

# Consolidated income statement

Year ended 31 January 2016

£ millions	Notes	2015/16			2014/15 (restated – note 2)		
		Before exceptional Items	Exceptional items (note 4)	Total	Before exceptional items	Exceptional items (note 4)	Total
<b>Sales</b>	3	<b>10,441</b>	-	<b>10,441</b>	10,966	-	10,966
Cost of sales		<b>(6,545)</b>	-	<b>(6,545)</b>	(6,918)	-	(6,918)
<b>Gross profit</b>		<b>3,896</b>	-	<b>3,896</b>	4,048	-	4,048
Selling and distribution expenses		<b>(2,666)</b>	<b>(308)</b>	<b>(2,974)</b>	(2,835)	(32)	(2,867)
Administrative expenses		<b>(567)</b>	<b>(15)</b>	<b>(582)</b>	(571)	-	(571)
Other income		<b>26</b>	<b>157</b>	<b>183</b>	40	(3)	37
Share of post-tax results of joint ventures and associates		<b>3</b>	-	<b>3</b>	5	-	5
<b>Operating profit</b>		<b>692</b>	<b>(166)</b>	<b>526</b>	687	(35)	652
Analysed as:							
<b>Retail profit</b>	3	<b>746</b>	<b>(166)</b>	<b>580</b>	742	(35)	707
Central costs		<b>(45)</b>	-	<b>(45)</b>	(40)	-	(40)
Share of interest and tax of joint ventures and associates		<b>(5)</b>	-	<b>(5)</b>	(6)	-	(6)
B&Q China operating loss		<b>(4)</b>	-	<b>(4)</b>	(9)	-	(9)
Finance costs		<b>(22)</b>	-	<b>(22)</b>	(13)	-	(13)
Finance income		<b>8</b>	-	<b>8</b>	5	-	5
Net finance costs	5	<b>(14)</b>	-	<b>(14)</b>	(8)	-	(8)
<b>Profit before taxation</b>		<b>678</b>	<b>(166)</b>	<b>512</b>	679	(35)	644
Income tax expense	6	<b>(167)</b>	<b>67</b>	<b>(100)</b>	(177)	106	(71)
<b>Profit for the year</b>		<b>511</b>	<b>(99)</b>	<b>412</b>	502	71	573
Attributable to:							
Equity shareholders of the Company				<b>412</b>			573
Non-controlling interests				-			-
				<b>412</b>			573
<b>Earnings per share</b>							
Basic	7			<b>17.8p</b>			24.3p
Diluted				<b>17.8p</b>			24.2p
Adjusted basic				<b>22.0p</b>			21.3p
Adjusted diluted				<b>22.0p</b>			21.2p

The proposed final dividend for the year ended 31 January 2016, subject to approval by shareholders at the Annual General Meeting, is 6.92p per share.

# **Consolidated statement of comprehensive income**

Year ended 31 January 2016

£ millions	Notes	2015/16	2014/15
<b>Profit for the year</b>		<b>412</b>	<b>573</b>
Actuarial gains on post-employment benefits	9	<b>19</b>	175
Tax on items that will not be reclassified		<b>(8)</b>	(85)
<b>Total items that will not be reclassified subsequently to profit or loss</b>		<b>11</b>	90
Currency translation differences			
Group		<b>1</b>	(308)
Joint ventures and associates		<b>(3)</b>	(2)
Transferred to income statement	12	<b>(7)</b>	-
Cash flow hedges			
Fair value gains		<b>24</b>	70
Gains transferred to inventories		<b>(50)</b>	(5)
Available-for-sale financial assets			
Fair value gains		<b>2</b>	-
Tax on items that may be reclassified		<b>8</b>	(14)
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>(25)</b>	(259)
<b>Other comprehensive income for the year</b>		<b>(14)</b>	(169)
<b>Total comprehensive income for the year</b>		<b>398</b>	<b>404</b>
Attributable to:			
Equity shareholders of the Company		<b>398</b>	403
Non-controlling interests		-	1
		<b>398</b>	<b>404</b>

