Opinion on financial statements of Kingfisher plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 January 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and Company statements of changes in equity, the consolidated and Company balance sheets, the consolidated cash flow statement and the related notes 1 to 38 for the Group and 1 to 19 for the Company financial statements. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 2 to the financial statements and the directors' statement on the longer-term viability of the Group contained within the strategic report on page 35.

We have nothing material to add or draw attention to in relation to:

- the directors' confirmation on page 31 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 31-35 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; or
- the directors' explanation on page 35 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and that we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Our assessed risks are consistent year on year.

The Audit Committee has requested that, while not required under International Standards on Auditing (UK and Ireland), we include in our report any significant key observations in respect of these assessed risks of material misstatement.

Inventory provisioning

Risk description

As at 31 January 2016 the value of inventory held by the Group was £1,957 million as disclosed in note 18 to the financial statements.

Assessing the valuation of inventory is an area of significant judgement. In particular for a retailer such as Kingfisher where there are upward of 393,000 stock-keeping units (SKUs) held across over 1,100 global locations.

There is a risk in estimating the eventual selling price of items held, as well as assessing which items may be slow-moving or obsolete.

As detailed in the strategic report on page 2 Kingfisher plc have announced their plans to "cut the tail" of inventory held and rationalise the number of SKUs within the business. Further, as detailed in note 5 to the financial statements, following the announcement of 65 store closures at B&Q, an inventory write down has been recorded.

These events add a layer of complexity to assessing the level of inventory which will become obsolete and the expected net realisable value (NRV) of inventory which will be sold.

The Group's principal accounting policy on inventory is on page 95 and the critical accounting estimates and judgements on inventory are on page 97.

How the scope of our audit responded to the risk

Our audit focused on whether the valuation of year-end inventory was in line with IAS 2. This included challenging judgements taken regarding obsolescence and net realisable value provisions.

We obtained assurance over the appropriateness of management's assumptions applied in calculating the value of inventory provisions by:

- checking the effectiveness of controls associated with the existence and condition of inventory by attending a sample of inventory counts throughout the year across all in scope components to assess store level control processes, including those at 15 distribution centres and 64 retail stores;
- checking the value of a sample of inventory to confirm it is held at the lower of cost and selling price, through comparison to vendor invoices and sales prices; and
- recomputing provisions recorded to verify that they are in line with Group policy and IAS 2. This was done in conjunction with IT specialists for some components where a manual recomputation was not possible.

Key observations

The results of our audit work were satisfactory and we concur with the inventory balance and the level of provision held.

Recognition of supplier rebates

Risk description

The Group receives significant amounts of supplier incentives, discounts, and rebates, and recognises these as a deduction in cost of sales.

These agreements largely comprise of volume-based rebates based on percentage levels agreed for the calendar year, but also include arrangements with a greater degree of judgement such as advertising and marketing support. Given the materiality of the volume based rebates these have been the focus of our work.

Assessing the timing of recognition of the reduction in cost of sales earned from suppliers, including adherence to contractual terms, is an area of complexity requiring both a detailed understanding of the contractual arrangements themselves as well as complete and accurate source data to apply the arrangements to.

The majority of rebates agreements are subject to netting agreements with the supplier. However, as detailed in note 19 on page 112 there are £313 million of rebate debtors recorded at year-end.

The Group's principal accounting policy on rebates is on page 93 and the critical accounting estimates and judgements on rebates are on page 98.

How the scope of our audit responded to the risk

We tested that amounts recognised were accurate and recorded in the correct period based on the contractual performance obligations by obtaining and reviewing a sample of contracts with suppliers to assess the conditions required for rebate income to be recognised and verified whether or not these had been met.

We circularised a sample of suppliers to give assurance that the arrangements recorded were accurate and complete and, where outstanding balances were significant at the year end, to confirm the amounts owed. Where responses were not received, we completed alternative procedures such as obtaining rebate contracts, understanding the contractual terms and recomputing the rebate earned.

For volume-based agreements, we recalculated the rebates due based on shipments in the year and contractual terms. For other rebates, we also focussed on the timing of recognition of the rebate income based on the contractual performance obligations.

We recomputed the level of volume rebate earned but not recognised, in particular challenging the key assumption of stock turn in the volume rebate in stock adjustment.

Our audit assessed the recoverability of rebate debtors by assessing the Group's right to receive the rebate. Where there were netting agreements we agreed that there was a sufficient creditor against which to deduct the rebate due and reviewed post year end debit notes; where there was not a netting agreement we reviewed post year end cash receipts to give assurance that the rebate was recoverable.

Key observations

The results of our testing were satisfactory and we consider the disclosure given around supplier rebates to provide a reasonable understanding of the types of rebate income received and the impact on the Group's balance sheet as at 31 January 2016.

Store impairment and lease based provisioning

Risk description

The Group operates over 1,100 stores across 10 countries giving rise to a diverse leasehold and freehold property portfolio.

As at 31 January 2016 the value of property, plant and equipment held by the Group was £3,212 million as disclosed in note 14 to the financial statements.

There are several technically complex or judgemental aspects of store impairment and store based provisioning across the Group, these are set out below.

Store impairment

As detailed in note 14 to the financial statements, store impairments of £36 million have been recorded in the year. A judgement arises in forming an assessment of carrying values of freehold stores and store assets for potential impairment.

The key assumptions applied by management in their store impairment reviews are:

- country-specific discount rates;
- store costs, including rent, staff payroll and general operating costs; and
- forecast contribution growth.

As detailed in note 2 to the financial statements the Group uses vacant possession to approximate fair value less costs to sell when considering impairment.

Store based provisioning

As detailed in note 26 to the financial statements, a provision has been recorded in relation to onerous lease obligations following the announcement of the closure of 65 stores within B&Q. The key assumptions applied by management in estimating this provision relate to the length of void periods and likelihood and level of sub-tenancy income.

The Group's principal accounting policy on property, plant and equipment is on page 94 and the critical accounting estimates and judgements on impairment are on page 97.

How the scope of our audit responded to the risk

Store impairment

For freehold properties and store assets with indicators of impairment, we challenged the impairment models and calculations by:

- checking the mechanical accuracy of the impairment models;
- assessing the discount rates applied to the impairment reviews for each country and comparing the rates to our benchmarks of market data which were assessed in conjunction with valuation specialists;
- comparing forecast growth rates to economic data;
- considering the historical budgeting accuracy at a store level;
- challenging key inputs into the value in use computation, namely forecast sales growth and margin by reviewing both past performance and the rationale for future assumptions. We challenged the level of past store performance to critically assess whether assumptions applied were appropriate at the store level;
- agreeing the vacant possession value of freehold property to third party valuation reports; and
- verifying that freehold properties are held in line with IAS 36.

Store based provisioning

We performed procedures to identify leases which could be considered onerous – for example, we reviewed the properties currently under lease, and identified those which may be vacant or underutilised, or where properties are sublet whether the estimated rental income leads to an onerous contract.

Key observations

We note that cash flow forecasting, impairment modelling and property values are all inherently judgemental. We concluded that the assumptions applied in the impairment models were within an acceptable range, and that the overall level of impairment recognised was reasonable.

Impairment of goodwill

Risk description

As at 31 January 2016 the value of goodwill held by the Group was £2,397 million as disclosed in note 12 to the financial statements.

The goodwill within the Group arose via business combinations. As detailed in note 12 there has been a £15 million impairment charge recorded in the year in relation to Brico Dépôt Romania.

Determining the appropriate carrying value of goodwill requires management to make significant estimates including the operating cash flow projections, discount rates and long term growth rates applied.

The goodwill attributable to cash generating units (CGUs) is reviewed for impairment using a value in use model, as described in note 12 to the financial statements.

As detailed on page 15 to the annual report the Group's five year plan expects to generate savings of £500 million. A risk arises that cash flow projections used to support the valuation of goodwill are not in compliance with IAS 36 which requires that future cash flows do not include inflows or outflows that are expected to arise from a future restructuring to which an entity is not yet committed or improving or enhancing the asset's performance.

The Group's principal accounting policy on goodwill and intangible assets is on page 94 and the critical accounting estimates and judgements on impairment are on page 97.

How the scope of our audit responded to the risk

In order to address this key audit risk we audited the assumptions used in the impairment model for goodwill and intangible assets. Our work included:

- Considering the projected future cash flows, understanding variances between the forecast and actual results for the year ended 31 January 2016 and comparing the forecast performance to the Group's five year plan and supporting workings.
- Comparing the long-term growth rates for each cash generating unit to economic forecasts.
- Working with our internal valuation specialists, who assisted in computing an independent assessment of the discount rates used and assessing management's methodology used in calculating the discount rates applied by benchmarking against those companies in the same or similar sectors.
- Assessing the appropriateness of the sensitivities applied by management to the impairment testing model including considering future capital spend and whether the scenarios represented reasonably possible changes in key assumptions. We performed further sensitivities based on recent trading activity and our understanding of the future prospects to identify whether these scenarios could give rise to further impairment.
- Considering CGU allocation in light of the Group's new strategy and concluded that there have not been any triggers which would require a reallocation of the CGUs.
- Checking the arithmetic accuracy of the impairment model.
- Considering the adequacy of the Group's disclosure in respect of its goodwill impairment testing and whether the disclosures about the sensitivity of the outcome of the impairment assessment to reasonably possible changes in key assumptions properly reflected the risks inherent in such assumptions.

Key observations

The results of our testing were satisfactory and we concur that the assumptions used in the impairment model, including the discount rate and level of goodwill impairment booked in the year, are appropriate.

Taxation

Risk description

Due to the estimation uncertainty in respect of settlements with tax authorities around the world, assessing the Group's exposure to significant tax risks and the level of provisions recognised is a judgemental area.

The Group's principal accounting policy on taxation is on page 95 and the critical accounting estimates and judgements on taxation are on page 98.

How the scope of our audit responded to the risk

We engaged tax specialists who have considered significant taxation exposures across the Group, including challenging the estimates and judgements made by management when calculating the income tax payable in each territory and the associated provisions held.

In assessing the provisions we have considered the tax environment in the significant territories in which the Group operates, the outcome of past settlements and the status of tax audits.

The tax specialists reviewed correspondence with taxation authorities in significant locations, as well as reviewing the opinions or other support received from external counsel and other advisers where management has relied on them to make assumptions on the level of taxation payable.

Key observations

We identified no material exceptions to the provisions recorded.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 47.

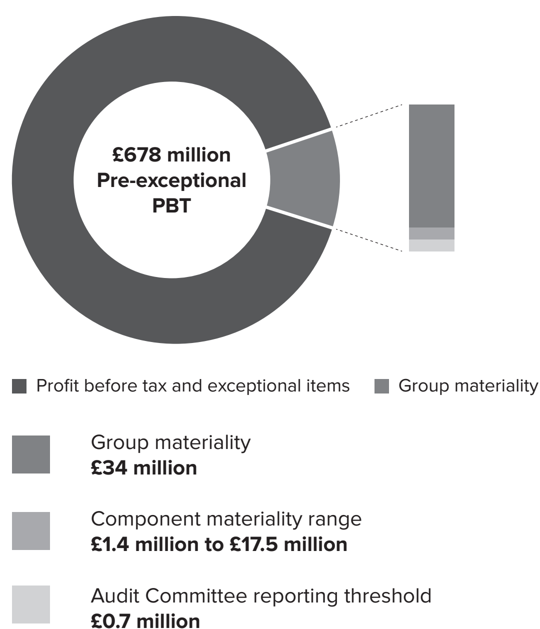
These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £34 million (2014/15: £34 million), which is 5% (2014/15: 5%) of profit before taxation, before exceptional items, and below 1% (2014/15: below 1%) of equity. The rationale for using profit before taxation, before exceptional items, as our basis for materiality is that it provides a consistent year on year approach excluding one off gains and losses, and is considered to be the most relevant performance measure to the Group’s stakeholders.

We agreed with the Audit Committee that we would report to the committee all audit differences in excess of £0.7 million (2014/15: £0.7 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.



An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

Based on that assessment, we focused our Group audit scope primarily on all significant trading entities and the Group head office, and including B&Q UK, Castorama France, Brico Dépôt France, Castorama Poland, Castorama Russia, Screwfix UK, Brico Dépôt Spain, Brico Dépôt Romania and the Koçtaş joint venture. These locations represent the principal business units and account for 99% (2014/15: 99%) of the Group’s revenue, 98% (2014/15: 98%) of the Group’s profit before tax after taking into account the allocation of central sourcing costs, and 98% (2014/15: 98%) of the Group’s net assets. The entities which are out of our scope are primarily individually insignificant cost entities and other smaller operations.

Following the Group’s sale of its controlling (70%) stake in its B&Q China business on 30 April 2015, there has been a change in our scope. B&Q China is no longer required to be in full audit scope given it does not consolidate into the Group accounts. As disclosed in note 17 on page 111 to the financial statements the remaining 30% has been treated as an investment.

The locations in scope were selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at these locations was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from £1.4 million to £17.5 million (PY: £1.5 to £17.5 million).

At the Group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

How we work closely with component auditors

The Group audit team continued to follow a programme of planned visits that has been designed so that the Senior Statutory Auditor visits locations considered the most significant each year. For the remaining locations where Group audit work is performed, but no visit is carried out, the Senior Statutory Auditor has discussed and challenged the key areas of judgement with the lead audit partner of the component in the current year and a senior member of the Group engagement team has visited the location.

In the current year the Group team have made 16 visits to component sites and a partner from the Group team has visited each component at least once.

We also held planning briefings, attended by the component auditors from each of the locations discussed above, at which we discussed developments in the Group relevant to our audit, including risk assessment and audit procedures to respond to the risks identified.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the part of the Directors’ Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors’ Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors’ Report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the Company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Statement of Responsibility, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Richard Muschamp FCA
Senior Statutory Auditor
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London

23 March 2016

Consolidated income statement

Year ended 31 January 2016

£ millions	Notes	2015/16 Before exceptional items	2015/16 Exceptional items (note 5)	2015/16 Total	2014/15 (restated – note 2a) Before exceptional items	2014/15 (restated – note 2a) Exceptional items (note 5)	2014/15 (restated – note 2a) Total
Sales	4	**10,441**	**–**	**10,441**	10,966	–	10,966
Cost of sales		**(6,545)**	**–**	**(6,545)**	(6,918)	–	(6,918)
Gross profit		**3,896**	**–**	**3,896**	4,048	–	4,048
Selling and distribution expenses		**(2,666)**	**(308)**	**(2,974)**	(2,835)	(32)	(2,867)
Administrative expenses		**(567)**	**(15)**	**(582)**	(571)	–	(571)
Other income		**26**	**157**	**183**	40	(3)	37
Share of post-tax results of joint ventures and associates	16	**3**	**–**	**3**	5	–	5
Operating profit		**692**	**(166)**	**526**	687	(35)	652
Analysed as:							
Retail profit	4	**746**	**(166)**	**580**	742	(35)	707
Central costs		**(45)**	**–**	**(45)**	(40)	–	(40)
Share of interest and tax of joint ventures and associates		**(5)**	**–**	**(5)**	(6)	–	(6)
B&Q China operating loss		**(4)**	**–**	**(4)**	(9)	–	(9)
Finance costs		**(22)**	**–**	**(22)**	(13)	–	(13)
Finance income		**8**	**–**	**8**	5	–	5
Net finance costs	6	**(14)**	**–**	**(14)**	(8)	–	(8)
Profit before taxation	7	**678**	**(166)**	**512**	679	(35)	644
Income tax expense	9	**(167)**	**67**	**(100)**	(177)	106	(71)
Profit for the year		**511**	**(99)**	**412**	502	71	573
Attributable to:							
Equity shareholders of the Company				**412**			573
Non-controlling interests				**–**			–
				412			573
Earnings per share	10						
Basic				**17.8p**			24.3p
Diluted				**17.8p**			24.2p
Adjusted basic				**22.0p**			21.3p
Adjusted diluted				**22.0p**			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
Profit for the year		**412**	573
Actuarial gains on post-employment benefits	27	**19**	175
Tax on items that will not be reclassified		**(8)**	(85)
Total items that will not be reclassified subsequently to profit or loss		**11**	90
Currency translation differences			
Group		**1**	(308)
Joint ventures and associates		**(3)**	(2)
Transferred to income statement	33	**(7)**	–
Cash flow hedges			
Fair value gains		**24**	70
Gains transferred to inventories		**(50)**	(5)
Available-for-sale financial assets			
Fair value gains		**2**	–
Tax on items that may be reclassified		**8**	(14)
Total items that may be reclassified subsequently to profit or loss		**(25)**	(259)
Other comprehensive income for the year		**(14)**	(169)
Total comprehensive income for the year		**398**	404

Attributable to:		
Equity shareholders of the Company	**398**	403
Non-controlling interests	**–**	1
	398	404

Financial Statements

Consolidated statement of changes in equity

Year ended 31 January 2016

	Attributable to equity shareholders of the Company							
£ millions	Share capital	Share premium	Own shares held	Retained earnings	Other reserves (note 29)	Total	Non-controlling interests	Total equity
At 1 February 2015 (restated – note 2a)	**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 33)	**–**	**–**	**–**	**–**	**–**	**–**	**(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 (note 28)	**(8)**	**–**	**–**	**(200)**	**8**	**(200)**	**–**	**(200)**
Purchase of own shares for ESOP trust	**–**	**–**	**(16)**	**–**	**–**	**(16)**	**–**	**(16)**
Dividends (note 11)	**–**	**–**	**–**	**(232)**	**–**	**(232)**	**–**	**(232)**
At 31 January 2016	**361**	**2,218**	**(24)**	**3,637**	**(6)**	**6,186**	**–**	**6,186**
At 2 February 2014 (restated – note 2a)	373	2,209	(35)	3,486	266	6,299	9	6,308
Profit for the year	–	–	–	573	–	573	–	573
Other comprehensive income for the year	–	–	–	90	(260)	(170)	1	(169)
Total comprehensive income for the year	–	–	–	663	(260)	403	1	404
Share-based compensation	–	–	–	11	–	11	–	11
New shares issued under share schemes	1	5	–	–	–	6	–	6
Own shares issued under share schemes	–	–	26	(24)	–	2	–	2
Purchase of own shares for cancellation (note 28)	(5)	–	–	(150)	5	(150)	–	(150)
Purchase of own shares for ESOP trust	–	–	(17)	–	–	(17)	–	(17)
Dividends (note 11)	–	–	–	(334)	–	(334)	–	(334)
At 31 January 2015 (restated – note 2a)	369	2,214	(26)	3,652	11	6,220	10	6,230

