measures (also known as alternative performance measures), including constant currency and like-for-like sales growth, underlying and adjusted profit measures, management believes

are both useful and necessary to better understand the Group's results. Where required, a reconciliation to statutory amounts is set out in the Financial Review (Section 4).

(2) Gross margin movement excluding Russia and Iberia

Véronique Laury, Chief Executive Officer, said:

"We have achieved radical organisational and behavioural change across Kingfisher over the last three years. We've done this against the backdrop of rapid structural change in retail alongside high levels of macroeconomic uncertainty, which are ongoing. Navigating these conditions while maintaining focus on a transformation of this scale has required huge commitment from our people.

"During the year, the UK, Poland and Brico Dépôt France performed well, leveraging the benefits of our transformation. However, Castorama France has been disappointing and we are implementing a clear plan to sustainably improve its performance. Screwfix's leading omnichannel proposition has consistently delivered strong growth in recent years and we have identified additional expansion opportunities in both the UK and in new markets, initially in the Republic of Ireland.

"Much of our focus over the last three years has been on building an 'engine' to deliver a superior customer proposition and the agility to succeed in the new retail environment. Our customers are starting to benefit from differentiated product, in store and online, at everyday low prices. Over the next year we will be accelerating our unique product activity and making our innovation more visible to customers including testing new store concepts.

"Our 'engine' is now largely built and we are confident in delivering significant financial benefits over time. We are targeting growth in sales, margin and returns over the medium term."

Leadership changes

Kingfisher is also today announcing some senior management changes. Firstly, Steve Willett, Chief Transformation, Digital & IT Officer, has decided to retire after nearly 20 years with the business. The Company would like to thank Steve for all his dedicated and tireless hard work during this time. In addition, the Company is pleased to announce the appointment of John Wartig, who replaces Karen Witts as Chief Financial Officer on an interim basis. John will join the business on 8 April 2019 and brings a wealth of international experience covering both financial and consumer facing businesses. John will not become a member of the Board of Directors.

Contacts

	Tel:	Email:
Investor Relations	+44 (0) 20 7644 1082	investorenquiries@kingfisher.com
Media Relations	+44 (0) 20 7644 1030	corpcomms@kingfisher.com
Teneo	+44 (0) 20 7260 2700	Kfteam@teneo.com

This announcement can be downloaded from www.kingfisher.com. We can be followed on Twitter @kingfisherplc with the full year results tag #KGFFY.

We will host a results presentation to analysts and investors today at 09.00 (UK time) at the offices of Goldman Sachs, Peterborough Court, 133 Fleet Street, London, EC4A 2BB. A simultaneous live audiocast of the presentation will be available via the Investors section of the Company's website at www.kingfisher.com and where, subsequent to the live audiocast, a copy of the results presentation will also be available for viewing.

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

Our next results announcement will be the Q1 trading update for the three months ended 30 April 2019 on 15 May 2019. On the same day we will also host a Capital Markets Event in London, United Kingdom. For further details of the event and attendance in person, please contact Kingfisher's investor relations team at investorenquiries@kingfisher.com.

Q1 results	15 May 2019
Capital Markets Event	15 May 2019
Annual General Meeting	9 July 2019
2018/19 final dividend	15 July 2019*
Half year results	18 September 2019*
2019/20 interim dividend	8 November 2019*
Q3 results	20 November 2019*
2019/20 final results	March 2020

* These dates are provisional and may be subject to change.

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

- 1) ONE Kingfisher transformation update
- 2) Trading review by division
- 3) FY 19/20 Technical guidance
- 4) FY 18/19 Financial review and, in part 2 of this announcement, the condensed financial statements
- 5) Glossary
- 6) Forward-looking statements

Section 1: ONE Kingfisher transformation update

The ONE Kingfisher transformation plan, which started in FY 16/17, is focused on creating a unified company by leveraging the scale of the business, where customer needs always come first. Transformation on this scale is a significant undertaking but necessary to ensure a strong, sustainable and agile business with a superior customer proposition.

The plan focuses on building the Kingfisher 'engine' through three strategic pillars:

1. Creating a unified, unique and leading home improvement offer;
2. Driving our digital capability; and
3. Optimising our operational efficiency.

In January 2016 we set out the financial targets of our transformation plan, with the intention for the transformation to deliver a sustainable annual profit uplift of £500m by the end of FY 20/21, over and above what the business would have delivered without the plan. The total expected cash cost of the transformation was £800m (P&L, exceptional and capex).

Three years into the five-year plan, we have significantly reorganised our business including establishing a single buying organisation, which is leveraging the scale of the Group, and implementing a unified IT infrastructure. For the third year in a row we have substantially delivered our strategic milestones, against the backdrop of profound changes in the retail landscape and an uncertain macroeconomic environment. We have unified 44% of our products (COGS) (exiting FY 18/19 at 50%) with the sales and margin from unified & unique ranges continuing to grow and outperforming our non-unified ranges. Our unified IT platform implementation is substantially complete and our digital sales continue to grow, now reaching 6% of the Group. And finally, our operational efficiency initiatives have delivered £100m of savings to date.

The transformation plan is delivering. After the first three years, the benefits from the transformation are in line with our initial plan. However, this has been outweighed by weakness in our base business, or 'business as usual' (BAU), due to a combination of 'internal' factors and 'external' challenges. Over the same time, a significant proportion of the costs to deliver the transformation has already been incurred, meaning that much of the 'heavy lifting' has been completed. We are now well positioned to benefit from future sales growth and will progressively start to see the benefits of operational leverage. To date, transformation costs (P&L, exceptional and capex) have totalled £490m, and we anticipate the total cash cost of the transformation over the five-year period will be less than the £800m guidance.

'External' challenges have included weaker than expected economic growth in the UK, significant cost price inflation (commodity prices and FX) and higher wage inflation in the UK and Poland. 'Internal' factors, include transformation-related disruption and the underperformance of Castorama France. We have clear priorities for FY 19/20 and beyond, on which we provide more detail on pages 7-8.

We continue to believe in the significant opportunity the transformation provides to grow sales, margin and returns. However, it is increasingly evident that separating transformation benefits (£500m profit uplift in FY 20/21) from the rest of the business ('BAU') no longer reflects how we manage the business. Having established a single buying organisation, unified half of our offer, and substantially implemented our unified IT platform, transformation and business as usual are increasingly indistinguishable.

We are therefore targeting the following financial outcomes for the Group over the medium term, which combine market dynamics with our initiatives to drive profitable growth:

- Growth in ongoing Group sales
- Higher gross margin
- Higher retail profit
- Higher ROCE

The following sections update on our progress against our three key strategic pillars for FY 18/19:

1. Unified & unique offer

We are unifying our offer, with the same products, available to all our customers. This is delivering customer benefits (newer products, higher quality, better sustainability, lower prices, simpler ranges, clearer merchandising and better packaging) alongside business benefits (higher sales, fewer SKUs*, fewer suppliers, cost price reduction (CPR*) and improved processes).