# Consolidated statement of changes in equity

Year ended 31 January 2016

£ millions	Attributable to equity shareholders of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Own shares held	Retained earnings	Other reserves	Total		
<b>At 1 February 2015</b> (restated - note 2)	<b>369</b>	<b>2,214</b>	<b>(26)</b>	<b>3,652</b>	<b>11</b>	<b>6,220</b>	<b>10</b>	<b>6,230</b>
Profit for the year	-	-	-	412	-	412	-	412
Other comprehensive income for the year	-	-	-	11	(25)	(14)	-	(14)
<b>Total comprehensive income for the year</b>	-	-	-	<b>423</b>	<b>(25)</b>	<b>398</b>	-	<b>398</b>
Disposal of B&Q China (note 12)	-	-	-	-	-	-	(10)	(10)
Share-based compensation	-	-	-	11	-	11	-	11
New shares issued under share schemes	-	4	-	-	-	4	-	4
Own shares issued under share schemes	-	-	18	(17)	-	1	-	1
Purchase of own shares for cancellation	(8)	-	-	(200)	8	(200)	-	(200)
Purchase of own shares for ESOP trust	-	-	(16)	-	-	(16)	-	(16)
Dividends (note 8)	-	-	-	(232)	-	(232)	-	(232)
<b>At 31 January 2016</b>	<b>361</b>	<b>2,218</b>	<b>(24)</b>	<b>3,637</b>	<b>(6)</b>	<b>6,186</b>	-	<b>6,186</b>
<b>At 2 February 2014</b> (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)
<b>Total comprehensive income for the year</b>	-	-	-	<b>663</b>	<b>(260)</b>	<b>403</b>	<b>1</b>	<b>404</b>
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 (note 8)	-	-	-	(334)	-	(334)	-	(334)
<b>At 31 January 2015</b> (restated - note 2)	<b>369</b>	<b>2,214</b>	<b>(26)</b>	<b>3,652</b>	<b>11</b>	<b>6,220</b>	<b>10</b>	<b>6,230</b>

# Consolidated balance sheet

At 31 January 2016

£ millions	Notes	2015/16	2014/15 (restated – note 2)
<b>Non-current assets</b>			
Goodwill		2,397	2,414
Other intangible assets		276	258
Property, plant and equipment		3,212	3,203
Investment property		25	30
Investments in joint ventures and associates		23	28
B&Q China investment		62	-
Post-employment benefits	9	246	194
Deferred tax assets		11	10
Derivative assets		43	52
Other receivables		7	7
		<b>6,302</b>	<b>6,196</b>
<b>Current assets</b>			
Inventories		1,957	2,021
Trade and other receivables		568	537
Derivative assets		56	70
Current tax assets		5	6
Short-term deposits		70	48
Cash and cash equivalents		730	561
Assets held for sale		6	274
		<b>3,392</b>	<b>3,517</b>
<b>Total assets</b>		<b>9,694</b>	<b>9,713</b>
<b>Current liabilities</b>			
Trade and other payables		(2,369)	(2,337)
Borrowings		(138)	(105)
Derivative liabilities		(6)	(10)
Current tax liabilities		(66)	(87)
Provisions		(69)	(13)
Liabilities held for sale		-	(195)
		<b>(2,648)</b>	<b>(2,747)</b>
<b>Non-current liabilities</b>			
Other payables		(53)	(64)
Borrowings		(179)	(232)
Deferred tax liabilities		(333)	(324)
Provisions		(208)	(34)
Post-employment benefits	9	(87)	(82)
		<b>(860)</b>	<b>(736)</b>
<b>Total liabilities</b>		<b>(3,508)</b>	<b>(3,483)</b>
<b>Net assets</b>		<b>6,186</b>	<b>6,230</b>
<b>Equity</b>			
Share capital		361	369
Share premium		2,218	2,214
Own shares held in ESOP trust		(24)	(26)
Retained earnings		3,637	3,652
Other reserves		(6)	11
<b>Total attributable to equity shareholders of the Company</b>		<b>6,186</b>	<b>6,220</b>
Non-controlling interests		-	10
<b>Total equity</b>		<b>6,186</b>	<b>6,230</b>

The financial statements were approved by the Board of Directors on 23 March 2016 and signed on its behalf by:

