KINGFISHER PLC

2016/17 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED INCOME STATEMENT

		Half year ended 31 July 2016			Half year ended 1 August 2015		
£ millions	Notes	Before exceptional items	Exceptional items (note 5)	Total	Before exceptional items	Exceptional items (note 5)	Total
Sales	4	**5,749**	**–**	**5,749**	5,492	–	5,492
Cost of sales		**(3,623)**	**–**	**(3,623)**	(3,474)	–	(3,474)
Gross profit		**2,126**	**–**	**2,126**	2,018	–	2,018
Selling and distribution expenses		**(1,386)**	**15**	**(1,371)**	(1,360)	(151)	(1,511)
Administrative expenses		**(326)**	**(1)**	**(327)**	(288)	–	(288)
Other income		**9**	**3**	**12**	15	160	175
Share of post-tax results of joint ventures and associates		**(1)**	**–**	**(1)**	–	–	–
Operating profit		**422**	**17**	**439**	385	9	394
Finance costs		**(13)**	**(6)**	**(19)**	(11)	–	(11)
Finance income		**7**	**–**	**7**	3	–	3
Net finance costs	6	**(6)**	**(6)**	**(12)**	(8)	–	(8)
Profit before taxation		**416**	**11**	**427**	377	9	386
Income tax expense	7	**(104)**	**(2)**	**(106)**	(97)	29	(68)
Profit for the period		**312**	**9**	**321**	280	38	318

Earnings per share	8		
Basic		**14.1p**	13.6p
Diluted		**14.1p**	13.6p
Adjusted basic		**13.6p**	12.3p
Adjusted diluted		**13.6p**	12.3p
Underlying basic		**14.2p**	12.3p
Underlying diluted		**14.2p**	12.3p

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

Underlying pre-tax profit	**436**	384
Transformation costs before exceptional items	**(18)**	–
Adjusted pre-tax profit	**418**	384
B&Q China operating loss	**–**	(4)
Financing fair value remeasurements	**(2)**	(3)
Exceptional items	**11**	9
Profit before taxation	**427**	386

The proposed interim ordinary dividend for the period ended 31 July 2016 is 3.25p per share.

KINGFISHER PLC

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CONSOLIDATED INCOME STATEMENT

		Year ended 31 January 2016		
£ millions	Notes	Before exceptional items	Exceptional items (note 5)	Total
Sales	4	10,441	–	10,441
Cost of sales		(6,545)	–	(6,545)
Gross profit		3,896	–	3,896
Selling and distribution expenses		(2,666)	(308)	(2,974)
Administrative expenses		(567)	(15)	(582)
Other income		26	157	183
Share of post-tax results of joint ventures and associates		3	–	3
Operating profit		692	(166)	526
Finance costs		(22)	–	(22)
Finance income		8	–	8
Net finance costs	6	(14)	–	(14)
Profit before taxation		678	(166)	512
Income tax expense	7	(167)	67	(100)
Profit for the year		511	(99)	412
Earnings per share	8			
Basic				17.8p
Diluted				17.8p
Adjusted basic				22.0p
Adjusted diluted				22.0p
Underlying basic				22.0p
Underlying diluted				22.0p

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

Underlying pre-tax profit	686
Transformation costs before exceptional items	–
Adjusted pre-tax profit	686
B&Q China operating loss	(4)
Financing fair value remeasurements	(4)
Exceptional items	(166)
Profit before taxation	512