Unifying ranges means rationalising the number of global SKUs and suppliers whilst improving the quality and functionality for our customers and leveraging our scale. This generates cost price reduction and better prices for customers. Products are unified across the whole range; from selling the same product in all our markets to having some customer driven market adaptations where needed. Unified includes our own exclusive brands alongside international and national brands.

Unique ranges relate to the development of our own product ranges to provide differentiation for customers. These ranges are not available elsewhere and are always sold under our own exclusive brands. Instead of buying products off the shelf from suppliers, we are designing the ranges ourselves based on our deep customer insights.

Our FY 18/19 strategic milestones were to:

- *Deliver growth in unified & unique sales and gross margin*
- *Unify 40% of product (cost of goods sold (COGS))*

In FY 18/19, we achieved unification of 44% of product (COGS), ending the year at the rate of 50% unified. We have significantly reduced the number of our global suppliers and SKUs on ranges that have been unified to date, but are still offering customers similar breadth of choice.

In FY 18/19 we continued to implement new ranges including additional outdoor products, doors, indoor and outdoor lights, nails, bolts and screws and glues. Sales of our unified & unique ranges continue to outperform non-unified ranges. Sales of unified & unique ranges including clearance, were up 1.3%⁽¹⁾ compared to last year and sales of non-unified ranges were down 1.8%⁽¹⁾.

During the year, for unified & unique ranges, we achieved growth in four of the seven key categories and gross profit uplift in all seven (five at H1 18/19). Growth in unique ranges, such as the new bathroom furniture and shower ranges, is ahead of unified ranges, however the mix of ranges implemented to date is weighted towards unified. For example, sales of unified & unique bathroom & storage increased by 5.0% whereas total sales for this category were up 1.1%.

Since the start of the plan, cumulative gross margin for unified & unique has increased by 230bps, after cost price inflation and price investment (before clearance and the impact of logistics and stock inefficiencies). In FY 18/19, gross margin for unified & unique ranges increased by 120bps year on year. This uplift was on the 44% of COGS that have been unified, contributing 50bps to the Group gross margin movement in FY 18/19. Clearance costs were flat year on year.

(1) In constant currency including clearance, excluding Praktiker Romania, Screwfix Germany, Portugal and services

2. Digital

Implementation of a new unified IT system is a key enabler of our transformation plan. It is providing the foundation to deliver a seamless and stronger digital offer for our customers, and to increase sales and digital penetration.

Our FY 18/19 strategic milestones were to:

- *Complete the final year of unified IT platform rollout*
- *Complete ecommerce rollout in France & Poland*
- *Market launch of first home improvement services in UK & France*

This involves continuing to invest in our core ecommerce platforms, enabled by the new unified IT infrastructure, and leveraging our Screwfix best-in-class capability. This includes upweighted digital marketing, improved site search, new checkout and launching new mobile sites.

Our unified IT platform rollout is substantially complete and our ecommerce initiatives continue to make good progress. Digital sales grew by 17% and now account for 6% of the Group sales, double the level at the start of the transformation plan. 'Click & collect' sales at B&Q grew by 42% year on year, mainly driven by the rollout of the one-hour click & collect service which went live in the second half of FY 17/18.

We continued to invest in our core ecommerce platforms, enabled by the new unified IT infrastructure. This included in B&Q, the first phase of the 'next generation' ecommerce platform, improved site search, new checkout, as well as launching new mobile sites and upweighted digital marketing. In France, we launched a new castorama.fr website in January 2018. We are encouraged by the increase in conversion seen to date and continue to work on further content development to enhance the overall customer proposition.

We also continued to develop our digital home improvement services tools including the bathroom planner tool, which is integrated into the B&Q website. Since launch it has attracted 255,000 unique users. The bathroom planner tool was also launched in France and is now integrated into the castorama.fr website.

3. Operational efficiency

We are delivering operational efficiency benefits through several initiatives including unifying our annual spend on GNFR*. This programme is a combination of cost savings together with an opportunity to work in a simpler and more effective way across the business.

Our FY 18/19 strategic milestones were to:

- *Implement finance shared services in at least two operating companies*
- *Deliver £30m of benefits (from the unified GNFR programme and other efficiencies)*

In FY 18/19 we delivered a further £42m of operational efficiency benefits, of which £28m resulted from our GNFR programme including categories such as building services, professional services and energy consumption. The remaining £14m of benefits arose from restructuring activity at B&Q and France. We implemented finance shared services in three operating companies (B&Q, Castorama France and Brico Dépôt France) using our shared services centre in Krakow, Poland.

Cumulatively, we have delivered benefits of £100m, of which £86m resulted from our GNFR programme.

Clear priorities for FY 19/20 and beyond

1. Address underperformance of Castorama France and other parts of the business

Castorama France: In France, whilst Brico Dépôt's sales and gross margin improved, with clear benefits from the transformation plan, Castorama's performance has been weak, due to lower footfall, price repositioning and transformation-related activity (including logistics & stock inefficiencies). While there is no quick fix, the new management team has implemented a recovery plan that we expect to deliver a sustainably improved performance:

- In the second half of FY 18/19 Castorama accelerated its move to an everyday low price (EDLP) strategy. Price positioning has improved over the year and is now only slightly higher than the market;
- Progress was made in reducing Castorama's stock position which is helping to address logistics & stock inefficiencies;
- Variable cost reduction initiatives were implemented including a 5% reduction in employees (FTE) (FY 18/19);
- The rollout of our unified IT platform is substantially complete;

· In 2019 Castorama will benefit from new unique ranges, increased customer marketing and an improved digital experience.

These actions are ongoing and the benefit is still to be realised. Encouragingly customer perception improved at Castorama, with net promoter score (NPS) showing a clear increase in the second half of FY18/19.

Closing underperforming stores across the business: Whilst the majority of stores in our portfolio are delivering satisfactory returns on capital, certain stores are loss making and achieving low returns. As a result, we are considering closing 15 stores across the business over the next two years. These stores are a combination of owned and leased properties and the estimated cash costs of exit are expected to be covered by sale proceeds from the owned stores.

Focusing on markets where we are, or can be, leading: At Q3 we announced the strategic decision to exit Russia and Iberia to focus on markets where we have, or can reach, a market leading position. Those exit processes are ongoing. Further, we have taken the decision to close all 19 of our Screwfix Germany outlets, while retaining an online presence. These outlets are expected to close in FY 19/20.

2. Extend rollout of Screwfix outlets in the UK and enter new markets

Screwfix has achieved very strong growth over the last five years with compound annual sales growth of 20%. Its success is rooted in its customer focus, digital capability and convenience proposition. At the end of FY 18/19 Screwfix UK had 627 outlets (nearly double the number five years ago).

