

KINGFISHER PLC
2015/16 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
CONSOLIDATED INCOME STATEMENT

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

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

KINGFISHER PLC
2015/16 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
CONSOLIDATED INCOME STATEMENT

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

KINGFISHER PLC
2015/16 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

KINGFISHER PLC
2015/16 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders of the Company							
	Share capital	Share premium	Own shares held	Retained earnings	Other reserves (note 13)	Total	Non-controlling interests	Total equity
£ millions								
At 1 February 2015 (restated – note 2)	369	2,214	(26)	3,652	11	6,220	10	6,230
Profit for the period	-	-	-	318	-	318	-	318
Other comprehensive income for the period	-	-	-	(49)	(185)	(234)	-	(234)
Total comprehensive income for the period	-	-	-	269	(185)	84	-	84
Disposal of B&Q China (note 16)	-	-	-	-	-	-	(10)	(10)
Share-based compensation	-	-	-	7	-	7	-	7
New shares issued under share schemes	-	1	-	-	-	1	-	1
Own shares issued under share schemes	-	-	15	(14)	-	1	-	1
Purchase of own shares for cancellation	(6)	-	-	(111)	6	(111)	-	(111)
Purchase of own shares for ESOP trust	-	-	(11)	-	-	(11)	-	(11)
Dividends	-	-	-	(160)	-	(160)	-	(160)
At 1 August 2015	363	2,215	(22)	3,643	(168)	6,031	-	6,031
At 2 February 2014 (restated – note 2)	373	2,209	(35)	3,486	266	6,299	9	6,308
Profit for the period (restated – note 2)	-	-	-	291	-	291	(1)	290
Other comprehensive income for the period	-	-	-	3	(70)	(67)	-	(67)
Total comprehensive income for the period	-	-	-	294	(70)	224	(1)	223
Share-based compensation	-	-	-	6	-	6	-	6
New shares issued under share schemes	-	1	-	-	-	1	-	1
Own shares issued under share schemes	-	-	11	(10)	-	1	-	1
Purchase of own shares for cancellation	(1)	-	-	(35)	1	(35)	-	(35)
Dividends	-	-	-	(259)	-	(259)	-	(259)
At 2 August 2014 (restated – note 2)	372	2,210	(24)	3,482	197	6,237	8	6,245
At 2 February 2014 (restated – note 2)	373	2,209	(35)	3,486	266	6,299	9	6,308
Profit for the year	-	-	-	573	-	573	-	573
Other comprehensive income for the year	-	-	-	90	(260)	(170)	1	(169)
Total comprehensive income for the year	-	-	-	663	(260)	403	1	404
Share-based compensation	-	-	-	11	-	11	-	11
New shares issued under share schemes	1	5	-	-	-	6	-	6
Own shares issued under share schemes	-	-	26	(24)	-	2	-	2
Purchase of own shares for cancellation	(5)	-	-	(150)	5	(150)	-	(150)
Purchase of own shares for ESOP trust	-	-	(17)	-	-	(17)	-	(17)
Dividends	-	-	-	(334)	-	(334)	-	(334)
At 31 January 2015 (restated – note 2)	369	2,214	(26)	3,652	11	6,220	10	6,230

KINGFISHER PLC
2015/16 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
CONSOLIDATED BALANCE SHEET

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

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

Véronique Laury, Chief Executive Officer

Karen Witts, Chief Financial Officer

KINGFISHER PLC
2015/16 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
CONSOLIDATED CASH FLOW STATEMENT

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

KINGFISHER PLC

2015/16 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

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

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

The interim financial report does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Audited statutory accounts for the year ended 31 January 2015 were approved by the Board of Directors on 30 March 2015 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under sections 498(2) or (3) of the Companies Act 2006. The interim financial report has been reviewed, not audited, and was approved by the Board of Directors on 14 September 2015.

2. Basis of preparation

The interim financial report for the 26 weeks ended 1 August 2015 ('the half year') has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim Financial Reporting', as adopted by the European Union. It should be read in conjunction with the annual financial statements for the year ended 31 January 2015, which have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. The consolidated income statement and related notes represent results for continuing operations, there being no discontinued operations in the periods presented. Where comparatives are given, '2014/15' refers to the prior half year.

The Directors of Kingfisher plc, having made appropriate enquiries, consider that adequate resources exist for the Group to continue in operational existence for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing the condensed consolidated financial statements for the half year ended 1 August 2015.