KINGFISHER PLC

2016/17 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

£ millions	Notes	Half year ended 31 July 2016	Half year ended 1 August 2015	Year ended 31 January 2016
Profit for the period		**321**	318	412
Actuarial (losses)/gains on post-employment benefits	11	**(87)**	(72)	19
Tax on items that will not be reclassified		**29**	23	(8)
Total items that will not be reclassified subsequently to profit or loss		**(58)**	(49)	11
Currency translation differences				
Group		**304**	(136)	1
Joint ventures and associates		**2**	(3)	(3)
Transferred to income statement		**–**	(7)	(7)
Cash flow hedges				
Fair value gains/(losses)		**26**	(21)	24
Gains transferred to inventories		**(18)**	(30)	(50)
Available-for-sale financial assets				
Fair value gains		**5**	–	2
Transferred to income statement	16	**(7)**	–	–
Tax on items that may be reclassified		**1**	12	8
Total items that may be reclassified subsequently to profit or loss		**313**	(185)	(25)
Other comprehensive income for the period		**255**	(234)	(14)
Total comprehensive income for the period		**576**	84	398

KINGFISHER PLC

2016/17 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders of the Company							
£ millions	Share capital	Share premium	Own shares held	Retained earnings	Other reserves (note 13)	Total	Non-controlling interests	Total equity
At 1 February 2016	**361**	**2,218**	**(24)**	**3,637**	**(6)**	**6,186**	**–**	**6,186**
Profit for the period	**–**	**–**	**–**	**321**	**–**	**321**	**–**	**321**
Other comprehensive income for the period	**–**	**–**	**–**	**(58)**	**313**	**255**	**–**	**255**
Total comprehensive income for the period	**–**	**–**	**–**	**263**	**313**	**576**	**–**	**576**
Share-based compensation	**–**	**–**	**–**	**9**	**–**	**9**	**–**	**9**
New shares issued under share schemes	**–**	**1**	**–**	**–**	**–**	**1**	**–**	**1**
Own shares issued under share schemes	**–**	**–**	**6**	**(5)**	**–**	**1**	**–**	**1**
Purchase of own shares for cancellation	**(6)**	**–**	**–**	**(111)**	**6**	**(111)**	**–**	**(111)**
Dividends (note 9)	**–**	**–**	**–**	**(157)**	**–**	**(157)**	**–**	**(157)**
At 31 July 2016	**355**	**2,219**	**(18)**	**3,636**	**313**	**6,505**	**–**	**6,505**
At 1 February 2015	369	2,214	(26)	3,652	11	6,220	10	6,230
Profit for the period	–	–	–	318	–	318	–	318
Other comprehensive income for the period	–	–	–	(49)	(185)	(234)	–	(234)
Total comprehensive income for the period	–	–	–	269	(185)	84	–	84
Disposal of B&Q China (note 16)	–	–	–	–	–	–	(10)	(10)
Share-based compensation	–	–	–	7	–	7	–	7
New shares issued under share schemes	–	1	–	–	–	1	–	1
Own shares issued under share schemes	–	–	15	(14)	–	1	–	1
Purchase of own shares for cancellation	(6)	–	–	(111)	6	(111)	–	(111)
Purchase of own shares for ESOP trust	–	–	(11)	–	–	(11)	–	(11)
Dividends (note 9)	–	–	–	(160)	–	(160)	–	(160)
At 1 August 2015	363	2,215	(22)	3,643	(168)	6,031	–	6,031
At 1 February 2015	369	2,214	(26)	3,652	11	6,220	10	6,230
Profit for the year	–	–	–	412	–	412	–	412
Other comprehensive income for the year	–	–	–	11	(25)	(14)	–	(14)
Total comprehensive income for the year	–	–	–	423	(25)	398	–	398
Disposal of B&Q China (note 16)	–	–	–	–	–	–	(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 9)	–	–	–	(232)	–	(232)	–	(232)
At 31 January 2016	361	2,218	(24)	3,637	(6)	6,186	–	6,186

