|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Consolidated income statement** | | | | |  | | |
| Year ended 31 January 2018 | | | | |  | | |
|  |  |  | | |  | | |
|  |  |  |  | 2017/18 | 2016/17 | | |
|  |  | Before | Exceptional |  | Before | Exceptional |  |
|  |  | exceptional | items |  | exceptional | items |  |
| £ millions | Notes | items | (note 4) | Total | items | (note 4) | Total |
| **Sales** | 3 | **11,655** | **–** | **11,655** | 11,225 | – | 11,225 |
| Cost of sales |  | **(7,352)** | **–** | **(7,352)** | (7,050) | – | (7,050) |
| **Gross profit** |  | **4,303** | **–** | **4,303** | 4,175 | – | 4,175 |
| Selling and distribution expenses |  | **(2,863)** | **14** | **(2,849)** | (2,758) | 21 | (2,737) |
| Administrative expenses |  | **(782)** | **(15)** | **(797)** | (687) | (5) | (692) |
| Other income |  | **24** | **1** | **25** | 19 | 7 | 26 |
| Share of post-tax results  of joint ventures and associates |  | **3** | **–** | **3** | 1 | – | 1 |
| **Operating profit** |  | **685** | **–** | **685** | 750 | 23 | 773 |
| Finance costs |  | **(19)** | **–** | **(19)** | (21) | (6) | (27) |
| Finance income |  | **16** | **–** | **16** | 13 | – | 13 |
| Net finance costs | 5 | **(3)** | **–** | **(3)** | (8) | (6) | (14) |
| **Profit before taxation** |  | **682** | **–** | **682** | 742 | 17 | 759 |
| Income tax expense | 6 | **(197)** | **–** | **(197)** | (143) | (6) | (149) |
| **Profit for the year** |  | **485** | **–** | **485** | 599 | 11 | 610 |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **Earnings per share** | 7 |  |  |  |  |  |  |
| Basic |  |  |  | **22.1p** |  |  | 27.1p |
| Diluted |  |  |  | **22.0p** |  |  | 27.0p |
| Adjusted basic |  |  |  | **21.8p** |  |  | 24.4p |
| Adjusted diluted |  |  |  | **21.7p** |  |  | 24.3p |
| Underlying basic |  |  |  | **25.5p** |  |  | 25.9p |
| Underlying diluted |  |  |  | **25.4p** |  |  | 25.8p |
|  |  |  |  |  |  |  |  |
| Reconciliation of non-GAAP underlying and adjusted pre-tax profit: | | | | | | | |
| **Underlying pre-tax profit** |  |  |  | **797** |  |  | 787 |
| Transformation costs before exceptional items | | |  | **(114)** |  |  | (44) |
| **Adjusted pre-tax profit** |  |  |  | **683** |  |  | 743 |
| Financing fair value remeasurements | | |  | **(1)** |  |  | (1) |
| Exceptional items |  |  |  | **–** |  |  | 17 |
| **Profit before taxation** |  |  |  | **682** |  |  | 759 |

The proposed final dividend for the year ended 31 January 2018, subject to approval by shareholders at the Annual General Meeting, is 7.49p per share.