**Véronique Laury**  
Chief Executive Officer

**Karen Witts**  
Chief Financial Officer

# Consolidated cash flow statement

Year ended 31 January 2016

£ millions	Notes	2015/16	2014/15
<b>Operating activities</b>			
Cash generated by operations	10	<b>931</b>	806
Income tax paid		<b>(118)</b>	(146)
<b>Net cash flows from operating activities</b>		<b>813</b>	660
<b>Investing activities</b>			
Purchase of property, plant and equipment and intangible assets		<b>(333)</b>	(275)
Disposal of property, plant and equipment, investment property and property held for sale		<b>25</b>	50
Disposal of property company	12	<b>18</b>	-
Disposal of B&Q China	12		
- Proceeds (net of costs and cash disposed)		<b>102</b>	-
- Deposit (repaid)/received		<b>(12)</b>	12
Disposal of Hornbach	12	<b>-</b>	198
Increase in short-term deposits		<b>(22)</b>	(48)
Interest received		<b>3</b>	5
Dividends received from joint ventures and associates		<b>5</b>	7
<b>Net cash flows from investing activities</b>		<b>(214)</b>	(51)
<b>Financing activities</b>			
Interest paid		<b>(12)</b>	(10)
Interest element of finance lease rental payments		<b>(3)</b>	(3)
Repayment of bank loans		<b>(1)</b>	(2)
Repayment of fixed term debt		<b>-</b>	(73)
Payment on financing derivatives		<b>-</b>	(9)
Capital element of finance lease rental payments		<b>(13)</b>	(14)
New shares issued under share schemes		<b>4</b>	6
Own shares issued under share schemes		<b>1</b>	2
Purchase of own shares for ESOP trust		<b>(16)</b>	(17)
Purchase of own shares for cancellation		<b>(200)</b>	(100)
Special dividend paid to equity shareholders of the Company		<b>-</b>	(100)
Ordinary dividends paid to equity shareholders of the Company		<b>(232)</b>	(234)
<b>Net cash flows from financing activities</b>		<b>(472)</b>	(554)
<b>Net increase in cash and cash equivalents and bank overdrafts, including amounts classified as held for sale</b>		<b>127</b>	55
Cash and cash equivalents and bank overdrafts, including amounts classified as held for sale, at beginning of year		<b>527</b>	534
Exchange differences		<b>-</b>	(62)
<b>Cash and cash equivalents and bank overdrafts, including amounts classified as held for sale, at end of year</b>		<b>654</b>	527
Cash and cash equivalents classified as held for sale (B&Q China)		<b>-</b>	(57)
<b>Cash and cash equivalents and bank overdrafts at end of year</b>	11	<b>654</b>	470

## Notes

### 1 General information

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

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

### 2 Basis of preparation

The consolidated financial statements of the Company, its subsidiaries, joint ventures and associates are made up to 31 January. The current financial year is the calendar year ended 31 January 2016 ('the year' or '2015/16'). The comparative financial year is the 52 weeks ended 31 January 2015 ('the prior year' or '2014/15').

The directors of Kingfisher plc, having made appropriate enquiries, consider that adequate resources exist for the Group to continue in operational existence and that, therefore, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 January 2016.

The condensed financial information, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated balance sheet, consolidated cash flow statement and related notes do not constitute statutory financial statements for the year ended 31 January 2016, but are derived from those statements. Statutory financial statements for 2014/15 have been filed with the Registrar of Companies and those for 2015/16 will be filed in due course. The Group's auditors have reported on both years' accounts; their reports were unqualified and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

The condensed financial information has been abridged from the 2015/16 statutory financial statements, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS') and those parts of the Companies Act 2006 applicable to companies reporting under IFRS and therefore the consolidated financial statements comply with Article 4 of the EU IAS legislation. The consolidated income statement and related notes represent results for continuing operations, there being no discontinued operations in the periods presented. The condensed financial information has been prepared under the historical cost convention, as modified by the use of valuations for certain financial instruments, share-based payments and post-employment benefits.

#### **Accounting policies**

Except as set out below, 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.

The following new interpretation, which is mandatory for the first time for the financial year ended 31 January 2016, is relevant for the Group:

- IFRIC 21, 'Levies', 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 has not impacted 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 recognised in the final quarter of the year. It has also resulted in a restatement of balance sheet payables and deferred tax.

#### **Principal rates of exchange against Sterling**

	2015/16		2014/15	
	Average rate	Year end rate	Average rate	Year end rate
Euro	<b>1.38</b>	<b>1.31</b>	1.25	1.33
US Dollar	<b>1.52</b>	<b>1.42</b>	1.64	1.50
Polish Zloty	<b>5.78</b>	<b>5.78</b>	5.23	5.57
Russian Rouble	<b>94.54</b>	<b>107.52</b>	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 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 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.

