Kingfisher

Half year results and ONE Kingfisher update for the 6 months ended 31 July 2017
(Year 2 of our 5 year transformation)

Financial highlights	2017/18	2016/17	% Total Change Reported	% Total Change Constant currency	% LFL* Change Constant currency
Sales*	£6,008m	£5,749m	+4.5%	(1.3)%	(1.3)%
Retail profit*	£467m	£464m	+0.5%	(4.6)%	
Underlying pre-tax profit*	£440m	£436m	+0.9%		
Adjusted* pre-tax profit	£394m	£418m	(5.7)%		
Underlying basic EPS*	14.5p	14.2p	+2.1%		
Adjusted basic EPS	13.0p	13.6p	(4.4)%		
Half year dividend	3.33p	3.25p	+2.5%		
Net cash*	£650m	£898m	n/a		

5 year transformation continues at pace

- Significant step up in level of transformation activity in H1, as planned
- H1 group results reflect
  - c.2% LFL impact from business disruption, albeit with an overall improving trend, and continued weaker sales in France, offset by
  - continued solid growth at Screwfix and Poland, and self-help initiatives, including £10m Goods Not for Resale* (GNFR) benefits
- Acting on root causes of business disruption, continue to adapt our approach e.g.
  - re-phasing rollout of unified IT platform prioritising larger OpCos to start H2 17/18 instead of FY 18/19 and enabling earlier launch of stronger digital offer
  - smoothing roll out of unified cost of goods sold for next 2 years whilst maintaining 90% target for FY 20/21
- Plans in place to support overall FY 17/18 performance
  - remain comfortable with FY consensus underlying EPS expectations [1], though remain cautious on H2 backdrop

Transformation is being delivered, confident in benefits it will generate

- For the second year in a row, on track to deliver strategic milestones
  - Unified & unique offer: positive early customer reaction to new ranges, now at 16% unified cost of goods sold, cost price reduction (CPR) and cost of change in line with expectations
  - Digital: unified IT platform now in all Castorama France stores with back office underway
  - Operational efficiency: encouraging delivery of GNFR benefits, FY 17/18 guidance now c.£25m (up from c.£20m previously)

Delivering shareholder returns

- Returned £359m of cash to shareholders year to date
  - £159m via ordinary dividend
  - £200m via share buyback (completed £400m of the c.£600m, next tranche of up to £60m to commence shortly)

Statutory reporting	2017/18	2016/17	% Change
Statutory pre-tax profit	£402m	£427m	(5.9)%
Statutory post-tax profit	£295m	£321m	(8.1)%
Basic EPS	13.3p	14.1p	(5.7)%

**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 half year results included in part 2 of this announcement*

These non-GAAP 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).

Véronique Laury, Chief Executive Officer, said:

"As planned, this first half has seen a significant increase in the level of transformation activity. Changes are now visible in our stores with new product ranges being well received by customers. We are also changing our ways of working alongside the continued rollout of our unified IT platform. The pace is quick and impactful and is reflected in our performance. We continue to have a flexible approach as our transformation progresses, adapting as necessary, and this will support the significant amount of change planned for the second half and beyond.

"Looking across our markets, we have seen solid growth at Screwfix and Poland, offset by continued weaker sales in France and some business disruption, principally reflecting product availability and clearance. We are aware of and are acting on the causes of this disruption, which we are confident will ease. For the full year, we have self-help plans in place to support our overall performance and remain comfortable with full year profit expectations, though we remain cautious on the second half backdrop in the UK and France.

"We are on track to deliver our full year strategic milestones for the second year in a row. We understand the reality of our customers' lives and are creating a unified and unique offer based on their needs. We are buying as ONE and are starting to see the customer and financial benefits coming through. This is all underpinned by our IT rollout which remains on track, and efficiency benefits which continue to deliver.

"We remain confident in our ability to deliver our five year plan and in the benefits it will generate, supported by our great team of hard-working and enthusiastic colleagues."

(1) Analyst consensus of underlying earnings per share of 26p for FY 2017/18, see http://www.kingfisher.com/index.asp?pageid=79 at FX Euro GBP rate of 1.13*

Contacts

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

This announcement can be downloaded from www.kingfisher.com. We can be followed on Twitter @kingfisherplc with the half year results tag #KGFHY. At 07.30 (UK time) on 20 September, a webcast covering the half year results will be available at www.kingfisher.com. At 10.00 (UK time), Kingfisher will host a Q&A conference call for analysts and investors only. To join the call please use the password already sent to you or email investorenquiries@kingfisher.com.
Our next announcement will be the Q3 trading update for the period ended 31 October 2017 on 21 November 2017.

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

The remainder of this release is broken down into six main sections:
1) ONE Kingfisher update
2) Trading review by division
3) FY 2017/18 Technical guidance
4) HY 2017/18 Financial review and, in part 2 of this announcement, the half year condensed Financial Statements
5) Glossary
6) Forward-looking statements

Section 1: ONE Kingfisher update

The ONE Kingfisher five year plan, which started in FY 16/17, is starting to leverage the scale of the business by creating a unified company, where customer needs always come first.

Our intention is that this five year transformation plan will deliver a £500m sustainable annual profit uplift by the end of FY 20/21, over and above business as usual (BAU)*. Until we have unified our customer offer, we will have limited expansion, the focus of which will be Screwfix UK and Europe in the medium-term. The total expected cash cost of the transformation is £800m (P&L, exceptional and capex).

The focus of the transformation plan is on three key strategic pillars:

1. creating a unified, unique and leading home improvement offer;
2. driving our digital capability; and
3. optimising our operational efficiency.

The following update covers:

- Progress against these three strategic pillars and our FY 17/18 strategic milestones
- Adapting our transformation approach as we progress

Progress against our three key strategic pillars

1. <u>Unified, unique and leading offer</u>

We are unifying our offer, with the same products, presented everywhere in the same way. This will deliver significant customer benefits (newer products, higher quality, better sustainability, lower prices, simpler ranges, clearer merchandising and better packaging) alongside significant business benefits (higher sales, fewer SKUs*, fewer suppliers, cost price reduction (CPR) and improved processes).

FY 17/18 strategic milestone:

- *Achieve 20% unified cost of goods sold (COGS)*

We have now achieved 16% unified COGS* and are on track to deliver the full year target of 20% with an exit rate of c.30%. By year end we will have significantly reduced the number of global suppliers and SKUs, relating to the 20% unified COGS target, by around 80%, but are still offering customers similar breadth of choice. In H1 we landed our first unique ranges (outdoor & bathroom).

Sales of categories that have been unified were impacted by last year's B&Q store closures. Despite this, unified and unique sales, excluding clearance, were broadly flat compared to last year. Including clearance, they were only slightly down on last year. The new bathroom ranges which have been widely implemented (except the UK where they are launching now), are outperforming old ranges with improving sales trends. We have also received positive feedback from both colleagues and customers about these ranges.

Cost of change (including clearance) and CPR remain in-line with expectations and we remain confident in our target to deliver £350m annual profit uplift by FY 20/21, which broadly equates to a 5% reduction in cost of goods sold. Group gross margins were flat in H1 but were up 0.3% before clearance of old ranges.

2. Driving our digital capability

Implementation of a unified IT system is a key enabler of our ONE Kingfisher plan. It will also provide a significant opportunity, with a seamless and stronger digital offer for our customers, to substantially increase sales and digital penetration. This is expected to generate £50m annual profit uplift by FY 20/21.

FY 17/18 strategic milestone:

- *Deliver Year 2 of 3 year unified IT platform roll out alongside Brilliant Basics*

This involves investing in our core e-commerce platforms, enabled by the new unified IT infrastructure, and leveraging our Screwfix best-in-class capability covering e.g. upweighted digital marketing, improved site search and new checkout.

The unified IT rollout remains on track to be completed by the end of FY 18/19. During H1 we implemented all Castorama France stores with back office and supply chain to be completed in Q1 2018, meaning that by the end of FY 17/18 over 50% of Group sales will be operating on the new platform. We will also start implementation at Brico Dépôt France in H2.