In FY 19/20, Screwfix will strengthen its overall customer proposition and extend its store plan in the UK. We are now targeting approximately 800 outlets in the UK, having previously targeted 700.

We also remain confident that the Screwfix model will work in markets outside of the UK. In 2019 Screwfix plans to open outlets in the Republic of Ireland. The choice of entering this market is a result of Screwfix's strong existing online presence and similarities in customer behaviour with the UK.

Screwfix's experience in Germany highlighted the importance of staying true to its core model and of extensive testing. We are embedding this experience into our plans and conducting extensive validation for market entry opportunities in France and Poland, initially via an online presence. These are both markets where the Group has existing scale, infrastructure and in-depth market knowledge.

3. Complete the building of the 'engine'

We will continue to implement our transformation plan in FY 19/20 to complete the building of our 'engine'.

Having achieved a critical mass of unified product, we are placing much greater emphasis on developing more unique product in order to drive sales growth which, in conjunction with the delivery of cost price reduction on unified COGS, should drive gross margin uplift.

In FY 19/20 we will complete a further rollout of our unified IT platform, which will unlock additional operational efficiencies. Enabled by the new IT infrastructure, we are planning to launch 'next generation' ecommerce capability in all remaining markets, as well as developing further digital services to support customers' home improvement projects.

Having successfully established finance shared services in Krakow, Poland, we plan to implement these services for further operating companies in FY 19/20.

4. Make our innovation more visible to customers

Our aim is to differentiate ourselves from competitors by leveraging our in-depth knowledge of our customers' lives, homes, improvement projects and style preference. We are focused on applying this knowledge to help customers realise their entire home improvement projects.

To enable this, in FY 19/20 we will:

- Accelerate the design and development of our own unique and differentiated product;
- Deliver a series of global and coordinated marketing campaigns;
- Reinforce our everyday low price proposition;
- Launch new digital planning and design tools;
- Upskill our store colleagues;
- Trial innovative new store concepts; and
- Develop new in-store services.

Investing in our people gives them the expertise to fully understand the needs of our customers and their home improvement projects. Our Home Improvement Academy provides relevant product training and project knowledge, through seminars, practical sessions, and situational role plays, both in person and through digital channels, to help our store colleagues become range ambassadors and take information and ideas back to their

stores. In the future, we aim to provide similar resources to customers both in-store and through our digital channels.

During the year we will be testing innovative new store concepts. Initially, these will focus on France and the UK.

Sustainable, good homes for everyone

We know sustainability is important for our colleagues, customers and investors, to know they work, shop and invest in the right kind of business.

Last year, we launched our sustainable growth plan which sets out the next stage on our journey towards being a truly sustainable business, starting with what customers care about: their families, their homes and their communities.

In 2019 we will continue to help customers improve their homes through products that help them save energy and water and reduce their household bills. We're also responding to customers' desires for fewer and less harmful chemicals in their homes and have committed to phasing out high priority chemicals such as phthalates, PFCs and halogenated flame retardants from all own-branded products by 2025.

In 2015, we made a public commitment to set science-based carbon reduction targets through the Science Based Targets initiative (SBTi). Our carbon reduction targets have recently attained official approval by the SBTi. This approval confirms that our targets align with the goal of the Paris Climate Agreement to keep global temperature rises below 2°C. We have already made significant progress to cut the environmental footprint of our business and our products. For example:

- The energy saving products in our ranges enable an estimated reduction in energy use in our customers' homes by over a third;
- Our unified range of kitchen taps are all low flow;
- We've cut our operational absolute carbon emissions by 15% since 2016/17; and
- In the UK, our electricity is now 100% renewably sourced and we launched [our first zero-energy store](#) in the UK, with more planned in 2019.

We also continue to feature prominently in key investor indices including:

- An 'AAA' rating from MSCI;
- Maintaining our 'A-' leadership position in CDP Climate Change;
- Continuing to be listed in the Dow Jones Sustainability Index (DJSI) in 2018

Kingfisher also ranked 11th in a recent study, published by the Business and Human Rights Resource Centre (BHRRC), a monitoring group, of Modern Slavery Act statements by FTSE 100 companies listed on the London Stock Exchange. Please visit www.kingfisher.com/sustainability for further details.

Summary & outlook

The building of Kingfisher's 'engine' is now nearing completion. We have now reached a critical mass of both unified product and the rollout of our unified IT platform, whilst unlocking significant operational efficiency benefits. We have also fulfilled our commitment to return £600m via share buyback over the first three years of the transformation plan, in addition to ordinary dividends of £692m over the same period.

During FY 18/19, our financial performance was mixed due to a combination of internal challenges and the external macroeconomic environment. The UK, Poland and Brico Dépôt France performed well, leveraging the benefits of our transformation, and at a Group level we delivered solid gross margin progression in the second half of the year. However, the performance of Castorama France has been disappointing and we are in the process of implementing a clear plan to sustainably improve its results.

In Q3 we took the decision to exit Russia and Iberia to focus on markets where we are, or can be leading. We are also considering the closure of 15 underperforming stores across the business over the next two years and have taken the decision to close all 19 of our Screwfix Germany outlets, while retaining an online presence. Screwfix's leading omnichannel proposition has consistently delivered strong growth in recent years and we have identified additional expansion opportunities in both the UK and in new markets, initially in the Republic of Ireland.

Our customers are starting to benefit from differentiated product, in store and online, at everyday low prices. Over the next year we will be strengthening our customer proposition by accelerating our unique product launch and development activity and testing new store concepts in order to make our innovation more visible to customers.

As we enter FY 19/20, the outlook by country is mixed. The UK market remains uncertain and we are mindful of softer housing market activity in France. In Poland the market remains supportive. We are positive about the longer term outlook for the home improvement sector and we are focused on delivering growth in sales, margin and returns.

Section 2: Trading review by division

Note: all commentary below is in constant currencies

UK & IRELAND*

£m	2018/19	2017/18	% Reported Change	% Constant Currency Change	% LFL Change
Sales	5,061	5,003	+1.1%	+1.1%	(0.8)%
Retail profit	399	375	+6.0%	+6.0%	

Kingfisher UK & Ireland sales were up 1.1% (-0.8% LFL) to £5,061 million within the context of a weak consumer backdrop. Gross margin increased by 20 basis points and costs were tightly managed resulting in retail profit up 6.0% to £399 million.

B&Q total sales declined by 2.8% to £3,390 million. LFL sales declined by 3.0%. The discontinuation of installations impacted LFL by c. 2% in H2 and in c. 1% the full year. LFL sales of weather-related categories increased by 1.8% while sales of non-weather-related categories, including showroom, were down 4.4%.

B&Q's total online sales continued to make good progress with sales growing by 9% (including click & collect up 42% and mobile up 44%) and now represent 5% of total sales.