#### **Prior year restatement**

The following statutory (GAAP) measures have been restated following the adoption of IFRIC 21 'Levies' in the current year:

	2014/15		
£ millions	Before restatement	IFRIC 21 impact	After restatement
Trade and other payables	(2,323)	(14)	(2,337)
Deferred tax liabilities	(329)	5	(324)
Retained earnings at beginning of year	3,495	(9)	3,486
Retained earnings at end of year	3,661	(9)	3,652

The following adjusted (non-GAAP) measures have 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 year (see note 12):

	2014/15		
£ millions	Before restatement	B&Q China exclusion	After restatement
Adjusted sales	10,966	(361)	10,605
Retail profit	733	9	742
Adjusted pre-tax profit	675	9	684
Adjusted earnings	493	9	502
Adjusted basic earnings per share	20.9p	0.4p	21.3p
Adjusted diluted earnings per share	20.8p	0.4p	21.2p

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](http://www.kingfisher.com) for the impact of the restatements on quarterly segmental sales and retail profit comparatives.

### 3 Segmental analysis

#### Income statement

	2015/16				
£ millions	France	UK & Ireland	Other International		Total
<b>Adjusted sales</b>	<b>3,786</b>	<b>4,853</b>	<b>987</b>	<b>705</b>	<b>10,331</b>
B&Q China sales					<b>110</b>
<b>Sales</b>					<b>10,441</b>
<b>Retail profit</b>	<b>311</b>	<b>326</b>	<b>113</b>	<b>(4)</b>	<b>746</b>
Central costs					<b>(45)</b>
Share of interest and tax of joint ventures and associates					<b>(5)</b>
B&Q China operating loss					<b>(4)</b>
Exceptional items					<b>(166)</b>
<b>Operating profit</b>					<b>526</b>
Net finance costs					<b>(14)</b>
<b>Profit before taxation</b>					<b>512</b>

	2014/15 (restated – note 2)				
£ millions	France	UK & Ireland	Other International		Total
<b>Adjusted sales</b>	<b>4,132</b>	<b>4,600</b>	<b>1,055</b>	<b>818</b>	<b>10,605</b>
B&Q China sales					<b>361</b>
<b>Sales</b>					<b>10,966</b>
<b>Retail profit</b>	<b>349</b>	<b>276</b>	<b>118</b>	<b>(1)</b>	<b>742</b>
Central costs					<b>(40)</b>
Share of interest and tax of joint ventures and associates					<b>(6)</b>
B&Q China operating loss					<b>(9)</b>
Exceptional items					<b>(35)</b>
<b>Operating profit</b>					<b>652</b>
Net finance costs					<b>(8)</b>
<b>Profit before taxation</b>					<b>644</b>

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.



#### 4 Exceptional items

£ millions	2015/16	2014/15
<i>Included within selling and distribution expenses</i>		
UK & Ireland and continental Europe restructuring	(305)	(17)
Brico Depot Romania impairment	(3)	-
Transaction costs	-	(15)
	(308)	(32)
<i>Included within administrative expenses</i>		
Brico Depot Romania impairment	(15)	-
	(15)	-
<i>Included within other income</i>		
Profit on disposal of B&Q China	143	-
Profit on disposal of property and other companies	13	-
Disposal of properties and non-operational asset losses	1	(3)
	157	(3)
<b>Exceptional items before tax</b>	<b>(166)</b>	<b>(35)</b>
Exceptional tax items	67	106
<b>Exceptional items</b>	<b>(99)</b>	<b>71</b>

Current year exceptional items include a £305m restructuring charge relating to the transformation of B&Q in the UK and the announced closure of loss-making stores in France and other countries in continental Europe.

In the UK, the exceptional charge for the transformation of B&Q involves the closure of stores in over-spaced catchments and optimisation of vacant space, along with 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, employee redundancy costs, and inventory write downs arising from store closures and harmonisation of the stock management operating model. In the prior year, transformation costs amounted to £17m. In continental Europe, the exceptional charge includes lease exit costs and store asset impairments.

An exceptional loss of £18m has been recorded for the impairment of goodwill and certain store properties relating to the Brico Depot Romania business. This has arisen from a strategic review of the business following recent trading results falling below expectations in an ongoing difficult trading environment.

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 year on the disposal of the Group's controlling 70% stake in B&Q China and the sale of property and other companies. Refer to note 12 for further information.

Exceptional tax items for the year amount to a credit of £67m. 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.