KINGFISHER PLC

2016/17 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED BALANCE SHEET

£ millions	Notes	At 31 July 2016	At 1 August 2015	At 31 January 2016
Non-current assets				
Goodwill		**2,399**	2,412	2,397
Other intangible assets	10	**290**	270	276
Property, plant and equipment	10	**3,433**	3,088	3,212
Investment property	10	**23**	53	25
Investments in joint ventures and associates		**24**	19	23
B&Q China investment	16	**–**	60	62
Post-employment benefits	11	**178**	140	246
Deferred tax assets		**17**	9	11
Derivative assets	12	**51**	31	43
Other receivables		**7**	7	7
		6,422	6,089	6,302
Current assets				
Inventories		**2,154**	2,064	1,957
Trade and other receivables		**566**	558	568
Derivative assets	12	**76**	33	56
Current tax assets		**11**	7	5
Short-term deposits		**–**	123	70
Cash and cash equivalents		**1,134**	537	730
Assets held for sale		**5**	–	6
		3,946	3,322	3,392
Total assets		**10,368**	9,411	9,694
Current liabilities				
Trade and other payables		**(2,733)**	(2,431)	(2,369)
Borrowings	12	**(132)**	(102)	(138)
Derivative liabilities	12	**(13)**	(17)	(6)
Current tax liabilities		**(116)**	(97)	(66)
Provisions		**(95)**	(40)	(69)
		(3,089)	(2,687)	(2,648)
Non-current liabilities				
Other payables		**(52)**	(62)	(53)
Borrowings	12	**(181)**	(168)	(179)
Deferred tax liabilities		**(322)**	(276)	(333)
Provisions		**(119)**	(106)	(208)
Post-employment benefits	11	**(100)**	(81)	(87)
		(774)	(693)	(860)
Total liabilities		**(3,863)**	(3,380)	(3,508)
Net assets		**6,505**	6,031	6,186
Equity				
Share capital		**355**	363	361
Share premium		**2,219**	2,215	2,218
Own shares held in ESOP trust		**(18)**	(22)	(24)
Retained earnings		**3,636**	3,643	3,637
Other reserves	13	**313**	(168)	(6)
Total equity		**6,505**	6,031	6,186

The interim financial report was approved by the Board of Directors on 19 September 2016 and signed on its behalf by:

Véronique Laury, Chief Executive Officer

Karen Witts, Chief Financial Officer

KINGFISHER PLC

2016/17 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED CASH FLOW STATEMENT

£ millions	Notes	Half year ended 31 July 2016	Half year ended 1 August 2015	Year ended 31 January 2016
Operating activities				
Cash generated by operations	14	**697**	531	931
Income tax paid		**(63)**	(65)	(118)
Net cash flows from operating activities		**634**	466	813
Investing activities				
Purchase of property, plant and equipment and intangible assets		**(141)**	(177)	(333)
Disposal of property, plant and equipment, investment property and assets held for sale		**5**	2	25
Disposal of property company	16	**–**	18	18
Disposal of B&Q China:	16			
Proceeds (net of costs and cash disposed)		**63**	105	102
Deposit repaid		**–**	(12)	(12)
Decrease/(increase) in short-term deposits		**70**	(75)	(22)
Interest received		**3**	1	3
Dividends received from joint ventures and associates		**–**	6	5
Net cash flows from investing activities		**–**	(132)	(214)
Financing activities				
Interest paid		**(6)**	(6)	(12)
Interest element of finance lease rental payments		**(1)**	(2)	(3)
Repayment of bank loans		**(2)**	(1)	(1)
Repayment of fixed term debt		**(47)**	–	–
Receipt on financing derivatives		**10**	–	–
Capital element of finance lease rental payments		**(7)**	(6)	(13)
New shares issued under share schemes		**1**	1	4
Own shares issued under share schemes		**1**	1	1
Purchase of own shares for ESOP trust		**–**	(11)	(16)
Purchase of own shares for cancellation		**(126)**	(139)	(200)
Ordinary dividends paid to equity shareholders of the Company	9	**(157)**	(160)	(232)
Net cash flows from financing activities		**(334)**	(323)	(472)
Net increase in cash and cash equivalents and bank overdrafts, including amounts classified as held for sale		**300**	11	127
Cash and cash equivalents and bank overdrafts, including amounts classified as held for sale, at beginning of period		**654**	527	527
Exchange differences		**63**	(44)	–
Cash and cash equivalents and bank overdrafts at end of period	15	**1,017**	494	654

KINGFISHER PLC

2016/17 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

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

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

The interim financial report does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Audited statutory accounts for the year ended 31 January 2016 were approved by the Board of Directors on 23 March 2016 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 2016.