Consolidated balance sheet

At 31 January 2016

£ millions	Notes	2015/16	2014/15 (restated – note 2a)
Non-current assets			
Goodwill	12	**2,397**	2,414
Other intangible assets	13	**276**	258
Property, plant and equipment	14	**3,212**	3,203
Investment property	15	**25**	30
Investments in joint ventures and associates	16	**23**	28
B&Q China investment	17	**62**	–
Post-employment benefits	27	**246**	194
Deferred tax assets	25	**11**	10
Derivative assets	23	**43**	52
Other receivables	19	**7**	7
		6,302	6,196
Current assets			
Inventories	18	**1,957**	2,021
Trade and other receivables	19	**568**	537
Derivative assets	23	**56**	70
Current tax assets		**5**	6
Short-term deposits	20	**70**	48
Cash and cash equivalents	20	**730**	561
Assets held for sale	34	**6**	274
		3,392	3,517
Total assets		**9,694**	9,713
Current liabilities			
Trade and other payables	21	**(2,369)**	(2,337)
Borrowings	22	**(138)**	(105)
Derivative liabilities	23	**(6)**	(10)
Current tax liabilities		**(66)**	(87)
Provisions	26	**(69)**	(13)
Liabilities held for sale	34	**–**	(195)
		(2,648)	(2,747)
Non-current liabilities			
Other payables	21	**(53)**	(64)
Borrowings	22	**(179)**	(232)
Deferred tax liabilities	25	**(333)**	(324)
Provisions	26	**(208)**	(34)
Post-employment benefits	27	**(87)**	(82)
		(860)	(736)
Total liabilities		**(3,508)**	(3,483)
Net assets	4	**6,186**	6,230
Equity			
Share capital	28	**361**	369
Share premium		**2,218**	2,214
Own shares held in ESOP trust		**(24)**	(26)
Retained earnings		**3,637**	3,652
Other reserves	29	**(6)**	11
Total attributable to equity shareholders of the Company		**6,186**	6,220
Non-controlling interests		**–**	10
Total equity		**6,186**	6,230

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
Operating activities			
Cash generated by operations	31	**931**	806
Income tax paid		**(118)**	(146)
Net cash flows from operating activities		**813**	660
Investing activities			
Purchase of property, plant and equipment and intangible assets	4	**(333)**	(275)
Disposal of property, plant and equipment, investment property and property held for sale		**25**	50
Disposal of property company	33	**18**	–
Disposal of B&Q China:	33		
Proceeds (net of costs and cash disposed)		**102**	–
Deposit (repaid)/received		**(12)**	12
Disposal of Hornbach	33	**–**	198
Increase in short-term deposits		**(22)**	(48)
Interest received		**3**	5
Dividends received from joint ventures and associates		**5**	7
Net cash flows from investing activities		**(214)**	(51)
Financing activities			
Interest paid		**(12)**	(10)
Interest element of finance lease rental payments		**(3)**	(3)
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)
New shares issued under share schemes		**4**	6
Own shares issued under share schemes		**1**	2
Purchase of own shares for ESOP trust		**(16)**	(17)
Purchase of own shares for cancellation		**(200)**	(100)
Special dividend paid to equity shareholders of the Company		**–**	(100)
Ordinary dividends paid to equity shareholders of the Company		**(232)**	(234)
Net cash flows from financing activities		**(472)**	(554)
Net increase in cash and cash equivalents and bank overdrafts, including amounts classified as held for sale		**127**	55
Cash and cash equivalents and bank overdrafts, including amounts classified as held for sale, at beginning of year		**527**	534
Exchange differences		**–**	(62)
Cash and cash equivalents and bank overdrafts, including amounts classified as held for sale, at end of year		**654**	527
Cash and cash equivalents classified as held for sale (B&Q China)		**–**	(57)
Cash and cash equivalents and bank overdrafts at end of year	32	**654**	470

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 nature of the Group's operations and its principal activities is set out in the Strategic Report on pages 1 to 24.

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. A full list of related undertakings of the Company is given in note 19 of the Company's separate financial statements.

These consolidated financial statements have been approved for issue by the Board of Directors on 23 March 2016.

2 Principal accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated. A prior year restatement, following the adoption of IFRIC 21, 'Levies' and the disposal of the Group's controlling interest in B&Q China, is described in section (a) of this note.

a. Basis of preparation

The consolidated financial statements of the Company, its subsidiaries, joint ventures and associates are made up to 31 January (previously to the nearest Saturday to 31 January), except as disclosed in note 16 and in note 5 of the Company's separate financial statements. 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 consolidated income statement and related notes represent results for continuing operations, there being no discontinued operations in the years presented.

The following statutory (GAAP) measures have been restated following the adoption of IFRIC 21, 'Levies' (see further details below) 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 33):

	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 for the impact of the restatements on quarterly segmental sales and retail profit comparatives.

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. Refer to the Strategic Report on page 35.

The consolidated financial statements 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 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.

Other standards, amendments and interpretations which are mandatory for the first time for the financial year ended 31 January 2016 are either not currently relevant or not material for the Group.

At the date of authorisation of these financial statements, the following new standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 9, 'Financial instruments' (effective from the Group's 2018/19 financial year);
- IFRS 15, 'Revenue from contracts with customers' (effective from the Group's 2018/19 financial year); and
- IFRS 16, 'Leases' (effective from the Group's 2019/20 financial year).

The directors do not expect that the adoption of IFRS 9 and IFRS 15 will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments. IFRS 16 specifies how to recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities on the balance sheet for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The adoption of IFRS 16 will have a very significant impact on the Group's balance sheet and reported results, however will not reflect any changes in the underlying economics of the business. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

The consolidated financial statements have 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. A summary of the Group's principal accounting policies is set out below.

2 Principal accounting policies continued

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving critical accounting estimates and judgements, which are significant to the consolidated financial statements, are disclosed in note 3.

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.

b. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, its subsidiaries, joint ventures and associates.

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries acquired are recorded under the acquisition method of accounting and their results included from the date of acquisition. The results of subsidiaries which have been disposed are included up to the effective date of disposal.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interests in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of acquired subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Joint ventures and associates

Joint ventures are entities over which the Group has joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The equity method is used to account for the Group's investments in joint ventures.

Associates are entities over which the Group has the ability to exercise significant influence but not control, generally accompanied by a shareholding of between 20% and 50% of the voting rights. The equity method is used to account for the Group's investments in associates.

Under the equity method investments are initially recognised at cost. The Group's share of post-acquisition profits or losses is recognised in the income statement within operating profit, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses equals or exceeds its interest, including any other long-term receivables, the Group does not recognise any further losses, unless it has incurred obligations or made payments on behalf of the joint venture or associate.

Unrealised gains on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of joint ventures and associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

The equity method of accounting is discontinued from the date an investment ceases to be a joint venture or associate, that is the date on which the Group ceases to have joint control or significant influence over the investee or on the date it is classified as held for sale.

c. Foreign currencies

(i) Presentation and functional currencies

The consolidated financial statements are presented in Sterling, which is the Group's presentation currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (i.e. its functional currency).

(ii) Transactions and balances

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the date of the transaction or, for practical reasons, at average monthly rates where exchange rates do not fluctuate significantly.

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange at the balance sheet date. Exchange differences on monetary items are taken to the income statement. Exceptions to this are where the monetary items form part of the net investment in a foreign operation or are designated and effective net investment or cash flow hedges. Such exchange differences are initially deferred in equity.

(iii) Group companies

The balance sheets of overseas subsidiaries are expressed in Sterling at the rates of exchange at the balance sheet date. Profits and losses of overseas subsidiaries are expressed in Sterling at average exchange rates for the period. Exchange differences arising on the retranslation of foreign operations, including joint ventures and associates, are recognised in a separate component of equity.

On consolidation, exchange differences arising from the retranslation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, such exchange differences recorded since 1 February 2004 are recognised in the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rates of exchange at the balance sheet date. Goodwill arising prior to 1 February 2004 is denominated in Sterling.

Principal rates of exchange against Sterling:

	2015/16		2014/15	
	Average rate	**Year end rate**	Average rate	Year end rate
Euro	**1.38**	**1.31**	1.25	1.33
US Dollar	**1.52**	**1.42**	1.64	1.50
Polish Zloty	**5.78**	**5.78**	5.23	5.57
Russian Rouble	**94.54**	**107.52**	66.70	105.58

d. Revenue recognition

Sales represent the supply of home improvement products and services. Sales exclude transactions made between companies within the Group, Value Added Tax, other sales-related taxes and are net of returns, trade and staff discounts.

Sales of in-store products are generally recognised at the point of cash receipt. Where award credits such as vouchers or loyalty points are provided as part of the sales transaction, the amount allocated to the credits is deferred and recognised when the credits are redeemed and the Group fulfils its obligations to supply the awards.

For delivered products and services, sales are recognised either when the product has been delivered or, for installation income, when the service has been performed. Sales from delivered products and services represent only a small component of the Group's sales as the majority relates to in-store purchases of products.

Other income is generally composed primarily of external rental income and profits and losses on disposal of assets. Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

e. Rebates

Rebates received from suppliers mainly comprise volume related rebates on the purchase of inventories. Contractual volume related rebates are accrued as units are purchased based on the percentage rebate applicable to forecast total purchases over the rebate period, where it is probable the rebates will be received and the amounts can be estimated reliably. Discretionary rebates are not anticipated and only recognised once earned. Rebates relating to inventories purchased but still held at the balance sheet date are deducted from the carrying value so that the cost of inventories is recorded net of applicable rebates. Such rebates are credited to the Cost of sales line in the income statement when the goods are sold.

Other rebates received, such as those related to advertising and marketing, are recognised in the income statement when the relevant conditions have been fulfilled.

f. Dividends

Interim dividends are recognised when they are paid to the Company's shareholders. Final dividends are recognised when they are approved by the Company's shareholders.

2 Principal accounting policies continued

g. Intangible assets

(i) Goodwill

Goodwill represents the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognised. Such benefits include future synergies expected from the combination and intangible assets not meeting the criteria for separate recognition.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is not amortised and is tested annually for impairment at country level, representing the lowest level at which it is monitored for internal management purposes, by assessing the recoverable amount of each cash generating unit or groups of cash generating units to which the goodwill relates. The recoverable amount is assessed by reference to the net present value of expected future pre-tax cash flows ('value-in-use') or fair value less costs to sell if higher. The discount rate applied is based upon the Group's weighted average cost of capital with appropriate adjustments for the risks associated with the relevant cash generating unit or groups of cash generating units. When the recoverable amount of the goodwill is less than its carrying amount, an impairment loss is recognised immediately in the income statement which cannot subsequently be reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Computer software

Where software is not an integral part of a related item of computer hardware, it is classified as an intangible asset.

Costs that are directly associated with the acquisition or production of identifiable software products controlled by the Group, which are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Capitalised costs include those of software licences and development, including costs of employees, consultants and an appropriate portion of relevant overheads.

Costs associated with identifying, sourcing, evaluating or maintaining computer software are recognised as an expense as incurred.

Software under development is held at cost less any provisions for impairment, with impairment reviews being performed annually.

Amortisation commences when the software assets are available for use and is over their estimated useful lives of two to ten years.

h. Property, plant and equipment

(i) Cost

Property, plant and equipment held for use in the business are carried at cost less accumulated depreciation and any provisions for impairment.

Properties that were held at 1 February 2004 are carried at deemed cost, being the fair value of land and buildings as at the transition date to IFRS. All property acquired after 1 February 2004 is carried at cost.

(ii) Depreciation

Depreciation is provided to reflect a straight line reduction from cost to estimated residual value over the estimated useful life of the asset as follows:

Freehold land	– not depreciated
Freehold and long leasehold buildings	– over remaining useful life
Short leasehold land and buildings	– over remaining period of the lease
Fixtures and fittings	– between 4 and 20 years
Computers and electronic equipment	– between 3 and 5 years
Motor cars	– 4 years
Commercial vehicles	– between 3 and 10 years

Long leaseholds are defined as those having remaining lease terms of more than 50 years. Asset lives and residual values are reviewed at each balance sheet date.

(iii) Impairment

At each reporting date an assessment is performed as to whether there are any indicators that property, plant and equipment, including the Group's stores, may be impaired and, should such indicators exist, the assets' recoverable amounts are subsequently estimated. The recoverable amount is assessed by reference to the net present value of expected future pre-tax cash flows ('value-in-use') of the relevant cash generating unit or fair value less costs to sell if higher. For poorly performing stores, a vacant possession valuation basis is used to approximate the fair value less costs to sell. The discount rate applied is based upon the Group's weighted average cost of capital with appropriate adjustments for the risks associated with the relevant cash generating unit. Any impairment in value is charged to the income statement in the period in which it occurs.

(iv) Disposal

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement. Sales of land and buildings are accounted for when there is an unconditional exchange of contracts.

(v) Subsequent costs

Subsequent costs are included in the related asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement in the period in which they are incurred.

i. Leased assets

Where assets are financed by leasing agreements which give rights approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised is the lower of the fair value of the leased asset or the present value of the minimum lease payments during the lease term at the inception of the lease. The assets are depreciated over the shorter of the lease term or their useful life. Obligations relating to finance leases, net of finance charges in respect of future periods, are included, as appropriate, under borrowings due within or after one year. The finance charge element of rentals is charged to finance costs in the income statement over the lease term.

All other leases are operating leases and the rental payments are generally charged to the income statement in the period to which the payments relate, except for those leases which incorporate fixed minimum rental uplift clauses. Leases which contain fixed minimum rental uplifts are charged to the income statement on a straight line basis over the lease term.

Where a lease is taken out for land and buildings combined, the buildings element of the lease may be capitalised as a finance lease if it meets the criteria for a finance lease, but the land element will in most cases be classified as an operating lease. If the contracted lease payments are not split between land and buildings in the lease contract, the split is made based on the market values of the land and buildings at the inception of the lease.

Incentives received or paid to enter into lease agreements are released to the income statement on a straight line basis over the lease term.

j. Investment property

Investment property is property held by the Group to earn rental income or for capital appreciation. The Group's investment properties are carried at cost less depreciation and provision for impairment. Depreciation is provided on a consistent basis with that applied to property, plant and equipment.

k. Capitalisation of borrowing costs

Interest on borrowings to finance the construction of properties held as non-current assets is capitalised from the date work starts on the property to the date when substantially all the activities which are necessary to get the property ready for use are complete. Where construction is completed in parts, each part is considered separately when capitalising interest. Interest is capitalised before any allowance for tax relief.

l. Inventories

Inventories are carried at the lower of cost and net realisable value, on a weighted average cost basis.

Trade discounts and rebates received are deducted in determining the cost of purchase of inventories. Cost includes appropriate attributable overheads and direct expenditure incurred in the normal course of business in bringing goods to their present location and condition. Costs of inventories include the transfer from equity of any gains or losses on qualifying cash flow hedges relating to purchases.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Write downs to net realisable value are made for slow moving, damaged or obsolete items and other events or conditions resulting in expected selling prices being lower than cost. The carrying value of inventories reflects known and expected losses of product in the ordinary course of business.

m. Employee benefits

(i) Post-employment benefits

The Group operates various defined benefit and defined contribution pension schemes for its employees, some of which are required by local legislation. A defined benefit scheme is a pension scheme which defines an amount of pension benefit which an employee will receive on retirement. A defined contribution scheme is a pension scheme under which the Group usually pays fixed contributions into a separate entity. In all cases other than some of the legally required schemes, a separate fund is being accumulated to meet the accruing liabilities. The assets of each of these funds are either held under trusts or managed by insurance companies and are entirely separate from the Group's assets.

The asset or liability recognised in the balance sheet in respect of defined benefit pension schemes is the fair value of scheme assets less the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds which are denominated in the currency in which the benefits will be paid and which have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the statement of comprehensive income as they arise.

For defined contribution schemes, the Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

(ii) Share-based compensation

The Group operates several equity-settled, share-based compensation schemes. The fair value of the employee services received in exchange for the grant of options or deferred shares is recognised as an expense and is calculated using Black-Scholes and stochastic models. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or deferred shares granted, excluding the impact of any non-market vesting conditions. The value of the charge is adjusted to reflect expected and actual levels of options vesting due to non-market vesting conditions.

n. Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year.

The Group is subject to income taxes in numerous jurisdictions and there are many transactions for which the ultimate tax determination is uncertain during the ordinary course of business. For uncertain tax positions, on the basis that tax authorities have full knowledge of the relevant information it is determined whether it is probable that, in aggregate, an outflow of economic resources will occur following investigation. The potential impact of the relevant tax authority's examination of the uncertain tax positions is measured to make the best estimate of the amount of the tax benefit that may be lost, for which provisions are then recorded. Where the final outcome of these matters is different from the amounts which were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. These adjustments in respect of prior years are recorded in the income statement, or directly in equity, as appropriate.

Taxable profit differs from profit before taxation as reported in the income statement because it excludes items of income or expense which are taxable or deductible in other years or which are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences or unused tax losses can be utilised. Deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill in a business combination. Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

2 Principal accounting policies continued

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Current and deferred tax are calculated using tax rates which have been enacted or substantively enacted by the balance sheet date and are expected to apply in the period when the liability is settled or the asset is realised.

Current and deferred tax are charged or credited to the income statement, except when they relate to items charged or credited directly to equity, in which case the current or deferred tax is also recognised directly in equity.

Current and deferred tax assets and liabilities are offset against each other when they relate to income taxes levied by the same tax jurisdiction and when the Group intends to settle its current tax assets and liabilities on a net basis.

Operating levies, such as certain revenue, property and payroll based taxes, are not treated as income tax and are included within operating profit. The timing of recognition of a liability to pay an operating levy is determined by the event identified under the relevant legislation that triggers the obligation to pay the levy.

o. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate which reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

p. Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the Group has substantially transferred the risks and rewards of ownership. Financial liabilities (or a part of a financial liability) are derecognised when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets and liabilities are offset only when the Group has a currently enforceable legal right to set-off the respective recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less.

(ii) Borrowings

Interest bearing borrowings are recorded at the proceeds received, net of direct issue costs and subsequently measured at amortised cost. Where borrowings are in designated and effective fair value hedge relationships, adjustments are made to their carrying amounts to reflect the hedged risks. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are amortised to the income statement using the effective interest method.

(iii) Other investments (including short-term deposits)

Other investments may include equity investments (where the Group does not have control, joint control or significant influence in the investee), short-term deposits with banks and other investments with original maturities of more than three months. Investments classified as 'available-for-sale financial assets' under IAS 39, 'Financial instruments: Recognition and measurement', are initially measured at fair value, with subsequent changes in fair value recorded directly in equity. Any dividends received are recognised in the income statement. On disposal, the accumulated fair value adjustments recognised in equity are transferred to the income statement.

(iv) Trade receivables

Trade receivables are initially recognised at fair value and are subsequently measured at amortised cost less any provision for bad and doubtful debts.

(v) Trade payables

Trade payables are initially recognised at fair value and are subsequently measured at amortised cost.

(vi) Derivatives and hedge accounting

Where hedge accounting is not applied, or to the extent to which it is not effective, changes in the fair value of derivatives are recognised in the income statement as they arise. Changes in the fair value of derivatives transacted as hedges of operating items and financing items are recognised in operating profit and net finance costs respectively.

Derivatives are initially recorded at fair value on the date a derivative contract is entered into and are subsequently carried at fair value. The accounting treatment of derivatives and other financial instruments classified as hedges depends on their designation, which occurs at the start of the hedge relationship. The Group designates certain financial instruments as:

- a hedge of the fair value of an asset or liability or unrecognised firm commitment ('fair value hedge');
- a hedge of a highly probable forecast transaction or firm commitment ('cash flow hedge'); or
- a hedge of a net investment in a foreign operation ('net investment hedge').

Fair value hedges

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry being recorded in the income statement. Gains or losses from remeasuring the corresponding hedging instrument are recognised in the same line of the income statement.

Cash flow hedges

Changes in the effective portion of the fair value of derivatives that are designated as hedges of future cash flows are recognised directly in equity, with any ineffective portion being recognised immediately in the income statement where relevant. If the cash flow hedge of a firm commitment or forecast transaction results in the recognition of a non-financial asset or liability, then, at the time it is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the non-financial asset or liability. For hedges that result in the recognition of a financial asset or liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

Net investment hedges

Where the Group hedges net investments in foreign operations through foreign currency borrowings, the gains or losses on the retranslation of the borrowings are recognised directly in equity. If the Group uses derivatives as the hedging instrument, the effective portion of the hedge is recognised in equity, with any ineffective portion being recognised immediately in the income statement. Gains and losses accumulated in equity are recycled through the income statement on disposal of the foreign operation.