Screwfix total sales increased by 10.3% (+4.1% LFL) to £1,671 million, driven by specialist trade desks exclusive to plumbers and electricians, strong digital growth of 19% (e.g. mobile + 44%; click & collect +23%) and the continued rollout of new outlets. 50 new outlets were opened, taking the total to 627 and a fourth distribution centre was opened in Lichfield in May. We have increased our overall target to approximately 800 outlets in the UK, up from approximately 700 previously and also intend to open stores in the Republic of Ireland from 2019 to complement our existing online presence.

FRANCE*

£m	2018/19	2017/18	% Reported	% Constant	% LFL
----	---------	---------	------------	------------	-------

			Change	Currency	Change
				Change	
Sales	4,272	4,387	(2.6)%	(3.4)%	(3.7)%
Retail profit	209	320	(34.7)%	(35.2)%	

Kingfisher France sales decreased by 3.4% (-3.7% LFL) to £4,272 million with improved sales performance at Brico Dépôt offset by a weak performance in Castorama. Both businesses were impacted by national demonstrations in Q4 which resulted in difficulty accessing stores and some temporary store closures. The estimated negative impact on France LFL was c. 3% in Q4 and c. 0.5% in FY 18/19. According to Banque de France data*, sales for the home improvement market were down 0.5% and continue to be volatile from month to month.

Castorama total sales declined by 7.3% (-7.1% LFL) to £2,246 million reflecting weak footfall, price repositioning, the impact of transformation-related activity and national demonstrations in Q4. LFL sales of weather-related categories were down 6.5% and sales of non-weather-related categories, including showroom, were down 7.4%.

Brico Dépôt total sales grew by 1.4% (+0.4% LFL) to £2,026 million reflecting a good performance of the new unified & unique ranges and supported by investment in marketing (representing the first year of LFL growth since 2011/12). Q4 performance was also impacted by national demonstrations.

Across the two businesses space remained broadly flat, with Brico adding two net new stores and Castorama closing one net store.

France gross margin declined by 60 basis points with an increase at Brico Dépôt offset by a decrease at Castorama. The gross margin at Castorama was impacted by logistics and stock inefficiencies resulting in a c.80bps impact on France gross margin. Retail profit decreased by 35.2% to £209 million. This reflected weak sales, a decrease in gross margin and higher costs, including additional marketing investment and higher digital costs.

OTHER INTERNATIONAL*

£m	2018/19	2017/18	% Reported Change	% Constant Currency	% LFL Change
				Change	
Sales	2,352	2,265	+3.9%	+5.7%	+1.0%
Poland	1,431	1,384	+3.4%	+3.4%	+1.7%
Romania	210	130	+62.0%	+63.4%	+0.2%

Other	711	751	(5.3)%	(0.3)%	(0.3)%
Retail profit	145	154	(5.0)%	(4.3)%	
Poland	181	170	+6.6%	+6.6%	
Romania	(15)	3	n/a	n/a	
Other	(21)	(19)	n/a	n/a	

Other International total sales increased by 5.7% (+1.0% LFL) to £2,352 million reflecting growth in Poland and the acquisition of Praktiker Romania in November 2017. Retail profit decreased by 4.3% to £145 million, with growth in Poland offset by losses in Russia, Romania and Screwfix Germany.

Across the businesses space remained broadly flat, with three net store closures in Romania.

Sales in **Poland** were up 3.4% (+1.7% LFL) to £1,431 million despite the introduction of new laws on Sunday trading which had an estimated adverse impact on LFL sales of c. 1.5%. LFL sales of weather-related categories were up 3.4% with sales of non-weather-related categories, including showroom up 1.4%. Gross margin was up 110 basis points reflecting sourcing benefits. Retail profit grew by 6.6% to £181 million reflecting sales growth and higher gross margin, partly offset by higher staff costs (as wage inflation is running significantly ahead of retail price inflation).

In **Romania** sales increased by 63.4% (+0.2% LFL) to £210m driven by the acquisition of Praktiker Romania and made a retail loss of £15 million (2017/18: £3 million reported retail profit) reflecting a year of transition following acquisition of Praktiker Romania and significant range change. Brico Dépôt Romania continue to make a retail profit. The integration of Praktiker is progressing with new unified ranges being implemented and the stores now rebranded to Brico Dépôt.

At Q3 18/19 we announced the strategic decision to exit Russia and Iberia to focus on markets where we have, or can reach, a market leading position. Today we have also announced that we will close our 19 Screwfix Germany outlets and retain an online presence.

In **Iberia** sales decreased by 1.1% (-1.1% LFL) to £346 million and made a £1 million retail profit (2017/18: break even reported retail profit). In **Russia** sales increased by 0.3% (+0.2% LFL) to £352 million. The business incurred a £12 million retail loss (2017/18: £8 million reported retail loss) reflecting a challenging environment and store pre-opening and refurbishment costs.

Screwfix Germany sales increased by 8.3% (+9.1% LFL) and made a £16 million retail loss (2017/18: £18 million reported retail loss).

In **Turkey**, Kingfisher's 50% JV, Koçtaş, contributed retail profit of £6 million (2017/18: £7 million reported retail profit).

Section 3: FY 19/20 Technical guidance⁽¹⁾

Employees, new stores and space growth:

	Employees (FTE) at 31 Jan 2019	Store Numbers at 31 Jan 2019	Sales area ⁽³⁾ (000s m ²) at 31 Jan 2019	Net new stores FY 19/20	Space % change FY 19/20
B&Q UK & Ireland	16,221	296	2,210	2	-
Screwfix UK & Ireland	8,330	627	40	55	+10%
UK & Ireland	24,551	923	2,250	57	-
Castorama	10,921	101	1,250	2	(1)%
Brico Dépôt	7,390	123	850	(1)	(1)%
France	18,311	224	2,100	1	(1)%
Iberia	1,824	31	195	-	-
Poland	10,988	76	652	6	+8%
Romania	2,538	38	273	(3)	(8)%
Russia	3,157	20	208	(1)	(5)%
Screwfix Germany	182	19	1	(19)	n.a.
Other International	18,689	184	1,329	(17)	+2%
Total	61,551	1,331	5,679	41	-

⁽³⁾ Screwfix sales area relates to the front of counter area of an outlet

Income statement:

· Sales outlook:

- o UK - heightened levels of uncertainty; annualisation of discontinuation of installations (c.1-2% impact to B&Q H1 19/20 LFL)

- o France - weaker housing data; encouraged by Castorama's start to the year

- o Poland - loss of one further Sunday of trading per month (3 non-trading Sundays; previously 2)

- Gross margin after clearance expected to be flat⁽²⁾

- o Includes c.£25-30m incremental clearance costs (H1 19/20 weighted) associated with the implementation of new unified ranges including kitchens in B&Q

- Central costs expected to be c.£50m

- Total transformation costs over 5 years to FY 20/21 expected to be less than £800m