2. Basis of preparation

The interim financial report for the six months ended 31 July 2016 ('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 2016, 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, '2015/16' refers to the 26 weeks ended 1 August 2015.

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 2016.

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

Principal rates of exchange against Sterling

	Half year ended 31 July 2016		Half year ended 1 August 2015		Year ended 31 January 2016	
	Average rate	Period end rate	Average rate	Period end rate	Average rate	Year end rate
Euro	**1.26**	**1.19**	1.38	1.41	1.38	1.31
US Dollar	**1.41**	**1.31**	1.53	1.57	1.52	1.42
Polish Zloty	**5.51**	**5.18**	5.70	5.87	5.78	5.78
Russian Rouble	**96.27**	**87.74**	86.58	95.18	94.54	107.52

Risks and uncertainties

The principal risks and uncertainties to which the Group is exposed are set out on pages 31-35 of the Kingfisher plc Annual Report and Accounts for the year ended 31 January 2016 and remain unchanged. As noted in the Financial Review, the Group is monitoring developments following the EU referendum, which has resulted in uncertainty for the UK economic outlook. The weakening of Sterling against other currencies following the EU referendum has had a beneficial impact on translation of the Group's reported results, cash flows and net cash position. UK earnings have not been significantly impacted in the period due to foreign currency hedging in place prior to the referendum. The weakening of Sterling has also resulted in significant foreign exchange gains recognised in other comprehensive income from the retranslation of the Group's overseas businesses' net assets and an increase in the value of foreign exchange contracts hedging US dollar denominated inventory purchases for our UK businesses. The fall in long-term bond yields has resulted in a lower discount rate used to value the UK defined benefit pension scheme obligation, increasing the gross liability, but this has been largely offset by the growth in asset values over the period due to interest rate hedging in place. Lower discount rates have also increased the balance, before other movements, of the UK restructuring provisions, resulting in an exceptional interest charge.

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, 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. 2015/16 comparatives exclude B&Q China's operating results. 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). 2015/16 comparatives 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 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). It excludes balances classified as assets and liabilities held for sale.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 January 2016, as described in note 2 of those financial statements.

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

The most significant areas of accounting estimates and judgements are set out in note 3 of the annual financial statements for the year ended 31 January 2016 and remain unchanged.

4. Segmental analysis

Income statement

£ millions	UK & Ireland	France	Poland	Other	Total
					Half year ended 31 July 2016
			Other International		
Adjusted sales	**2,609**	**2,175**	**587**	**378**	**5,749**
B&Q China sales					**–**
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**

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

£ millions	UK & Ireland	France	Poland	Other	Total
					Year ended 31 January 2016
			Other International		
Adjusted sales	4,853	3,786	987	705	10,331
B&Q China sales					110
Sales					10,441
Retail profit	326	311	113	(4)	746
Central costs					(45)
Share of interest and tax of joint ventures and associates					(5)
B&Q China operating loss					(4)
Exceptional items					(166)
Operating profit					526
Net finance costs					(14)
Profit before taxation					512

Balance sheet

£ 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 1 August 2015
Segment assets	1,343	1,162	463	340	3,308
B&Q China investment					60
Central liabilities					(184)
Goodwill					2,412
Net cash					435
Net assets					6,031

£ millions	UK & Ireland	France	Other International: Poland	Other International: Other	Total
					At 31 January 2016
Segment assets	1,264	1,313	476	347	3,400
B&Q China investment					62
Central liabilities					(219)
Goodwill					2,397
Net cash					546
Net assets					6,186

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 pensions, insurance, interest and tax.