|  |  |  |  |
| --- | --- | --- | --- |
| **Consolidated statement of comprehensive income**  Year ended 31 January 2018 |  |  |  |
| £ millions | Notes | 2017/18 | 2016/17 |
| **Profit for the year** |  | **485** | 610 |
| Actuarial losses on post-employment benefits | 9 | **(58)** | (50) |
| Tax on items that will not be reclassified |  | **16** | 11 |
| **Total items that will not be reclassified subsequently to profit or loss** |  | **(42)** | (39) |
| Currency translation differences |  |  |  |
| Group |  | **84** | 390 |
| Joint ventures and associates |  | **(1)** | (1) |
| Cash flow hedges |  |  |  |
| Fair value (losses)/gains |  | **(93)** | 52 |
| Losses/(gains) transferred to inventories |  | **20** | (60) |
| Available-for-sale financial assets |  |  |  |
| Fair value gains |  | **–** | 5 |
| Transferred to income statement |  | **–** | (7) |
| Tax on items that may be reclassified |  | **12** | 2 |
| **Total items that may be reclassified subsequently to profit or loss** |  | **22** | 381 |
| **Other comprehensive (loss)/income for the year** |  | **(20)** | 342 |
| **Total comprehensive income for the year** |  | **465** | 952 |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Consolidated statement of changes in equity**  Year ended 31 January 2018 | | | | | | | | | |
|  |  | | Attributable to equity shareholders of the Company | | | | | | | |
| £ millions | Notes | Share capital | | Share  premium | Own shares held | Retained earnings | Capital redemption reserve | Other reserves | Total  equity | |
| **At 1 February 2017** |  | **352** | | **2,221** | **(23)** | **3,837** | **22** | **362** | **6,771** | |
| Profit for the year |  | **–** | | **–** | **–** | **485** | **–** | **–** | **485** | |
| Other comprehensive (loss)/ income for the year |  | **–** | | **–** | **–** | **(42)** | **–** | **22** | **(20)** | |
| **Total comprehensive income for the year** |  | **–** | | **–** | **–** | **443** | **–** | **22** | **465** | |
| Share-based compensation |  | **–** | | **–** | **–** | **8** | **–** | **–** | **8** | |
| New shares issued under share schemes |  | **1** | | **7** | **–** | **–** | **–** | **–** | **8** | |
| Own shares issued under share schemes |  | **–** | | **–** | **7** | **(7)** | **–** | **–** | **–** | |
| Purchase of own shares for cancellation |  | **(13)** | | **–** | **–** | **(260)** | **13** | **–** | **(260)** | |
| Purchase of own shares for ESOP trust |  | **–** | | **–** | **(13)** | **–** | **–** | **–** | **(13)** | |
| Dividends | 8 | **–** | | **–** | **–** | **(231)** | **–** | **–** | **(231)** | |
| **At 31 January 2018** |  | **340** | | **2,228** | **(29)** | **3,790** | **35** | **384** | **6,748** | |
|  |  |  | |  |  |  |  |  |  | |
| **At 1 February 2016** |  | 361 | | 2,218 | (24) | 3,637 | 13 | (19) | 6,186 | |
| Profit for the year |  | – | | – | – | 610 | – | – | 610 | |
| Other comprehensive (loss)/ 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 | 8 | – | | – | – | (230) | – | – | (230) | |
| **At 31 January 2017** |  | 352 | | 2,221 | (23) | 3,837 | 22 | 362 | 6,771 | |

|  |  |  |  |
| --- | --- | --- | --- |
| **Consolidated balance sheet** |  |  |  |
| At 31 January 2018 |  |  |  |
|  |  |  |  |
| £ millions | Notes | 2017/18 | 2016/17 |
| **Non-current assets** |  |  |  |
| Goodwill |  | **2,437** | 2,399 |
| Other intangible assets |  | **355** | 308 |
| Property, plant and equipment |  | **3,736** | 3,589 |
| Investment property |  | **20** | 24 |
| Investments in joint ventures and associates |  | **25** | 23 |
| Post-employment benefits | 9 | **214** | 239 |
| Deferred tax assets |  | **30** | 28 |
| Derivative assets |  | **–** | 54 |
| Other receivables |  | **8** | 8 |
|  |  | **6,825** | 6,672 |
| **Current assets** |  |  |  |
| Inventories |  | **2,701** | 2,173 |
| Trade and other receivables |  | **550** | 551 |
| Derivative assets |  | **41** | 36 |
| Current tax assets |  | **–** | 6 |
| Cash and cash equivalents |  | **230** | 795 |
|  |  | **3,522** | 3,561 |
| **Total assets** |  | **10,347** | 10,233 |
|  |  |  |  |
| **Current liabilities** |  |  |  |
| Trade and other payables |  | **(2,666)** | (2,495) |
| Borrowings |  | **(140)** | (14) |
| Derivative liabilities |  | **(79)** | (26) |
| Current tax liabilities |  | **(140)** | (141) |
| Provisions |  | **(25)** | (63) |
|  |  | **(3,050)** | (2,739) |
| **Non-current liabilities** |  |  |  |
| Other payables |  | **(61)** | (50) |
| Borrowings |  | **(36)** | (184) |
| Deferred tax liabilities |  | **(264)** | (282) |
| Provisions |  | **(73)** | (99) |
| Post-employment benefits | 9 | **(115)** | (108) |
|  |  | **(549)** | (723) |
| **Total liabilities** |  | **(3,599)** | (3,462) |
|  |  |  |  |
| **Net assets** |  | **6,748** | 6,771 |
|  |  |  |  |
| **Equity** |  |  |  |
| Share capital |  | **340** | 352 |
| Share premium |  | **2,228** | 2,221 |
| Own shares held in ESOP trust |  | **(29)** | (23) |
| Retained earnings |  | **3,790** | 3,837 |
| Capital redemption reserve |  | **35** | 22 |
| Other reserves |  | **384** | 362 |
| **Total equity** |  | **6,748** | 6,771 |