- o Transformation P&L costs expected to be c.£60-80m in FY 19/20
- o Transformation exceptional costs expected to be c.£40m in FY 19/20
- Adjusted effective tax rate expected to be around 26-27%, subject to the blend of profit within the companies' various jurisdictions, as well as the timing of exits from Russia and Iberia

Cash flow:

- Total capex including transformation of up to c.£375m
- Stores considered for closure: cash costs expected to be covered by disposal proceeds

(1) Guidance given before the impact of the new lease accounting rules per IFRS 16

(2) Gross margin movement excluding Russia and Iberia

Section 4: FY 18/19 Financial review

A summary of the reported financial results for the year ended 31 January 2019 is set out below:

	2018/19	2017/18	% Reported Change	% Constant Currency Change
Sales	£11,685m	£11,655m	+0.3%	+0.3%
Gross margin	36.9%	36.9%	-	(10)bps
Retail profit	£753m	£849m	(11.3)%	(11.4)%
Underlying pre-tax profit	£693m	£797m	(13.0)%	
Transformation P&L costs ⁽¹⁾	£(120)m	£(114)m	n/a	
Adjusted pre-tax profit	£573m	£683m	(16.1)%	
Statutory pre-tax profit	£322m	£682m	(52.8)%	
Exceptional items (post-tax) ⁽¹⁾	£(190)m	-	n/a	
Adjusted effective tax rate	27%	30%	n/a	
Underlying basic earnings per share	23.9p	25.5p	(6.3)%	
Adjusted basic earnings per share	19.8p	21.8p	(9.2)%	
Basic earnings per share	10.3p	22.1p	(53.4)%	
Full year ordinary dividend	10.8p	10.8p	-	
Net cash	£48m	£68m		
Capital return - share buyback	£140m	£260m		

(1) Kingfisher separately reports exceptional items and transformation P&L costs in order to calculate adjusted and underlying results, as it believes these measures provide additional useful information on underlying performance and trends

Total **sales** increased by 0.3% on a constant currency basis to £11.7 billion, with LFL sales down 1.6%. On a reported rate basis, which includes the impact of exchange rates, sales increased by 0.3%. During the year, sales growth benefited from 51 net new stores (excluding 26 Praktiker Romania stores that were acquired in November 2017), mostly driven by 50 Screwfix outlet openings in the UK.

Gross margin was flat as increases in the UK, Brico Dépôt France and Poland were offset by a weak performance at Castorama France.

Reported **retail profit** decreased by 11.3% including £1 million of favourable foreign exchange movement on translating foreign currency results into sterling. In constant currencies retail profit decreased by 11.4%, reflecting a significant decrease in profit in France, partly offset by an increase in profit in the UK and Poland and including £43 million of losses in Russia, Romania and Screwfix Germany.

Underlying pre-tax profit, which excludes the impact of transformation P&L costs and exceptional items, decreased by 13.0%, to £693 million.

Adjusted pre-tax profit, which excludes the impact of exceptional items, decreased by 16.1% to £573 million, reflecting £120 million of transformation P&L costs.

Statutory pre-tax profit, which includes the impact of transformation costs and exceptional items, decreased by 52.8% to £322 million.

We continued to invest in the business and the transformation, we paid £231 million in cash dividends and repurchased a further £140 million of shares while maintaining a strong balance sheet.

A reconciliation from the underlying basis to the statutory basis for pre-tax profit is set out below:

	2018/19	2017/18	
	£m	£m	Increase/ (decrease)
Retail profit	753	849	(11.3)%
Central costs	(49)	(46)	
Share of interest and tax of joint ventures & associates	(4)	(4)	

Finance costs before financing fair value remeasurements
(FFVR)

	(7)	(2)	
Underlying pre-tax profit	693	797	(13.0) %
Transformation P&L costs	(120)	(114)	
Adjusted pre-tax profit	573	683	(16.1)%
FFVR	-	(1)	
Profit before exceptional items and tax	573	682	(16.0)%
Exceptional items before tax	(251)	-	
Statutory pre-tax profit	322	682	(52.8)%

Transformation P&L costs of £120 million principally relate to the unified and unique offer range implementation and the digital strategic pillar. Range implementation activities principally comprise remerchandising work associated with introducing the unified and unique offer, incremental in-store labour costs and point of sale change. Digital transformation P&L costs represent the initial revenue expenditure of investing in developing wider digital services to support customers' home improvement projects.

Exceptional items (post tax) resulted in a net charge of £190 million (2017/18: net nil impact) as detailed below:

	2018/19	2017/18
	£m	£m
	Gain/(charge)	Gain/(charge)
Transformation exceptional costs	(58)	(15)
UK & Ireland and Europe store closures	(111)	12
Property disposals	(28)	1
Russia & Iberia impairments	(16)	-
Romania acquisition integration	(15)	2
B&Q store replenishment restructuring	(12)	-
Other	(11)	-
Exceptional items before tax	(251)	-
Exceptional tax items	61	-
Net exceptional items	(190)	-

Transformation exceptional costs of £58 million were driven by people changes associated with restructuring in France and the UK. People related changes include the move of transactional processing activity to a shared service centre in Poland.

We have recognised a £111 million charge principally relating to impairments for underperforming stores. This includes 15 stores across the business that we are considering closing in the next two years and 19 Screwfix Germany outlets. The stores are a combination of owned and leased properties and we expect to cover the cash costs with sale proceeds.

A net charge of £28 million has been recorded relating to property disposals. This reflects a profit of £29 million relating to the disposal of properties in the UK and France and impairment losses of £57 million in advance of planned disposals for properties classified as held for sale in the UK and Poland.

As previously announced we intend to exit Russia and Iberia and recognised a £16 million impairment during the period mainly relating to stores. Praktiker Romania integration costs of £15 million principally comprise planned store closure costs. B&Q store replenishment restructuring of £12 million relates to redundancy costs associated with the transfer of store replenishment routines from the nighttime into the daytime.

Other exceptionals of £11 million include a £6 million one-off 'Macron premium' payment to employees in France and a £5 million charge as a result of the recent UK High Court ruling in respect of the equalisation of Guaranteed Minimum Pensions.

Taxation

The Group's adjusted effective tax rate is sensitive to the blend of tax rates and profits in the Group's various jurisdictions. It is higher than the UK statutory rate because of the amount of Group profit that is earned in higher tax territories. The adjusted effective tax rate, calculated on profit before exceptional items, prior year tax adjustments and the impact of future rate changes is 27% (2017/18: 30%).

The adjusted effective tax rate is lower than the prior year mainly due to the one off 30% French tax surcharge applicable in 2017/18 that increased the French tax rate to 44%. At a Group level this surcharge increased the adjusted effective tax rate by c.3% in the prior year.