The Group’s sales, although generally not highly seasonal on a half-yearly basis, do increase over the Easter period and during the summer months leading to slightly higher sales usually being recognised in the first half of the year. In the half year ended 31 July 2016, France operating costs were increased by £9m due to a change in legislation relating to a levy (TASCOM) which has resulted in the levy being recognised evenly across the year rather than only in the second half. Comparatives for 2015/16 have not been restated.

5. Exceptional items

£ millions	Half year ended 31 July 2016	Half year ended 1 August 2015	Year ended 31 January 2016
Included within selling and distribution expenses			
UK & Ireland and continental Europe restructuring	**15**	(151)	(305)
Brico Dépôt Romania impairment	**–**	–	(3)
	15	(151)	(308)
Included within administrative expenses			
Transformation exceptional costs	**(1)**	–	–
Brico Dépôt Romania impairment	**–**	–	(15)
	(1)	–	(15)
Included within other income			
Profit on disposal of B&Q China	**3**	143	143
Profit on disposal of property and other companies	**–**	16	13
Disposal of properties and non-operational asset losses	**–**	1	1
	3	160	157
Included within net finance costs			
UK & Ireland and continental Europe restructuring – unwinding of discount on provisions	**(6)**	–	–
	(6)	–	–
Exceptional items before tax	**11**	9	(166)
Exceptional tax items	**(2)**	29	67
Exceptional items	**9**	38	(99)

Current period exceptional items include a £15m net credit principally due to the reversal of a restructuring provision relating to the B&Q store closure programme in the UK, following the announcement that one of the stores originally earmarked for closure would remain open, and a £6m interest charge relating to the reduction in discount rate used to measure the overall UK provision. In the prior period a charge of £151m (£305m for the full year) was recognised relating principally to the closure of B&Q stores and loss-making stores in continental Europe.

Transformation exceptional costs of £1m have been recorded in the period relating to the initial costs of setting up the Group's new offer and supply chain organisation.

A profit of £3m on disposal was recognised on disposal of the Group's remaining 30% stake in B&Q China – refer to note 16 for further information. In the prior period a profit of £143m was recorded on disposal of the Group's controlling 70% stake.

6. Net finance costs

£ millions	Half year ended 31 July 2016	Half year ended 1 August 2015	Year ended 31 January 2016
Bank overdrafts and bank loans	**(5)**	(5)	(8)
Fixed term debt	**(1)**	(1)	(3)
Finance leases	**(1)**	(2)	(3)
Financing fair value remeasurements	**(2)**	(3)	(4)
Unwinding of discount on provisions	**(7)**	–	(1)
Other interest payable	**(3)**	–	(3)
Finance costs	**(19)**	(11)	(22)
Cash and cash equivalents and short-term deposits	**3**	1	3
Net interest income on defined benefit pension schemes	**4**	2	5
Finance income	**7**	3	8
Net finance costs	**(12)**	(8)	(14)

The £7m charge relating to the unwinding of discount on provisions includes a £6m exceptional charge relating to the restructuring provisions for the UK & Ireland and continental Europe businesses.

7. Income tax expense

£ millions	Half year ended 31 July 2016	Half year ended 1 August 2015	Year ended 31 January 2016
UK corporation tax			
Current tax on profits for the period	**(44)**	(15)	(7)
Adjustments in respect of prior years	**–**	–	4
	(44)	(15)	(3)
Overseas tax			
Current tax on profits for the period	**(65)**	(59)	(117)
Adjustments in respect of prior years	**–**	1	7
	(65)	(58)	(110)
Deferred tax			
Current period	**(1)**	5	14
Adjustments in respect of prior years	**2**	–	–
Adjustments in respect of changes in tax rates	**2**	–	(1)
	3	5	13
Income tax expense	**(106)**	(68)	(100)

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% (2015/16: 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 2016 was 26%. Exceptional tax items for the current period amount to a charge of £2m, none of which relates to prior year items (2015/16: £29m credit, none of which related to prior year items). Exceptional tax items for the year ended 31 January 2016 amounted to a credit of £67m, £1m of which related to prior year items.