In order to qualify for hedge accounting, the Group documents in advance the relationship between the item being hedged and the hedging instrument. The Group also documents and demonstrates an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge has been and will be highly effective on an ongoing basis. The effectiveness testing is re-performed at each period end to ensure that the hedge remains highly effective.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the highly probable forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts, and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

q. Assets and liabilities held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. This excludes financial assets, deferred tax assets and assets arising from employee benefits, which are measured according to the relevant accounting policy.

Property, plant and equipment and intangible assets are not depreciated once classified as held for sale. The Group ceases to use the equity method of accounting from the date on which an interest in a joint venture or an interest in an associate becomes classified as held for sale.

3 Critical accounting estimates and judgements

The preparation of consolidated financial statements under IFRS requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates, judgements and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill and other assets

As required, the Group applies procedures to ensure that its assets are carried at no more than their recoverable amount. The procedures, by their nature, require estimates and assumptions to be made. The most significant are set out below.

The Group is required, on at least an annual basis, to test whether goodwill has suffered any impairment. As part of this testing the recoverable amounts of cash generating units have been determined based on value-in-use calculations. The use of this method requires the estimation of future cash flows expected to arise from the continuing operation of the cash generating unit and the choice of suitable discount and long-term growth rates in order to calculate the present value of the forecast cash flows. Actual outcomes could vary significantly from these estimates. Further information on the impairment tests undertaken, including the key assumptions, is given in note 12.

Property, plant and equipment and other intangible assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Computer software under development is assessed for impairment annually. When a review for impairment is conducted, the recoverable amount of an asset or a cash generating unit is determined as the higher of fair value less costs to sell and value-in-use, calculated on the basis of management's assumptions and estimates.

At each reporting date the Group is required to assess whether there is objective evidence that its investments in associates and joint ventures may be impaired. This requires estimates of the investments' recoverable amounts, including present values of the Group's share of future cash flows.

Inventories

As inventories are carried at the lower of cost and net realisable value this requires the estimation of the eventual sales price of goods to customers in the future. A high degree of judgement is applied when estimating the impact on the carrying value of inventories of factors such as slow moving items, shrinkage, damage and obsolescence. The quantity, age and condition of inventories are regularly measured and assessed as part of range reviews and inventory counts undertaken throughout the year and across the Group. Refer to note 18 for further information.

3 Critical accounting estimates and judgements continued

Rebates

Rebate income received from suppliers represents a material element of gross profit, with a large number of agreements with varying terms existing across our operating companies.

Volume-based rebates represent the significant majority of these rebates. Where the percentage rate of such rebates depends on the volumes purchased, forecasts are required, particularly at interim periods, of full (usually calendar) year purchases. Forecasts are informed by historical trading patterns, current performance and trends. However this judgement is reduced significantly for full year reporting, due to the Group's January financial year end.

Other types of rebates, such as contributions towards marketing and advertising activities, represent a smaller element of the Group's overall rebate income. These require judgement on the timing of recognition, in particular assessing when any corresponding conditions have been fulfilled.

Judgement is also required over the recoverability of receivables relating to rebates.

Income taxes

The Group is subject to income taxes in numerous jurisdictions and there are many transactions for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement may therefore be required in determining the provision for income taxes in each territory. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts which were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. These adjustments in respect of prior years are recorded in the income statement, or directly in equity as appropriate, and are disclosed in the notes to the accounts. Refer to notes 9 and 25 for further information.

Restructuring provisions

The Group carries a number of provisions in relation to historical and ongoing restructuring programmes. The most significant part of the provisions is the cost to exit stores and property contracts. The ultimate costs and timing of cash flows are dependent on exiting the property lease contracts on the closed stores and subletting surplus space. Significant assumptions are used in making these calculations, in particular the nature, timing and value of mitigating the lease costs, including void periods and level of sublease income, and changes in these assumptions and future events could cause the value of these provisions to change. Refer to note 26 for further information.

Post-employment benefits

The present value of the defined benefit liabilities recognised on the balance sheet is dependent on a number of assumptions including interest rates of high quality corporate bonds, inflation and mortality rates. The net interest expense or income is dependent on the interest rates of high quality corporate bonds and the net deficit or surplus position. The assumptions are based on the conditions at the time and changes in these assumptions can lead to significant movements in the estimated obligations. To help the reader understand the impact of changes in the key assumptions, a sensitivity analysis is provided in note 27.

4 Segmental analysis

Income statement

£ millions	2015/16				
			Other International		
	France	**UK & Ireland**	**Poland**	**Other**	**Total**
Adjusted sales	**3,786**	**4,853**	**987**	**705**	**10,331**
B&Q China sales					**110**
Sales					**10,441**
Retail profit	**311**	**326**	**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**

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

Balance sheet

£ millions	2015/16				
			Other International		
	France	**UK & Ireland**	**Poland**	**Other**	**Total**
Segment assets	**1,313**	**1,264**	**476**	**347**	**3,400**
B&Q China investment					**62**
Central liabilities					**(219)**
Goodwill					**2,397**
Net cash					**546**
Net assets					**6,186**

£ millions	2014/15 (restated – note 2a)				
			Other International		
	France	UK & Ireland	Poland	Other	Total
Segment assets	1,231	1,543	501	323	3,598
B&Q China assets (including cash) and liabilities held for sale					72
Central liabilities					(183)
Goodwill					2,414
Net cash					329
Net assets					6,230

4 Segmental analysis continued

Other segmental information

	2015/16						
			Other International				
	France	**UK & Ireland**	**Poland**	**Other**	**B&Q China**	**Central**	**Total**
Capital expenditure	**121**	**156**	**31**	**24**	**1**	**–**	**333**
Depreciation and amortisation	**76**	**131**	**16**	**16**	**–**	**1**	**240**
Impairment losses	**8**	**24**	**–**	**23**	**–**	**–**	**55**
Non-current assets[1]	**1,899**	**3,229**	**515**	**284**	**–**	**6**	**5,933**

	2014/15 (restated – note 2a)						
			Other International				
	France	UK & Ireland	Poland	Other	B&Q China	Central	Total
Capital expenditure	93	115	14	48	3	2	275
Depreciation and amortisation	79	135	18	18	11	1	262
Impairment losses	3	17	1	9	–	–	30
Non-current assets[1]	1,844	3,256	514	305	–	14	5,933

(1) Non-current assets comprise goodwill, other intangible assets, property, plant and equipment, investment property and investments in joint ventures and associates.

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. Central liabilities comprise unallocated head office and other central items including pensions, interest and tax.

5 Exceptional items

£ millions	**2015/16**	2014/15
Included within selling and distribution expenses		
UK & Ireland and continental Europe restructuring	**(305)**	(17)
Brico Dépôt Romania impairment	**(3)**	–
Transaction costs	**–**	(15)
	(308)	(32)
Included within administrative expenses		
Brico Dépôt Romania impairment	**(15)**	–
	(15)	–
Included within other income		
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)
Exceptional items before tax	**(166)**	(35)
Exceptional tax items	**67**	106
Exceptional items	**(99)**	71

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 Dépôt 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. Refer to note 12 for further information.

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 33 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.

6 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)**	–
Finance costs	**(22)**	(13)
Cash and cash equivalents and short-term deposits	**3**	5
Net interest income on defined benefit pension schemes	**5**	–
Finance income	**8**	5
Net finance costs	**(14)**	(8)

Fixed term debt interest includes net interest income accrued on derivatives of £9m (2014/15: £11m income) and amortisation of issue costs of borrowings of £1m (2014/15: £nil).

Financing fair value remeasurements comprise a net gain on derivatives, excluding accrued interest, of £5m (2014/15: £21m gain), offset by a net loss from fair value adjustments to the carrying value of borrowings and cash of £9m (2014/15: £17m loss).

7 Profit before taxation

The following items of revenue have been credited in arriving at profit before taxation:

£ millions	2015/16	2014/15
Sales	**10,441**	10,966
Other income	**183**	37
Finance income	**8**	5
Revenue	**10,632**	11,008

The following items of expense/(income) have been charged/(credited) in arriving at profit before taxation:

£ millions	2015/16	2014/15
Operating lease rentals		
Minimum lease payments – Property[1]	**411**	440
Minimum lease payments – Equipment	**29**	40
Sublease income	**(6)**	(18)
	434	462
Rental income received on investment property	**(4)**	(6)
Amortisation of other intangible assets[2]	**49**	39
Depreciation of property, plant and equipment and investment property		
Owned assets	**180**	212
Under finance leases	**11**	11
Impairment of goodwill	**15**	–
Impairment of other intangible assets	**3**	8
Impairment of property, plant and equipment and investment property	**37**	22
(Gain)/loss on disposal		
Land and buildings, investment property and property held for sale	**(1)**	(21)
Fixtures, fittings and equipment	**4**	1
Inventories: write down to net realisable value	**38**	25
Trade and other receivables: write down of bad and doubtful debts	**4**	4

(1) Excludes rentals provided against as part of exceptional restructuring provision (see note 26).

(2) Of the amortisation of other intangible assets charge, £1m (2014/15: £1m) and £48m (2014/15: £38m) are included in selling and distribution expenses and administrative expenses respectively.

Auditor's remuneration

£ millions	2015/16	2014/15
Fees payable for the audit of the Company and consolidated financial statements	**0.3**	0.4
Fees payable to the Company's auditor and their associates for other services to the Group:		
The audit of the Company's subsidiaries pursuant to legislation	**1.1**	1.4
Audit fees	**1.4**	1.8
Audit-related assurance services	**0.1**	0.2
Other assurance services	**0.1**	–
Non-audit fees	**0.2**	0.2
Auditor's remuneration	**1.6**	2.0

Details of the Group's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity were safeguarded are set out in the Audit Committee Report on page 48. No services were provided pursuant to contingent fee arrangements.

8 Employees and directors

£ millions	2015/16	2014/15
Wages and salaries	**1,227**	1,260
Social security costs	**228**	253
Post-employment benefits		
Defined contribution	**25**	28
Defined benefit (service cost only)	**8**	9
Share-based compensation	**11**	11
Employee benefit expenses	**1,499**	1,561

Number thousands	2015/16	2014/15
Stores	**71**	72
Administration	**5**	5
Average number of persons employed	**76**	77

The average number of persons employed excludes employees in the Group's joint ventures and associates.

Remuneration of key management personnel

£ millions	2015/16	2014/15
Short-term employee benefits	**9.4**	7.2
Post-employment benefits	**0.4**	1.2
Termination benefits	**0.8**	1.5
Share-based compensation	**2.5**	1.4
	13.1	11.3

Key management consists of the Board of Directors and the Group Executive.

Further detail with respect to the Directors' remuneration is set out in the Directors' Remuneration Report on pages 51 to 75. Other than as set out in the Directors' Remuneration Report, there have been no transactions with key management during the year (2014/15: £nil).

9 Income tax expense

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

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9 Income tax expense continued

Factors affecting tax charge for the year

The tax charge for the year differs from the standard rate of corporation tax in the UK of 20% (2014/15: 21%). The differences are explained below:

£ millions	**2015/16**	2014/15
Profit before taxation	**512**	644
Profit multiplied by the standard rate of corporation tax in the UK of 20% (2014/15: 21%)	**(102)**	(135)
Share of post-tax results of joint ventures and associates	**1**	1
Net income not chargeable for tax purposes	**26**	1
Deferred tax assets utilised not previously recognised	**8**	4
Temporary differences:		
Net gains on property	**1**	4
Losses not recognised	**(6)**	(11)
Foreign tax rate differences	**(38)**	(36)
Adjustments in respect of prior years	**11**	102
Adjustments in respect of changes in tax rates	**(1)**	(1)
Income tax expense	**(100)**	(71)

The effective rate of tax on profit before exceptional items and excluding prior year tax adjustments and the impact of changes in tax rates on deferred tax is 26% (2014/15: 27%). 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.

The effective tax rate calculation is set out in the Financial Review on page 27. The overall tax rate for the year is 20% (2014/15: 11%) reflecting tax relief on exceptional items as well as the release of prior year provisions which have been either agreed with the tax authorities, reassessed or time expired.

In addition to the amounts charged to the income statement, tax of £nil has been credited directly to equity (2014/15: £99m charge), of which a £18m credit (2014/15: £13m credit) is included in current tax and a £18m charge (2014/15: £112m charge) is included in deferred tax and principally relates to post-employment benefits.

Future changes in tax rates

The UK corporation tax rate fell from 21% to 20% from 1 April 2015 and will fall to 19% from 1 April 2017 and then to 18% from 1 April 2020. A further reduction to 17% was announced in March 2016 which is expected to take effect from 1 April 2020. As this reduction has not yet been substantively enacted, its impact is not included in these financial statements. The Spanish tax rate fell from 30% to 28% for the year ended 31 December 2015 and will fall to 25% for the year ended 31 December 2016. The surcharge in France ceased with effect from 1 January 2016, meaning the applicable rate in France going forward will fall from 38% to 34.43%.

10 Earnings per share

	2015/16			2014/15 (restated – note 2a)		
	Earnings £ millions	**Weighted average number of shares millions**	**Earnings per share pence**	Earnings £ millions	Weighted average number of shares millions	Earnings per share pence
Basic earnings per share	**412**	**2,311**	**17.8**	573	2,358	24.3
Effect of dilutive share options		**8**	**–**		11	(0.1)
Diluted earnings per share	**412**	**2,319**	**17.8**	573	2,369	24.2
Basic earnings per share	**412**	**2,311**	**17.8**	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
Adjusted basic earnings per share	**509**	**2,311**	**22.0**	502	2,358	21.3
Diluted earnings per share	**412**	**2,319**	**17.8**	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
Adjusted diluted earnings per share	**509**	**2,319**	**22.0**	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 trust') 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.

11 Dividends

£ millions	**2015/16**	2014/15
Dividends to equity shareholders of the Company		
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
	232	334

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.

12 Goodwill

£ millions	
Cost	
At 1 February 2015	**2,414**
Disposals	**(2)**
At 31 January 2016	**2,412**
Impairment	
At 1 February 2015	**–**
Charge for the year	**(15)**
At 31 January 2016	**(15)**
Net carrying amount	
At 31 January 2016	**2,397**
Cost	
At 2 February 2014	2,541
Transfers to assets held for sale	(131)
Exchange differences	4
At 31 January 2015	2,414
Impairment	
At 2 February 2014	(124)
Transfers to assets held for sale	131
Exchange differences	(7)
At 31 January 2015	–
Net carrying amount	
At 31 January 2015	2,414

An impairment loss of £15m has been recognised at the year end relating to all of the goodwill in the Brico Dépôt Romania business, which forms part of the 'Other International' reporting segment. This has arisen from a strategic review of the business following recent trading results falling below expectations in an ongoing difficult trading environment, resulting in a revision to projections for future performance.

Goodwill relating to B&Q China was reclassified to assets held for sale in the prior year.

Impairment tests for goodwill

Goodwill has been allocated for impairment testing purposes to groups of cash generating units ('CGUs') as follows:

£ millions	UK	France	Poland	Romania	Total
At 31 January 2016					
Cost	**1,796**	**520**	**81**	**15**	**2,412**
Impairment	**–**	**–**	**–**	**(15)**	**(15)**
Net carrying amount	**1,796**	**520**	**81**	**–**	**2,397**
At 31 January 2015					
Cost	1,798	519	81	16	2,414
Net carrying amount	1,798	519	81	16	2,414

The recoverable amounts of these groups of CGUs have been determined based on value-in-use calculations. All CGU value-in-use calculations are considered to have been valued using level 3 inputs as defined by the fair value hierarchy of IFRS 13, 'Fair value measurement'.

The groups of CGUs for which the carrying amount of goodwill is deemed significant are the UK, France and Poland. The key assumptions used for value-in-use calculations are set out below.

Assumptions

The cash flow projections are based on approved financial budgets and strategic plans covering a five year period. These are based on both past performance and expectations for future market development. The projections reflect the expected benefits of the 'ONE' Kingfisher plan, including the three key pillars of creating a unified, unique and leading offer, driving the Group's digital capability and optimising operational efficiency. For further details, refer to the Strategic Report.

Key drivers in the strategic plans are sales growth, margin and operating profit percentages. Sales projections take into consideration both external factors such as market expectations, and internal factors such as trading plans and in particular the Group's transformation programme. They assume sales increases in each country that are higher than recent experience and market growth expectations, driven largely by an improved offer, price reinvestment and growth in digital engagement with customers. Assumed margin percentage improvements reflect a lower cost of goods sold from leveraging the Group's buying scale through a unified offer, which will be partially offset by range clearance and implementation costs. Higher assumed operating profit percentages reflect operational leverage from increased sales as well as cost savings through operational efficiencies, in particular from unifying goods not for resale spend.

Cash flows beyond this five year period are calculated using a growth rate which does not exceed the long-term average growth rate for retail businesses operating in the same countries as the CGUs.

The Board has reviewed a sensitivity analysis, including elimination of the projected benefits of the transformation plan, and does not consider that a reasonably possible change in the assumptions used in the value-in-use calculations would cause the carrying amounts of the CGUs to exceed their recoverable amounts.

The weighted average cost of capital, used to discount future cash flows, is calculated using a combination of the cost of debt, leases and equity, weighted according to an estimate of the CGU's capital gearing. A risk adjustment is also made for the country in which the CGU operates.

The pre-tax risk adjusted nominal discount rates and long-term growth rates used are as follows:

	2015/16		
Annual % rate	**UK**	**France**	**Poland**
Discount rate	**8.4**	**8.2**	**8.6**
Long-term growth rate	**2.9**	**2.3**	**3.1**

	2014/15		
Annual % rate	UK	France	Poland
Discount rate	8.6	8.7	8.7
Long-term growth rate	3.0	2.4	3.5

13 Other intangible assets

£ millions	Computer software	Other	Total
Cost			
At 1 February 2015	**542**	**12**	**554**
Additions	**71**	**–**	**71**
Disposals	**(1)**	**–**	**(1)**
Disposal of subsidiaries	**(2)**	**–**	**(2)**
At 31 January 2016	**610**	**12**	**622**
Amortisation			
At 1 February 2015	**(290)**	**(6)**	**(296)**
Charge for the year	**(48)**	**(1)**	**(49)**
Impairment losses	**(3)**	**–**	**(3)**
Disposals	**1**	**–**	**1**
Disposal of subsidiaries	**1**	**–**	**1**
At 31 January 2016	**(339)**	**(7)**	**(346)**
Net carrying amount			
At 31 January 2016	**271**	**5**	**276**
Cost			
At 2 February 2014	490	12	502
Additions	86	1	87
Disposals	(17)	–	(17)
Transfers to assets held for sale	(12)	–	(12)
Exchange differences	(5)	(1)	(6)
At 31 January 2015	542	12	554
Amortisation			
At 2 February 2014	(275)	(5)	(280)
Charge for the year	(38)	(1)	(39)
Impairment losses	(8)	–	(8)
Disposals	17	–	17
Transfers to assets held for sale	10	–	10
Exchange differences	4	–	4
At 31 January 2015	(290)	(6)	(296)
Net carrying amount			
At 31 January 2015	252	6	258

Additions in the year primarily related to the development of the unified IT platform, which will be amortised over its estimated useful life of 10 years as it becomes available for use in the operating companies.