Our Brilliant Basics initiatives continue to progress well. We have now built a new group mobile platform, which will be launching soon at B&Q, and we are on track to re-launch the new castorama.fr website in H2 with mobile to follow shortly after. One hour click & collect is now available in all B&Q stores. Total group online sales* are now at 5%, up from 4% last year.

3. Optimising our operational efficiency

The main driver will come from unifying as ONE the c.£1bn annual spend on GNFR. This programme is a combination of cost savings, and an opportunity to work in a simpler and more effective way across the business, and is expected to generate £100m annual profit uplift by FY20/21.

FY 17/18 strategic milestone:

- *Deliver a further £20m benefits from unified GNFR programme*

Having achieved £30m of cost savings in FY 16/17, in H1 17/18 we delivered a further £10m benefit. This included categories such as media buying, moving to a global supplier for the first time; standardising the way we operate (e.g. security, mechanical handling equipment); and several local retenders consolidating the number of suppliers. We have now raised our FY 17/18 target benefit to c.£25m (from up to c.£20m previously).

Adapting our transformation approach as we progress

Aware of the challenges this year given the significant increase in the level of transformation activity, we continue to adapt our approach as our transformation progresses.

During H1 we experienced some business disruption principally reflecting product availability issues and the clearance of old ranges. We estimate a c.2% LFL impact from business disruption during H1. Availability of this year's unified and unique ranges has improved during H1 and is now approaching normal levels.

The root causes of this disruption relate to the combined impact of:

- Clearing of old ranges and remerchandising of new ranges as we physically impact 25% of our company wide store space this year (with a lot more change to come in H2)
- Systems and data - the roll out of our unified IT platform remains on track, however the implementation process applies stress to some of the business functions
- New processes - transitioning to new ways of working takes time e.g. our new Offer and Supply Chain organisation has only been in place for around a year, working as ONE team with unified global functions with new processes and accountabilities for the first time

We are acting on these root causes of business disruption and we are adapting our approach as we progress. Given the increased level of change, we have appointed Steve Willett as Chief Transformation Officer, and we are prioritising the multiple transformation workstreams with a new phased approach e.g.

- to prioritise the larger operating companies first and to enable their earlier launch of a stronger digital offer, the roll out of our unified IT platform is being re-phased, to commence their implementation in H2 17/18 instead of FY 18/19
- having reviewed the phasing of our initial unified COGS roll out plans for the next two years, and whilst maintaining our 90% target for FY 20/21, we have decided to smooth the profile for FY 18/19 and FY 19/20, moving from 55% to 40% and from 80% to 65% respectively

Summary & outlook

We are on track to achieve our FY 17/18 strategic milestones and our FY 20/21 targets remain unchanged. However, we have experienced some business disruption reflecting the significant increase in transformation activity. We understand and are acting on the root causes, continuing to have a flexible approach, adapting as necessary as our transformation progresses.

We always recognised that this year would be challenging and we already have self-help plans in place to support our overall FY 17/18 performance. We therefore remain comfortable with consensus full year expectations [(1)] though remain cautious on the backdrop for the second half in the UK and France, as previously guided.

Section 2: Trading review by division

Note: all commentary below is in constant currencies

UK & IRELAND

£m	2017/18	2016/17	% Reported Change	% Constant Currency Change	% LFL Change
Sales	2,602	2,609	(0.3)%	(0.4)%	+1.1%
Retail profit	215	211	+1.7%	+1.7%	

Kingfisher UK & Ireland sales were down 0.4% (+1.1% LFL) to £2,602 million reflecting the impact of B&Q store closures last year and transformation business disruption, offset by the continued strong Screwfix performance and modest price inflation. Retail profit grew by 1.7% to £215 million. Gross margins were flat and focus on cost control continued.

B&Q total sales declined by 6.3% to £1,875 million reflecting annualisation of the completed store closure programme. LFL sales declined by 2.3% after a c.1% benefit from sales transference associated with the store closures. LFL sales of seasonal products were down 1.0% while sales of non-seasonal products, including showroom, were down 2.8%.

B&Q's click & collect is now available on over 34,000 products. Total online sales, including home delivery, continued to make good progress with sales growing by 17% and now representing 4% of total sales.

Screwfix grew total sales by 18.7% (+11.7% LFL) to £727 million, driven by strong growth from the specialist trade desks exclusive to plumbers and electricians, strong digital growth (e.g. mobile +109%; click & collect +47%); and the continued roll out of new outlets. 16 net new outlets were opened in H1, taking the total to 533.

FRANCE

£m	2017/18	2016/17	% Reported Change	% Constant Currency Change	% LFL Change
Sales	2,273	2,175	+4.5%	(4.1)%	(4.6)%
Retail profit	174	187	(6.9)%	(14.6)%	

Kingfisher France sales decreased by 4.1% (-4.6% LFL) to £2,273 million reflecting continuing weaker performance versus the market and the impact of transformation business disruption. According to Banque de France data*, sales for the home improvement market were down 0.2%.

Castorama total sales declined by 3.1% (-3.5% LFL) to £1,255 million. LFL sales of outdoor seasonal products were down 2.3% and sales of non-seasonal, including showroom, were down 4.2%. **Brico Dépôt** total sales declined by 5.4% (-5.9% LFL) to £1,018 million. Across the two businesses, one net new store was opened and one store was revamped, adding 0.6% new space.

By the end of next year, our ONE Kingfisher plan will renew our customer proposition as over half of France's offer will be unified and unique. In H1 this year, we have already seen good early customer feedback to our first unique bathroom furniture ranges, with sales up nearly 30%. Some of the CPR benefits are being reinvested in price, supporting our goal of making home improvement more affordable for customers. Lower prices are starting to resonate with customers and customer price perception has improved compared to last year. In addition, we remain on track to complete the roll out of the unified IT platform in Castorama France in early 2018. It is now in all stores with back office underway, enabling us to build a stronger digital offer, starting with a new website in H2 followed shortly after by the new mobile platform.

Retail profit decreased by 14.6% to £174 million, reflecting the weaker sales, slightly lower gross margins (-30 basis points) partly offset by continued focus on cost control.

OTHER INTERNATIONAL

£m	2017/18	2016/17	% Reported Change	% Constant Currency Change	% LFL Change
Sales	1,133	965	+17.4%	+2.7%	+0.3%

Retail profit				
Other International (established)	88	77	+15.7%	+3.7%
New Country Development*	(10)	(11)	n/a	n/a
Total	78	66	+17.4%	+4.7%

Other International total sales increased by 2.7% (+0.3% LFL) to £1,133 million and retail profit increased by 4.7% to £78 million, driven by Poland. During H1 one store was closed in Poland due to a relocation.

Other International (established):

Sales in **Poland** were up 5.7% (+3.8% LFL) to £694 million reflecting a continued good performance in a supportive market. LFL sales of seasonal products were down 1.5% with sales of non-seasonal, including showroom, up 4.9%. Gross margins were slightly down (-20 basis points). Retail profit grew by 2.9% to £84 million.

In **Russia** sales declined by 4.6% (-9.1% LFL) to £196 million. The business delivered a loss of £3 million (2016/17: breakeven reported retail profit) reflecting weaker sales in a challenging environment. In **Spain** sales decreased by 4.9% (-3.2% LFL) to £169 million, delivering a £4 million retail profit (2016/17: £3 million reported retail profit). **Turkey,** Kingfisher's 50% JV, Koçtaş, contributed retail profit of £3 million (2016/17: £1 million reported retail profit).

New Country Development:

New Country Development includes operations in Romania, Portugal and Germany. Sales were £74 million with losses of £10 million (2016/17: £11 million reported retail loss). In August 2017, we entered into a binding acquisition agreement, subject to regulatory approval, to significantly strengthen our position in Romania.