8. Earnings per share

Pence	Half year ended 31 July 2016	Half year ended 1 August 2015	Year ended 31 January 2016
Basic earnings per share	**14.1**	13.6	17.8
Effect of dilutive share options	**–**	–	–
Diluted earnings per share	**14.1**	13.6	17.8
Basic earnings per share	**14.1**	13.6	17.8
B&Q China operating loss	**–**	0.2	0.2
Exceptional items before tax	**(0.5)**	(0.4)	7.2
Tax on exceptional and prior year items	**(0.1)**	(1.2)	(3.3)
Financing fair value remeasurements	**0.1**	0.2	0.2
Tax on financing fair value remeasurements	**–**	(0.1)	(0.1)
Adjusted basic earnings per share	**13.6**	12.3	22.0
Transformation costs before exceptional items	**0.8**	–	–
Tax on transformation costs before exceptional items	**(0.2)**	–	–
Underlying basic earnings per share	**14.2**	12.3	22.0
Diluted earnings per share	**14.1**	13.6	17.8
B&Q China operating loss	**–**	0.2	0.2
Exceptional items before tax	**(0.5)**	(0.4)	7.2
Tax on exceptional and prior year items	**(0.1)**	(1.2)	(3.3)
Financing fair value remeasurements	**0.1**	0.2	0.2
Tax on financing fair value remeasurements	**–**	(0.1)	(0.1)
Adjusted diluted earnings per share	**13.6**	12.3	22.0
Transformation costs before exceptional items	**0.8**	–	–
Tax on transformation costs before exceptional items	**(0.2)**	–	–
Underlying diluted earnings per share	**14.2**	12.3	22.0

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 2016	Half year ended 1 August 2015	Year ended 31 January 2016
Earnings	**321**	318	412
B&Q China operating loss	**–**	4	4
Exceptional items before tax	**(11)**	(9)	166
Tax on exceptional and prior year items	**(2)**	(30)	(76)
Financing fair value remeasurements	**2**	3	4
Tax on financing fair value remeasurements	**–**	(1)	(1)
Adjusted earnings	**310**	285	509
Transformation costs before exceptional items	**18**	–	–
Tax on transformation costs before exceptional items	**(5)**	–	–
Underlying earnings	**323**	285	509

The weighted average number of shares in issue during the period, excluding those held in the Employee Share Ownership Plan Trust ('ESOP trust'), is 2,271m (2015/16: 2,327m). The diluted weighted average number of shares in issue during the period is 2,275m (2015/16: 2,329m). For the year ended 31 January 2016, the weighted average number of shares in issue was 2,311m and the diluted weighted average number of shares in issue was 2,319m.

9. Dividends

£ millions	Half year ended 31 July 2016	Half year ended 1 August 2015	Year ended 31 January 2016
Dividends to equity shareholders of the Company			
Ordinary final dividend for the year ended 31 January 2016 of 6.92p per share	**157**	–	–
Ordinary interim dividend for the year ended 31 January 2016 of 3.18p per share	**–**	–	72
Ordinary final dividend for the year ended 31 January 2015 of 6.85p per share	**–**	160	160
	157	160	232

The proposed ordinary interim dividend for the period ended 31 July 2016 is 3.25p 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 £136m (2015/16: £178m) and for the year ended 31 January 2016 were £331m. Disposals in net book value of property, plant and equipment, investment property, property assets held for sale and other intangible assets are £5m (2015/16: £2m) and for the year ended 31 January 2016 were £28m.