None of the Group's other intangible assets have indefinite useful lives.

14 Property, plant and equipment

£ millions	Land and buildings	Fixtures, fittings and equipment	Total
Cost			
At 1 February 2015	**2,787**	**2,476**	**5,263**
Additions	**86**	**174**	**260**
Disposals	**(13)**	**(42)**	**(55)**
Transfers to assets held for sale	**(6)**	**–**	**(6)**
Transfers to investment property	**(17)**	**–**	**(17)**
Exchange differences	**4**	**9**	**13**
At 31 January 2016	**2,841**	**2,617**	**5,458**
Depreciation			
At 1 February 2015	**(380)**	**(1,680)**	**(2,060)**
Charge for the year	**(42)**	**(149)**	**(191)**
Impairment losses	**(17)**	**(19)**	**(36)**
Disposals	**10**	**38**	**48**
Exchange differences	**(1)**	**(6)**	**(7)**
At 31 January 2016	**(430)**	**(1,816)**	**(2,246)**
Net carrying amount			
At 31 January 2016	**2,411**	**801**	**3,212**
Cost			
At 2 February 2014	3,160	2,587	5,747
Additions	58	146	204
Disposals	(19)	(59)	(78)
Transfers to assets held for sale	(214)	(113)	(327)
Exchange differences	(198)	(85)	(283)
At 31 January 2015	2,787	2,476	5,263
Depreciation			
At 2 February 2014	(429)	(1,693)	(2,122)
Charge for the year	(51)	(172)	(223)
Impairment losses	(9)	(3)	(12)
Disposals	4	58	62
Transfers to assets held for sale	87	85	172
Exchange differences	18	45	63
At 31 January 2015	(380)	(1,680)	(2,060)
Net carrying amount			
At 31 January 2015	2,407	796	3,203
Assets in the course of construction included above at net carrying amount			
At 31 January 2016	**34**	**29**	**63**
At 31 January 2015	33	40	73
Assets held under finance leases included above at net carrying amount			
At 31 January 2016	**14**	**24**	**38**
At 31 January 2015	16	28	44

Store asset impairment losses of £36m were recorded in the year as part of the UK and continental Europe exceptional restructuring programmes set out in note 5. These were based on a determination of recoverable amounts of the stores as the net present value of future pre-tax cash flows ('value-in-use') or fair value less costs to sell (using market valuations performed by independent external valuers) if higher.

14 Property, plant and equipment continued

The cumulative total of borrowing costs included at the balance sheet date, net of depreciation, is £27m (2014/15: £27m).

Land and buildings are analysed as follows:

	2015/16				2014/15
£ millions	Freehold	Long leasehold	Short leasehold	Total	Total
Cost	**2,318**	**136**	**387**	**2,841**	2,787
Depreciation	**(184)**	**(15)**	**(231)**	**(430)**	(380)
Net carrying amount	**2,134**	**121**	**156**	**2,411**	2,407

Included in land and buildings is leasehold land that is in effect a prepayment for the use of land and is accordingly being amortised on a straight line basis over the estimated useful life of the assets. The net carrying amount of leasehold land included in land and buildings at 31 January 2016 is £135m (2014/15: £170m).

The Group does not revalue properties within its financial statements. A valuation exercise is performed for internal purposes annually in October by independent external valuers. Based on this exercise the value of property is £2.9bn (2014/15: £2.7bn) on a sale and leaseback basis with Kingfisher in occupancy. The key assumption used in calculating this is the estimated yields. All the property, plant and equipment market valuations are considered to have been determined by level 3 inputs as defined by the fair value hierarchy of IFRS 13, 'Fair value measurement'. For poorly performing stores, a vacant possession valuation basis is used to approximate the fair value less costs to sell when reviewing for impairment.

15 Investment property

£ millions	
Cost	
At 1 February 2015	**41**
Transfers from property, plant and equipment	**17**
Disposals	**(21)**
At 31 January 2016	**37**
Depreciation	
At 1 February 2015	**(11)**
Impairment losses	**(1)**
At 31 January 2016	**(12)**
Net carrying amount	
At 31 January 2016	**25**
Cost	
At 2 February 2014	60
Transfers to assets held for sale	(19)
At 31 January 2015	41
Depreciation	
At 2 February 2014	(10)
Impairment losses	(10)
Transfers to assets held for sale	9
At 31 January 2015	(11)
Net carrying amount	
At 31 January 2015	30

A property valuation exercise is performed for internal purposes annually as described in note 14. Based on this exercise the fair value of investment property is £37m (2014/15: £60m). All the investment properties held by the Group at fair value are considered to have fair values determined by level 3 inputs as defined by the fair value hierarchy of IFRS 13, 'Fair value measurement'.

16 Investments in joint ventures and associates

£ millions	
At 1 February 2015	**28**
Share of post-tax results	**3**
Dividends	**(5)**
Exchange differences	**(3)**
At 31 January 2016	**23**
At 2 February 2014	32
Share of post-tax results	5
Dividends	(7)
Exchange differences	(2)
At 31 January 2015	28

No goodwill is included in the carrying amount of investments in joint ventures and associates (2014/15: £nil).

Details of the significant joint ventures and associates are shown below:

	Principal place of business	% interest held	Class of shares owned	Main activity
Principal joint venture				
Koçtaş Yapi Marketleri Ticaret A.S.(1)	Turkey	50%	Ordinary	Retailing
Principal associate				
Crealfi S.A.(1)	France	49%	Ordinary	Finance

(1) This company prepares its financial statements to 31 December.

Aggregate amounts relating to joint ventures and associates:

	2015/16			2014/15		
£ millions	**Joint ventures**	**Associates**	**Total**	Joint ventures	Associates	Total
Non-current assets	**20**	**2**	**22**	22	2	24
Current assets	**51**	**63**	**114**	53	62	115
Current liabilities	**(40)**	**(53)**	**(93)**	(42)	(53)	(95)
Non-current liabilities	**(20)**	**–**	**(20)**	(16)	–	(16)
Share of net assets	**11**	**12**	**23**	17	11	28
Sales	**150**	**11**	**161**	160	12	172
Operating expenses	**(143)**	**(10)**	**(153)**	(151)	(10)	(161)
Operating profit	**7**	**1**	**8**	9	2	11
Net finance costs	**(4)**	**–**	**(4)**	(4)	–	(4)
Profit before taxation	**3**	**1**	**4**	5	2	7
Income tax expense	**(1)**	**–**	**(1)**	(1)	(1)	(2)
Share of post-tax results	**2**	**1**	**3**	4	1	5

17 Available-for-sale financial assets

£ millions	**2015/16**	2014/15
B&Q China investment	**62**	–

The Group held a 30% interest in B&Q China, which was held at fair value – refer to note 33 for further details. During the period since classification of the investment as an available-for-sale financial asset, fair value gains of £2m have been recognised in other comprehensive income. The fair value was based on a consideration of the economic value attributed to the B&Q China business. The valuation incorporates non-observable inputs that would be classified as level 3 inputs as defined by the fair value hierarchy of IFRS 13, 'Fair value measurement'.

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18 Inventories

£ millions	2015/16	2014/15
Finished goods for resale	**1,957**	2,021

Included within finished goods for resale is a deduction for rebates to reflect inventories that have not been sold at the balance sheet date.

The cost of inventories recognised as an expense and included in cost of sales for the year ended 31 January 2016 is £5,986m (2014/15: £6,373m).

19 Trade and other receivables

£ millions	2015/16	2014/15
Non-current		
Prepayments	**5**	5
Property receivables	**1**	1
Other receivables	**1**	1
	7	7
Current		
Trade receivables	**65**	63
Provision for bad and doubtful debts	**(7)**	(8)
Net trade receivables	**58**	55
Property receivables	**2**	2
Prepayments	**124**	121
Rebates due from suppliers	**313**	308
Other receivables	**71**	51
	568	537
Trade and other receivables	**575**	544

The fair values of trade and other receivables approximate to their carrying amounts. Refer to note 24 for information on the credit risk associated with trade and other receivables.

20 Cash and cash equivalents and short-term deposits

£ millions	2015/16	2014/15
Cash at bank and in hand	**220**	171
Other cash and cash equivalents	**510**	390
Cash and cash equivalents	**730**	561

Other cash and cash equivalents comprise bank deposits and investments in money market funds, fixed for periods of up to three months. The fair values of cash and cash equivalents approximate to their carrying amounts.

The Group enters into multi-currency net overdraft facilities and cash pooling agreements with its banks. These agreements and similar arrangements generally enable the counterparties to offset overdraft balances against available cash in the ordinary course of business and/or in the event that the counterparty is unable to fulfil its contractual obligations.

£ millions	2015/16	2014/15
Short-term deposits	**70**	48

Short-term deposits comprise bank deposits with original maturities of between three and 12 months. The fair values of short-term deposits approximate to their carrying amounts.

21 Trade and other payables

£ millions	2015/16	2014/15 (restated – note 2a)
Current		
Trade payables	**1,339**	1,366
Other taxation and social security	**244**	210
Deferred income	**122**	119
Contract to purchase own shares	**50**	50
Deposit received in advance of B&Q China disposal	**–**	12
Accruals and other payables	**614**	580
	2,369	2,337
Non-current		
Accruals and other payables	**53**	64
Trade and other payables	**2,422**	2,401

The contract to purchase own shares relates to a liability arising under an irrevocable closed season buyback agreement for the purchase of the Company's own shares (see note 28).

Accruals include allowance for customer returns, representing the estimate of future sales returns at the year end.

The fair values of trade and other payables approximate to their carrying amounts.

22 Borrowings

£ millions	2015/16	2014/15
Current		
Bank overdrafts	**76**	91
Bank loans	**2**	2
Fixed term debt	**48**	–
Finance leases	**12**	12
	138	105
Non-current		
Bank loans	**8**	9
Fixed term debt	**137**	183
Finance leases	**34**	40
	179	232
Borrowings	**317**	337

Bank overdrafts and loans

Bank overdrafts are repayable on demand. Current bank loans mature within the next 12 months. These are arranged at floating rates of interest.

Non-current bank loans have an average maturity of three years (2014/15: three years) and are arranged at fixed rates of interest with an effective interest rate of 1.6% (2014/15: 3.1%).

22 Borrowings continued

£ millions	Principal outstanding	Maturity date	Coupon	Effective interest rate	2015/16 Carrying amount	2014/15 Carrying amount
US Dollar USPP	**$68m**	**24/05/16[1]**	**6.3%**	**6.3%**	**48**	47
US Dollar USPP	**$179m**	**24/05/18[1]**	**6.4%**	**6.4%**	**137**	136
					185	183

(1) $247m swapped to floating rate Sterling based on 6 month LIBOR plus a margin using a cross-currency interest rate swap.

The Group values its USPP on an amortised cost basis, adjusted for fair value gains and losses (based on observable market inputs) attributable to the risk being hedged in designated and effective fair value hedge relationships.

The carrying amounts of the USPP have been impacted both by exchange rate movements and fair value adjustments for interest rate risk. At 31 January 2016, the cumulative effect of interest rate fair value adjustments is to increase the Group's USPP carrying amounts by £12m (2014/15: £19m increase).

The USPP contains a covenant requiring that, as at the end of each semi-annual and annual financial reporting period, the ratio of operating profit to net interest payable, excluding exceptional items, should not be less than 3 to 1 for the preceding 12 month period. The Group has complied with this covenant for the year ended 31 January 2016.

Finance leases

The Group leases certain of its buildings and fixtures and equipment under finance leases. The average lease term maturity for buildings is six years (2014/15: seven years) and for fixtures and equipment is two years (2014/15: two years). Certain building leases include a clause to enable upward revision of the rental charge to prevailing market conditions.

Future minimum lease payments under finance leases, together with the present value of minimum lease payments, are as follows:

£ millions	2015/16 Present value of payments	2015/16 Minimum payments	2014/15 Present value of payments	2014/15 Minimum payments
Less than one year	**12**	**14**	12	15
One to five years	**21**	**26**	23	32
More than five years	**13**	**17**	17	22
Total	**46**	**57**	52	69
Less amounts representing finance charges		**(11)**		(17)
Present value of minimum lease payments		**46**		52

The interest rates inherent in the finance leases are fixed at the contract date for the lease term. The weighted average effective interest rate on the Group's finance leases is 8.6% (2014/15: 8.7%).

£ millions	Fair value 2015/16	Fair value 2014/15
Bank overdrafts	**76**	91
Bank loans	**11**	12
Fixed term debt	**192**	190
Finance leases	**56**	68
Borrowings	**335**	361

Fair values of borrowings have been calculated by discounting cash flows at prevailing interest and foreign exchange rates. This has resulted in level 2 inputs as defined by the fair value hierarchy of IFRS 13, 'Fair value measurement'.

23 Derivatives

The net fair value of derivatives by hedge designation at the balance sheet date is:

£ millions	**2015/16**	2014/15
Fair value hedges	**56**	54
Cash flow hedges	**27**	54
Non-designated hedges	**10**	4
	93	112
Non-current assets	**43**	52
Current assets	**56**	70
Current liabilities	**(6)**	(10)
	93	112

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

£ millions	**2015/16**	2014/15
Cross currency interest rate swaps	**56**	54
Foreign exchange contracts	**43**	68
Derivative assets	**99**	122

£ millions	**2015/16**	2014/15
Foreign exchange contracts	**(6)**	(10)
Derivative liabilities	**(6)**	(10)

The fair values are calculated by discounting future cash flows arising from the instruments and adjusted for credit risk. These fair value measurements are all made using observable market rates of interest, foreign exchange and credit risk.

All the derivatives held by the Group at fair value are considered to have fair values determined by level 2 inputs as defined by the fair value hierarchy of IFRS 13, 'Fair value measurement', representing significant observable inputs other than quoted prices in active markets for identical assets or liabilities. There are no non-recurring fair value measurements nor have there been any transfers of assets or liabilities between levels of the fair value hierarchy.

At 31 January 2016 net derivative assets included in net cash amount to £63m (2014/15: £57m net derivative assets).

Fair value hedges

Fair value hedges comprise cross currency interest rate swap contracts that convert US Private Placement fixed rate debt into floating rate liabilities. At 31 January 2016 the Sterling equivalent amount of such contracts is £174m (2014/15: £164m).

The Group also had an option to sell its 30% interest in B&Q China in the future – refer to note 33 for further details. At 31 January 2016 the fair value of the option was judged not to be significant. The value of the option was based on the value of the investment, which incorporated non-observable inputs that would be classified as level 3 in the IFRS 13 fair value hierarchy.

Cash flow hedges

Forward foreign exchange contracts hedge currency exposures of forecast inventory purchases. At 31 January 2016 the Sterling equivalent amount of such contracts is £504m (2014/15: £603m). The associated fair value gains and losses will be transferred to inventories when the purchases occur during the next 12 months. Gains of £50m (2014/15: £5m gains) have been transferred to inventories for contracts which matured during the year.

Non-designated hedges

The Group has entered into certain derivatives to provide a hedge against fluctuations in the income statement arising from balance sheet positions. At 31 January 2016 the Sterling equivalent amount of such contracts is £504m (2014/15: £704m). These have not been accounted for as hedges, since the fair value movements of the derivatives in the income statement offset the retranslation of the balance sheet positions. These include short-term foreign exchange contracts.

The Group has reviewed all significant contracts for embedded derivatives and none of these contracts has any embedded derivatives which are not closely related to the host contract and therefore the Group is not required to account for these separately.

The Group enters into netting agreements with counterparties to manage the credit and settlement risks associated with over-the-counter derivatives. These netting agreements and similar arrangements generally enable the Group and its counterparties to settle cash flows on a net basis and set-off liabilities against available assets in the event that either party is unable to fulfill its contractual obligations.

23 Derivatives continued

Offsetting of derivative assets and liabilities:

£ millions	Gross amounts of recognised derivatives	Gross amounts offset in the consolidated balance sheet	Net amounts of derivatives presented in the consolidated balance sheet	Gross amounts of derivatives not offset in the consolidated balance sheet	Net amount
At 31 January 2016					
Derivative assets	**99**	**–**	**99**	**(6)**	**93**
Derivative liabilities	**(6)**	**–**	**(6)**	**6**	**–**
At 31 January 2015					
Derivative assets	122	–	122	(10)	112
Derivative liabilities	(10)	–	(10)	10	–

24 Financial risk management

Kingfisher's treasury function has primary responsibility for managing certain financial risks to which the Group is exposed. The Board reviews the levels of exposure regularly and approves treasury policies covering the use of financial instruments required to manage these risks. Kingfisher's treasury function is not run as a profit centre and does not enter into any transactions for speculative purposes.

In the normal course of business the Group uses financial instruments including derivatives. The main types of financial instruments used are fixed term debt, bank loans and deposits, money market funds, interest rate swaps, commodity swaps and foreign exchange contracts.

Interest rate risk

Borrowings arranged at floating rates of interest expose the Group to cash flow interest rate risk, whereas those arranged at fixed rates of interest expose the Group to fair value interest rate risk. The Group manages its interest rate risk by entering into certain interest rate derivative contracts which modify the interest rate payable on the Group's underlying debt instruments, principally the fixed term debt.

Currency risk

The Group's principal currency exposures are to the Euro, US Dollar, Polish Zloty and Russian Rouble. The Euro, Polish Zloty and Russian Rouble exposures are operational and arise through the ownership of retail businesses in France, Spain, Portugal, Germany, Ireland, Poland and Russia. In particular, the Group generates a substantial part of its profit from the Eurozone, and as such is exposed to the economic uncertainty of its member states. The Group continues to monitor potential exposures and risks, and consider effective risk management solutions.

It is the Group's policy not to hedge the translation of overseas earnings into Sterling. In addition, the Group has significant transactional exposure arising on the purchase of inventories denominated in US Dollars, which it hedges using forward foreign exchange contracts. Under Group policies, the Group companies are required to hedge committed inventory purchases and a proportion of forecast inventory purchases arising in the next 12 months, and this is monitored on an ongoing basis.

Kingfisher's policy is to manage the interest rate and currency profile of its debt and cash using derivative contracts. The effect of these contracts on the Group's net debt/cash is as follows:

	Sterling		Euro		US Dollar		Other		
£ millions	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Total
At 31 January 2016									
Net cash before fair value adjustments and financing derivatives	**(32)**	**188**	**(23)**	**26**	**(174)**	**461**	**–**	**49**	**495**
Fair value adjustments to net cash	**–**	**–**	**–**	**–**	**(12)**	**–**	**–**	**–**	**(12)**
Financing derivatives	**–**	**(437)**	**–**	**259**	**187**	**5**	**–**	**49**	**63**
Net cash	**(32)**	**(249)**	**(23)**	**285**	**1**	**466**	**–**	**98**	**546**
At 31 January 2015									
Net cash before fair value adjustments and financing derivatives	(36)	179	(19)	(11)	(164)	291	–	51	291
Fair value adjustments to net cash	–	–	–	–	(19)	–	–	–	(19)
Financing derivatives	–	(723)	–	341	185	161	–	93	57
Net cash	(36)	(544)	(19)	330	2	452	–	144	329

Financial instruments principally affected by interest rate and currency risks, being the significant market risks impacting Kingfisher, are borrowings, deposits and derivatives. The following analysis illustrates the sensitivity of net finance costs (reflecting the impact on profit) and derivative cash flow hedges (reflecting the impact on other comprehensive income) to changes in interest rates and foreign exchange rates.