The overall rate of tax includes the impact of exceptional items and prior year adjustments. The effect of such items increased the rate from 27% to 32%. This predominately reflects the applicable tax treatment of exceptional items and the decision to derecognise assets related to historic tax losses in Russia and Iberia, partially offset by a release of prior year provisions which reflect a reassessment of expected outcomes, agreed positions with tax authorities and items that have time expired.

Effective tax rate calculation	Pre-tax profit £m	Tax £m	2018/19 %	Pre-tax Profit £m	Tax £m	2017/18 %
Profit before tax and exceptional items	573	(152)	27%	682	(204)	30%
Exceptional items	(251)	61		-	-	
Prior year items	-	(13)		-	7	
Total - overall tax rate	322	(104)	32%	682	(197)	29%

The Group continues to monitor developments in relation to a European Commission state aid investigation opened in October 2017, which concerns the UK's controlled foreign company rules. Further details are provided in note 13 of the full year condensed financial statements (part 2 of this announcement).

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

	Statutory tax rate	Statutory tax rate
	2019/20	2018/19
UK	19%	19%
France	32%	34%
Poland	19%	19%

Underlying basic earnings per share decreased by 6.3% to 23.9p, which excludes the impact of transformation P&L costs, exceptional items and the effect of prior year tax items. **Adjusted basic earnings per share** decreased by 9.2% to 19.8p, which excludes the impact of exceptional items and prior year tax items. **Basic earnings per share** decreased by 53.4% to 10.3p as set out below:

	2018/19		2017/18	
	Earnings	EPS	Earnings	EPS
	£m	pence	£m	pence
Underlying basic earnings per share	509	23.9	558	25.5
Transformation P&L costs (net of tax)	(88)	(4.1)	(79)	(3.7)
Adjusted basic earnings per share	421	19.8	479	21.8
Net exceptional items	(190)	(8.9)	-	-
Prior year tax items	(13)	(0.6)	7	0.3
FFVR (net of tax)	-	-	(1)	-
Basic earnings per share	218	10.3	485	22.1

During 2018/19 51 million shares were returned to shareholders via share buyback, following a buyback of 82 million shares in the prior year.

Dividends and capital returns

The Board has proposed a final dividend of 7.49p which results in a full year dividend of 10.82p (2017/18: 10.82p). The full year dividend is covered 1.8 times by adjusted earnings (2017/18: 2.0 times). We continue to be comfortable with medium term dividend cover in the range of 2.0 to 2.5 times⁽¹⁾ based on adjusted basic earnings per share, a level the Board believes is consistent with the capital needs of the business.

The final dividend will be paid on 15 July 2019 to shareholders on the register at close of business on 7 June 2019. 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 6 June 2019. For those shareholders electing to receive the DRIP the last date for receipt of election is 24 June 2019.

In January 2016 Kingfisher announced its intention to return around a further £600 million of surplus capital to shareholders in the following three financial years. During 2018/19 £140 million of shares (51 million shares) were repurchased via share buyback. Cumulatively therefore, £600 million of shares (191 million shares) have now been repurchased.

⁽¹⁾ Medium term dividend cover range before the impact of the new lease accounting rules per IFRS 16

Lease adjusted return on capital employed (ROCE)

Our key returns metric, leased adjusted ROCE declined by 70 basis points from 10.4% to 9.7% this year, reflecting our profit performance including the increase in P&L transformation costs. ROCE by geographic division is analysed below:

	Sales	Proportion of	Capital	Proportion of	ROCE	ROCE
	£bn	Group sales	Employed (CE) £bn	Group CE %	2018/19	2017/18
UK & Ireland	5.1	43.3%	3.8	49.5%	14.0%	13.5%
France	4.3	36.6%	2.2	28.8%	8.0%	10.1%
Other International	2.4	20.1%	1.6	20.6%	9.3%	10.4%
Central			0.1	1.1%		
Total	11.7		7.7		9.7%	10.4%

Free cash flow*

A reconciliation of free cash flow is set out below:

	2018/19	2017/18
	£m	£m
Operating profit	329	685
Exceptional items	251	-
Operating profit (before exceptional items)	580	685
Other non-cash items ⁽¹⁾	305	285
Change in working capital	24	(372)
Pensions and provisions	(46)	(41)

Operating cash flow	863	557
Net interest paid	(10)	(1)
Tax paid	(132)	(182)
Gross capital expenditure	(339)	(368)
Free cash flow	382	6
Ordinary dividends paid	(231)	(231)
Share buyback	(140)	(260)
Share purchase for employee incentive schemes	-	(13)
Acquisition of Praktiker Romania (including net debt acquired)	-	(19)
Other (including disposal of assets) ⁽²⁾	(30)	(68)
Net cash flow	(19)	(585)
Opening net cash	68	641
Other movement including foreign exchange	(1)	12
Closing net cash	48	68

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

⁽²⁾ Includes exceptional cash flow items, principally relating to B&Q closures and transformation costs

Net cash at the end of the period was £48 million (2017/18: £68 million).

Operating profit before exceptional items was £105 million lower than last year reflecting higher transformation costs and lower profits in France.

Free cash flow of £382 million was generated in the year, an increase of £376 million against the prior year due primarily to more favourable movements in working capital. During the year the £180 million of mitigation stock held as at FY 17/18 was sold through.

Gross capital expenditure for the year was £339 million (2017/18: £368 million). Of this 30% was invested on refreshing and maintaining existing stores, 19% on new stores (excluding Screwfix), 29% on IT, 12% on the transformation and 10% on other areas including Screwfix expansion and supply chain investment.

This resulted in free cash flow of £382 million. £371 million was returned to shareholders in the form of the ordinary dividend and share buybacks.

Management of balance sheet and liquidity risk and financing

The Group finished the year with £48 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 (pre IFRS16) does not appear on the balance sheet. The ratio of the Group's lease adjusted net debt (capitalising leases at 8 times annual rent) to EBITDAR* is 2.6 times as at 31 January 2019 (2.4x at 31 January 2018). 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:

	2018/19	2017/18
	£m	£m
Retail Profit	753	849
Central costs	(49)	(46)
Transformation P&L costs	(120)	(114)
Depreciation and Amortisation	272	254
EBITDA*	856	943
Property operating lease rentals	425	408
EBITDAR	1,281	1,351
Net cash	(48)	(68)
Property operating lease rentals (8x) ⁽¹⁾	3,400	3,264
Lease adjusted net debt	3,352	3,196
Lease adjusted net debt to EBITDAR	2.6	2.4

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

The introduction of IFRS 16 (see pages 20-22 for further details) is expected to result in a lower adjusted net debt to EBITDAR ratio of c. 2x, reflecting a lower IFRS 16 lease liability than the 8x adjustment above.

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

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 medium term, 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 2019 the Group had two undrawn committed facilities: £550 million that expires in August 2021 and £225 million that expires in March 2022.