Capital commitments contracted but not provided for at the end of the period are £36m (2015/16: £50m) and at 31 January 2016 were £46m.

11. Post-employment benefits

£ millions	Half year ended 31 July 2016	Half year ended 1 August 2015	Year ended 31 January 2016
Net surplus in schemes at beginning of period	**159**	112	112
Current service cost	**(5)**	(4)	(8)
Administration costs	**(2)**	(2)	(4)
Net interest income	**4**	2	5
Net actuarial (losses)/gains	**(87)**	(72)	19
Contributions paid by employer	**18**	18	37
Exchange differences	**(9)**	5	(2)
Net surplus in schemes at end of period	**78**	59	159
UK	**178**	140	246
Overseas	**(100)**	(81)	(87)
Net surplus in schemes at end of period	**78**	59	159
Present value of defined benefit obligations	**(3,075)**	(2,637)	(2,476)
Fair value of scheme assets	**3,153**	2,696	2,635
Net surplus in schemes at end of period	**78**	59	159

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 2016.

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 2016	At 1 August 2015	At 31 January 2016
Discount rate	**2.4**	3.6	3.6
Price inflation	**2.9**	3.3	3.1

12. Financial instruments

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

£ millions	At 31 July 2016	At 1 August 2015	At 31 January 2016
Cross currency interest rate swaps	**52**	42	56
Foreign exchange contracts	**75**	22	43
Derivative assets	**127**	64	99

£ millions	At 31 July 2016	At 1 August 2015	At 31 January 2016
Foreign exchange contracts	**(13)**	(17)	(6)
Derivative liabilities	**(13)**	(17)	(6)

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

	Carrying amount		
£ millions	At 31 July 2016	At 1 August 2015	At 31 January 2016
Bank overdrafts	**117**	43	76
Bank loans	**9**	10	10
Fixed term debt	**146**	170	185
Finance leases	**41**	47	46
Borrowings	**313**	270	317

	Fair value		
£ millions	At 31 July 2016	At 1 August 2015	At 31 January 2016
Bank overdrafts	**117**	43	76
Bank loans	**9**	10	11
Fixed term debt	**151**	177	192
Finance leases	**52**	59	56
Borrowings	**329**	289	335

13. Other reserves

£ millions	Translation reserve	Cash flow hedge reserve	Available-for-sale reserve	Other	Total
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 2015	(194)	41	–	164	11
Currency translation differences					
Group	(136)	–	–	–	(136)
Joint ventures and associates	(3)	–	–	–	(3)
Transferred to income statement	(7)	–	–	–	(7)
Cash flow hedges					
Fair value losses	–	(21)	–	–	(21)
Gains transferred to inventories	–	(30)	–	–	(30)
Tax on items that may be reclassified	(2)	14	–	–	12
Other comprehensive income for the period	(148)	(37)	–	–	(185)
Purchase of own shares for cancellation	–	–	–	6	6
At 1 August 2015	(342)	4	–	170	(168)
At 1 February 2015	(194)	41	–	164	11
Currency translation differences					
Group	1	–	–	–	1
Joint ventures and associates	(3)	–	–	–	(3)
Transferred to income statement	(7)	–	–	–	(7)
Cash flow hedges					
Fair value gains	–	24	–	–	24
Gains transferred to inventories	–	(50)	–	–	(50)
Available-for-sale financial assets					
Fair value gains	–	–	2	–	2
Tax on items that may be reclassified	(2)	10	–	–	8
Other comprehensive income for the year	(11)	(16)	2	–	(25)
Purchase of own shares for cancellation	–	–	–	8	8
At 31 January 2016	(205)	25	2	172	(6)