£ millions	**2015/16** Net finance costs Income/ (costs)	2014/15 Net finance costs Income/ (costs)
Effect of 1% rise in interest rates on net finance costs		
Sterling	**(2)**	(5)
Euro	**3**	3
US Dollar	**5**	5
Polish Zloty	**1**	2

Due to the Group's hedging arrangements and offsetting foreign currency assets and liabilities, there is no significant impact on profit from the retranslation of financial instruments.

£ millions	**2015/16** Derivative cash flow hedges Increase	2014/15 Derivative cash flow hedges Increase
Effect of 10% appreciation in foreign exchange rates on derivative cash flow hedges		
US Dollar against Sterling	**33**	36
US Dollar against Euro	**24**	25
US Dollar against Polish Zloty	**5**	3

The impact of changes in foreign exchange rates on cash flow hedges results from retranslation of forward purchases of US Dollars used to hedge forecast US Dollar purchases of inventories. The associated fair value gains and losses are deferred in equity until the purchases occur. See note 23 for further details.

The sensitivity analysis excludes the impact of movements in market variables on the carrying amount of trade and other payables and receivables, due to the low associated sensitivity, and are before the effect of tax. It has been prepared on the basis that the Group's debt, hedging activities, hedge accounting designations, and foreign currency proportion of debt and derivative contracts remain constant, reflecting the positions at 31 January 2016 and 31 January 2015 respectively. As a consequence, the analysis relates to the position at those dates and is not necessarily representative of the years then ended. In preparing the sensitivity analysis it is assumed that all hedges are fully effective.

The effects shown above would be reversed in the event of an equal and opposite change in interest rates and foreign exchange rates.

24 Financial risk management continued

Liquidity risk

The Group regularly reviews the level of cash and debt facilities required to fund its activities. This involves preparing a prudent cash flow forecast for the next five years, determining the level of debt facilities required to fund the business, planning for repayments of debt at its maturity and identifying an appropriate amount of headroom to provide a reserve against unexpected outflows.

The following table analyses the Group's non-derivative financial liabilities and derivative assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. It excludes trade and other payables and short term foreign exchange contracts due to the low associated liquidity risk. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest) and as such may differ from the amounts disclosed on the balance sheet.

£ millions	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
At 31 January 2016							
Bank overdrafts	**(76)**	**–**	**–**	**–**	**–**	**–**	**(76)**
Bank loans	**(3)**	**(3)**	**(1)**	**(2)**	**(1)**	**–**	**(10)**
Fixed term debt	**(57)**	**(8)**	**(130)**	**–**	**–**	**–**	**(195)**
Finance leases	**(14)**	**(9)**	**(7)**	**(5)**	**(5)**	**(17)**	**(57)**
Derivatives – receipts	**57**	**8**	**130**	**–**	**–**	**–**	**195**
Derivatives – payments	**(38)**	**(1)**	**(98)**	**–**	**–**	**–**	**(137)**
At 31 January 2015							
Bank overdrafts	(91)	–	–	–	–	–	(91)
Bank loans	(2)	(3)	(3)	(2)	(2)	–	(12)
Fixed term debt	(10)	(54)	(8)	(123)	–	–	(195)
Finance leases	(15)	(12)	(8)	(7)	(5)	(22)	(69)
Derivatives – receipts	10	54	8	123	–	–	195
Derivatives – payments	(1)	(38)	(2)	(98)	–	–	(139)

At 31 January 2016 the Group had an undrawn revolving committed facility of £225m which was due to mature in March 2020. After the balance sheet date an extension has been arranged to March 2021. The £225m facility contains a covenant requiring that, as at the end of each annual and semi-annual financial reporting period, the ratio of operating profit to net interest payable, excluding exceptional items, should not be less than 3 to 1 for the preceding 12 month period. The Group has complied with this covenant for the year ended 31 January 2016.

Credit risk

The Group deposits surplus cash with a number of banks with the strongest short-term credit ratings and with money market funds which have AAA credit ratings and offer same day liquidity. A credit limit for each counterparty is agreed by the Board covering the full value of deposits and the fair value of derivative contracts. The credit risk is reduced further by spreading the investments and derivative contracts across several counterparties. At 31 January 2016, the highest total cash investment with a single counterparty was £63m (2014/15: £38m).

The Group's exposure to credit risk at the reporting date is the carrying value of trade and other receivables, cash at bank, short-term deposits and the fair value of derivative assets.

No further credit risk provision is required in excess of the normal provision for bad and doubtful debts as the Group has a low concentration of credit risk in respect of trade receivables. Concentration of risk is limited as a result of low individual balances with short maturity spread across a large number of unrelated customers.

At 31 January 2016, trade and other receivables that are past due but not provided against amount to £62m (2014/15: £49m), of which £1m (2014/15: £4m) are over 120 days past due.

Refer to note 36 for details on guarantees provided by the Group.

Capital risk

Capital risk management disclosures are provided in the Financial Review on page 29.

25 Deferred tax

£ millions	2015/16	2014/15 (restated – note 2a)
Deferred tax assets	**11**	10
Deferred tax liabilities	**(333)**	(324)
	(322)	(314)

Deferred tax assets and liabilities are offset against each other when they relate to income taxes levied by the same tax jurisdiction and when the Group intends to settle its current tax assets and liabilities on a net basis.

£ millions	Accelerated tax depreciation	Gains on property	Provisions	Tax losses	Post-employment benefits	Other	Total
At 1 February 2015	**(144)**	**(91)**	**28**	**4**	**(101)**	**(10)**	**(314)**
(Charge)/credit to income statement	**(6)**	**4**	**8**	**5**	**2**	**–**	**13**
(Charge)/credit to equity	**–**	**–**	**(10)**	**–**	**(17)**	**9**	**(18)**
Exchange differences	**(1)**	**(3)**	**–**	**–**	**–**	**1**	**(3)**
At 31 January 2016	**(151)**	**(90)**	**26**	**9**	**(116)**	**–**	**(322)**
At 2 February 2014 (restated – note 2a)	(151)	(114)	24	7	(5)	5	(234)
(Charge)/credit to income statement	(6)	8	8	(2)	(1)	4	11
Charge to equity	–	–	(1)	–	(92)	(19)	(112)
Transfers to liabilities held for sale	–	9	–	–	–	–	9
Exchange differences	13	6	(3)	(1)	(3)	–	12
At 31 January 2015 (restated – note 2a)	(144)	(91)	28	4	(101)	(10)	(314)

At the balance sheet date, the Group has unused tax losses of £103m (2014/15: £259m) available for offset against future profits. A deferred tax asset has been recognised in respect of £45m (2014/15: £20m) of such losses. No deferred tax asset has been recognised in respect of the remaining £58m (2014/15: £239m) due to the unpredictability of future profit streams. As a result of the disposal of B&Q China, £200m of unrecognised losses have now been excluded. Included in unrecognised tax losses are losses arising in Portugal of £5m which can be carried forward only in the next one to twelve years. Other unrecognised losses may be carried forward indefinitely.

No deferred tax liability is recognised on temporary differences of £3,630m (2014/15: £3,384m) relating to the unremitted earnings of overseas subsidiaries and joint ventures. This is because the earnings are continually reinvested by the Group and therefore no tax is expected to be payable on them in the foreseeable future.

26 Provisions

£ millions	**Onerous property contracts**	**Restructuring**	**Total**
At 1 February 2015	**26**	**21**	**47**
Charge to income statement	**–**	**266**	**266**
Utilised in the year	**(5)**	**(28)**	**(33)**
Reclassification	**–**	**(3)**	**(3)**
Unwinding of discount	**1**	**–**	**1**
Exchange differences	**(1)**	**–**	**(1)**
At 31 January 2016	**21**	**256**	**277**
Current liabilities	**2**	**67**	**69**
Non-current liabilities	**19**	**189**	**208**
	21	**256**	**277**

Within the onerous property contracts provisions, the Group has provided against future liabilities for properties sublet at a shortfall and long-term idle properties, along with properties acquired on acquisition of subsidiaries at above-market rents. Such provisions exclude those related to restructuring programmes which are included in the restructuring provisions. The provisions are based on the present value of future cash outflows relating to rent, rates and service charges net of sublease income.

Restructuring provisions include the estimated costs of the UK and continental Europe restructuring programmes as detailed further in note 5, the vast majority of which relates to future idle property costs, in addition to some employee redundancy costs. For the B&Q UK onerous leases, the weighted average remaining lease term to earliest exit, before any surrenders, assignment or mitigation through subleases, is seven years. The provisions have been discounted to reflect the time value of money and the risks associated with the specific liabilities.

The ultimate costs and timing of cash flows related to the above provisions are largely dependent on exiting the property lease contracts and subletting surplus space.

27 Post-employment benefits

The Group operates a variety of post-employment benefit arrangements covering both funded and unfunded defined benefit schemes and defined contribution schemes. The most significant defined benefit and defined contribution schemes are in the UK. The principal overseas defined benefit schemes are in France, where they are mainly retirement indemnity in nature. The overseas schemes are not material in relation to the Group as a whole.

Defined contribution schemes

Costs for the Group's defined contribution pension schemes, at rates specified in the individual schemes' rules, are as follows:

£ millions	**2015/16**	2014/15
Charge to operating profit	**25**	28

From July 2012 an enhanced defined contribution pension scheme was offered to all UK employees. Eligible UK employees have been automatically enrolled into the scheme since 31 March 2013.

Defined benefit schemes

The Group's principal defined benefit arrangement is its funded, final salary pension scheme in the UK. This scheme was closed to new entrants from April 2004 and was closed to future benefit accrual from July 2012.

The scheme operates under trust law and is managed and administered by the Trustee on behalf of members in accordance with the terms of the Trust Deed and Rules and relevant legislation. The Trustee Board consists of ten Trustee directors, made up of five employer appointed directors, one independent director and four member nominated directors. The Trustee Board delegates day-to-day administration of the scheme to the Group Pensions Department of Kingfisher plc.

The main risk to the Group is that additional contributions are required if investment returns and demographic experience are worse than expected. The scheme therefore exposes the Group to actuarial risks, such as longevity risk, currency risk, inflation risk, interest rate risk and market (investment) risk. The Trustee Board regularly reviews such risks and mitigating controls, with a risk register being formally approved on an annual basis. The assets of the scheme are held separately from the Group and the Trustee's investment strategy includes a planned medium-term de-risking of assets, switching from return-seeking to liability-matching assets. Other de-risking activities have included the scheme acquiring an interest in a property partnership, as set out further below.

A full actuarial valuation of the scheme is carried out every three years by an independent actuary for the Trustee and the last full valuation was carried out as at 31 March 2013.

Following this valuation and in accordance with the scheme's Statement of Funding Principles, the Trustee and Kingfisher have agreed annual employer contributions of £36m from April 2014. The contribution schedule has been derived with reference to a funding objective that targets a longer-term, low risk funding position in excess of the minimum statutory funding requirements. This longer-term objective is based on the principle of the scheme reaching a point where it can provide benefits to members with a high level of security, thereby limiting its reliance on the employer for future support. The Company monitors the scheme funding level on a regular basis and will review with the scheme Trustee at future valuations the continued appropriateness of the repayment schedule currently in place.

The Trust Deed provides Kingfisher with an unconditional right to a refund of surplus assets assuming the full settlement of plan liabilities in the event of a plan wind-up. Furthermore, in the ordinary course of business the trustees have no rights to unilaterally wind up, or otherwise augment the benefits due to members of, the scheme. Based on these rights, any net surplus in the UK scheme is recognised in full.

UK scheme interest in property partnership

In 2010/11, the Group established a partnership, Kingfisher Scottish Limited Partnership ('Kingfisher SLP'), as part of an arrangement with the UK scheme Trustee to address an element of the scheme deficit and provide greater security to the Trustee. The partnership interests are held by the Group and by the scheme, the latter resulting from investments of £78m and £106m made by the Trustee in January and June 2011 respectively. These investments followed Group contributions of the same amounts into the scheme. In accordance with IAS 19, 'Employee benefits', the investments held by the scheme in Kingfisher SLP do not represent plan assets for the purposes of the Group's consolidated financial statements. Accordingly the reported pension position does not reflect these investments.

UK property assets with market values of £83m and £119m were transferred, in January 2011 and June 2011 respectively, into the partnership and leased back to B&Q plc. The Group retains control over these properties, including the flexibility to substitute alternative properties. The Trustee has a first charge over the properties in the event that Kingfisher plc becomes insolvent. The scheme's partnership interest entitles it to the majority of the income of the partnership over the 20 year period of the arrangement. The payments to the scheme by Kingfisher SLP over this term are reflected as Group pension contributions on a cash basis. At the end of this term, Kingfisher plc has the option to acquire the Trustee's partnership interest in Kingfisher SLP.

The Group has control over the partnership and therefore it is consolidated in these Group financial statements. Accordingly, advantage has been taken of the exemptions provided by Regulation 7 of the Partnerships (Accounts) Regulations 2008 from the requirements for preparation, delivery and publication of the partnership's accounts.

Income statement

£ millions	2015/16			2014/15		
	UK	**Overseas**	**Total**	UK	Overseas	Total
Amounts charged/(credited) to operating profit						
Current service cost	**2**	**6**	**8**	2	7	9
Administration costs	**4**	**–**	**4**	3	–	3
Curtailment gain	**–**	**–**	**–**	–	(9)	(9)
	6	**6**	**12**	5	(2)	3
Amounts charged/(credited) to net finance costs						
Net interest (income)/expense	**(6)**	**1**	**(5)**	1	2	3
Total charged to income statement	**–**	**7**	**7**	6	–	6

In the prior year a curtailment gain of £9m was recognised in relation to the closure of a senior executive scheme in France. Of the net charge to operating profit, a £9m charge (2014/15: £7m charge) and £3m charge (2014/15: £4m credit) are included in selling and distribution expenses and administrative expenses respectively. Actuarial gains and losses have been reported in the statement of comprehensive income.

Balance sheet

£ millions	2015/16			2014/15		
	UK	**Overseas**	**Total**	UK	Overseas	Total
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
Net surplus/(deficit) in schemes	**246**	**(87)**	**159**	194	(82)	112

Movements in the surplus or deficit are as follows:

£ millions	2015/16			2014/15		
	UK	**Overseas**	**Total**	UK	Overseas	Total
Net surplus/(deficit) in schemes at beginning of year	**194**	**(82)**	**112**	(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
Net surplus/(deficit) in schemes at end of year	**246**	**(87)**	**159**	194	(82)	112

Movements in the present value of defined benefit obligations are as follows:

£ millions	2015/16			2014/15		
	UK	**Overseas**	**Total**	UK	Overseas	Total
Present value of defined benefit obligations at beginning of year	**(2,606)**	**(97)**	**(2,703)**	(2,135)	(92)	(2,227)
Current service cost	**(2)**	**(6)**	**(8)**	(2)	(7)	(9)
Curtailment gain	**–**	**–**	**–**	–	9	9
Interest expense	**(77)**	**(1)**	**(78)**	(93)	(3)	(96)
Actuarial gains/(losses) – changes in financial assumptions	**200**	**1**	**201**	(471)	(20)	(491)
Actuarial gains – experience adjustments	**33**	**2**	**35**	30	1	31
Benefits paid	**78**	**1**	**79**	65	7	72
Exchange differences	**–**	**(2)**	**(2)**	–	8	8
Present value of defined benefit obligations at end of year	**(2,374)**	**(102)**	**(2,476)**	(2,606)	(97)	(2,703)

27 Post-employment benefits continued

The present value of UK scheme defined benefit obligation is 62% (2014/15: 62%) in respect of deferred members and 38% (2014/15: 38%) in respect of current pensioners.

The weighted average duration of the UK scheme obligations at the end of the year is 20 years (2014/15: 21 years).

Movements in the fair value of scheme assets are as follows:

	2015/16			2014/15		
£ millions	**UK**	**Overseas**	**Total**	UK	Overseas	Total
Fair value of scheme assets at beginning of year	**2,800**	**15**	**2,815**	2,106	21	2,127
Administration costs	**(4)**	**–**	**(4)**	(3)	–	(3)
Interest income	**83**	**–**	**83**	92	1	93
Actuarial losses – actual return less interest income	**(217)**	**–**	**(217)**	635	–	635
Contributions paid by employer	**36**	**1**	**37**	35	1	36
Benefits paid	**(78)**	**(1)**	**(79)**	(65)	(7)	(72)
Exchange differences	**–**	**–**	**–**	–	(1)	(1)
Fair value of scheme assets at end of year	**2,620**	**15**	**2,635**	2,800	15	2,815

On 11 December 2015 the scheme entered into a medically underwritten annuity policy with a major insurance company for certain pensioner liabilities, thereby removing the longevity risk associated with these members. Measured against the long-term funding objective that has been agreed between Kingfisher and the Trustee, entering into the annuity represented a small funding improvement. As the cost of the annuity of £228m was greater than the IAS 19 accounting value of the corresponding liabilities, a loss of £44m has been recorded in other comprehensive income (included as part of actuarial losses in the assets table above).

The fair value of scheme assets is analysed as follows:

	2015/16				2014/15			
£ millions	**UK**	**Overseas**	**Total**	**% of total**	UK	Overseas	Total	% of total
Government bonds[1]	**1,155**	**–**	**1,155**	**44%**	1,262	–	1,262	45%
Corporate bonds	**779**	**–**	**779**	**30%**	777	–	777	28%
Derivatives	**(129)**	**–**	**(129)**	**(5%)**	(71)	–	(71)	(3%)
UK equities	**57**	**–**	**57**	**2%**	59	–	59	2%
Overseas equities	**295**	**–**	**295**	**11%**	394	–	394	14%
Property	**25**	**–**	**25**	**1%**	28	–	28	1%
Annuity	**180**	**–**	**180**	**7%**	–	–	–	–
Cash and other	**258**	**15**	**273**	**10%**	351	15	366	13%
Total fair value of scheme assets	**2,620**	**15**	**2,635**	**100%**	2,800	15	2,815	100%

(1) Including LDI repurchase agreement liabilities.

All UK scheme assets have quoted prices in active markets, except for £331m (2014/15: £165m) of property, annuity and other assets.

To reduce volatility risk a liability driven investment (LDI) strategy forms part of the Trustee's management of the UK defined benefit scheme's assets, including government bonds, corporate bonds and derivatives. The government bond assets category in the table above includes gross assets of £2.8bn (2014/15: £2.4bn) and associated repurchase agreement liabilities of £1.6bn (2014/15: £1.1bn). Repurchase agreements are entered into with counterparties to better offset the scheme's exposure to interest and inflation rates, whilst remaining invested in assets of a similar risk profile. Interest rate and inflation rate derivatives are also employed to complement the use of fixed and index-linked bonds in matching the profile of the scheme's liabilities.

The estimated amount of total contributions to be paid to the UK and overseas pension schemes by the Group during the next financial year is £36m.

Principal actuarial valuation assumptions

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.

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.

Annual % rate	2015/16 UK	2015/16 Overseas	2014/15 UK	2014/15 Overseas
Discount rate	**3.6**	**1.8**	3.0	1.8
Price inflation	**3.1**	**2.0**	2.8	2.0
Rate of pension increases	**2.9**	**–**	2.7	–
Salary escalation	**n/a**	**2.4**	n/a	2.5

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 base mortality assumptions have been derived by adjusting standard mortality tables (SAPS tables) projected forward to 2013 using the 'CMI 2013' core projection improvement factors, as published by the UK actuarial profession. In addition, allowance has been made for future increases in life expectancy. The allowance is in line with CMI 2013 improvements subject to a long-term rate of 1.25% pa for males and 1.0% pa for females. These improvements take into account trends observed within the scheme over the past decade and general population trends.