Section 3: FY 2017/18 Technical guidance

Employee, new stores and space growth:

	Employees (FTE) at 31 Jul 2017	Store Numbers at 31 Jul 2017	Sales area [1] (000s m²) at 31 Jul 2017	Net new stores FY 2017/18	Space % change FY 2017/18
B&Q UK & Ireland	18,101	296	2,222	1	+0.1%
Screwfix	7,299	533	32	60	+8.7%
UK & Ireland	**25,400**	**829**	**2,254**	**61**	**+0.2%**
Castorama	12,669	102	1,255	-	+0.6%[2]
Brico Dépôt	7,454	120	837	2	+1.4%
France	**20,123**	**222**	**2,092**	**2**	**+0.9%**
Poland	11,041	74	631	1	+2.3%
Portugal	161	3	20	-	-
Romania	964	15	114	-	-
Russia	3,232	21	211	(1)	(3.9)%
Spain	1,524	28	175	-	-
Screwfix Germany	181	19	1	-	-
Other International	**17,103**	**160**	**1,152**	**-**	**+0.6%**
Total	**62,626**	**1,211**	**5,498**	**63**	**+0.5%**

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

(2) Includes one closure and one opening

Income statement:

- Broadly flat gross margin assuming Unified & Unique Offer CPR benefits are offset by some price reinvestment and clearance
- Underlying profit expected to include a further c.£25m operational efficiency benefits (previously c.£20m)
- Total 5 year transformation costs £800m
    - Transformation P&L costs of c.£310m over 5 years to FY 2020/21, to be mostly incurred over first 3 years. FY 2017/18 expected to be c.£130m (previously £150m)
    - Transformation exceptional costs of c.£170m over 5 years to FY 2020/21, to be incurred over first 4 years. FY 2017/18 transformation exceptional costs expected to be c.£30m
- c.1% B&Q LFL sales transference benefit from B&Q store closures
- Retail losses from new country development activity expected to be c.£15m driven by Screwfix Europe*
- Group interest charge expected to be less than £5m (excluding FFVR* and exceptionals)
- Effective tax rate expected to be around 27%, subject to the blend of profit within the companies' various jurisdictions

Cash flow:

- Total capex including transformation of up to £375m for FY 2017/18 (previously up to £450m)
- Capital return of c.£600m by the end of FY 2018/19 expected to be via share buyback (£400m completed to date)

Section 4: HY 2017/18 Financial review

A summary of the reported financial results for the half year ended 31 July 2017 is set out below:

	2017/18	2016/17	% Reported Change	% Constant Currency Change
Sales	**£6,008m**	£5,749m	+4.5%	(1.3)%
Retail profit	**£467m**	£464m	+0.5%	(4.6)%
Underlying pre-tax profit	**£440m**	£436m	+0.9%	
Transformation P&L costs [(1)]	**£46m**	£18m	n/a	
Adjusted pre-tax profit	**£394m**	£418m	(5.7)%	
Statutory pre-tax profit	**£402m**	£427m	(5.9)%	
Exceptional items (post-tax) [(1)]	**£7m**	£9m	n/a	
Underlying basic earnings per share	**14.5p**	14.2p	+2.1%	
Adjusted basic earnings per share	**13.0p**	13.6p	(4.4)%	
Basic earnings per share	**13.3p**	14.1p	(5.7)%	
Dividends - half year ordinary	**3.33p**	3.25p	+2.5%	
Effective tax rate	**27%**	26%		
Net cash	**£650m**	£898m		
Capital return - share buyback	**£149m**	£126m		

[(1)] Kingfisher separately reports exceptional items and transformation 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** declined by 1.3%, on a constant currency basis, to £6.0 billion, with LFL sales down 1.3%. On a reported rate basis, which includes the impact of exchange rates, sales increased by 4.5%. During H1, sales growth benefited from 17 net new stores, driven by 16 Screwfix outlet openings in the UK, offset by the annualisation impact from the completed B&Q store closure programme.

Reported **retail profit** increased by 0.5% including £25 million of favourable foreign exchange movement on translating foreign currency results into sterling. In constant currencies, retail profit declined by 4.6%, with strong growth at Screwfix and good growth in Poland offset by ONE Kingfisher business disruption and continued weakness in France.

Underlying pre-tax profit, which excludes the impact of transformation P&L costs and exceptional items and FFVR, increased by 0.9%, to £440 million.

Adjusted pre-tax profit, which excludes the impact of exceptional items and FFVR, decreased by 5.7% to £394 million, reflecting £46 million of transformation P&L costs.

Statutory pre-tax profit, which includes the impact of transformation costs, exceptional items and FFVR, decreased by 5.9% to £402 million. A reconciliation from the underlying basis to the statutory basis for pre-tax profit is set out below:

	2017/18 £m	2016/17 £m	Change
Retail profit	**467**	464	+0.5%
Central costs	**(25)**	(22)	n/a
Share of interest and tax of joint ventures & associates	**(3)**	(2)	n/a
Finance costs before exceptional items & financing fair value remeasurements (FFVR)	**1**	(4)	n/a
Underlying pre-tax profit	**440**	436	+0.9%
Transformation P&L costs	**(46)**	(18)	n/a
Adjusted pre-tax profit	**394**	418	(5.7)%
FFVR	**-**	(2)	
Profit before exceptional items and tax	**394**	416	(5.3)%
Exceptional items before tax	**8**	11	n/a
Statutory pre-tax profit	**402**	427	(5.9)%

Transformation P&L costs of £46 million principally relate to the unified and unique offer range implementation and the digital strategic pillar.

Exceptional items (post tax) were a net gain of £7 million (2016/17: £9 million gain) as detailed below:

	2017/18 £m	2016/17 £m
Transformation exceptional costs	**(5)**	(1)
UK & Ireland and Europe restructuring	**13**	9
Profit on disposal of B&Q China	**-**	3
Exceptional items before tax	**8**	11
Exceptional tax items	**(1)**	(2)
Net exceptional items	**7**	9

Transformation exceptional costs of £5 million have been recorded in the period driven by changes associated with the new Offer and Supply Chain organisation, and other restructuring and efficiency costs in the UK relating to the Group's five year transformation programme.

UK & Ireland and Europe restructuring - as previously announced, the total store rationalisation programme was originally expected to give rise to an exceptional charge of around £350 million, relating principally to onerous lease provisions. This was to cover the closure of 65 B&Q stores, which is now complete, and the closure of around 10 European loss-making stores, which remains ongoing. In Q1 2016/17, B&Q entered into a lease liability transaction with a third party to dispose of any remaining leases, the success of which is expected to result in a lower total net exceptional charge of around £300 million, having so far recognised £277 million.

Underlying basic earnings per share grew by 2.1% to 14.5p, which excludes the impact of transformation costs, exceptional items, FFVR and the effect of prior year tax items. **Adjusted basic earnings per share** decreased by 4.4% to 13.0p (2016/17: 13.6p), which excludes the impact of exceptional items, FFVR and prior year tax items. **Basic earnings per share** decreased by 5.7% to 13.3p (2016/17: 14.1p) as set out below:

	2017/18		2016/17	
	Earnings £m	**EPS pence**	Earnings £m	EPS Pence
Underlying basic earnings per share	**322**	**14.5**	323	14.2
Transformation P&L costs (net of tax)	**(34)**	**(1.5)**	(13)	(0.6)
Adjusted basic earnings per share	**288**	**13.0**	310	13.6
Net exceptional items	**7**	**0.3**	9	0.4
Prior year tax items	**-**	**-**	4	0.2
FFVR (net of tax)	**-**	**-**	(2)	(0.1)
Basic earnings per share	**295**	**13.3**	321	14.1

Dividends and capital returns

The Board has declared an interim dividend of 3.33p, an increase of 2.5% (2016/17: 3.25p). We continue to be comfortable with medium term dividend cover in the range of 2.0 to 2.5 times based on adjusted basic earnings per share, a level the Board believes is prudent and consistent with the capital needs of the business.

The interim dividend will be paid on 10 November 2017 to shareholders on the register at close of business on 6 October 2017. 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 5 October 2017. For those shareholders electing to receive the DRIP the last date for receipt of election is 20 October 2017.