14. Cash generated by operations

£ millions	Half year ended 31 July 2016	Half year ended 1 August 2015	Year ended 31 January 2016
Operating profit	**439**	394	526
Share of post-tax results of joint ventures and associates	**1**	–	(3)
Depreciation and amortisation	**121**	120	240
Impairment losses	**1**	39	55
Loss on disposal of property, plant and equipment, property held for sale and intangible assets	**–**	–	3
Profit on disposal of property and other companies	**–**	(16)	(13)
Profit on disposal of B&Q China	**(3)**	(143)	(143)
Share-based compensation charge	**9**	7	11
(Increase)/decrease in inventories	**(65)**	(111)	56
Decrease/(increase) in trade and other receivables	**30**	(40)	(36)
Increase in trade and other payables	**238**	191	27
Movement in provisions	**(63)**	102	233
Movement in post-employment benefits	**(11)**	(12)	(25)
Cash generated by operations	**697**	531	931

15. Net cash

£ millions	At 31 July 2016	At 1 August 2015	At 31 January 2016
Cash and cash equivalents	**1,134**	537	730
Bank overdrafts	**(117)**	(43)	(76)
Cash and cash equivalents and bank overdrafts	**1,017**	494	654
Short-term deposits	**–**	123	70
Bank loans	**(9)**	(10)	(10)
Fixed term debt	**(146)**	(170)	(185)
Financing derivatives	**77**	45	63
Finance leases	**(41)**	(47)	(46)
Net cash	**898**	435	546

£ millions	Half year ended 31 July 2016	Half year ended 1 August 2015	Year ended 31 January 2016
Net cash at beginning of period	**546**	329	329
Net increase in cash and cash equivalents and bank overdrafts, including amounts classified as held for sale	**300**	11	127
(Decrease)/increase in short-term deposits	**(70)**	75	22
Repayment of bank loans	**2**	1	1
Repayment of fixed term debt	**47**	–	–
Receipt on financing derivatives	**(10)**	–	–
Capital element of finance lease rental payments	**7**	6	13
Cash flow movement in net cash	**276**	93	163
Adjustment for cash classified as held for sale (B&Q China)	**–**	57	57
Exchange differences and other non-cash movements	**76**	(44)	(3)
Net cash at end of period	**898**	435	546

16. Disposals

On 5 July 2016, the Group disposed of its remaining 30% interest in the B&Q China business to Wumei Holdings Inc for a gross consideration of £67m, being the Sterling equivalent of RMB 582m. The profit on disposal of £3m is analysed as follows:

£ millions	
Proceeds	**67**
Disposal costs	**(4)**
Net disposal proceeds	**63**
Fair value of investment disposed	**(67)**
Fair value gains transferred from available-for-sale reserve	**7**
Exceptional profit on disposal	**3**

In the prior year, the Group received gross proceeds of £140m and recognised a profit on disposal of £143m in respect of Wumei Holdings Inc acquiring a controlling 70% stake in the B&Q China business. In the prior year, the Group also completed the sale of a property company for proceeds of £18m and a profit of £16m.

17. Contingent assets and liabilities

The Group has arranged for certain guarantees to be provided to third parties in the ordinary course of business. Of these guarantees, only £1m (2015/16: £1m) would crystallise due to possible future events not wholly within the Group's control. At 31 January 2016 the amount was £1m.

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

18. Related party transactions

The Group's significant related parties are its joint ventures, associates and pension schemes as disclosed in note 37 of the annual financial statements for the year ended 31 January 2016. There have been no significant changes in related parties or related party transactions in the period.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The Directors of Kingfisher plc were listed in the Kingfisher plc Annual Report for the year ended 31 January 2016, which noted that Janis Kong stepped down as a Director and Rakhi Goss-Custard was appointed as a Director, both effective 1 February 2016. There have been no other changes in the period.

By order of the Board

Véronique Laury	Karen Witts
Chief Executive Officer	Chief Financial Officer
19 September 2016	19 September 2016

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 2016 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated cash flow statement and related notes 1 to 18. We have read the other information contained in the 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 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
19 September 2016