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

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

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

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

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

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

Principal rates of exchange against Sterling

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

Use of non-GAAP measures

In the reporting of financial information, the Group uses certain measures that are not required under IFRS, the generally accepted accounting principles (GAAP) under which the Group reports. Kingfisher believes that adjusted sales, retail profit, adjusted pre-tax profit, effective tax rate, adjusted earnings and adjusted earnings per share provide additional useful information on underlying trends to shareholders. These and other non-GAAP measures such as net debt/cash are used by Kingfisher for internal performance analysis and incentive compensation arrangements for employees. The terms 'retail profit', 'exceptional items', 'adjusted', 'effective tax rate' and 'net debt/cash' are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, GAAP measures.

Retail profit is defined as continuing operating profit before central costs (principally the costs of the Group's head office), exceptional items, amortisation of acquisition intangibles and the Group's share of interest and tax of joint ventures and associates. 2014/15 comparatives have been restated for the adoption of IFRIC 21 (impacting only the half year) and to exclude B&Q China's operating results.

The separate reporting of non-recurring exceptional items, which are presented as exceptional within their relevant income statement category, helps provide an indication of the Group's underlying business performance. The principal items which are included as exceptional items are:

- non-trading items included in operating profit such as profits and losses on the disposal, closure or impairment of subsidiaries, joint ventures, associates and investments which do not form part of the Group's trading activities;
- profits and losses on the disposal of properties and impairment losses on non-operational assets; and
- the costs of significant restructuring and incremental acquisition integration costs.

The term 'adjusted' refers to the relevant measure being reported for continuing operations excluding exceptional items, financing fair value remeasurements, amortisation of acquisition intangibles, related tax items and prior year tax items (including the impact of changes in tax rates on deferred tax). 2014/15 comparatives have been restated for the adoption of IFRIC 21 (impacting only the half year) and to exclude B&Q China's operating results. Financing fair value remeasurements represent changes in the fair value of financing derivatives, excluding interest accruals, offset by fair value adjustments to the carrying amount of borrowings and other hedged items under fair value hedge relationships. Financing derivatives are those that relate to underlying items of a financing nature.

The effective tax rate is calculated as continuing income tax expense excluding tax on exceptional items and adjustments in respect of prior years and the impact of changes in tax rates on deferred tax, divided by continuing profit before taxation excluding exceptional items.

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

3. Accounting policies

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

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

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

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

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

4. Segmental analysis

Income statement

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

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

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

Balance sheet

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

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

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

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

Central costs principally comprise the costs of the Group's head office. Central liabilities comprise unallocated head office and other central items including pensions, interest and tax.

The Group's sales, although generally not highly seasonal on a half-yearly basis, do increase over the Easter period and during the summer months leading to slightly higher sales usually being recognised in the first half of the year.

5. Exceptional items

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

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

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

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

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

6. Net finance costs

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

7. Income tax expense

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

The effective rate of tax on profit before exceptional items and excluding prior year tax adjustments and the impact of changes in tax rates on deferred tax is 26% (2014/15: 27%), representing the best estimate of the effective rate for the full financial year. The effective tax rate on the same basis for the year ended 31 January 2015 was 27%. Exceptional tax items for the current period amount to a credit of £29m, none of which relates to prior year items (2014/15: £1m credit, none of which related to prior year items). Exceptional tax items for the year ended 31 January 2015 amounted to a credit of £106m, £95m of which related to prior year items.

8. Earnings per share

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

The calculation of basic and diluted earnings per share is based on the profit for the period attributable to equity shareholders of the Company. A reconciliation of statutory earnings to adjusted earnings is set out below:

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

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

9. Dividends

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

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

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

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

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

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

11. Post employment benefits

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

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

The assumptions used in calculating the costs and obligations of the Group's defined benefit pension schemes are set by the Directors after consultation with independent professionally qualified actuaries. The assumptions are based on the conditions at the time and changes in these assumptions can lead to significant movements in the estimated obligations, as illustrated in the sensitivity analysis provided in note 27 of the annual financial statements for the year ended 31 January 2015.

A key assumption in valuing the pension obligation is the discount rate. Accounting standards require this to be set based on market yields on high quality corporate bonds at the balance sheet date. The UK scheme discount rate is derived using a single equivalent discount rate approach, based on the yields available on a portfolio of high-quality Sterling corporate bonds with the same duration to that of the scheme liabilities.

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

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

12. Financial instruments

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

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

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

The fair values are calculated by discounting future cash flows arising from the instruments and adjusted for credit risk. These fair value measurements are all made using observable market rates of interest, foreign exchange and credit risk. All the derivatives held by the Group at fair value are considered to have fair values determined by 'level 2' inputs as defined by the fair value hierarchy of IFRS 13 'Fair value measurement', representing significant observable inputs other than quoted prices in active markets for identical assets or liabilities. There are no non-recurring fair value measurements nor have there been any transfers of assets or liabilities between levels of the fair value hierarchy.