In May 2018 the Group repaid its US Private Placement debt (notional value of \$179 million) and also updated its €2.5 billion European Medium Term Note (EMTN) programme. In July 2018, following a reverse enquiry, a €50 million Floating Rate Note (FRN) was issued under the programme. The note matures in July 2020.

The Group entered into two new fixed term loans in the financial year, €50 million in September 2018 and £50 million in December 2018. The loans mature in September 2021 and December 2021 respectively.

The maturity profile of Kingfisher's debt is illustrated at: www.kingfisher.com/index.asp?pageid=74

Pensions

At the year end, the Group had a net surplus of £205 million (2017/18: £99 million net surplus) in relation to defined benefit pension arrangements, of which a £320 million surplus (2017/18: £214 million surplus) was in relation to the UK scheme. The favourable movement is mainly due to continued UK employer contributions and a lower pension increase assumption used to measure the UK scheme liabilities. This accounting valuation is sensitive to various assumptions and market rates which are likely to fluctuate in the future. A £5 million exceptional charge has been recognised in the year relating to the equalisation of guaranteed minimum pension benefits between men and women.

Property

Kingfisher owns a significant property portfolio, almost all of which is used for trading purposes. A valuation was performed for internal purposes in October 2018 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 £3.4 billion at year end (2017/18: £3.5 billion).

	2018/19	2018/19	2017/18	2017/18
	£bn	Yields	£bn	Yields
France	1.8	7.4%	1.8	7.4%
UK	0.7	5.7%	0.8	6.1%
Poland	0.6	7.7%	0.6	7.7%
Other	0.3	-	0.3	-
Total	3.4		3.5	

This is compared to the net book value of £2.7 billion (2017/18: £2.8 billion) recorded in the financial statements (including investment property and property held for resale). Balance sheet values were frozen at 1 February 2004 on the transition to IFRS.

Retail profit on a fully rented basis

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

	UK & Ireland	France	Poland
Retail Profit %	7.9%	4.9%	12.7%
Adjustment to Leasehold Basis	(0.9)%	(3.0)%	(2.6)%
Retail Profit % on Leasehold Basis	7.0%	1.9%	10.1%

Impact of IFRS16 - Leases

IFRS 16 provides a single lessee accounting model and requires a lessee to recognise assets and liabilities for most leases, largely eliminating the current off-balance sheet accounting under IAS 17. IFRS 16 'Leases' supersedes IAS 17 'Leases' and is effective for periods beginning on or after 1 January 2019. The adoption of IFRS 16 will have a material impact on the Group's primary financial statements, including impacts on operating profit, profit before tax, total assets and total liabilities lines.

Lessee accounting: For operating leases in which the Group is a lessee, the Group will recognise a new right-of-use asset and a new lease liability for its leases of properties and equipment assets. Existing finance leases and onerous lease provisions for rental charges will be derecognised under IFRS 16.

Under IFRS 16 the income statement expense comprises a straight-line depreciation charge on the right-of-use asset and a front-loaded interest charge on the lease liability, both over the term of the lease. For an individual lease, this provides an overall front-loaded expense profile compared with the straight-line rental charge recognised under IAS 17.

The historical discount rates applied have been based on the incremental borrowing rate where the implicit rate in the lease is not readily determinable. 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.

Lessor accounting: No significant impact is expected for leases in which the Group is a lessor. Where the Group subleases assets, it is determined whether the sublease should be classified as an operating lease or a finance lease, applying IFRS 16.

The Group plans to apply IFRS 16 from 1 February 2019 using the full retrospective method and will thereby restate the comparatives for the year ended 31 January 2019. The Group plans to apply the practical expedient available for low-value items and short-term leases, recognising rental payments for these leases on a straight-line basis but not recognising a right-of-use asset or lease liability.

Impact of the new standard

The Group has assessed the impact that the application of IFRS 16 has on its income statement for the year ended 31 January 2019 and on its balance sheet as at that date. The standard is not expected to result in a material impact on restated underlying profit before tax. It is expected that the right-of-use asset recognised on the restated balance sheet as at 31 January 2019 will be c.£2.0 billion, whilst the lease liability will be c.£2.6 billion.

IFRS 16 indicative impact on FY 2018/19 income statement

£m	IAS 17	Adjustment ⁽¹⁾	IFRS 16
Sales	11,685	-	11,685
Retail profit	753	160	913
Central costs & JV/associate interest/tax	(53)	-	(53)
Finance costs (excl. lease FX) ⁽²⁾	(7)	(170)	(177)
Underlying pre-tax profit	693	(10)	683
Rent elimination		430	
Right-of-use asset depreciation		(270)	
Retail profit adjustment		160	

(1) Numbers are rounded to the nearest £10m

(2) Excludes FX relating to translation of leases denominated in non-functional currencies

IFRS 16 indicative impact on 31 January 2019 balance sheet

£bn	IAS 17	Adjustment	IFRS 16
-----	--------	------------	---------

Right-of-use assets	-	2.0	2.0
Other fixed assets ⁽¹⁾	6.3	(0.2)	6.1
Inventory, trade and other receivables/payables	0.5	0.1	0.6
Provisions	(0.1)	0.1	-
Current and deferred tax	(0.4)	0.1	(0.3)
Lease debt	-	(2.6)	(2.6)
Financial net cash	0.1	-	0.1
Net cash/(debt) ⁽²⁾	0.1	(2.6)	(2.5)
Other	0.3	-	0.3
Net assets	6.7	(0.5)	6.2

(1) Includes goodwill, other intangible assets, property, plant and equipment, investment property and investments in joint ventures and associates

(2) Net debt under IFRS 16 comprises lease liabilities and financial net cash ('net cash' under IAS 17 excluding finance leases)

Section 5: Glossary (terms are listed in alphabetical order)

Alternative Performance Measures (APMs)

In the reporting of financial information, the Directors have adopted various Alternative Performance Measures (APMs), also termed non-GAAP measures, of historical or future financial performance, position or cash flows other than those defined or specified under International Financial Reporting Standards (IFRS). These measures are not defined by IFRS and therefore may not be directly comparable with other companies' APMs, including those used by other retailers. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
Adjusted basic earnings per share	Basic earnings per share	A reconciliation of adjusted basic earnings per share is included in the Financial Review (Section 4) and note 7 of the condensed financial statements	Adjusted basic earnings per share represents profit after tax attributable to the owners of the parent, before the impact of exceptional items, FFVR, related tax items and tax on prior year items, divided by the weighted average number of shares in issue during the period.