On 25 January 2016 Kingfisher announced its intention to return around £600 million of surplus capital to shareholders in the following three financial years. During FY 2016/17 £200 million of shares (58 million) were repurchased via share buyback. During H1 2017/18 £149 million of shares (46 million) were repurchased via share buyback with a further £51 million of shares (17 million) since 31 July. Cumulatively therefore, £400 million of shares (121 million) have now been repurchased.

Taxation

The adjusted effective rate of tax, calculated on the best estimate of full year profit before exceptional items, prior year tax adjustments and the impact of rate changes is 27% (2016/17: 26%). The overall rate of tax includes the impact of exceptional items and prior year adjustments.

Effective tax rate calculation	**Profit £m**	**Tax £m**	**2017/18 %**	2016/17 %
Profit before tax and exceptional items	394	(106)	27%	26%
Exceptional items	8	(1)		
Prior year items		-		
Total	**402**	**(107)**	**27%**	25%

The statutory rates for the Group's main operating companies during FY 2017/18 are:

- UK: 19%
- France: 34%
- Poland: 19%

The Group's effective tax rate is sensitive to the blend of tax rates and profits in the Group's various jurisdictions. The effective rate of tax is higher than the UK statutory rate because of the amount of Group profit that is earned in higher tax jurisdictions.

During the period, and following an assessment by the French Tax Authority, the Group entered into a bank guarantee for €49 million in respect of a contingent tax liability, which we believe is unlikely to materialise. Further details are provided in note 17 of the half year condensed financial statements (part 2 of this announcement).

Free cash flow*

A reconciliation of free cash flow is set out below:

	2017/18 £m	2016/17 £m
Operating profit	**401**	439
Exceptional items	**(8)**	(17)
Operating profit (before exceptional items)	**393**	422
Other non-cash items[(1)]	**143**	140
Change in working capital	**39**	200
Pensions and provisions	**(19)**	(21)
Operating cash flow	**556**	741
Net interest paid	**(1)**	(4)
Tax paid	**(99)**	(63)
Gross capital expenditure	**(129)**	(141)
Free cash flow	**327**	533
Ordinary dividends paid	**(159)**	(157)
Share buyback	**(149)**	(126)
Disposal of B&Q China (net of disposal costs)	**-**	63
Disposal of assets and other[(2)]	**(56)**	(37)
Net cash flow	**(37)**	276
Opening net cash	**641**	546
Other movement including foreign exchange	**46**	76
Closing net cash	**650**	898

[(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 (excluding property disposals), principally relating to B&Q closures and issue of shares

Net cash at the end of the period was £650 million (H1 2016/17: £898 million net cash; FY 2016/17: £641 million net cash). Free cash flow of £327 million was generated in the period, a decrease of £205 million against the prior period, largely reflecting lower working capital inflow during the period.

Gross capital expenditure for H1 was £129 million (2016/17: £141 million). Of this 30% was invested in refreshing and maintaining existing stores, 11% on new stores, 28% on IT and digital development and 26% on the transformation.

Of free cash flow, £308 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 period with £650 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 current accounting standards does not appear on the balance sheet. The ratio of the Group's lease adjusted net debt (capitalising leases at 8 times annual rent) to EBITDAR* on a moving annual total basis is 1.8 times as at 31 July 2017. 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:

	2017/18 Moving annual total £m	2016/17 Year end £m
EBITDA*	**981**	1,008
Property operating lease rentals	**400**	399
EBITDAR	**1,381**	1,407
Net cash	**(650)**	(641)
Property operating lease rentals (8x)[(1)]	**3,200**	3,192
Lease adjusted net debt	**2,550**	2,551
Lease adjusted net debt to EBITDAR	**1.8**	1.8

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

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. On 25 January 2016, Kingfisher announced its intention to return around £600 million of surplus capital to shareholders during the three years to FY 2018/19, of which £400 million has now been returned. Based on our cash flow expectations for the remainder of this period, we do not expect to return more than the original guidance of £600 million.

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.

The Group has two committed facilities: £400 million that expires in November 2018 and £225 million that expires in March 2022. Both were undrawn at 31 July 2017. The next significant debt maturity is in May 2018 when the Group is required to repay US Private Placement debt with a notional value of $179 million.

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

Acquisitions

On 1 August 2017, the Group signed an agreement to purchase 100% of the shares in Praktiker Romania SRL, a Romanian home improvement company. Subject to regulatory approval, the transaction is expected to complete towards the end of FY 2017/18.

Pensions

At the period end, the Group had a net surplus of £119 million (£131 million net surplus at 31 January 2017) in relation to defined benefit pension arrangements, of which a £236 million surplus (£239 million surplus at 31 January 2017) was in relation to the UK scheme. This accounting valuation is sensitive to a number of assumptions and market rates which are likely to fluctuate in the future.

Risks

The principal risks and uncertainties have been reviewed and updated as part of our half year procedures and are listed below:

- We fail to manage the transformation of organising Kingfisher as a more unified company with a unified customer offer rather than a collection of individual businesses, impacting the delivery of the anticipated benefits and disrupting the underlying business
- We fail to deliver the benefits of a more unified and unique offer and standardised activities and processes
- A lack of actual or perceived price competitiveness, particularly when compared to more discount based or online competitors, would affect our ability to maintain or grow market share
- We fail to deliver our sustainability targets due to not integrating our sustainability plan into the day-to-day operations of the business
- We fail to create a culture of innovation in our offer, format and digital channels to stimulate consumer spend and deliver desired sales growth
- Our investments fail to deliver value to the Company
- Our Unified IT platform fails to deliver the requirements in line with the plan needed to enable and support the delivery of the Company strategy
- We fail to identify and maximise potential cost reductions and efficiency savings
- We do not make the necessary investment in our people to ensure that we have the appropriate capacity, skills and experience
- Geopolitical uncertainty, the resilience of the global economy and volatility within the UK market as a consequence of Brexit, may impact both consumer confidence and the long-term sustainability and capabilities of our supplier base
- We fail to maintain a safe environment for our customers and store colleagues which results in a major incident or fatality that is directly attributable to a failure in our health and safety management systems
- Kingfisher's reputation and brand are affected by a major environmental or ethical failure, major corporate issue or crisis, a significant corporate fraud or material non-compliance with legislative or regulatory requirements resulting in punitive or custodial procedures

Further details of the Group risks and risk management process can be found on pages 38 to 46 of the 2016/17 Annual Report and Accounts.

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

Adjusted measures are before exceptional items, FFVR, amortisation of acquisition intangibles, related tax items and tax on prior year items including the impact of rate changes on deferred tax.

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.

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

BAU (business as usual) refers to activity without the transformation. When referring to our performance, we would expect this to be broadly in line with the macroeconomic backdrop in our respective markets.

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

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.

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.

FFVR (financing fair value remeasurements) represents fair value fluctuations from financial instruments.

France consists of Castorama France and Brico Dépôt France.

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

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

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

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

New Country Development consists of Screwfix Europe, Portugal and Romania.

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

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

Retail profit is our operating profit measure used to report the performance of the underlying retail businesses including the sustainable benefits of our transformation programme. This is stated before central costs, transformation costs, exceptional items and the Group's share of interest and tax of JVs and associates.

Screwfix Europe refers to Screwfix outside of UK in continental Europe.

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

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

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).

Underlying earnings per share is used to report the performance of the underlying business at a Group level, including the sustainable benefits of our transformation programme. This is stated before the short-term costs associated with our transformation programme, exceptional items and FFVR, related tax items and prior year tax items.

Underlying pre-tax profit is used to report the performance of the underlying business at a Group level, including the sustainable benefits of our transformation programme. This is stated before the short-term costs associated with our transformation programme, exceptional items and FFVR.

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 Half Year ended 31 July 2017. 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.