The financial statements were approved by the Board of Directors on 20 March 2018 and signed on its behalf by:

**Véronique Laury Karen Witts**

Chief Executive Officer Chief Financial Officer

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Consolidated cash flow statement** |  | | | |
| Year ended 31 January 2018 |  | | | |
|  |  | | | |
| £ millions | Notes | 2017/18 | 2016/17 |
| **Operating activities** |  |  |  |
| Cash generated by operations | 10 | **475** | 925 |
| Income tax paid |  | **(182)** | (144) |
| **Net cash flows from operating activities** |  | **293** | 781 |
|  |  |  |  |
| **Investing activities** |  |  |  |
| Purchase of property, plant and equipment and intangible assets |  | **(368)** | (406) |
| Purchase of businesses, net of cash acquired | 12 | **(12)** | – |
| Disposal of property, plant and equipment, investment property and intangible assets |  | **6** | 20 |
| Disposal of B&Q China |  | **–** | 63 |
| Decrease in short-term deposits |  | **–** | 70 |
| Interest received |  | **11** | 5 |
| **Net cash flows used in investing activities** |  | **(363)** | (248) |
|  |  |  |  |
| **Financing activities** |  |  |  |
| Interest paid |  | **(10)** | (10) |
| Interest element of finance lease rental payments |  | **(2)** | (2) |
| Repayment of bank loans |  | **(7)** | (2) |
| Repayment of fixed term debt |  | **–** | (47) |
| Receipt on financing derivatives |  | **–** | 10 |
| Capital element of finance lease rental payments |  | **(11)** | (12) |
| New shares issued under share schemes |  | **8** | 3 |
| Own shares issued under share schemes |  | **–** | 1 |
| Purchase of own shares for ESOP trust |  | **(13)** | (6) |
| Purchase of own shares for cancellation |  | **(260)** | (200) |
| Ordinary dividends paid to equity shareholders of the Company |  | **(231)** | (230) |
| **Net cash flows from financing activities** |  | **(526)** | (495) |
|  |  |  |  |
| **Net (decrease)/increase in cash and cash equivalents and bank overdrafts** |  | **(596)** | 38 |
| Cash and cash equivalents and bank overdrafts at beginning of year |  | **795** | 654 |
| Exchange differences |  | **31** | 103 |
| **Cash and cash equivalents and bank overdrafts at end of year** | 11 | **230** | 795 |

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

1. **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 2018 (‘the year’ or ‘2017/18’). The comparative financial year is the calendar year ended 31 January 2017 (‘the prior year’ or ‘2016/17’).

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 2018.

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 2018, but are derived from those statements. Statutory financial statements for 2016/17 have been filed with the Registrar of Companies and those for 2017/18 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 2017/18 statutory financial statements, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (‘IFRS’) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS and therefore the consolidated financial statements comply with Article 4 of the EU IAS legislation. The consolidated income statement and related notes represent results for continuing operations, there being no discontinued operations in the years presented. The condensed financial information has been prepared under the historical cost convention, as modified by the use of valuations for certain financial instruments, share-based payments and post-employment benefits.

***Accounting policies***

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 January 2017, as described in note 2 of those financial statements.

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | 2017/18 |  | 2016/17 |
|  | Average rate | Year end rate | Average rate | Year end rate |
| Euro | **1.14** | **1.14** | 1.21 | 1.16 |
| US Dollar | **1.30** | **1.42** | 1.34 | 1.26 |
| Polish Zloty | **4.83** | **4.75** | 5.28 | 5.03 |
| Russian Rouble | **75.53** | **79.74** | 87.98 | 75.72 |

***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 (also known as ‘Alternative Performance Measures’), such as net cash, are used by Kingfisher for internal performance analysis and incentive compensation arrangements for employees. The terms ‘retail profit’, ‘exceptional items’, ‘transformation costs’, ‘underlying’, ‘adjusted’, ‘effective tax rate’ and ‘net cash’ are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, GAAP measures.