	Closest equivalent	Reconciling items to	Definition and purpose
APM	IFRS measure	IFRS measure	
Adjusted effective tax rate	Effective tax rate	A reconciliation to the overall tax rate is set out in the Financial Review (Section 4)	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 tax rate.
Adjusted pre-tax profit	Profit before taxation	A reconciliation of adjusted pre-tax profit is set out in the Financial Review (Section 4) and the consolidated income statement of the condensed financial statements	Adjusted pre-tax profit is used to report the performance of the business at a Group level including both the benefits of our transformation programme and the associated costs. This is stated before exceptional items and FFVR. The exclusion of exceptional items and FFVR helps provide an indication of the Group's ongoing business performance.
Central costs	No direct equivalent	Not applicable	Central costs principally comprise the costs of the Group's head office before transformation costs and exceptional items. This is a measure of the underlying head office costs.
Constant currency	No direct equivalent	Not applicable	Constant currency changes in total sales, LFL sales, gross margin and retail profit reflect the year on year movements after translating the prior year comparatives at the current year's average exchange rates. These are presented to eliminate the effects of exchange rate fluctuations on the reported results.
EBITDA	Profit before taxation	A reconciliation of EBITDA is set out in the Financial Review (Section 4)	EBITDA (earnings before interest, tax, depreciation and amortisation) is calculated as retail profit less central and transformation P&L costs and before depreciation and amortisation. It is a measure of operating performance.
EBITDAR	Profit before taxation	A reconciliation of EBITDAR is set out in the Financial Review (Section 4)	EBITDAR (earnings before interest, tax, depreciation, amortisation and property operating lease rentals) is calculated as retail profit less central and transformation P&L costs, before depreciation and amortisation and property operating lease rentals. This measure is used in calculating the ratio of lease adjusted net debt to EBITDAR, to reflect the Group's leverage including capitalised leases which in accordance with current accounting standards do not appear on the balance sheet.

APM Exceptional items	Closest equivalent IFRS measure No direct equivalent	Reconciling items to IFRS measure Not applicable	Definition and purpose Exceptional items are certain types of income or cost that are excluded by virtue of their size and nature in order to reflect management's view of the performance of the Group.
			The principal exceptional items are: non-trading items included in operating profit such as profits and losses on the disposal, closure or impairment of subsidiaries, joint ventures, associates and investments which do not form part of the Group's trading activities; profits and losses on the disposal of properties and impairment losses on non-operational assets; and the costs of significant restructuring, including certain restructuring costs of the Group's five year transformation plan launched in 2016/17 ('transformation exceptional costs'), and incremental acquisition integration costs.
FFVR	No direct equivalent	Included within net finance costs in note 5 of the condensed financial statements	FFVR (financing fair value remeasurements) represent fair value fluctuations from financial instruments.
Free cash flow	No direct equivalent	A reconciliation of free cash flow is set out in the Financial Review (Section 4)	Free cash flow represents cash generated from operations (excluding exceptional items) less the amount spent on interest, tax and capital expenditure during the year (excluding business acquisitions and disposals and asset disposals). This provides a measure of how much cash the business generates that can be used for expansion, capital returns and other purposes.
Gross margin	Profit before taxation	Refer to definition	Gross margin represents sales from the supply of home improvement products and services (excluding VAT), less the associated cost of those sales. It is a measure of profit margin.
Lease adjusted net debt	No direct equivalent	A reconciliation of lease adjusted net debt is set out in the Financial Review (Section 4)	Lease adjusted net debt represents net cash plus capitalised property operating lease rentals. The measure is used in calculating the ratio of lease adjusted net debt to EBITDAR to provide an indication of the Group's overall leverage.

	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
APM Lease adjusted ROCE	No direct equivalent	A reconciliation of lease adjusted ROCE is set out in the Financial Review (Section 4)	Post-tax retail profit less central costs and transformation costs, excluding exceptional items and property lease costs, divided by lease adjusted capital employed excluding historic goodwill, net cash and exceptional restructuring provision. The measure provides an indication of the ongoing returns from the capital invested in the business including capitalised leases. Capital employed is adjusted to include capitalised property leases. Kingfisher believes 8x property operating lease rent is a reasonable industry standard for estimating the economic value of its leased assets. Capital employed except for capitalised leases, is calculated as a two point average.
LFL	Sales	Refer to definition	LFL (like-for-like) sales growth represents the constant currency, year on year sales growth for stores that have been open for more than one year. It is a measure to reflect the Group's performance on a comparable basis.
Net cash	No direct equivalent	A reconciliation of this measure is provided in note 11 of the condensed financial statements	Net cash comprises cash and cash equivalents and short term deposits, less borrowings and financing derivatives (excluding accrued interest).
Net cash flow	No direct equivalent	A reconciliation of net cash flow is set out in the Financial Review (Section 4)	Net cash flow represents the total movement in the net cash balance during the year excluding foreign exchange and other non-cash movements.
Retail profit	Profit before taxation	A reconciliation to profit before taxation is set out in the Financial Review (Section 4) and note 3 of the condensed financial statements	Retail profit is stated before central costs, transformation P&L costs, exceptional items and the Group's share of interest and tax of JVs and associates. This is the Group's operating profit measure used to report the underlying performance of our retail businesses including the sustainable benefits of our transformation plan.
Transformation costs	No direct equivalent	Not applicable	Transformation costs represent the additional costs of the ONE Kingfisher transformation programme launched in 2016/17. They comprise 'transformation exceptional costs', 'transformation P&L costs' (i.e. non-exceptional items) and 'transformation capex' (capital expenditure).

	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
APM Transformation P&L costs	No direct equivalent	Not applicable	Transformation P&L costs represent the additional costs that arise only as a result of the transformation plan launched in 2016/17. These costs principally relate to the unified and unique offer range implementation and the digital strategic initiative.
Underlying pre-tax profit	Profit before taxation	A reconciliation to statutory pre-tax profit is set out in the Financial Review (Section 4) and the consolidated income statement of the condensed financial statements	Underlying pre-tax profit is stated before transformation P&L costs, exceptional items and FFVR. The exclusion of transformation P&L costs (in addition to exceptional items and FFVR) helps provide an indication of the Group's underlying business performance, which includes the sustainable benefits of the transformation plan.
Underlying basic earnings per share	Basic earnings per share	A reconciliation of underlying earnings per share is included in the Financial Review (Section 4) and note 7 of the condensed financial statements	Underlying basic earnings per share represents profit after tax attributable to the owners of the parent, before the impact of transformation P&L costs, exceptional items, FFVR, related tax items and tax on prior year items, divided by the weighted average number of shares in issue during the period.

Banque de France data includes relocated and extended stores.

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

CPR (cost price reduction) refers to the savings made on cost of goods sold.

Digital sales are sales derived from online transactions, including click & collect. This includes sales transacted on any device, however not sales through a call centre.

EDLP refers to everyday low price.

France consists of Castorama France and Brico Dépôt France.

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

Iberia consists of Brico Dépôt Spain and Brico Dépôt Portugal.

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

Sales refer to Group sales excluding Joint Venture (Koçtaş JV) sales.

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

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

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 your 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 31 January 2019. 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 global or regional trade conditions, 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.

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

END

FR SFFEFUFUSED