Kingfisher plc

2017/18 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED INCOME STATEMENT

£ millions	Notes	Half year ended 31 July 2017 Before exceptional items	Half year ended 31 July 2017 Exceptional items (note 5)	Half year ended 31 July 2017 Total	Half year ended 31 July 2016 Before exceptional items	Half year ended 31 July 2016 Exceptional items (note 5)	Half year ended 31 July 2016 Total
Sales	4	**6,008**	**–**	**6,008**	5,749	–	5,749
Cost of sales		**(3,798)**	**–**	**(3,798)**	(3,623)	–	(3,623)
Gross profit		**2,210**	**–**	**2,210**	2,126	–	2,126
Selling and distribution expenses		**(1,439)**	**13**	**(1,426)**	(1,386)	15	(1,371)
Administrative expenses		**(390)**	**(5)**	**(395)**	(326)	(1)	(327)
Other income		**11**	**–**	**11**	9	3	12
Share of post-tax results of joint ventures and associates		**1**	**–**	**1**	(1)	–	(1)
Operating profit		**393**	**8**	**401**	422	17	439
Finance costs		**(8)**	**–**	**(8)**	(13)	(6)	(19)
Finance income		**9**	**–**	**9**	7	–	7
Net finance income/(costs)	6	**1**	**–**	**1**	(6)	(6)	(12)
Profit before taxation		**394**	**8**	**402**	416	11	427
Income tax expense	7	**(106)**	**(1)**	**(107)**	(104)	(2)	(106)
Profit for the period		**288**	**7**	**295**	312	9	321

	Notes	Half year ended 31 July 2017	Half year ended 31 July 2016
Earnings per share	8		
Basic		**13.3p**	14.1p
Diluted		**13.3p**	14.1p
Adjusted basic		**13.0p**	13.6p
Adjusted diluted		**13.0p**	13.6p
Underlying basic		**14.5p**	14.2p
Underlying diluted		**14.5p**	14.2p

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

	Half year ended 31 July 2017	Half year ended 31 July 2016
Underlying pre-tax profit	**440**	436
Transformation costs before exceptional items	**(46)**	(18)
Adjusted pre-tax profit	**394**	418
Financing fair value remeasurements	**–**	(2)
Exceptional items	**8**	11
Profit before taxation	**402**	427

The proposed interim ordinary dividend for the period ended 31 July 2017 is 3.33p per share.

Kingfisher plc

2017/18 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED INCOME STATEMENT

		Year ended 31 January 2017		
£ millions	Notes	Before exceptional items	Exceptional items (note 5)	Total
Sales	4	11,225	–	11,225
Cost of sales		(7,050)	–	(7,050)
Gross profit		4,175	–	4,175
Selling and distribution expenses		(2,758)	21	(2,737)
Administrative expenses		(687)	(5)	(692)
Other income		19	7	26
Share of post-tax results of joint ventures and associates		1	–	1
Operating profit		750	23	773
Finance costs		(21)	(6)	(27)
Finance income		13	–	13
Net finance costs	6	(8)	(6)	(14)
Profit before taxation		742	17	759
Income tax expense	7	(143)	(6)	(149)
Profit for the year		599	11	610
Earnings per share	8			
Basic				27.1p
Diluted				27.0p
Adjusted basic				24.4p
Adjusted diluted				24.3p
Underlying basic				25.9p
Underlying diluted				25.8p

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

Underlying pre-tax profit	787
Transformation costs before exceptional items	(44)
Adjusted pre-tax profit	743
Financing fair value remeasurements	(1)
Exceptional items	17
Profit before taxation	759

Kingfisher plc

2017/18 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

£ millions	Notes	Half year ended 31 July 2017	Half year ended 31 July 2016	Year ended 31 January 2017
Profit for the period		**295**	321	610
Actuarial losses on post-employment benefits	11	**(21)**	(87)	(50)
Tax on items that will not be reclassified		**5**	29	11
Total items that will not be reclassified subsequently to profit or loss		**(16)**	(58)	(39)
Currency translation differences				
Group		**137**	304	390
Joint ventures and associates		**1**	2	(1)
Cash flow hedges				
Fair value (losses)/gains		**(37)**	26	52
Gains transferred to inventories		**(14)**	(18)	(60)
Available-for-sale financial assets				
Fair value gains		**–**	5	5
Transferred to income statement		**–**	(7)	(7)
Tax on items that may be reclassified		**12**	1	2
Total items that may be reclassified subsequently to profit or loss		**99**	313	381
Other comprehensive income for the period		**83**	255	342
Total comprehensive income for the period		**378**	576	952

Kingfisher plc

2017/18 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

£ millions	Share capital	Share premium	Own shares held	Retained earnings	Other reserves (note 13)	Total equity
At 1 February 2017	**352**	**2,221**	**(23)**	**3,837**	**384**	**6,771**
Profit for the period	**–**	**–**	**–**	**295**	**–**	**295**
Other comprehensive income for the period	**–**	**–**	**–**	**(16)**	**99**	**83**
Total comprehensive income for the period	**–**	**–**	**–**	**279**	**99**	**378**
Share-based compensation	**–**	**–**	**–**	**12**	**–**	**12**
New shares issued under share schemes	**–**	**2**	**–**	**–**	**–**	**2**
Own shares issued under share schemes	**–**	**–**	**4**	**(4)**	**–**	**–**
Purchase of own shares for cancellation	**(7)**	**–**	**–**	**(200)**	**7**	**(200)**
Dividends (note 9)	**–**	**–**	**–**	**(159)**	**–**	**(159)**
At 31 July 2017	**345**	**2,223**	**(19)**	**3,765**	**490**	**6,804**
At 1 February 2016	361	2,218	(24)	3,637	(6)	6,186
Profit for the period	–	–	–	321	–	321
Other comprehensive income for the period	–	–	–	(58)	313	255
Total comprehensive income for the period	–	–	–	263	313	576
Share-based compensation	–	–	–	9	–	9
New shares issued under share schemes	–	1	–	–	–	1
Own shares issued under share schemes	–	–	6	(5)	–	1
Purchase of own shares for cancellation	(6)	–	–	(111)	6	(111)
Dividends (note 9)	–	–	–	(157)	–	(157)
At 31 July 2016	355	2,219	(18)	3,636	313	6,505
At 1 February 2016	361	2,218	(24)	3,637	(6)	6,186
Profit for the year	–	–	–	610	–	610
Other comprehensive income for the year	–	–	–	(39)	381	342
Total comprehensive income for the year	–	–	–	571	381	952
Share-based compensation	–	–	–	15	–	15
New shares issued under share schemes	–	3	–	–	–	3
Own shares issued under share schemes	–	–	7	(6)	–	1
Purchase of own shares for cancellation	(9)	–	–	(150)	9	(150)
Purchase of own shares for ESOP trust	–	–	(6)	–	–	(6)
Dividends (note 9)	–	–	–	(230)	–	(230)
At 31 January 2017	352	2,221	(23)	3,837	384	6,771

Kingfisher plc

2017/18 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED BALANCE SHEET

£ millions	Notes	At 31 July 2017	At 31 July 2016	At 31 January 2017
Non-current assets				
Goodwill		**2,400**	2,399	2,399
Other intangible assets	10	**332**	290	308
Property, plant and equipment	10	**3,657**	3,433	3,589
Investment property	10	**21**	23	24
Investments in joint ventures and associates		**25**	24	23
Post-employment benefits	11	**236**	178	239
Deferred tax assets		**29**	17	28
Derivative assets	12	**–**	51	54
Other receivables		**9**	7	8
		6,709	6,422	6,672
Current assets				
Inventories		**2,522**	2,154	2,173
Trade and other receivables		**545**	566	551
Derivative assets	12	**71**	76	36
Current tax assets		**1**	11	6
Cash and cash equivalents		**776**	1,134	795
Assets held for sale		**–**	5	–
		3,915	3,946	3,561
Total assets		**10,624**	10,368	10,233
Current liabilities				
Trade and other payables		**(2,906)**	(2,733)	(2,495)
Borrowings	12	**(160)**	(132)	(14)
Derivative liabilities	12	**(36)**	(13)	(26)
Current tax liabilities		**(133)**	(116)	(141)
Provisions		**(31)**	(95)	(63)
		(3,266)	(3,089)	(2,739)
Non-current liabilities				
Other payables		**(56)**	(52)	(50)
Borrowings	12	**(31)**	(181)	(184)
Deferred tax liabilities		**(279)**	(322)	(282)
Provisions		**(71)**	(119)	(99)
Post-employment benefits	11	**(117)**	(100)	(108)
		(554)	(774)	(723)
Total liabilities		**(3,820)**	(3,863)	(3,462)
Net assets		**6,804**	6,505	6,771
Equity				
Share capital		**345**	355	352
Share premium		**2,223**	2,219	2,221
Own shares held in ESOP trust		**(19)**	(18)	(23)
Retained earnings		**3,765**	3,636	3,837
Other reserves	13	**490**	313	384
Total equity		**6,804**	6,505	6,771