Retail profit is defined as continuing operating profit before central costs, the Group’s share of interest and tax of joint ventures and associates, transformation costs and exceptional items. It includes the sustainable benefits of the transformation plan. Central costs principally comprise the costs of the Group’s head office before transformation costs.

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

* non-trading items included in operating profit such as profits and losses on the disposal, closure or impairment of subsidiaries, joint ventures, associates and investments which do not form part of the Group’s trading activities;
* profits and losses on the disposal of properties and impairment losses on non-operational assets; and
* the costs of significant restructuring, including certain restructuring costs of the Group’s five-year transformation plan launched in 2016/17, and incremental acquisition integration costs.

The term ‘adjusted’ refers to the relevant measure being reported for continuing operations excluding exceptional items, financing fair value remeasurements, related tax items and prior year tax items (including the impact of changes in tax rates on deferred tax). Financing fair value remeasurements represent changes in the fair value of financing derivatives, excluding interest accruals, offset by fair value adjustments to the carrying amount of borrowings and other hedged items under fair value hedge relationships. Financing derivatives are those that relate to hedged items of a financing nature.

The term ‘underlying’ refers to the relevant adjusted measure being reported before non-exceptional transformation costs. Non-exceptional transformation costs represent the additional costs that arise only as a result of the transformation plan launched in 2016/17, which either because of their nature or the length of the period over which they are incurred are not considered as exceptional items. These costs principally relate to the unified and unique offer range implementation and the digital strategic initiative. The separate reporting of such costs (in addition to exceptional items) helps provide an indication of the Group’s underlying business performance, which includes the sustainable benefits of the transformation plan.

The effective tax rate is calculated as continuing income tax expense excluding tax on exceptional items and adjustments in respect of prior years and the impact of changes in tax rates on deferred tax, divided by continuing profit before taxation excluding exceptional items. The exclusion of items relating to prior years and those not in the ordinary course of business helps provide a better indication of the Group’s ongoing rate of tax.

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

1. **Segmental analysis**

**Income statement**

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2016/17 | | | | | |
| £ millions | UK & Ireland | France | Other International | | Total |
| Poland | Other |
| **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 |

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.

Transformation costs before exceptional items principally relate to the unified and unique offer range implementation and the digital strategic pillar, with £42m (2016/17: £19m) included within selling and distribution expenses and £72m (2016/17: £25m) included within administrative expenses.

# 4 Exceptional items

|  |  |  |
| --- | --- | --- |
| £ millions | 2017/18 | 2016/17 |
| **Included within selling and distribution expenses** |  |  |
| UK & Ireland and continental Europe restructuring | **12** | 21 |
| Brico Dépôt Romania impairment reversal | **2** | – |
|  | **14** | 21 |
| **Included within administrative expenses**  Transformation exceptional costs | **(15)** | (5) |
|  | **(15)** | (5) |
| **Included within other income**  Profit on disposal of properties | **1** | 4 |
| Profit on disposal of B&Q China | **–** | 3 |
|  | **1** | 7 |
| **Included within net finance costs** |  |  |
| UK & Ireland and continental Europe restructuring | **–** | (6) |
|  | **–** | (6) |
| **Exceptional items before tax** | **–** | 17 |
| Tax on exceptional items | **–** | (6) |
| **Exceptional items** | **–** | 11 |

Current year exceptional items include a £12m credit principally arising due to savings on B&Q store exit costs as compared with the original restructuring provisions recognised.

In the prior year, a net credit of £21m 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.

A £2m impairment reversal has been recognised in the current year relating to the reversal of store impairments (previously charged to exceptional items in 2015/16) in the Brico Dépôt Romania business, as a result of a sustained improvement in the performance of those stores.

Transformation exceptional costs of £15m have been recorded in the year driven by people changes associated with restructuring in the UK and other costs relating to the Group’s five-year transformation plan. These include the move of transactional processing activity from the UK to a shared service centre in Poland.