## 5 Net finance costs

£ millions	2015/16	2014/15
Bank overdrafts and bank loans	(8)	(7)
Fixed term debt	(3)	(3)
Finance leases	(3)	(3)
Financing fair value remeasurements	(4)	4
Unwinding of discount on provisions	(1)	(1)
Net interest expense on defined benefit pension schemes	-	(3)
Other interest payable	(3)	-
<b>Finance costs</b>	<b>(22)</b>	<b>(13)</b>
Cash and cash equivalents and short-term deposits	3	5
Net interest income on defined benefit pension schemes	5	-
<b>Finance income</b>	<b>8</b>	<b>5</b>
<b>Net finance costs</b>	<b>(14)</b>	<b>(8)</b>

## 6 Income tax expense

£ millions	2015/16	2014/15
<b>UK corporation tax</b>		
Current tax on profits for the year	(7)	(46)
Adjustments in respect of prior years	4	96
	(3)	50
<b>Overseas tax</b>		
Current tax on profits for the year	(117)	(138)
Adjustments in respect of prior years	7	6
	(110)	(132)
<b>Deferred tax</b>		
Current year	14	12
Adjustments in respect of changes in tax rates	(1)	(1)
	13	11
<b>Income tax expense</b>	<b>(100)</b>	<b>(71)</b>

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%). Exceptional tax items for the year amount to a credit of £67m, £1m of which relates to prior year items. In 2014/15 exceptional tax items amounted to a credit of £106m, £95m relating to prior year items.

## 7 Earnings per share

	2015/16			2014/15 (restated – note 2)		
	Earnings £ millions	Weighted average number of shares millions	Earnings per share pence	Earnings £ millions	Weighted average number of shares millions	Earnings per share pence
<b>Basic earnings per share</b>	<b>412</b>	<b>2,311</b>	<b>17.8</b>	573	2,358	24.3
Effect of dilutive share options		8	-		11	(0.1)
<b>Diluted earnings per share</b>	<b>412</b>	<b>2,319</b>	<b>17.8</b>	573	2,369	24.2
<b>Basic earnings per share</b>	<b>412</b>	<b>2,311</b>	<b>17.8</b>	573	2,358	24.3
B&Q China operating loss	4		0.2	9		0.4
Exceptional items before tax	166		7.2	35		1.5
Tax on exceptional and prior year items	(76)		(3.3)	(112)		(4.8)
Financing fair value remeasurements	4		0.2	(4)		(0.2)
Tax on financing fair value remeasurements	(1)		(0.1)	1		0.1
<b>Adjusted basic earnings per share</b>	<b>509</b>	<b>2,311</b>	<b>22.0</b>	502	2,358	21.3
<b>Diluted earnings per share</b>	<b>412</b>	<b>2,319</b>	<b>17.8</b>	573	2,369	24.2
B&Q China operating loss	4		0.2	9		0.4
Exceptional items before tax	166		7.2	35		1.5
Tax on exceptional and prior year items	(76)		(3.3)	(112)		(4.8)
Financing fair value remeasurements	4		0.2	(4)		(0.2)
Tax on financing fair value remeasurements	(1)		(0.1)	1		0.1
<b>Adjusted diluted earnings per share</b>	<b>509</b>	<b>2,319</b>	<b>22.0</b>	502	2,369	21.2

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

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

## 8 Dividends

£ millions	2015/16	2014/15
<b>Dividends to equity shareholders of the Company</b>		
Ordinary interim dividend for the year ended 31 January 2016 of 3.18p per share (31 January 2015: 3.15p per share)	72	75
Special interim dividend of 4.2p per share paid 25 July 2014	-	100
Ordinary final dividend for the year ended 31 January 2015 of 6.85p per share (1 February 2014: 6.78p per share)	160	159
	<b>232</b>	<b>334</b>

The proposed final dividend for the year ended 31 January 2016 of 6.92p per share is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability.

£ millions	2015/16			2014/15		
	UK	Overseas	Total	UK	Overseas	Total
<b>Net surplus/(deficit) in schemes at beginning of year</b>	<b>194</b>	<b>(82)</b>	<b>112</b>	(29)	(71)	(100)
Current service cost	(2)	(6)	(8)	(2)	(7)	(9)
Administration costs	(4)	-	(4)	(3)	-	(3)
Curtailment gain	-	-	-	-	9	9
Net interest income/(expense)	6	(1)	5	(1)	(2)	(3)
Net actuarial gains/(losses)	16	3	19	194	(19)	175
Contributions paid by employer	36	1	37	35	1	36
Exchange differences	-	(2)	(2)	-	7	7
<b>Net surplus/(deficit) in schemes at end of year</b>	<b>246</b>	<b>(87)</b>	<b>159</b>	194	(82)	112
Present value of defined benefit obligations	(2,374)	(102)	(2,476)	(2,606)	(97)	(2,703)
Fair value of scheme assets	2,620	15	2,635	2,800	15	2,815
<b>Net surplus/(deficit) in schemes</b>	<b>246</b>	<b>(87)</b>	<b>159</b>	194	(82)	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.