The interim financial report was approved by the Board of Directors on 19 September 2017 and signed on its behalf by:

Véronique Laury, Chief Executive Officer

Karen Witts, Chief Financial Officer

Kingfisher plc

2017/18 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED CASH FLOW STATEMENT

£ millions	Notes	Half year ended 31 July 2017	Half year ended 31 July 2016	Year ended 31 January 2017
Operating activities				
Cash generated by operations	14	**497**	697	925
Income tax paid		**(99)**	(63)	(144)
Net cash flows from operating activities		**398**	634	781
Investing activities				
Purchase of property, plant and equipment and intangible assets		**(129)**	(141)	(406)
Disposal of property, plant and equipment, investment property and assets held for sale		**1**	5	20
Proceeds on disposal of B&Q China	16	**–**	63	63
Decrease in short-term deposits		**–**	70	70
Interest received		**6**	3	5
Net cash flows used in investing activities		**(122)**	–	(248)
Financing activities				
Interest paid		**(6)**	(6)	(10)
Interest element of finance lease rental payments		**(1)**	(1)	(2)
Repayment of bank loans		**(3)**	(2)	(2)
Repayment of fixed term debt		**–**	(47)	(47)
Receipt on financing derivatives		**–**	10	10
Capital element of finance lease rental payments		**(6)**	(7)	(12)
New shares issued under share schemes		**2**	1	3
Own shares issued under share schemes		**–**	1	1
Purchase of own shares for ESOP trust		**–**	–	(6)
Purchase of own shares for cancellation		**(149)**	(126)	(200)
Ordinary dividends paid to equity shareholders of the Company	9	**(159)**	(157)	(230)
Net cash flows from financing activities		**(322)**	(334)	(495)
Net (decrease)/increase in cash and cash equivalents and bank overdrafts		**(46)**	300	38
Cash and cash equivalents and bank overdrafts at beginning of period		**795**	654	654
Exchange differences		**19**	63	103
Cash and cash equivalents and bank overdrafts at end of period	15	**768**	1,017	795

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

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

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

The interim financial report does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Audited statutory accounts for the year ended 31 January 2017 were approved by the Board of Directors on 21 March 2017 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 19 September 2017.

2. Basis of preparation

The interim financial report for the six months ended 31 July 2017 ('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 2017, 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, '2016/17' refers to the six months ended 31 July 2016.

Going concern

The Directors of Kingfisher plc, having made appropriate enquiries, consider that adequate resources exist for the Group to continue in operational existence and that, therefore, it is appropriate to adopt the going concern basis in preparing the condensed consolidated financial statements for the half year ended 31 July 2017.

Changes in accounting policies and estimates

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

There are no new standards, amendments or interpretations which are mandatory for the first time for the half year ended 31 July 2017 that are relevant or material for the Group.

Amendments to IAS 7, 'Statement of Cash Flows' will be effective for the Group's annual financial statements for the year ended 31 January 2018, requiring additional disclosures relating to movements in liabilities associated with financing activities.

The following new standards will be effective for the Group's 2018/19 financial year:

IFRS 9, 'Financial Instruments' supersedes IAS 39 'Financial Instruments: Recognition and Measurement' and changes some requirements for the measurement and classification of financial instruments, impairment of financial assets and certain elements of hedge accounting. A high-level assessment of the standard has been undertaken, and it is not expected that it will have a material effect on the Group's financial statements, except for additional disclosures relating to hedge accounting, credit risk management and impairment of financial assets.

IFRS 15, 'Revenue from Contracts with Customers' supersedes 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. As the majority of the Group's revenue is recognised at the point of sale, it is not expected that the new standard will have a material effect on its financial statements or the amount, timing or nature of revenue recognised by the Group.

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

IFRS 16, 'Leases' supersedes IAS 17 'Leases'. It has not yet been endorsed by the European Union. The most significant changes are in relation to lessee accounting. Under IFRS 16 the lessee will recognise a right-of-use asset and a lease liability for all leases currently accounted for as operating leases, with the exception of leases for a short period (less than 12 months) and those for items of low value. The asset will be depreciated over the term of the lease, whilst interest will be charged on the liability over the same period. The Group anticipates that the adoption of IFRS 16 will have a significant impact on the primary financial statements, including an impact on the operating profit, profit before tax, total assets and total liabilities lines. The impact of the standard on the Group is currently being assessed and therefore it is not yet practicable to provide a full estimate of its effect. The undiscounted amount of the Group's operating lease commitments at 31 January 2017 disclosed under IAS 17, the current leasing standard, was £3.4 billion.

Other new standards 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

	Half year ended 31 July 2017		Half year ended 31 July 2016		Year ended 31 January 2017	
	Average rate	Period end rate	Average rate	Period end rate	Average rate	Year end rate
Euro	**1.16**	**1.12**	1.26	1.19	1.21	1.16
US Dollar	**1.27**	**1.31**	1.41	1.31	1.34	1.26
Polish Zloty	**4.91**	**4.76**	5.51	5.18	5.28	5.03
Russian Rouble	**73.57**	**77.75**	96.27	87.74	87.98	75.72

Risks and uncertainties

The principal risks and uncertainties to which the Group is exposed are set out on pages 38-46 of the Kingfisher plc Annual Report and Accounts for the year ended 31 January 2017. These have been reviewed and updated as part of the Group's half year procedures and are listed in the Financial Review.

Use of non-GAAP measures

In the reporting of financial information, the Group uses certain measures that are not required under IFRS, the generally accepted accounting principles ('GAAP') under which the Group reports. Kingfisher believes that retail profit, underlying pre-tax profit, adjusted pre-tax profit, 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, 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', '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, exceptional items and amortisation of acquisition intangibles. It includes the sustainable benefits of the transformation programme. Central costs principally comprise the costs of the Group's head office before transformation costs.

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 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 programme 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, amortisation of acquisition intangibles, 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 short-term additional costs that arise only as a result of the transformation programme 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 programme.

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 cash comprises cash and cash equivalents and short-term deposits less borrowings and financing derivatives (excluding accrued interest).

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 January 2017, as described in note 2 of those financial statements. The critical accounting estimates and judgements are set out in note 3 of the annual financial statements for the year ended 31 January 2017 and remain unchanged.

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

4. Segmental analysis

Income statement

	Half year ended 31 July 2017				
			Other International		
£ millions	UK & Ireland	France	Poland	Other	Total
Sales	**2,602**	**2,273**	**694**	**439**	**6,008**
Retail profit	**215**	**174**	**84**	**(6)**	**467**
Central costs					**(25)**
Share of interest and tax of joint ventures and associates					**(3)**
Transformation costs before exceptional items					**(46)**
Exceptional items					**8**
Operating profit					**401**
Net finance income					**1**
Profit before taxation					**402**

	Half year ended 31 July 2016				
			Other International		
£ millions	UK & Ireland	France	Poland	Other	Total
Sales	2,609	2,175	587	378	5,749
Retail profit	211	187	73	(7)	464
Central costs					(22)
Share of interest and tax of joint ventures and associates					(2)
Transformation costs before exceptional items					(18)
Exceptional items					17
Operating profit					439
Net finance costs					(12)
Profit before taxation					427

	Year ended 31 January 2017				
			Other International		
£ millions	UK & Ireland	France	Poland	Other	Total
Sales	4,979	4,254	1,191	801	11,225
Retail profit	358	353	144	(8)	847
Central costs					(48)
Share of interest and tax of joint ventures and associates					(5)
Transformation costs before exceptional items					(44)
Exceptional items					23
Operating profit					773
Net finance costs					(14)
Profit before taxation					759

Balance sheet

£ millions	UK & Ireland	France	Other International Poland	Other International Other	Total
					At 31 July 2017
Segment assets	**1,433**	**1,485**	**619**	**419**	**3,956**
Central liabilities					**(202)**
Goodwill					**2,400**
Net cash					**650**
Net assets					**6,804**

£ millions	UK & Ireland	France	Other International Poland	Other International Other	Total
					At 31 July 2016
Segment assets	1,183	1,341	515	376	3,415
Central liabilities					(207)
Goodwill					2,399
Net cash					898
Net assets					6,505

£ millions	UK & Ireland	France	Other International Poland	Other International Other	Total
					At 31 January 2017
Segment assets	1,416	1,410	606	454	3,886
Central liabilities					(155)
Goodwill					2,399
Net cash					641
Net assets					6,771

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. Central liabilities comprise unallocated head office and other central items including contracts to purchase own shares, central assets, pensions, insurance, interest and tax.