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

# 5 Net finance costs

|  |  |  |
| --- | --- | --- |
| £ millions | 2017/18 | 2016/17 |
| Bank overdrafts and bank loans | **(10)** | (10) |
| Fixed term debt | **(2)** | (2) |
| Finance leases | **(2)** | (2) |
| Financing fair value remeasurements | **(1)** | (1) |
| Unwinding of discount on provisions | **(1)** | (7) |
| Capitalised interest | **2** | - |
| Other interest payable | **(5)** | (5) |
| **Finance costs** | **(19)** | (27) |
|  |  |  |
| Cash and cash equivalents and short term deposits | **8** | 6 |
| Net interest income on defined benefit pension schemes | **5** | 7 |
| Other interest income | **3** | - |
| **Finance income** | **16** | 13 |
|  |  |  |
| **Net finance costs** | **(3)** | (14) |

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

# 6 Income tax expense

|  |  |  |
| --- | --- | --- |
| £ millions | 2017/18 | 2016/17 |
| **UK corporation tax** |  |  |
| Current tax on profits for the year | **(32)** | (66) |
| Adjustments in respect of prior years | **(8)** | 10 |
|  | **(40)** | (56) |
| **Overseas tax** |  |  |
| Current tax on profits for the year | **(152)** | (155) |
| Adjustments in respect of prior years | **(2)** | (11) |
|  | **(154)** | (166) |
| **Deferred tax** |  |  |
| Current year | **(20)** | 22 |
| Adjustments in respect of prior years | **1** | 16 |
| Adjustments in respect of changes in tax rates | **16** | 35 |
|  | **(3)** | 73 |
|  |  |  |
| **Income tax expense** | **(197)** | (149) |

The effective tax rate on profit before exceptional items and excluding prior year tax adjustments and the impact of changes in tax rates on deferred tax is 30% (2016/17: 26%). The increase in the effective tax rate is largely due to a one off French tax surcharge in 2017/18. Tax on exceptional items for the year amount to a charge of £nil. In 2016/17, tax on exceptional items amounted to a charge of £6m, including a credit of £1m relating to prior year items.

# 7 Earnings per share

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | 2017/18 | |  | 2016/17 | |
|  | Earnings | Weighted average number of shares | Earnings per share | Earnings | Weighted average number of shares | Earnings per share |
|  | £ millions | millions | Pence | £ millions | millions | pence |
| **Basic earnings per share** | **485** | **2,192** | **22.1** | 610 | 2,256 | 27.1 |
| Effect of dilutive share options  <root><color rgb="0" index="2"/><color rgb="6619135" index="5"/><color rgb="12632256" index="1"/><color rgb="15194827" index="3"/><color rgb="6134509" index="6"/><color rgb="13754062" index="4"/></root> | **–** | **9** | **(0.1)** | **–** | 7 | (0.1) |
| **Diluted earnings per share** | **485** | **2,201** | **22.0** | 610 | 2,263 | 27.0 |
|  |  |  |  |  |  |  |
| **Basic earnings per share** | **485** | **2,192** | **22.1** | 610 | 2,256 | 27.1 |
| Exceptional items before tax | **–** |  | **–** | (17) |  | (0.8) |
| Tax on exceptional and prior year items | **(7)** |  | **(0.3)** | (43) |  | (2.0) |
| Financing fair value remeasurements | **1** |  | **–** | 1 |  | 0.1 |
| **Adjusted basic earnings per share** | **479** | **2,192** | **21.8** | 551 | 2,256 | 24.4 |
| Transformation costs before exceptional items | **114** |  | **5.2** | 44 |  | 2.0 |
| Tax on transformation costs before exceptional items | **(35)** |  | **(1.5)** | (11) |  | (0.5) |
| **Underlying basic earnings per share** | **558** | **2,192** | **25.5** | 584 | 2,256 | 25.9 |
|  |  |  |  |  |  |  |
| **Diluted earnings per share** | **485** | **2,201** | **22.0** | 610 | 2,263 | 27.0 |
| Exceptional items before tax | **–** |  | **–** | (17) |  | (0.8) |
| Tax on exceptional and prior year items | **(7)** |  | **(0.3)** | (43) |  | (2.0) |
| Financing fair value remeasurements | **1** |  | **–** | 1 |  | 0.1 |
| **Adjusted diluted earnings per share** | **479** | **2,201** | **21.7** | 551 | 2,263 | 24.3 |
| Transformation costs before exceptional items | **114** |  | **5.2** | 44 |  | 2.0 |
| Tax on transformation costs before exceptional items | **(35)** |  | **(1.5)** | (11) |  | (0.5) |
| **Underlying diluted earnings per share** | **558** | **2,201** | **25.4** | 584 | 2,263 | 25.8 |

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 | 2017/18 | 2016/17 |
| **Dividends to equity shareholders of the Company** |  |  |
| Ordinary interim dividend for the year ended 31 January 2018 of 3.33p per share  (year ended 31 January 2017: 3.25p per share) | **72** | 73 |
| Ordinary final dividend for the year ended 31 January 2017 of 7.15p per share  (year ended 31 January 2016: 6.92p per share) | **159** | 157 |
|  | **231** | 230 |

The proposed final dividend for the year ended 31 January 2018 of 7.49p per ordinary share (amounting to £162m, based on the issued share capital at year end) is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in the financial statements.