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

Annual % rate	2015/16	2014/15
Discount rate	<b>3.6</b>	3.0
Price inflation	<b>3.1</b>	2.8

For the UK scheme, the mortality assumptions used in the actuarial valuations have been selected with regard to the characteristics and experience of the membership of the scheme from 2010 to 2013. The assumptions for life expectancy of UK scheme members are as follows:

Years	2015/16	2014/15
Age to which current pensioners are expected to live (60 now)		
- Male	<b>86.8</b>	86.7
- Female	<b>87.4</b>	87.3
Age to which future pensioners are expected to live (60 in 15 years' time)		
- Male	<b>87.5</b>	87.4
- Female	<b>88.6</b>	88.6

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

Assumption	Change in assumption	Impact on defined benefit obligation
Discount rate	Increase/decrease by 0.1%	Decrease/increase by £48m
Price inflation	Increase/decrease by 0.1%	Increase/decrease by £41m
Mortality	Increase in life expectancy by one year	Increase by £86m

## 10 Cash generated by operations

£ millions	2015/16	2014/15
<b>Operating profit</b>	<b>526</b>	652
Share of post-tax results of joint ventures and associates	(3)	(5)
Depreciation and amortisation	240	262
Impairment losses	55	30
Loss/(profit) on disposal of property, plant and equipment, investment property, property held for sale and intangible assets	3	(20)
Profit on disposal of B&Q China	(143)	-
Profit on disposal of property and other companies	(13)	-
Share-based compensation charge	11	11
Decrease/(increase) in inventories	56	(150)
(Increase)/decrease in trade and other receivables	(36)	12
Increase in trade and other payables	27	53
Movement in provisions	233	(6)
Movement in post employment benefits	(25)	(33)
<b>Cash generated by operations</b>	<b>931</b>	806

## 11 Net cash

£ millions	2015/16	2014/15
Cash and cash equivalents	730	561
Bank overdrafts	(76)	(91)
<b>Cash and cash equivalents and bank overdrafts</b>	<b>654</b>	470
Short-term deposits	70	48
Bank loans	(10)	(11)
Fixed term debt	(185)	(183)
Financing derivatives	63	57
Finance leases	(46)	(52)
<b>Net cash</b>	<b>546</b>	329

£ millions	2015/16	2014/15
<b>Net cash at beginning of year</b>	<b>329</b>	238
Net increase in cash and cash equivalents and bank overdrafts, including amounts classified as held for sale	127	55
Increase in short-term deposits	22	48
Repayment of bank loans	1	2
Repayment of fixed term debt	-	73
Payment on financing derivatives	-	9
Capital element of finance lease rental payments	13	14
<b>Cash flow movement in net cash</b>	<b>163</b>	201
Adjustment for cash classified as held for sale (B&Q China)	57	(57)
Exchange differences and other non-cash movements	(3)	(53)
<b>Net cash at end of year</b>	<b>546</b>	329

## 12 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 had 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 (£62 million at 31 January 2016). This option was exercised on 23 March 2016. The transaction is subject to regulatory approval and, if approved, is expected to close later this year.

The profit on disposal of the Group's controlling 70% stake in B&Q China of £143m is analysed as follows:

£ millions	
Proceeds (net of disposal costs paid of £6m)	134
Cash disposed	(32)
<b>Net disposal proceeds received</b>	<b>102</b>
Fair value at date of disposal 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
<b>Exceptional profit on disposal</b>	<b>143</b>

£ millions	
Property, plant and equipment	150
Inventories, trade and other receivables/(payables)	(108)
Provisions	(3)
Deferred tax liabilities	(9)
Other net assets	2
<b>Net assets disposed excluding cash</b>	<b>32</b>

The Group did 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 did not have the right to appoint directors to the board. The remaining 30% B&Q China investment has therefore been 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 year.

In April 2015 the Group 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 January 2016 the Group completed the sale of a UK company for proceeds of £nil and a loss of £3m. At disposal, the company had goodwill of £2m and other intangible assets of £1m.

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

## 13 Post balance sheet events

On 23 March 2016 Kingfisher exercised its option to dispose of its 30% interest in the B&Q China business to Wumei Holdings Inc – refer to note 12 for further details.