Transformation costs before exceptional items principally relate to the unified and unique offer range implementation and the digital strategic initiative.

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

5. Exceptional items

£ millions	Half year ended 31 July 2017	Half year ended 31 July 2016	Year ended 31 January 2017
Included within selling and distribution expenses			
UK & Ireland and continental Europe restructuring	**13**	15	21
	13	15	21
Included within administrative expenses			
Transformation exceptional costs	**(5)**	(1)	(5)
	(5)	(1)	(5)
Included within other income			
Profit on disposal of B&Q China	**–**	3	3
Disposal of properties	**–**	–	4
	–	3	7
Included within net finance income/(costs)			
UK & Ireland and continental Europe restructuring – unwinding of discount on provisions	**–**	(6)	(6)
	–	(6)	(6)
Exceptional items before tax	**8**	11	17
Exceptional tax items	**(1)**	(2)	(6)
Exceptional items	**7**	9	11

Current period exceptional items include a £13m net credit principally arising due to savings on B&Q store exit costs as compared with the original restructuring provisions recognised.

In the prior period, a net credit of £15m (£21m for the full year) was recognised relating principally to savings on B&Q store exit costs, offset by store asset impairments relating to the closure of loss-making stores in continental Europe. In addition, a £6m exceptional interest charge relating to the reduction in discount rate used to measure the overall UK restructuring provision was recognised.

Transformation exceptional costs of £5m have been recorded in the period driven by changes associated with the Group's new offer and supply chain organisation, and other restructuring and efficiency costs in the UK relating to the Group's five-year transformation programme.

In the prior periods, a profit of £3m was recorded on disposal of the Group's remaining 30% stake in B&Q China.

6. Net finance income/costs

£ millions	Half year ended 31 July 2017	Half year ended 31 July 2016	Year ended 31 January 2017
Bank overdrafts and bank loans	**(5)**	(5)	(10)
Fixed term debt	**(1)**	(1)	(2)
Finance leases	**(1)**	(1)	(2)
Financing fair value remeasurements	**–**	(2)	(1)
Unwinding of discount on provisions	**–**	(7)	(7)
Other interest payable	**(1)**	(3)	(5)
Finance costs	**(8)**	(19)	(27)
Cash and cash equivalents and short-term deposits	**3**	3	6
Net interest income on defined benefit pension schemes	**3**	4	7
Other interest income	**3**	–	–
Finance income	**9**	7	13
Net finance income/(costs)	**1**	(12)	(14)

In the prior periods, the £7m charge relating to the unwinding of discount on provisions included a £6m exceptional charge relating to the reduction in discount rate used to measure the overall UK restructuring provision.

7. Income tax expense

£ millions	Half year ended 31 July 2017	Half year ended 31 July 2016	Year ended 31 January 2017
UK corporation tax			
Current tax on profits for the period	**(43)**	(44)	(66)
Adjustments in respect of prior years	**(2)**	–	10
	(45)	(44)	(56)
Overseas tax			
Current tax on profits for the period	**(56)**	(65)	(155)
Adjustments in respect of prior years	**1**	–	(11)
	(55)	(65)	(166)
Deferred tax			
Current period	**(8)**	(1)	22
Adjustments in respect of prior years	**1**	2	16
Adjustments in respect of changes in tax rates	**–**	2	35
	(7)	3	73
Income tax expense	**(107)**	(106)	(149)

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 27% (2016/17: 26%), 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 2017 was 26%. Exceptional tax items for the current period amount to a charge of £1m, none of which relates to prior year items (2016/17: £2m charge, none of which related to prior year items). Exceptional tax items for the year ended 31 January 2017 amounted to a net charge of £6m, of which a £1m credit related to prior year items.

8. Earnings per share

Pence	Half year ended 31 July 2017	Half year ended 31 July 2016	Year ended 31 January 2017
Basic earnings per share	**13.3**	14.1	27.1
Effect of dilutive share options	**–**	–	(0.1)
Diluted earnings per share	**13.3**	14.1	27.0
Basic earnings per share	**13.3**	14.1	27.1
Exceptional items before tax	**(0.3)**	(0.5)	(0.8)
Tax on exceptional and prior year items	**–**	(0.1)	(2.0)
Financing fair value remeasurements	**–**	0.1	0.1
Adjusted basic earnings per share	**13.0**	13.6	24.4
Transformation costs before exceptional items	**2.1**	0.8	2.0
Tax on transformation costs before exceptional items	**(0.6)**	(0.2)	(0.5)
Underlying basic earnings per share	**14.5**	14.2	25.9
Diluted earnings per share	**13.3**	14.1	27.0
Exceptional items before tax	**(0.3)**	(0.5)	(0.8)
Tax on exceptional and prior year items	**–**	(0.1)	(2.0)
Financing fair value remeasurements	**–**	0.1	0.1
Adjusted diluted earnings per share	**13.0**	13.6	24.3
Transformation costs before exceptional items	**2.1**	0.8	2.0
Tax on transformation costs before exceptional items	**(0.6)**	(0.2)	(0.5)
Underlying diluted earnings per share	**14.5**	14.2	25.8

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

£ millions	Half year ended 31 July 2017	Half year ended 31 July 2016	Year ended 31 January 2017
Earnings	**295**	321	610
Exceptional items before tax	**(8)**	(11)	(17)
Tax on exceptional and prior year items	**1**	(2)	(43)
Financing fair value remeasurements	**–**	2	1
Adjusted earnings	**288**	310	551
Transformation costs before exceptional items	**46**	18	44
Tax on transformation costs before exceptional items	**(12)**	(5)	(11)
Underlying earnings	**322**	323	584

The weighted average number of shares in issue during the period, excluding those held in the Employee Share Ownership Plan Trust ('ESOP trust'), is 2,216m (2016/17: 2,271m). The diluted weighted average number of shares in issue during the period is 2,225m (2016/17: 2,275m). For the year ended 31 January 2017, the weighted average number of shares in issue was 2,256m and the diluted weighted average number of shares in issue was 2,263m.

9. Dividends

£ millions	Half year ended 31 July 2017	Half year ended 31 July 2016	Year ended 31 January 2017
Dividends to equity shareholders of the Company			
Ordinary final dividend for the year ended 31 January 2017 of 7.15p per share	**159**	–	–
Ordinary interim dividend for the year ended 31 January 2017 of 3.25p per share	**–**	–	73
Ordinary final dividend for the year ended 31 January 2016 of 6.92p per share	**–**	157	157
	159	157	230

The proposed ordinary interim dividend for the period ended 31 July 2017 is 3.33p per share.

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

Additions to the cost of property, plant and equipment, investment property and other intangible assets are £125m (2016/17: £136m) and for the year ended 31 January 2017 were £410m. Disposals in net book value of property, plant and equipment, investment property, property assets held for sale and other intangible assets are £2m (2016/17: £5m) and for the year ended 31 January 2017 were £24m.

Capital commitments contracted but not provided for at the end of the period are £101m (2016/17: £36m) and at 31 January 2017 were £31m.