# 9 Post-employment benefits

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2017/18 | | | 2016/17 | | |
| £ millions | UK | Overseas | Total | UK | Overseas | Total |
| **Net surplus/(deficit) in schemes at beginning of year** | **239** | **(108)** | **131** | 246 | (87) | 159 |
| Current service cost | **(2)** | **(9)** | **(11)** | (2) | (7) | (9) |
| Administration costs | **(4)** | **–** | **(4)** | (4) | – | (4) |
| Net interest income/(expense) | **7** | **(2)** | **5** | 9 | (2) | 7 |
| Net actuarial (losses)/gains | **(62)** | **4** | **(58)** | (46) | (4) | (50) |
| Contributions paid by employer | **36** | **2** | **38** | 36 | 2 | 38 |
| Exchange differences | **–** | **(2)** | **(2)** | – | (10) | (10) |
| **Net surplus/(deficit) in schemes at end of year** | **214** | **(115)** | **99** | 239 | (108) | 131 |
|  |  |  |  |  |  |  |
| Present value of defined benefit obligations | **(3,002)** | **(134)** | **(3,136)** | (2,999) | (126) | (3,125) |
| Fair value of scheme assets | **3,216** | **19** | **3,235** | 3,238 | 18 | 3,256 |
| **Net surplus/(deficit) in schemes** | **214** | **(115)** | **99** | 239 | (108) | 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.

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

The principal financial assumptions for the UK scheme are as follows:

|  |  |  |
| --- | --- | --- |
| Annual % rate | 2017/18 | 2016/17 |
| Discount rate | **2.5** | 2.7 |
| Price inflation | **3.4** | 3.6 |

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Years |  | | 2017/18 | 2016/17 |
| Age to which current pensioners are expected to live (60 now) | |  |  |  |
| - Male | |  | **87.2** | 87.1 |
| - Female | |  | **88.9** | 88.8 |
| Age to which future pensioners are expected to live (60 in 15 years’ time) | |  |  |  |
| - Male | |  | **88.4** | 88.3 |
| - Female | |  | **90.8** | 90.7 |

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

|  |  |  |
| --- | --- | --- |
| Assumption | Change in assumption | Impact on defined benefit obligation |
| Discount rate | Increase/decrease by 0.5% | Decrease/increase by £333m |
| Price inflation | Increase/decrease by 0.5% | Increase/decrease by £266m |
| Mortality | Increase in life expectancy by one year | Increase by £99m |

**10 Cash generated by operations**

|  |  |  |
| --- | --- | --- |
| £ millions | 2017/18 | 2016/17 |
| **Operating profit** | **685** | 773 |
| Share of post-tax results of joint ventures and associates | **(3)** | (1) |
| Depreciation and amortisation | **254** | 253 |
| Net impairment losses | **1** | 14 |
| Loss on disposal of property, plant and equipment and investment property | **2** | 4 |
| Profit on disposal of B&Q China | **–** | (3) |
| Share-based compensation charge | **8** | 15 |
| Increase in inventories | **(473)** | (46) |
| Decrease in trade and other receivables | **12** | 62 |
| Increase in trade and other payables | **87** | 4 |
| Movement in provisions | **(75)** | (125) |
| Movement in post-employment benefits | **(23)** | (25) |
| **Cash generated by operations** | **475** | 925 |