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

Except as detailed in the following table of borrowings, the directors consider that the carrying amounts of financial instruments recorded at amortised cost in the financial statements are approximately equal to their fair values. Where available, market values have been used to determine the fair values of borrowings. Where market values are not available or are not reliable, fair values have been calculated by discounting cash flows at prevailing interest and foreign exchange rates. This has resulted in 'level 1' inputs for the Medium Term Notes and 'level 2' inputs for other borrowings as defined by the IFRS 13 fair value hierarchy.

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

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

13. Other reserves

£ millions	Cash flow hedge reserve	Translation reserve	Other	Total
At 1 February 2015	41	(194)	164	11
Currency translation differences				
Group	-	(136)	-	(136)
Joint ventures and associates	-	(3)	-	(3)
Transferred to income statement	-	(7)	-	(7)
Cash flow hedges				
Fair value losses	(21)	-	-	(21)
Gains transferred to inventories	(30)	-	-	(30)
Tax on items that may be reclassified	14	(2)	-	12
Other comprehensive income for the period	(37)	(148)	-	(185)
Purchase of own shares for cancellation	-	-	6	6
At 1 August 2015	4	(342)	170	(168)
At 2 February 2014	(5)	112	159	266
Currency translation differences				
Group	-	(77)	-	(77)
Cash flow hedges				
Fair value losses	(6)	-	-	(6)
Losses transferred to inventories	16	-	-	16
Tax on items that may be reclassified	(3)	-	-	(3)
Other comprehensive income for the period	7	(77)	-	(70)
Purchase of own shares for cancellation	-	-	1	1
At 2 August 2014	2	35	160	197
At 2 February 2014	(5)	112	159	266
Currency translation differences				
Group	-	(309)	-	(309)
Joint ventures and associates	-	(2)	-	(2)
Cash flow hedges				
Fair value gains	70	-	-	70
Gains transferred to inventories	(5)	-	-	(5)
Tax on items that may be reclassified	(19)	5	-	(14)
Other comprehensive income for the year	46	(306)	-	(260)
Purchase of own shares for cancellation	-	-	5	5
At 31 January 2015	41	(194)	164	11

14. Cash generated by operations

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

15. Net cash

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

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

16. Disposals

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

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

£ millions	
Proceeds (net of disposal costs paid of £3m)	137
Cash disposed	(32)
Net disposal proceeds received	105
Other disposal costs	(3)
Net disposal proceeds	102
Fair value of 30% interest retained	60
	162
Net assets disposed excluding cash (see below)	(32)
Non-controlling interests disposed	10
Currency translation gains transferred from translation reserve	3
Exceptional profit on disposal	143
£ millions	
Property, plant and equipment	150
Inventories, trade and other receivables/(payables)	(108)
Provisions	(3)
Deferred tax liabilities	(9)
Other net assets	2
Net assets disposed excluding cash	32

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

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

In the prior year the Group received proceeds of €236m (£198m) following the sale of its 21% stake in Hornbach in March 2014.

17. Contingent assets and liabilities

The Group has arranged for certain guarantees to be provided to third parties in the ordinary course of business. Of these guarantees, only £1m (2014/15: £1m) would crystallise due to possible future events not wholly within the Group's control. At 31 January 2015 the amount was £1m.

The Group is subject to claims and litigation arising in the ordinary course of business and provision is made where liabilities are considered likely to arise on the basis of current information and legal advice.

18. Related party transactions

The Group's significant related parties are its joint ventures, associates and pension schemes as disclosed in note 37 of the annual financial statements for the year ended 31 January 2015. There have been no significant changes in related parties or related party transactions in the period.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that this set of interim condensed financial statements has been prepared in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the period and their impact on the interim condensed financial statements, and a description of the principal risks and uncertainties for the remainder of the financial year; and
- material related party transactions in the period and any material changes in the related party transactions described in the last annual report.

The Directors of Kingfisher plc were listed in the Kingfisher plc Annual Report for the year ended 31 January 2015. With the exception of Kevin O'Byrne, who stepped down as a Director of Kingfisher plc on 15 May 2015, there have been no changes in the period.

By order of the Board

Véronique Laury
Chief Executive Officer
14 September 2015

Karen Witts
Chief Financial Officer
14 September 2015

INDEPENDENT REVIEW REPORT TO KINGFISHER PLC

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the half year ended 1 August 2015 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated cash flow statement and related notes 1 to 18. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410; "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34; "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410; "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the half year ended 1 August 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditor
London, United Kingdom
14 September 2015