11. Post-employment benefits

£ millions	Half year ended 31 July 2017	Half year ended 31 July 2016	Year ended 31 January 2017
Net surplus in schemes at beginning of period	**131**	159	159
Current service cost	**(6)**	(5)	(9)
Administration costs	**(2)**	(2)	(4)
Net interest income	**3**	4	7
Net actuarial losses	**(21)**	(87)	(50)
Contributions paid by employer	**18**	18	38
Exchange differences	**(4)**	(9)	(10)
Net surplus in schemes at end of period	**119**	78	131
UK	**236**	178	239
Overseas	**(117)**	(100)	(108)
Net surplus in schemes at end of period	**119**	78	131
Present value of defined benefit obligations	**(3,142)**	(3,075)	(3,125)
Fair value of scheme assets	**3,261**	3,153	3,256
Net surplus in schemes at end of period	**119**	78	131

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 2017.

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

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

Annual % rate	At 31 July 2017	At 31 July 2016	At 31 January 2017
Discount rate	**2.5**	2.4	2.7
Price inflation	**3.4**	2.9	3.6

12. Financial instruments

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

£ millions	At 31 July 2017	At 31 July 2016	At 31 January 2017
Cross currency interest rate swaps	**47**	52	55
Foreign exchange contracts	**24**	75	35
Derivative assets	**71**	127	90

£ millions	At 31 July 2017	At 31 July 2016	At 31 January 2017
Foreign exchange contracts	**(36)**	(13)	(26)
Derivative liabilities	**(36)**	(13)	(26)

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

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

	Carrying amount		
£ millions	At 31 July 2017	At 31 July 2016	At 31 January 2017
Bank overdrafts	**8**	117	–
Bank loans	**6**	9	9
Fixed term debt	**139**	146	147
Finance leases	**38**	41	42
Borrowings	**191**	313	198

	Fair value		
£ millions	At 31 July 2017	At 31 July 2016	At 31 January 2017
Bank overdrafts	**8**	117	–
Bank loans	**6**	9	9
Fixed term debt	**144**	151	153
Finance leases	**44**	52	49
Borrowings	**202**	329	211

13. Other reserves

£ millions	Translation reserve	Cash flow hedge reserve	Available-for-sale reserve	Other	Total
At 1 February 2017	**184**	**19**	**–**	**181**	**384**
Currency translation differences					
Group	**137**	**–**	**–**	**–**	**137**
Joint ventures and associates	**1**	**–**	**–**	**–**	**1**
Cash flow hedges					
Fair value losses	**–**	**(37)**	**–**	**–**	**(37)**
Gains transferred to inventories	**–**	**(14)**	**–**	**–**	**(14)**
Tax on items that may be reclassified	**–**	**12**	**–**	**–**	**12**
Other comprehensive income for the period	**138**	**(39)**	**–**	**–**	**99**
Purchase of own shares for cancellation	**–**	**–**	**–**	**7**	**7**
At 31 July 2017	**322**	**(20)**	**–**	**188**	**490**
At 1 February 2016	(205)	25	2	172	(6)
Currency translation differences					
Group	304	–	–	–	304
Joint ventures and associates	2	–	–	–	2
Cash flow hedges					
Fair value gains	–	26	–	–	26
Gains transferred to inventories	–	(18)	–	–	(18)
Available-for-sale financial assets					
Fair value gains	–	–	5	–	5
Transferred to income statement	–	–	(7)	–	(7)
Tax on items that may be reclassified	2	(1)	–	–	1
Other comprehensive income for the period	308	7	(2)	–	313
Purchase of own shares for cancellation	–	–	–	6	6
At 31 July 2016	103	32	–	178	313
At 1 February 2016	(205)	25	2	172	(6)
Currency translation differences					
Group	390	–	–	–	390
Joint ventures and associates	(1)	–	–	–	(1)
Cash flow hedges					
Fair value gains	–	52	–	–	52
Gains transferred to inventories	–	(60)	–	–	(60)
Available-for-sale financial assets					
Fair value gains	–	–	5	–	5
Transferred to income statement	–	–	(7)	–	(7)
Tax on items that may be reclassified	–	2	–	–	2
Other comprehensive income for the year	389	(6)	(2)	–	381
Purchase of own shares for cancellation	–	–	–	9	9
At 31 January 2017	184	19	–	181	384

14. Cash generated by operations

£ millions	Half year ended 31 July 2017	Half year ended 31 July 2016	Year ended 31 January 2017
Operating profit	**401**	439	773
Share of post-tax results of joint ventures and associates	**(1)**	1	(1)
Depreciation and amortisation	**122**	121	253
Impairment losses	**–**	1	14
Loss on disposal of property, plant and equipment, property held for sale and intangible assets	**1**	–	4
Profit on disposal of B&Q China	**–**	(3)	(3)
Share-based compensation charge	**12**	9	15
Increase in inventories	**(295)**	(65)	(46)
Decrease in trade and other receivables	**16**	30	62
Increase in trade and other payables	**313**	238	4
Movement in provisions	**(62)**	(63)	(125)
Movement in post-employment benefits	**(10)**	(11)	(25)
Cash generated by operations	**497**	697	925

15. Net cash

£ millions	At 31 July 2017	At 31 July 2016	At 31 January 2017
Cash and cash equivalents	**776**	1,134	795
Bank overdrafts	**(8)**	(117)	–
Cash and cash equivalents and bank overdrafts	**768**	1,017	795
Bank loans	**(6)**	(9)	(9)
Fixed term debt	**(139)**	(146)	(147)
Financing derivatives	**65**	77	44
Finance leases	**(38)**	(41)	(42)
Net cash	**650**	898	641

£ millions	Half year ended 31 July 2017	Half year ended 31 July 2016	Year ended 31 January 2017
Net cash at beginning of period	**641**	546	546
Net (decrease)/increase in cash and cash equivalents and bank overdrafts	**(46)**	300	38
Decrease in short-term deposits	**–**	(70)	(70)
Repayment of bank loans	**3**	2	2
Repayment of fixed term debt	**–**	47	47
Receipt on financing derivatives	**–**	(10)	(10)
Capital element of finance lease rental payments	**6**	7	12
Cash flow movement in net cash	**(37)**	276	19
Exchange differences and other non-cash movements	**46**	76	76
Net cash at end of period	**650**	898	641

16. Disposals

In the prior period, the Group disposed of its remaining 30% interest in the B&Q China business to Wumei Holdings Inc. for a consideration (net of disposal costs) of £63m, recognising a profit on disposal of £3m.

17. Contingent liabilities

The Group has arranged for certain guarantees to be provided to third parties in the ordinary course of business. Of these guarantees, £44m (2016/17: £1m) would crystallise due to possible future events not wholly within the Group's control. At 31 January 2017, 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.

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 has been assessed and for which a bank guarantee is now in place. Interest and penalties of €47m would arise 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.

Whilst the procedures that must be followed to resolve these sort 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 final outcome of these contingent liabilities to have a material effect on the Group’s financial position.

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 2017. There have been no significant changes in related parties or related party transactions in the period.

19. Post balance sheet event

On 1 August 2017, the Group signed an agreement to purchase 100% of the shares in Praktiker Romania SRL, a home improvement retailer with 27 stores and a turnover in 2016 of approximately €140m. Subject to regulatory approval, the transaction is expected to complete towards the end of the Group’s 2017/18 financial year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The Directors of Kingfisher plc were listed in the Kingfisher plc Annual Report for the year ended 31 January 2017, which noted that Andy Cosslett would join the Board as a non-executive Director and Chairman-designate on 1 April 2017. Andy Cosslett became Chairman at the conclusion of the Annual General Meeting on 13 June 2017, replacing Daniel Bernard who resigned as a Director on that date.

By order of the Board

Véronique Laury
Chief Executive Officer
19 September 2017

Karen Witts
Chief Financial Officer
19 September 2017

INDEPENDENT REVIEW REPORT TO KINGFISHER PLC

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2017 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 19. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the 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 half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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

Our responsibility

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the 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 half-yearly financial report for the six months ended 31 July 2017 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
Statutory Auditor
London, United Kingdom
19 September 2017