**11 Net cash**

|  |  |  |  |
| --- | --- | --- | --- |
| £ millions | 2017/18 | | 2016/17 |
| **Cash and cash equivalents** | **230** | | 795 |
| Bank loans | **(6)** | | (9) |
| Fixed term debt | **(125)** | | (147) |
| Financing derivatives | **14** | | 44 |
| Finance leases | **(45)** | | (42) |
| **Net cash** | **68** | | 641 |
|  |  |  | |
| £ millions | 2017/18 | | 2016/17 |
| **Net cash at beginning of year** | **641** | | 546 |
| Net (decrease)/increase in cash and cash equivalents and bank overdrafts | **(596)** | | 38 |
| Decrease in short term deposits | **–** | | (70) |
| Repayment of bank loans | **7** | | 2 |
| Repayment of fixed term debt | **–** | | 47 |
| Receipt on financing derivatives | **–** | | (10) |
| Capital element of finance lease rental payments | **11** | | 12 |
| **Cash flow movement in net cash** | **(578)** | | 19 |
| Borrowings acquired | **(7)** | | – |
| Exchange differences and other non-cash movements | **12** | | 76 |
| **Net cash at end of year** | **68** | | 641 |

**12 Acquisitions**

On 30 November 2017, the Group obtained control of Praktiker Romania S.A. (“Praktiker”) by acquiring 100% of its share capital for a consideration of £14m, all of which comprised cash. Praktiker is a home improvement retailer operating 26 stores across Romania and was acquired to strengthen the Group’s position in Romania.

Goodwill of £36m has been recognised on provisional net liabilities acquired of £22m, representing a strategic premium to strengthen the Group’s position in Romania and anticipated synergies that will arise from the acquisition. None of this goodwill is expected to be deductible for income tax purposes.

|  |  |
| --- | --- |
| £ millions |  |
| Provisional fair value amounts recognised of identifiable assets acquired and liabilities assumed |  |
| Other intangible assets | **1** |
| Property, plant and equipment | **9** |
| Inventories | **31** |
| Trade and other receivables | **6** |
| Cash and cash equivalents | **2** |
| Trade and other payables | **(56)** |
| Borrowings | **(7)** |
| Provisions | **(8)** |
| Total identifiable net liabilities acquired | **(22)** |
| Goodwill | **36** |
| Total consideration | **14** |

The acquisition amounts recorded in the consolidated cash flow statement for the year are:

|  |  |
| --- | --- |
| £ millions |  |
| Cash consideration | **(14)** |
| Cash acquired | **2** |
| Purchase of businesses, net of cash acquired | **(12)** |

Immediately following the acquisition, Kingfisher settled Praktiker’s bank loans of £4m (included within “Repayment of bank loans” in the consolidated cash flow statement).

Owing to local conditions, Praktiker prepares its financial statements to 31 December. In the period from 30 November 2017 to 31 December 2017, it contributed sales of £8m and a retail loss of £1m. If the acquisition had occurred at the start of the financial year, the Group’s sales would have been £11,760m and Group’s operating profit, after exceptional items, would have been £676m for the year ended 31 January 2018.

**13 Contingent liabilities**

The Group has arranged for certain guarantees to be provided to third parties in the ordinary course of business. Of these guarantees, £43m (2016/17: £1m) could crystallise due to possible future events not wholly within the Group’s control.

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

The Group files tax returns in many jurisdictions around the world and at any one time, is subject to periodic tax audits in the ordinary course of its business. Applicable tax laws and regulations are subject to differing interpretations and the resolution of a final tax position can take several years to complete. Where it is considered that future tax liabilities are more likely than not to arise, an appropriate provision is recognised in the financial statements.

Included within these audits is a dispute with the French Tax Authority regarding the treatment of interest paid since the 2010 year end, where additional French tax of €49m (£43m) has been assessed and for which a bank guarantee is now in place. At the balance sheet date, interest and penalties of €49m (£43m) would be due on this assessment if not challenged successfully. Having taken external professional advice, the Group disagrees with the assessment and intends to defend its position through the courts. The Group does not consider it necessary to make provision for the amounts assessed at the current time, nor for any potential further amounts which may be assessed for subsequent years.

In October 2017, the European Commission opened a state aid investigation into the Group Financing Exemption section of the UK controlled foreign company rules. Along with many other UK-based international companies, the Group may be affected by the outcome of this investigation and is therefore monitoring developments. The Group does not currently consider any provision is required in relation to EU State Aid.

Whilst the procedures that must be followed to resolve these types of tax issues make it likely that it will be some years before the eventual outcome is known, the Group does not currently expect the final outcome of these contingent liabilities to have a material effect on the Group’s financial position.

**14 Events after the balance sheet date**

In February 2018, the Group commenced formal consultation with employee representatives regarding its plans in France to restructure the business as part of the Group’s transformation plan. This is expected to result in an exceptional cost of around £35m.