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	**86.8**	86.7
– Female	**87.4**	87.3
Age to which future pensioners are expected to live (60 in 15 years' time)		
– Male	**87.5**	87.4
– Female	**88.6**	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
Rate of pension increases	Increase/decrease by 0.1%	Increase/decrease by £43m
Mortality	Increase in life expectancy by one year	Increase by £86m

Due to the asset-liability matching investment strategy, the above impacts on the obligations of changes in discount rate and price inflation would be significantly offset by movements in the fair value of the scheme assets.

28 Share capital

	Number of ordinary shares millions	Ordinary share capital £ millions
At 1 February 2015	**2,350**	**369**
New shares issued under share schemes	**2**	**–**
Purchase of own shares for cancellation	**(56)**	**(8)**
At 31 January 2016	**2,296**	**361**
At 2 February 2014	2,376	373
New shares issued under share schemes	3	1
Purchase of own shares for cancellation	(29)	(5)
At 31 January 2015	2,350	369

Ordinary shares have a par value of $15^{5}/_{7}$ pence per share.

During the year the Group purchased 56 million (2014/15: 29 million) of the Company's own shares for cancellation at a cost of £200m (2014/15: £100m) as part of its capital returns programme. At 31 January 2016 the Group had an additional contractual commitment of £50m (2014/15: £50m) to purchase the Company's own shares under an irrevocable closed season buyback agreement.

29 Other reserves

£ millions	Translation reserve	Cash flow hedge reserve	Available-for-sale reserve	Other	Total
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)**
At 2 February 2014	112	(5)	–	159	266
Currency translation differences					
Group	(309)	–	–	–	(309)
Joint ventures and associates	(2)	–	–	–	(2)
Cash flow hedges					
Fair value gains	–	70	–	–	70
Gains transferred to inventories	–	(5)	–	–	(5)
Tax on items that may be reclassified	5	(19)	–	–	(14)
Other comprehensive income for the year	(306)	46	–	–	(260)
Purchase of own shares for cancellation	–	–	–	5	5
At 31 January 2015	(194)	41	–	164	11

The ‘other’ category of reserve represents the premium on the issue of convertible loan stock in 1993, the merger reserve relating to the acquisition of Darty in 1993 and the capital redemption reserve.

30 Share-based payments

	2015/16		2014/15	
	Options Number	**Weighted average exercise price £**	Options Number	Weighted average exercise price £
Outstanding at beginning of year	**26,577,857**	**1.05**	38,123,624	0.61
Granted during the year[(1) (2)]	**11,760,622**	**0.91**	13,371,999	1.09
Forfeited during the year	**(4,076,225)**	**0.95**	(14,117,788)	0.27
Exercised during the year	**(7,729,839)**	**0.61**	(10,799,978)	0.57
Outstanding at end of year	**26,532,415**	**1.13**	26,577,857	1.05
Exercisable at end of year	**1,600,718**	**0.57**	1,557,515	0.87

(1) The charge to the income statement for the years ended 31 January 2016 and 31 January 2015 in respect of share-based payments includes the first year’s charge of the 2016 Kingfisher Incentive Share Plan (‘KISP’) – Deferred Bonus Award and 2015 Kingfisher Incentive Share Plan (‘KISP’) – Deferred Bonus Award grants respectively, based on the cash bonus for the year. Since grants under the KISP – Deferred Bonus Award are made following the year end to which the first year of charge relates, it is not possible to give the number of options granted until after the year end.

(2) The weighted average exercise price for options granted during the year represents a blend of nil price KISS, KISP, Kingfisher Performance Share Plan (‘PSP’) and discounted Sharesave options (see below).

Information on the share schemes is given in note 15 of the Company's separate financial statements.

Options have been exercised on a regular basis throughout the year. On that basis, the weighted average share price during the year, rather than at the date of exercise, is £3.54 (2014/15: £3.49). The options outstanding at the end of the year have exercise prices ranging from nil to £3.15 and a weighted average remaining contractual life of 4.2 years (2014/15: 3.6 years).

The Group recognised a total expense of £11m in the year ended 31 January 2016 (2014/15: £11m) relating to equity-settled share-based payment transactions.

The fair value of share options and deferred shares is determined by independent valuers using Black-Scholes and stochastic option pricing models. The inputs of the principal schemes into these models are as follows:

	Date of grant	Share price at grant £	Exercise price £	Expected life[(2)] years	Expected volatility[(3)] %	Dividend yield %	Risk free rate %	Fair value £
Kingfisher Incentive Share	25/04/12	2.96	–	7.0	–	–	–	2.96
Scheme[(1)]	11/04/13	2.97	–	7.0	–	–	–	2.97
Kingfisher Incentive Share Plan –	23/04/14	4.19	–	7.0	–	–	–	4.19
Deferred Bonus Awards	23/04/15	3.52	–	7.0	–	–	–	3.52
Performance Share Plan	17/06/11	2.65	–	7.0	–	–	–	2.65
	21/10/11	2.63	–	7.0	–	–	–	2.63
	03/05/12	2.91	–	7.0	–	–	–	2.91
	16/10/12	2.81	–	7.0	–	–	–	2.81
	25/04/13	3.10	–	7.0	–	–	–	3.10
	22/10/13	3.74	–	7.0	–	–	–	3.74
Kingfisher Incentive Share Plan –	03/07/14	3.61	–	7.0	–	–	–	3.61
Long Term Incentive Awards	15/09/14	3.16	–	7.0	–	–	–	3.16
	05/05/15	3.54	–	7.0	–	–	–	3.54
	20/10/15	3.63	–	7.0	–	–	–	3.63
UK and International	28/10/10	2.39	1.87	5.5	37.3%	2.3%	1.9%	0.39
Sharesave	26/10/11	2.64	1.99	3.5	39.1%	2.9%	0.9%	0.54
	26/10/11	2.64	1.99	5.5	37.6%	2.9%	1.4%	0.42
	19/10/12	2.85	2.17	3.5	25.9%	3.3%	0.4%	0.45
	19/10/12	2.85	2.17	5.5	37.6%	3.3%	0.9%	0.49
	22/10/13	3.74	3.15	3.5	23.3%	2.5%	0.9%	0.49
	22/10/13	3.74	3.15	5.5	33.6%	2.5%	1.6%	0.59
	21/10/14	2.94	2.52	3.5	23.8%	3.4%	1.1%	0.35
	21/10/14	2.94	2.52	5.5	24.5%	3.4%	1.5%	0.31
	22/10/15	3.51	2.81	3.5	22.4%	2.9%	0.8%	0.48
	22/10/15	3.51	2.81	5.5	23.1%	2.9%	1.2%	0.41

(1) The Kingfisher Incentive Share Scheme includes the Company Share Option Plan ('CSOP') element of the KISS awards.

(2) Expected life is disclosed based on the UK schemes. For the KISP, KISS and PSP schemes in the UK, the expiry date is seven years from the date of grant. Expiry of overseas KISS schemes is six months from the date of vesting. Expiry of overseas KISP – Long Term Incentive Award schemes is one year from the date of vesting.

(3) Expected volatility was determined for each individual award, by calculating the historical volatility of the Group's share price (plus reinvested dividends) immediately prior to the grant of the award, over the same period as the vesting period of each award, adjusted by expectations of future volatility.

31 Cash generated by operations

£ millions	2015/16	2014/15
Operating profit	**526**	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)
Cash generated by operations	**931**	806

32 Net cash

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

£ millions	2015/16	2014/15
Net cash at beginning of year	**329**	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
Cash flow movement in net cash	**163**	201
Adjustment for cash classified as held for sale (B&Q China)	**57**	(57)
Exchange differences and other non-cash movements	**(3)**	(53)
Net cash at end of year	**546**	329

33 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 (£62m 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)**
Net disposal proceeds received	**102**
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**
Exceptional profit on disposal	**143**

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

The Group 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.

34 Assets and liabilities held for sale

£ millions	**2015/16**	2014/15
Assets held for sale	**6**	274
Liabilities held for sale	**–**	(195)
	6	79

At 31 January 2016 assets held for sale comprise £6m of freehold properties in the UK.

In the prior year, assets and liabilities held for sale included a property company and the assets and liabilities of B&Q China. The property company and a controlling 70% stake in the B&Q China business were disposed in the current year (see note 33).

35 Commitments

Operating lease commitments

The Group is a lessee of various retail stores, offices, warehouses and plant and equipment under lease agreements with varying terms, escalation clauses and renewal rights.

The Group is also a lessor and sub-lessor of space with freehold and leasehold properties respectively. Lease arrangements under which rental payments are contingent upon sales, other performance or usage are not significant for the Group.

There are no corporate restrictions imposed by lease arrangements such as those concerning dividends, additional debt and further leasing.

Undiscounted total future minimum rentals payable under non-cancellable operating leases are as follows:

£ millions	**2015/16**	2014/15
Less than one year	**416**	409
One to five years	**1,366**	1,406
More than five years	**1,726**	1,933
	3,508	3,748

Undiscounted total future minimum rentals receivable under non-cancellable operating leases are as follows:

£ millions	**2015/16**	2014/15
Less than one year	**13**	15
One to five years	**38**	41
More than five years	**39**	48
	90	104

The total of future minimum operating sublease receipts expected to be received is £70m (2014/15: £73m).

Capital commitments

Capital commitments contracted but not provided for by the Group amount to £46m (2014/15: £57m).

36 Contingent liabilities

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

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.

37 Related party transactions

During the year, the Company and its subsidiaries carried out a number of transactions with related parties in the normal course of business and on an arm's length basis. The names of the related parties, the nature of these transactions and their total value are shown below:

	2015/16		2014/15	
£ millions	**Income**	**Receivable**	Income/ (expense)	Receivable/ (payable)
Transactions with Koçtaş Yapi Marketleri Ticaret A.S. in which the Group holds a 50% interest				
Provision of employee services	**–**	**–**	(0.1)	(0.1)
Commission and other income	**1.2**	**0.1**	1.2	0.2
Transactions with Crealfi S.A. in which the Group holds a 49% interest				
Provision of employee services	**0.1**	**–**	0.1	–
Commission and other income	**5.7**	**0.3**	6.6	1.5
Transactions with the Kingfisher Pension Scheme				
Provision of administrative services	**1.2**	**0.1**	1.3	0.4

Services are usually negotiated with related parties on a cost-plus basis. Goods are sold or bought on the basis of the price lists in force with non-related parties.

The remuneration of key management personnel is given in note 8.

Other transactions with the Kingfisher Pension Scheme are detailed in note 27.

38 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 33 for further details.

Company balance sheet

At 31 January 2016

£ millions	Notes	2015/16	2014/15 (restated – note 18)
Non-current assets			
Intangible assets	3	**–**	4
Property, plant and equipment	4	**–**	–
Investment in subsidiary	5	**6,813**	6,823
Post-employment benefits	13	**13**	11
Derivative assets	10	**42**	52
		6,868	6,890
Current assets			
Trade and other receivables	6	**3,341**	3,256
Derivative assets	10	**24**	11
Current tax assets		**63**	71
Short-term deposits	7	**–**	25
Cash and cash equivalents		**154**	102
		3,582	3,465
Total assets		**10,450**	10,355
Current liabilities			
Trade and other payables	8	**(4,359)**	(4,318)
Borrowings	9	**(48)**	–
Derivative liabilities	10	**(3)**	(7)
Provisions	12	**(1)**	–
		(4,411)	(4,325)
Non-current liabilities			
Borrowings	9	**(137)**	(183)
Deferred tax liabilities	11	**(1)**	–
Provisions	12	**(4)**	(6)
		(142)	(189)
Total liabilities		**(4,553)**	(4,514)
Net assets		**5,897**	5,841
Equity			
Share capital	14	**361**	369
Share premium		**2,218**	2,214
Own shares held in ESOP trust		**(24)**	(26)
Retained earnings		**2,618**	2,568
Other reserves		**724**	716
Total equity		**5,897**	5,841

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

Company statement of changes in equity

Year ended 31 January 2016

£ millions	Share capital	Share premium	Own shares held	Retained earnings	Other reserves[1]	Total equity
At 1 February 2015	**369**	**2,214**	**(26)**	**2,568**	**716**	**5,841**
Profit for the year	–	–	–	**482**	–	**482**
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income for the year	**369**	**2,214**	**(26)**	**3,050**	**716**	**6,323**
Share-based compensation	–	–	–	**3**	–	**3**
Capital contributions given relating to share-based payments	–	–	–	**14**	–	**14**
New shares issued under share schemes	–	**4**	–	–	–	**4**
Own shares issued under share schemes	–	–	**18**	**(17)**	–	**1**
Purchase of own shares for cancellation	**(8)**	–	–	**(200)**	**8**	**(200)**
Purchase of own shares for ESOP trust	–	–	**(16)**	–	–	**(16)**
Dividends	–	–	–	**(232)**	–	**(232)**
At 31 January 2016	**361**	**2,218**	**(24)**	**2,618**	**724**	**5,897**
At 2 February 2014 (as previously reported)	373	2,209	(35)	1,581	711	4,839
Effect of changes in accounting policies (note 18)	–	–	–	5	–	5
At 2 February 2014 (restated)	373	2,209	(35)	1,586	711	4,844
Profit for the year	–	–	–	1,475	–	1,475
Other comprehensive income for the year	–	–	–	1	–	1
Total comprehensive income for the year	–	–	–	1,476	–	1,476
Share-based compensation	–	–	–	5	–	5
Capital contributions given relating to share-based payments	–	–	–	9	–	9
New shares issued under share schemes	1	5	–	–	–	6
Own shares issued under share schemes	–	–	26	(24)	–	2
Purchase of own shares for cancellation	(5)	–	–	(150)	5	(150)
Purchase of own shares for ESOP trust	–	–	(17)	–	–	(17)
Dividends	–	–	–	(334)	–	(334)
At 31 January 2015 (restated)	369	2,214	(26)	2,568	716	5,841

(1) The other reserves represent the premium on the issue of convertible loan stock in 1993, the merger reserve relating to the acquisition of Darty and the capital redemption reserve.

1 Principal accounting policies

The financial statements of Kingfisher plc ('the Company') are for the calendar year ended 31 January 2016 ('the year' or '2015/16') and were authorised for issue by the board of directors on 23 March 2016. 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 Company to continue in operational existence and that, therefore, it is appropriate to adopt the going concern basis in preparing the financial statements for the year ended 31 January 2016. Refer to the Strategic Report on page 35.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 and as such these financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101') and the provisions of the Companies Act 2006. The financial statements have 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.

As permitted by section 408 of the Companies Act 2006, the income statement of the Company has not been presented.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based Payment';
- the requirements of IFRS 7 'Financial Instruments: Disclosures';
- the requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement';
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 'Presentation of Financial Statements';
- the requirements of IAS 7 'Statement of Cash Flows';
- the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Error';
- the requirements of paragraphs 17 and 18A of IAS 24 'Related Party Disclosures';
- the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of Assets'.

Where required, equivalent disclosures are given in the consolidated financial statements of Kingfisher plc.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

a. Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange at the balance sheet date. Exchange differences on monetary items are taken to the income statement.

Principal rate of exchange against Sterling:

Euro	**2015/16**	2014/15
Year end rate	**1.31**	1.33

b. Intangible assets

Intangible fixed assets are carried in the balance sheet at cost less accumulated amortisation and any provisions for impairment. Amortisation is provided to reflect a straight line reduction from cost to estimated residual value over the estimated useful life of the asset.

c. Property, plant and equipment

Property, plant and equipment held for use in the business are carried at cost less accumulated depreciation and any provisions for impairment.

Depreciation is provided to reflect a straight line reduction from cost to estimated residual value over the estimated useful life of the asset as follows:

Fixtures and fittings	– between 4 and 20 years
Computers and electronic equipment	– between 3 and 5 years
Motor cars	– 4 years

At each reporting date an assessment is performed as to whether there are any indicators that property, plant and equipment may be impaired and, should such indicators exist, the assets' recoverable amounts are subsequently estimated. The recoverable amount is assessed by reference to the net present value of expected future pre-tax cash flows ('value-in-use') of the relevant cash generating unit or fair value less costs to sell if higher. The discount rate applied is based upon the Company's weighted average cost of capital with appropriate adjustments for the risks associated with the relevant cash generating unit. Any impairment in value is charged to the income statement in the period in which it occurs.

d. Investments

Investments in subsidiaries are included in the balance sheet at cost, less any provisions for impairment.

e. Operating leases

Operating lease rental payments are generally charged to the income statement in the period to which the payments relate, except for those leases which incorporate fixed minimum rental uplift clauses. Leases which contain fixed minimum rental uplifts are charged to the income statement on a straight line basis over the lease term.

f. Employee benefits

(i) Post-employment benefits

The Company operates defined benefit and defined contribution pension schemes for its employees. A defined benefit scheme is a pension scheme which defines an amount of pension benefit which an employee will receive on retirement. A defined contribution scheme is a pension scheme under which the Company usually pays fixed contributions into a separate entity. In all cases a separate fund is being accumulated to meet the accruing liabilities. The assets of each of these funds are held under trusts and are entirely separate from the Company's assets.

The asset or liability recognised in the balance sheet in respect of defined benefit pension schemes is the fair value of scheme assets less the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds which are denominated in the currency in which the benefits will be paid and which have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the statement of comprehensive income as they arise.

For defined contribution schemes, the Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

(ii) Share-based compensation

The Company operates several equity-settled, share-based compensation schemes. The fair value of the employee services received in exchange for the grant of options or deferred shares is recognised as an expense and is calculated using Black-Scholes and stochastic models. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or deferred shares granted, excluding the impact of any non-market vesting conditions. The value of the charge is adjusted to reflect expected and actual levels of options vesting due to non-market vesting conditions.

The fair value of the compensation given to subsidiaries in respect of share-based compensation schemes is recognised as a capital contribution over the vesting period. The capital contribution is reduced by any payments received from subsidiaries in respect of these schemes.

(iii) Employee Share Ownership Plan trust ('ESOP trust')

The ESOP trust is a separately administered discretionary trust. Liabilities of the ESOP trust are guaranteed by the Company and the assets of the ESOP trust mainly comprise shares in the Company.

Own shares held by the ESOP trust are deducted from equity shareholders' funds and the shares are held at historical cost until they are sold. The assets, liabilities, income and costs of the ESOP trust are included in both the Company's and the consolidated financial statements.

g. Taxation

The tax currently payable or receivable is based on taxable profit or loss for the year.

Taxable profit differs from profit before taxation as reported in the income statement because it excludes items of income or expense which are taxable or deductible in other years or which are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences or unused tax losses can be utilised. Deferred tax assets and liabilities are not generally recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Current and deferred tax are calculated using tax rates which have been enacted or substantively enacted by the balance sheet date and are expected to apply in the period when the liability is settled or the asset is realised.

Current and deferred tax are charged or credited to the income statement, except when they relate to items charged or credited directly to equity, in which case the current or deferred tax is also recognised directly in equity.

h. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate which reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

i. Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the Company has substantially transferred the risks and rewards of ownership. Financial liabilities (or a part of a financial liability) are derecognised when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets and liabilities are offset only when the Group has a currently enforceable legal right to set-off the respective recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less.

(ii) Borrowings

Interest bearing borrowings are recorded at the proceeds received, net of direct issue costs and subsequently measured at amortised cost. Where borrowings are in designated and effective fair value hedge relationships, adjustments are made to their carrying amounts to reflect the hedged risks. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are amortised to the income statement using the effective interest method.

(iii) Other investments (including short-term deposits)

Other investments may include short-term deposits with banks and other investments with original maturities of more than three months.

(iv) Trade receivables

Trade receivables are initially recognised at fair value and are subsequently measured at amortised cost less any provision for bad and doubtful debts.

(v) Trade payables

Trade payables are initially recognised at fair value and are subsequently measured at amortised cost.

(vi) Derivatives and hedge accounting

Where hedge accounting is not applied, or to the extent to which it is not effective, changes in the fair value of derivatives are recognised in the income statement as they arise.

Derivatives are initially recorded at fair value on the date a derivative contract is entered into and are subsequently carried at fair value. The accounting treatment of derivatives and other financial instruments classified as hedges depends on their designation, which occurs at the start of the hedge relationship. The Company designates certain derivatives as a hedge of the fair value of an asset or liability ('fair value hedge').

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry being recorded in the income statement. Gains or losses from remeasuring the corresponding hedging instrument are recognised in the same line of the income statement.

In order to qualify for hedge accounting, the Company documents in advance the relationship between the item being hedged and the hedging instrument. The Company also documents and demonstrates an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge has been and will be highly effective on an ongoing basis. The effectiveness testing is re-performed at each period end to ensure that the hedge remains highly effective.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

j. Dividends

Interim dividends are recognised when they are paid to the Company's shareholders. Final dividends are recognised when they are approved by the Company's shareholders.

2 Income statement disclosures

The audit fee for the Company and the consolidated financial statements is disclosed in note 7 of the Kingfisher plc consolidated financial statements. Fees payable to Deloitte LLP and their associates for audit and non-audit services to the Company are not required to be disclosed because the Group financial statements disclose such fees on a consolidated basis. Details of the Company's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity were safeguarded are set out in the Audit Committee Report on page 48.

Dividend disclosures are provided in note 11 of the Kingfisher plc consolidated financial statements.

£ millions	**2015/16**	2014/15
Wages and salaries	**28**	25
Social security costs	**5**	3
Post-employment benefits – defined contribution	**2**	2
Share-based compensation	**3**	5
Employee benefit expenses	**38**	35

Number	**2015/16**	2014/15
Average number of persons employed		
Administration	**231**	220

Directors' remuneration and details of share option exercises are disclosed in the Directors' remuneration report on pages 51 to 75. Total Directors' remuneration for the year is £6m (2014/15: £8m).

3 Intangible assets

£ millions	**Brands**
Cost	
At 1 February 2015	**4**
Disposals	**(4)**
At 31 January 2016	**–**
Amortisation	
At 1 February 2015	**–**
Charge for the year	**(2)**
Disposals	**2**
At 31 January 2016	**–**
Net carrying amount	
At 31 January 2016	**–**

4 Property, plant and equipment

£ millions	**Fixtures, fittings and equipment**
Cost	
At 1 February 2015	**4**
At 31 January 2016	**4**
Depreciation	
At 1 February 2015	**(4)**
At 31 January 2016	**(4)**
Net carrying amount	
At 31 January 2016	**–**

5 Investments

£ millions	Investment in subsidiary
At 1 February 2015	**6,823**
Capital contributions given relating to share-based payments	**14**
Contributions received relating to share-based payments	**(24)**
At 31 January 2016	**6,813**

The more significant subsidiary undertakings of the Company at 31 January 2016 and the ultimate percentage holding are set out below. For a full list of subsidiaries and related undertakings, see note 19.

	Country of incorporation and operation	% interest held and voting rights	Class of share owned	Main activity
B&Q plc	United Kingdom	100%	Ordinary & special[1]	Retailing
B&Q Properties Limited	United Kingdom	100%	Ordinary	Property investment
Halcyon Finance Limited	United Kingdom	100%	Ordinary	Finance
Kingfisher Holdings Limited	United Kingdom	100%	Ordinary	Holding company
Kingfisher Information Technology Services (UK) Limited	United Kingdom	100%	Ordinary	IT services
Screwfix Direct Limited	United Kingdom	100%	Ordinary	Retailing
Sheldon Holdings Limited	United Kingdom	100%	Ordinary	Holding company
Zeus Land Investments Limited	United Kingdom	100%	Ordinary	Holding company
B&Q Ireland Limited	Ireland	100%	Ordinary	Retailing
Brico Dépôt S.A.S.U.	France	100%	Ordinary	Retailing
Castorama Dubois Investissements S.C.A.	France	100%	Ordinary	Holding company
Castorama France S.A.S.U.	France	100%	Ordinary	Retailing
Euro Dépôt Immobilier S.A.S.U.	France	100%	Ordinary	Property investment
L'Immobilière Castorama S.A.S.U.	France	100%	Ordinary	Property investment
Kingfisher France S.A.S.	France	100%	Ordinary	Holding company
Kingfisher Asia Limited	Hong Kong	100%	Ordinary	Sourcing
Castim Sp. z o.o.	Poland	100%	Ordinary	Property investment
Castorama Polska Sp. z o.o.	Poland	100%	Ordinary	Retailing
Brico Dépôt Portugal S.A.	Portugal	100%	Ordinary	Retailing
Castorama RUS LLC[2]	Russia	100%	Ordinary	Retailing
Bricostore Romania S.A.[2]	Romania	100%	Ordinary	Retailing
Euro Dépôt España S.A.U.	Spain	100%	Ordinary	Retailing

(1) The special shares in B&Q plc are owned 100% by Kingfisher plc and are non-voting.

(2) Owing to local conditions, these companies prepare their financial statements to 31 December.

6 Trade and other receivables

£ millions	2015/16	2014/15
Current		
Owed by Group undertakings	**3,338**	3,251
Other receivables	**3**	5
	3,341	3,256

7 Short-term deposits

£ millions	2015/16	2014/15
Short-term deposits	**–**	25

Short-term deposits comprise bank deposits with original maturities of between three and 12 months.

8 Trade and other payables

£ millions	**2015/16**	2014/15
Current		
Owed to Group undertakings	**4,266**	4,232
Other taxation and social security	**1**	1
Contract to purchase own shares	**50**	50
Accruals and other payables	**42**	35
	4,359	4,318

The contract to purchase own shares relates to a liability arising under an irrevocable closed season buyback agreement for the purchase of the Company's own shares (see note 14).

9 Borrowings

£ millions	**2015/16**	2014/15
Current		
Fixed term debt	**48**	–
	48	–
Non-current		
Fixed term debt	**137**	183
	137	183

Details of the fixed term debt are given in note 22 to the consolidated financial statements.

10 Derivatives

£ millions	**2015/16**	2014/15
Cross currency interest rate swaps	**56**	54
Foreign exchange contracts	**10**	9
Derivative assets	**66**	63
Foreign exchange contracts	**(3)**	(7)
Derivative liabilities	**(3)**	(7)

11 Deferred tax

£ millions	**2015/16**	2014/15
Post-employment benefits	**1**	–
Total deferred tax liabilities	**1**	–

12 Provisions

£ millions	**Onerous property contracts**
At 1 February 2015	**6**
Utilised in the year	**(1)**
At 31 January 2016	**5**
Current liabilities	**1**
Non-current liabilities	**4**
	5

Within the onerous property contracts provision, the Company has provided against future liabilities for all properties sublet at a shortfall and long-term idle properties. The provision is based on the present value of future cash outflows relating to rent, rates and service charges.

13 Post-employment benefits

The Company participates in both a funded defined benefit scheme and a funded defined contribution scheme.

Defined contribution scheme

Pension costs for the defined contribution scheme, at rates specified in the scheme's rules, are as follows:

£ millions	**2015/16**	2014/15
Charge to operating profit	**2**	2

From July 2012 an enhanced defined contribution scheme was offered to all Company employees. Eligible Company employees have been automatically enrolled into the defined contribution scheme since 31 March 2013.

Defined benefit scheme

Kingfisher plc is one of a number of Group companies that participate in the Kingfisher Pension Scheme, and therefore the Company has accounted for its share of the scheme assets and liabilities. The valuation of the scheme has been based on the most recent actuarial valuation as at 31 March 2013 and has been updated to 31 January 2016.

The final salary pension scheme was closed to future benefit accrual with effect from July 2012.

In 2010/11 and 2011/12 the Company entered into two phases of a property partnership arrangement with the scheme Trustee to address an element of the scheme deficit. Further details on this arrangement are given in note 27 of the consolidated financial statements. The reported pension position reflects the Company's share of the resulting scheme asset.

Income statement

£ millions	**2015/16**	2014/15
Net interest income	**1**	–
Total credited to income statement	**1**	–

Balance sheet

£ millions	**2015/16**	2014/15
Present value of defined benefit obligation	**(70)**	(77)
Fair value of scheme assets	**83**	88
Net surplus in scheme	**13**	11

14 Called up share capital

	Number of ordinary shares millions	**Ordinary share capital £ millions**
At 1 February 2015	**2,350**	**369**
New shares issued under share schemes	**2**	**–**
Purchase of own shares for cancellation	**(56)**	**(8)**
At 31 January 2016	**2,296**	**361**

Ordinary shares have a par value of $15\frac{5}{7}$ pence per share.

During the year the Company purchased 56 million of its own shares for cancellation at a cost of £200m as part of its capital returns programme. At 31 January 2016 the Company had an additional contractual commitment of £50m to purchase its own shares under an irrevocable closed season buyback agreement.

15 Share-based payments

The Company operates a number of share incentive plans including the Kingfisher Incentive Share Plan ('KISP'), Kingfisher Incentive Share Scheme ('KISS'), Kingfisher Performance Share Plan ('PSP'), Store Management Incentive Share Scheme and Sharesave plans in the UK, Ireland and overseas.

Options have been exercised on a regular basis throughout the year. On that basis, the weighted average share price during the year, rather than at the date of exercise, is £3.54 (2014/15: £3.49). The options outstanding at the end of the year have exercise prices ranging from nil to £3.15 and a weighted average remaining contractual life of 4.9 years (2014/15: 4.5 years).

The Executive Directors' awards are disclosed in the Directors' Remuneration Report on pages 51 to 75. The Kingfisher Incentive Share Plan ('KISP'), Kingfisher Incentive Share Scheme ('KISS') and Performance Share Plan are described as part of the Directors' Remuneration Report.

Restricted Awards are granted as one-off compensatory awards granted under the rules of the KISS. They are granted as nil cost options, as with the KISS, but do not accrue dividends until after they are exercised. Vesting dates may vary according to individual grants.

The Store Manager Incentive Share Scheme contained performance conditions based on store standards, with awards lapsing if not maintained throughout the performance period. These awards did not accrue dividends during the vesting period.

Under the UK Sharesave scheme, eligible UK employees have been invited to enter into HMRC approved savings contracts for a period of three or five years, whereby shares may be acquired with savings under the contract. The option price is the average market price over three days shortly before the invitation to subscribe, discounted by 20%. Options are exercisable within a six month period from the conclusion of a three or five year period. The Irish and International Sharesave plans, which operate along similar lines of the UK Sharesave scheme, include eligible employees in Ireland and certain overseas locations.

The rules of all schemes include provision for the early exercise of options in certain circumstances.

The Employee Share Ownership Plan trust ('ESOP trust')

The ESOP trust is funded by an interest free loan from the Company of £76m (2014/15: £96m) to enable it to acquire shares in Kingfisher plc. The shares are used to satisfy options awarded under the KISP, KISS, Performance Share Plan, Store Management Incentive Share Scheme and International Sharesave schemes.

The ESOP trust's shareholding at 31 January 2016 is 7 million shares (2014/15: 8 million shares) with a nominal value of £1m (2014/15: £1m) and a market value of £23m (2014/15: £27m). Dividends on these shares were waived for the interim and final dividends.

16 Commitments

Operating lease commitments

The Company is a lessee of offices under lease agreements with varying terms, escalation clauses and renewal rights.

Undiscounted total future minimum rentals payable under non-cancellable operating leases are as follows:

£ millions	**2015/16**	2014/15
Less than one year	**3**	3
One to five years	**13**	13
More than five years	**5**	8
	21	24

Undiscounted total future minimum rentals receivable under non-cancellable operating leases (being the total of future minimum operating sublease receipts expected to be received) are as follows:

£ millions	**2015/16**	2014/15
Less than one year	**1**	2
One to five years	**1**	3
	2	5

17 Related party transactions

During the year, the Company carried out a number of transactions with related parties in the normal course of business and on an arm's length basis. The names of the related parties, the nature of these transactions and their total value are shown below:

	2015/16		2014/15	
£ millions	**Income**	**Receivable**	Income/ (expense)	Receivable
Transactions with Koçtaş Yapi Marketleri Ticaret A.S. in which the Kingfisher plc Group holds a 50% interest				
Provision of employee services	**–**	**–**	(0.1)	–
Commission and other income	**0.5**	**0.2**	0.4	0.4
Transactions with the Kingfisher Pension Scheme				
Provision of administrative services	**1.2**	**0.1**	1.3	0.4

Services are usually negotiated with related parties on a cost-plus basis. Goods are sold or bought on the basis of the price lists in force with non-related parties.

Directors' remuneration and details of share option exercises are disclosed in the Directors' Remuneration Report on pages 51 to 75.

Other transactions with the Kingfisher Pension Scheme are detailed in note 13.

18 Explanation of transition to FRS 101

This is the first year that the Company has presented its financial statements under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under a previous GAAP (UK GAAP) were for the year ended 31 January 2015 and the date of transition to FRS 101 was 2 February 2014.

£ millions	31 January 2015	2 February 2014
Equity reported under previous UK GAAP	5,834	4,839
Adjustments to equity on transition to FRS 101		
Recognition of defined benefit pension scheme surplus	11	5
Deferred tax adjustments	(4)	–
Equity reported under FRS 101	**5,841**	**4,844**

Under FRS 101 the Company is able to recognise the net surplus of the defined benefit pension scheme, whereas this was precluded under previous UK GAAP. Deferred tax adjustments relate to the recognition of deferred tax liabilities on the pension scheme surplus and other adjustments relating to deferred tax on share-based payments.

19 Related undertakings of the Group

In accordance with Section 409 of the Companies Act 2006, a full list of related undertakings as at 31 January 2016 and their country of incorporation is shown below. The entire issued share capital is held within the Group except where otherwise shown.

Subsidiary undertakings

All subsidiary undertakings, unless otherwise stated, are consolidated in the Group's financial statements, have only one class of share in issue (being ordinary shares), and have all their shares held by companies within the Group other than the Company (Kingfisher plc).

ADSR Real Estate S.A.S.U. (France)
Alcedo Finance Limited (United Kingdom)
B&Q (Retail) Guernsey Limited (Guernsey)
B&Q (Retail) Jersey Limited (Jersey)
B&Q Ireland Limited (Ireland)
B&Q plc (United Kingdom) [1]
B&Q Properties 7 Limited (United Kingdom)
B&Q Properties 8 Limited (United Kingdom)
B&Q Properties Chesterfield Limited (United Kingdom)
B&Q Properties Chestnut Retail Park Limited (United Kingdom)
B&Q Properties Investments Limited (United Kingdom)
B&Q Properties Limited (United Kingdom)
B&Q Properties New Malden Limited (United Kingdom)
B&Q Properties Nursling Limited (United Kingdom)
B&Q Properties South Shields Limited (United Kingdom)
B&Q Properties Sutton-In-Ashfield Limited (United Kingdom)
B&Q Properties Swindon Limited (United Kingdom)
B&Q Properties Wrexham Limited (United Kingdom)
Bargain Bob's Limited (United Kingdom)
Brico Communication S.R.L. (Romania)
Brico Dépôt Portugal S.A. (Portugal)
Brico Dépôt S.A.S.U. (France)
Brico Development S.A. (Romania)
Brico Foncier S.A. (Romania)
Brico Imobiliare Calarasi S.A. (Romania)
Brico Supply S.A. (Romania)
Bricostore Romania S.A. (Romania)
Budle Finance Limited (United Kingdom)
Castim Sp. z o.o. (Poland)
Castorama Dubois Investissements S.C.A. (France)
Castorama France S.A.S.U. (France)
Castorama Partenariat SNC (France)
Castorama Polska Sp. z o.o. (Poland)
Castorama RUS LLC (Russia)
Dickens Limited (United Kingdom)
DIY Express Limited (United Kingdom)
EasyDrive (GB) Limited (United Kingdom)
Eijsvogel Finance Limited (United Kingdom)
Eijsvogel S.A.R.L. (France)
Electricfix Limited (United Kingdom)
Erbauer (UK) Limited (United Kingdom)
Euro Dépôt Espana S.A.U. (Spain)
Euro Dépôt Immobilier S.A.S.U. (France)
Forge Steel Limited (United Kingdom)
Geared Up Limited (United Kingdom)
Halcyon Finance Limited (United Kingdom)
Halcyon S.A.R.L. (France)
Immobiliere de l'Epinoy S.A.S.U. (France)
KF3 S.A.S.U. (France)
KF5 S.A.S.U. (France)
KF6 S.A.S.U. (France)
KF7 S.A.S.U. (France)
KFL1 S.A.S.U. (France)
KFL2 S.A.S.U. (France)
KFL3 S.A.S.U. (France)
KFL4 S.A.S.U. (France)
KFL5 S.A.S.U. (France)
KFL6 S.A.S.U. (France)
KFL7 S.A.S.U. (France)
KFL8 S.A.S.U. (France)
Kingfisher (Paddington) Limited (United Kingdom)
Kingfisher (Shanghai) Sourcing Consultancy Co. Limited (China)
Kingfisher Asia Limited (Hong Kong)
Kingfisher B.V. (Netherlands)
Kingfisher France Limited (United Kingdom)
Kingfisher France S.A.S. (France)
Kingfisher France Services S.A.S.U. (France)
Kingfisher Future Homes Limited (United Kingdom)
Kingfisher Group Limited (United Kingdom)
Kingfisher Holdings B.V. (Netherlands)
Kingfisher Holdings Limited (United Kingdom) [2]
Kingfisher Information Technology Services (France) S.A.S.U. (France)
Kingfisher Information Technology Services (UK) Limited (United Kingdom)
Kingfisher Insurance Designated Activity Company (Ireland)
Kingfisher International ApS (Denmark)
Kingfisher International Finance S.A. (Belgium) [3]
Kingfisher International France Limited (United Kingdom)
Kingfisher International Holdings Limited (United Kingdom)
Kingfisher International Holdings S.A.S.U. (France)
Kingfisher International Investments S.A.S.U. (France)
Kingfisher International Products Limited (United Kingdom)
Kingfisher Nominees Limited (United Kingdom)
Kingfisher Pension Trustee Limited (United Kingdom)
Kingfisher Properties Investments Limited (United Kingdom)
Kingfisher S.A.R.L. (France)
Kingfisher Scottish Limited Partnership (United Kingdom) [4]
Kingfisher Sourcing Eastern Europe Sp. z o.o. (Poland)
Kingfisher TMB Limited (United Kingdom)
Kingfisher UK Investments Limited (United Kingdom)
Kingfisher UK Limited (United Kingdom)
KSO Istanbul Sourcing Ev Geliştirme Ürünleri ve Hizmetleri Limited Şirketi (Turkey)
La Tourelle S.A.S.U. (France)
Les Serres du Château S.A.R.L. (France)
L'Immobilière Castorama S.A.S.U. (France)
Locke & Co Limited (United Kingdom)
Martin Pecheur Finance S.A.R.L. (Luxembourg)
Martin Pecheur Holdings Limited (Ireland)
Martin Pecheur Investments Limited (Jersey)
Martin Pecheur Limited (Jersey)
Martin Pecheur S.A.R.L. (France)
Martin Pecheur Sterling Investments Limited (United Kingdom)
Moretti (UK) Limited (United Kingdom)
New England Paint Company Limited (United Kingdom)
No Nonsense Limited (United Kingdom)
Paddington Investments Ireland Limited (Ireland)
Pescador S.A.R.L. (France)
Plumbfix Limited (United Kingdom)
Portswood B.V. (Netherlands)
Portswood Investments Limited (United Kingdom)
Powersmith Limited (United Kingdom)
ProLand Corporation LLC (Russia)

19 Related undertakings of the Group continued

Screwfix Direct Limited (United Kingdom) [5]
Screwfix Investments Limited (United Kingdom)
Screwfix Limited (United Kingdom)
Screws Limited (United Kingdom)
SEGUSTERO S.A.S.U. (France)
SFD Limited (United Kingdom)
Sheldon Euro Investments 2 Limited (United Kingdom)
Sheldon Euro Investments Limited (United Kingdom)
Sheldon Holdings Limited (United Kingdom)
Sheldon Poland Investments Limited (United Kingdom)
Sheldon Sterling Investments Limited (United Kingdom)
Site (UK) Limited (United Kingdom)
SNC Dynastock (France)
Société Commanditée de Castorama Dubois Investissements – Socodi S.A.R.L. (France)
Société Letranne S.C.I. (France)
Sorod S.A. (Romania)
Street Club Limited (United Kingdom)
Titan Power Tools (UK) Limited (United Kingdom)
Trade Point Limited (United Kingdom)
Waren Investments Limited (United Kingdom)
Watersmith UK Limited (United Kingdom)
Wildbird International Limited (United Kingdom) [6]
Zeus Land Investments Limited (United Kingdom)

Related undertakings other than subsidiaries

CMW (UK) Limited (United Kingdom, 30%)
CASSOP 78 S.C.C.V. (France, 50%)
Crealfi S.A. (France, 49%)
Koçtaş Yapi Marketleri Ticaret A.S. (Turkey, 50%)

(1) Kingfisher plc holds 1,000 Special Shares of £0.05 each, and 1,000 Special A Shares of £0.05 each – both representing 100% of the nominal value of each class of share. The shares held by Kingfisher plc represent less than 0.01% of the total issued share capital. The remaining shares in issue are Ordinary shares and are held by Kingfisher International Investments S.A.S.U.

(2) Kingfisher plc holds 2,793,991,034 Ordinary Shares of £1 each. This represents 100% of the share capital in issue.

(3) 90,889,378 Ordinary shares of no par value, 43,041,757 A Preference Shares of no par value and 17,299,082 B Preference Shares of €1.00 each – each representing 100% of the nominal value of each class of share. These represent 100% of the total issued share capital.

(4) Kingfisher Properties Investments Limited and Kingfisher Pension Trustee Limited are the limited partners; B&Q Properties Investments Limited is the general partner.

(5) 4,083 Ordinary A shares of £1 each, 45,917 Ordinary C shares of £1 each and 4,591,700 Ordinary D Shares – each representing 100% of the nominal value of each class of share. These represent 100% of the total issued share capital.

(6) 200 Ordinary shares of £1 each, 100 Ordinary B shares of £1 each, 5 Ordinary C shares of £1 each, 5 Ordinary D shares of £1 each and 10 Ordinary E shares of £1 each – each representing 100% of the nominal value of each class of share. These represent 100% of the total issued share capital.

Group five year financial summary

£ millions	2011/12[1][2] 52 weeks	2012/13[1][2][4] 53 weeks[3]	2013/14[1][2] 52 weeks[3]	2014/15[1][2][5] 52 weeks	**2015/16 Calendar year[6]**
Income statement					
Sales	10,831	10,573	11,125	10,966	**10,441**
B&Q China sales	(366)	(374)	(421)	(361)	**(110)**
Adjusted sales	10,465	10,199	10,704	10,605	**10,331**
Retail profit	852	761	785	742	**746**
Central costs	(43)	(42)	(42)	(40)	**(45)**
Share of interest and tax of joint ventures and associates	(6)	(6)	(5)	(6)	**(5)**
Operating profit before B&Q China operating loss, share of Hornbach post-tax results and exceptional items	803	713	738	696	**696**
Net finance costs before financing fair value remeasurements and exceptional items	(12)	(3)	(2)	(12)	**(10)**
Adjusted pre-tax profit	791	710	736	684	**686**
B&Q China operating loss	(3)	(9)	(6)	(9)	**(4)**
Share of Hornbach post-tax results	19	14	14	–	**–**
Exceptional items (before tax)	(12)	(26)	17	(35)	**(166)**
Financing fair value remeasurements	2	2	(2)	4	**(4)**
Profit before taxation	797	691	759	644	**512**
Income tax expense (including exceptional items)	(158)	(127)	(49)	(71)	**(100)**
Profit for the year	639	564	710	573	**412**
Balance sheet					
Goodwill and other intangible assets	2,520	2,565	2,639	2,672	**2,673**
Property, plant and equipment and investment property	3,722	3,814	3,675	3,233	**3,237**
Investments in joint ventures and associates	271	289	32	28	**23**
B&Q China investment	–	–	–	–	**62**
Assets and liabilities held for sale	–	–	208	79	**6**
Other net current (liabilities)/assets[7]	(290)	(128)	(19)	182	**55**
Post-employment benefits	(15)	–	(100)	112	**159**
Other net non-current liabilities[7]	(393)	(422)	(356)	(405)	**(575)**
Capital employed	5,815	6,118	6,079	5,901	**5,640**
Equity shareholders' funds	5,719	6,148	6,308	6,220	**6,186**
Non-controlling interests	8	8	9	10	**–**
Net debt/(cash)	88	(38)	(238)	(329)	**(546)**
Capital employed	5,815	6,118	6,079	5,901	**5,640**
Other financial data					
Like-for-like sales growth	1.5%	(3.0%)	0.3%	0.9%	**2.3%**
Effective tax rate	28%	27%	26%	27%	**26%**
Basic earnings per share (pence)	27.5	24.1	30.0	24.3	**17.8**
Adjusted basic earnings per share (pence)	24.4	22.1	23.0	21.3	**22.0**
Ordinary dividend per share (pence)	8.84	9.46	9.9	10.0	**10.1**
Gross capital expenditure[8]	450	316	304	275	**333**
Number of stores[9]	919	988	1,079	1,153	**1,156**

(1) Adjusted pre-tax profit and adjusted basic earnings per share restated to exclude contribution from Hornbach, following its disposal in 2014/15. There was no contribution from Hornbach in 2014/15.

(2) Sales, retail profit, adjusted pre-tax profit, like-for-like sales growth and adjusted basic earnings per share restated to exclude B&Q China operating results, following the disposal of a 70% controlling stake in 2015/16.

(3) Like-for-like sales growth in 2012/13 was calculated by comparing 53 weeks against the equivalent 53 weeks of the prior year. Like-for-like sales growth in 2013/14 is calculated by comparing 52 weeks against the equivalent 52 weeks of the prior year. This only impacts the UK & Ireland businesses with all of the other businesses reporting on a calendar basis. The effect of the 53rd week on the results of the Group in 2012/13 was the inclusion of an additional £72m sales and an immaterial benefit to retail profit.

(4) 2012/13 restated for IAS 19 (revised), 'Employee benefits', resulting in the reclassification of £3m of pension administration costs from net finance costs to retail profit.

(5) 2014/15 restated for IFRIC 21, 'Levies', resulting in a restatement of balance sheet payables, deferred tax and equity shareholders' funds.

(6) In 2015/16 the Group moved its year end to 31 January (previously the nearest Saturday to 31 January) resulting in a calendar year ended 31 January 2016. This only impacts the UK & Ireland businesses with all other businesses already reporting on a calendar basis. This change had no material impact on the Group's results.

(7) Other net current (liabilities)/assets and other net non-current liabilities reported above exclude any components of net debt/(cash).

(8) Excluding business acquisitions.

(9) Excluding joint ventures and associates.

Annual General Meeting

The 2016 Annual General Meeting of the Company will be held on Wednesday, 15 June 2016 at the Farmers' and Fletchers' Hall, 3 Cloth St, London EC1A 7LD at 2.00pm.

Financial calendar

The proposed financial calendar for 2016/17 is as follows:

First quarter trading update	24 May 2016
Second quarter trading update	18 August 2016
Interim results to 31 July 2016	20 September 2016
Third quarter trading update	22 November 2016
Preliminary results to 31 January 2017	March 2017

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

Telephone: +44(0)370 702 0129

Website: http://www.investorcentre.co.uk

Shareholder enquiries

Any queries that shareholders have regarding their shareholdings, such as a change of name or address, transfer of shares, lost share certificates or dividend cheques, should be referred to the Registrar using the contact details above. A Shareholder Helpline is available on UK business days between 8.30am and 5.30pm and contains an automated self-service functionality which is available 24 hours a day.

Share dealing facilities

Shareholders have the opportunity to buy or sell Kingfisher plc shares using a share dealing facility operated by the Registrar.

- Telephone share dealing: Commission is 1%, plus £35; stamp duty at 0.5% is payable on purchases. The service is available from 8.00am to 4.30pm Monday to Friday excluding bank holidays. Telephone: +44(0)370 703 0084.
- Internet share dealing: Commission is 1%, subject to a minimum charge of £30; stamp duty at 0.5% is payable on purchases. The service is available to place orders out of market hours. Simply log onto http://www.investorcentre.co.uk.

Terms and conditions of both of these services can be obtained by calling +44(0)370 702 0129.

Unauthorised brokers (boiler room scams)

Kingfisher plc is legally obliged to make its share register available to the general public. Consequently some shareholders may receive unsolicited mail, including correspondence from unauthorised investment companies. We are aware that some shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based brokers who target UK shareholders offering to sell what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

Details of any share dealing facilities that the Company endorses will be included in Company mailings.

Share price history

	£ per ordinary share*		Dollars per ADR**	
Financial year	High	Low	High	Low
2015/16	3.83	3.17	11.92	9.23
2014/15	4.44	2.85	14.71	9.07
2013/14	4.20	2.71	9.34	8.40
2012/13	3.14	2.54	9.98	7.81
2011/12	2.87	2.17	9.34	6.91

* Based on the daily closing price of Kingfisher plc shares on the London Stock Exchange.

** Based on the daily closing price of Kingfisher plc ADRs in the Over-the-Counter (OTC) market.

Analysis of shareholders and shareholdings as at 31 January 2016

Classification of Holder	Holdings	%	Shares	%
Individuals	19,868	89.70	28,015,590	1.21
Bank or Nominees	2,122	9.58	2,261,653,720	98.49
Investment Trust	17	0.08	126,007	0.01
Insurance Company	8	0.04	49,872	0.00
Other Company	114	0.51	1,832,013	0.08
Pension Trust	1	0.00	2,126	0.00
Other Corporate Body	20	0.09	4,743,741	0.21
Total	22,150	100.00	2,296,423,069	100.00

Size of holding	Share-holders	%	Shares	%
0-500	10,299	46.50	1,987,792	0.09
501-1,000	3,956	17.86	2,918,969	0.13
1,001-5,000	5,759	26.00	12,660,019	0.55
5,001-10,000	869	3.92	6,141,970	0.27
10,001-100,000	706	3.19	20,658,332	0.90
100,001-500,000	257	1.16	62,013,669	2.70
500,001 and above	304	1.37	2,190,042,318	95.37
Total	22,150	100.00	2,296,423,069	100.00

Dividend

The interim dividend for the financial year ended 31 January 2016 of 3.18p per share was paid on 13 November 2015.

The table below provides the payment information for the final dividend of 6.92p per share, subject to shareholder approval at the 2016 Annual General Meeting:

Ex-dividend date	5 May 2016
Record date	6 May 2016
Final date for return of DRIP mandate forms/currency elections	27 May 2016
Euro exchange rate notification	31 May 2016
Payment date and DRIP purchase	20 June 2016

Payment methods

Shareholders can elect to receive their dividends in a number of ways:

- **Cheque:** Dividends will automatically be paid to shareholders by cheque, which will be sent by post to the shareholder's registered address;
- **BACS:** Dividends can be paid by mandate directly to a UK bank or building society account through the BACS system. This method of payment reduces the risk of your cheque being intercepted or lost in the post. Shareholders wishing to receive their dividends in this way can update their mandate instructions at www.investorcentre.co.uk or complete a dividend mandate form and return it to the Registrars;
- **Dividend Reinvestment Plan (DRIP):** The Company also offers shareholders a DRIP, whereby their cash dividend can be used to buy additional shares in the Company. Shareholders can apply online at www.investorcentre.co.uk or complete a mandate form and return it to the address shown above; and
- **Global Payments Service:** This service, provided by the Registrar enables shareholders to have dividend payments paid directly into their bank account in their chosen local currency. To view terms and register, please visit www.computershare.com/uk/investor/GPS.

American Depositary Receipt (ADR)

The Company has a Sponsored Level 1 ADR programme in the United States, which trades on the OTCQX Platform. Each ADR represents two Kingfisher ordinary shares. The Company's ADR Programme is administered by Citibank, N.A., who were appointed 1 October 2015.

ADR Investor Contact:
Telephone: +1 877 248 4237
E-mail: citibank@shareholders-online.com

ADR Broker Contact:
Telephone: +1 212 723 5435 / +44(0) 20 7500 2030
E-mail: citiadr@citi.com

Electronic communication

Shareholders who have not yet elected to receive shareholder documentation in electronic form can sign up by visiting www.investorcentre.co.uk/ecomms and registering their details. When registering for electronic communications, shareholders will be sent an email each time the Company publishes statutory documents, providing a link to the information.

Electing for electronic communications does not mean that shareholders cannot obtain hard copy documents. Should shareholders require a paper copy of any of the Company's shareholder documentation, they should contact the Registrar at the address stated under the section headed 'Registrar'.

Corporate website

Shareholders are encouraged to visit Kingfisher's corporate website (www.kingfisher.com). The website includes information about the Company, its strategy and business performance, latest news and press releases and approach to corporate governance. The Investor Relations section is a key tool for shareholders, with information about Kingfisher's share price, financial results, shareholders meetings and dividends. This section also contains frequently asked questions and copies of the current and past annual reports.

Kingfisher has an Investor Relations app for the iPad. The app provides access to the latest share price information, corporate news, financial reports, presentations, corporate videos and earnings webcasts both online and offline. It is updated with the latest financial information at the same time as the corporate website. To discover more, download it free from the App store.

Document viewing

Shareholders will have the opportunity to view certain documentation, as outlined in the Notice of Annual General Meeting, from at least 15 minutes prior to the meeting, until its conclusion. The rules of the Kingfisher Incentive Share Plan, the proposed Kingfisher Alignment Shares and Transformation Incentive Plan, the Articles of Association of the Company and other documentation referred to in this Annual Report can be viewed at the registered office during normal business hours.

Company Secretary and Registered Office

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Registered in England and Wales
Registered Number 01664812

Forward-looking statements

All statements in this Annual Report and Accounts, other than historical facts, may be forward-looking statements. Such statements are therefore subject to risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied because they relate to future events.

Forward-looking statements can be identified by the use of relevant terminology including the words: 'believes', 'estimates', 'anticipates', 'expects', 'intends', 'plans', 'goal', 'target', 'aim', 'may', 'will', 'would', 'could' or 'should' or, in each case, their negative or other variations or comparable terminology and include all matters that are not historical facts. They appear in a number of places throughout this Annual Report and Accounts and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, our results of operations, financial condition, changes in tax rates, liquidity, prospects, growth, strategies and the businesses we operate.

Other factors that could cause actual results to differ materially from those estimated by the forward-looking statements include, but are not limited to, global economic business conditions, monetary and interest rate policies, foreign currency exchange rates, equity and property prices, the impact of competition, inflation and deflation, changes to regulations, taxes and legislation, changes to consumer saving and spending habits; and our success in managing these factors.

Consequently, our actual future financial condition, performance and results could differ materially from the plans, goals and expectations set out in our forward-looking statements. Reliance should not be placed on any forward-looking statement. Nothing in this Annual Report and Accounts or the Kingfisher website should be construed as a profit forecast or an invitation to deal in the securities of Kingfisher.

The forward-looking statements contained herein speak only as of the date of this Annual Report and the Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise, other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure and Transparency Rules of the Financial Conduct Authority).

Glossary

Adjusted measures are before exceptional items, financing fair value remeasurements, amortisation of acquisition intangibles, related tax items and tax on prior year items including the impact of rate changes on deferred tax. Full year 2014/15 comparatives have been restated to exclude B&Q China's results. A reconciliation to statutory amounts is set out in the Financial Review on pages 25 to 30.

Adjusted sales excludes B&Q China sales.

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

Cut existing product tail – plan to reduce the number of delisted and ex-promotional ranges which do not form part of existing retail planograms.

EBITDA (earnings before interest, tax, depreciation and amortisation) is calculated as retail profit less central costs and before depreciation and amortisation.

EBITDAR (earnings before interest, tax, depreciation, amortisation and property operating lease rentals) is calculated as retail profit less central costs, before depreciation and amortisation and property operating lease rentals.

France consists of Castorama France and Brico Dépôt France.

Free cash flow represents cash generated from operations less the amount spent on tax, interest and capital expenditure during the year (excluding business acquisitions and disposals and asset disposals). A reconciliation from operating profit (before exceptional items) is set out in the Financial Review on pages 25 to 30.

French house building market – new housing starts and planning consent data for the 12 months to January 2016 according to the Ministry of Housing. http://www.statistiques.developpement-durable.gouv.fr/logement-construction/s/construction-logements.html

FFVR (financing fair value remeasurements) represents changes in the fair value of financing derivatives, excluding interest accruals, offset by fair value adjustments to the carrying value of borrowings and other hedged items under fair value hedge relationships.

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

KEP (Kingfisher Economic Profit) represents earnings after a charge for the annual cost of capital employed in the business is derived from the concept of Economic Value Added.

Lease adjusted ROCE – Post-tax retail profit less central costs, excluding exceptional items and property lease costs, divided by lease adjusted capital employed excluding historic goodwill, net cash and exceptional restructuring provision. Capital employed is adjusted to include capitalised property leases. Kingfisher believes 8x property operating lease rent is a reasonable industry standard for estimating the economic value of its leased assets. Capital employed, except for capitalised leases, is calculated as a two point average. The calculation excludes disposed businesses e.g. China.

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

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

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

Omnichannel – allowing customers to shop with us in any way they prefer.

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

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

Planogram – a diagram that shows how and where specific retail products should be placed on retail shelves or displays.

Retail profit is operating profit stated before central costs, exceptional items, amortisation of acquisition intangibles and the Group's share of interest and tax of JVs and associates. Full year 2014/15 comparatives have been restated to exclude B&Q China's operating loss.

Screwfix Europe – Screwfix outside of UK in continental Europe.

Statutory sales – Group sales exclude Joint Venture (Koçtaş JV) sales.

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

UK & Ireland consists of B&Q in the UK & Ireland and Screwfix UK.