Kingfisher plc

2020/21 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED INCOME STATEMENT

		Half year ended 31 July 2020			Half year ended 31 July 2019		
£ millions	Notes	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
Sales	4	**5,921**	**–**	**5,921**	5,997	–	5,997
Cost of sales		**(3,735)**	**–**	**(3,735)**	(3,776)	–	(3,776)
Gross profit		**2,186**	**–**	**2,186**	2,221	–	2,221
Selling and distribution expenses		**(1,302)**	**(27)**	**(1,329)**	(1,414)	(94)	(1,508)
Administrative expenses		**(390)**	**10**	**(380)**	(396)	–	(396)
Other income		**11**	**–**	**11**	10	1	11
Share of post-tax results of joint ventures and associates		**(2)**	**–**	**(2)**	–	–	–
Operating profit	4	**503**	**(17)**	**486**	421	(93)	328
Finance costs		**(94)**	**–**	**(94)**	(93)	–	(93)
Finance income		**6**	**–**	**6**	10	–	10
Net finance costs	6	**(88)**	**–**	**(88)**	(83)	–	(83)
Profit before taxation		**415**	**(17)**	**398**	338	(93)	245
Income tax expense	8	**(85)**	**4**	**(81)**	(93)	19	(74)
Profit for the period		**330**	**(13)**	**317**	245	(74)	171

Earnings per share	9		
Basic		**15.1p**	8.1p
Diluted		**15.0p**	8.1p
Adjusted basic		**15.1p**	11.8p
Adjusted diluted		**15.0p**	11.8p

Reconciliation of non-GAAP adjusted pre-tax profit:

Adjusted pre-tax profit		**415**	337
Exchange differences on lease liabilities		**–**	1
Exceptional items	5	**(17)**	(93)
Profit before taxation		**398**	245

The Directors propose no interim dividend for the period ended 31 July 2020.

Kingfisher plc

2020/21 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED INCOME STATEMENT

		Year ended 31 January 2020		
£ millions	Notes	Before exceptional items	Exceptional items	Total
Sales	4	11,513	–	11,513
Cost of sales		(7,258)	–	(7,258)
Gross profit		4,255	–	4,255
Selling and distribution expenses		(2,772)	(398)	(3,170)
Administrative expenses		(790)	(51)	(841)
Other income		21	15	36
Share of post-tax results of joint ventures and associates		3	–	3
Operating profit	4	717	(434)	283
Finance costs		(191)	(7)	(198)
Finance income		18	–	18
Net finance costs	6	(173)	(7)	(180)
Profit before taxation		544	(441)	103
Income tax expense	8	(136)	41	(95)
Profit for the year		408	(400)	8
Earnings per share	9			
Basic				0.4p
Diluted				0.4p
Adjusted basic				19.1p
Adjusted diluted				19.0p

Reconciliation of non-GAAP adjusted pre-tax profit:

Adjusted pre-tax profit		544
Exceptional items	5	(441)
Profit before taxation		103

Kingfisher plc

2020/21 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

£ millions	Notes	Half year ended 31 July 2020	Half year ended 31 July 2019	Year ended 31 January 2020
Profit for the period		**317**	171	8
Actuarial gains on post-employment benefits	12	**195**	73	42
Inventory cash flow hedges – fair value (losses)/gains		**(7)**	47	20
Tax on items that will not be reclassified		**(67)**	(37)	(24)
Total items that will not be reclassified subsequently to profit or loss		**121**	83	38
Currency translation differences				
Group		**204**	153	(134)
Joint ventures and associates		–	–	(1)
Other cash flow hedges				
Fair value gains/(losses)		**6**	4	(3)
(Gains)/losses transferred to income statement		**(6)**	(4)	3
Total items that may be reclassified subsequently to profit or loss		**204**	153	(135)
Other comprehensive income/(loss) for the period		**325**	236	(97)
Total comprehensive income/(loss) for the period		**642**	407	(89)

Kingfisher plc

2020/21 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Half year ended 31 July 2020						
£ millions	Share capital	Share premium	Own shares held	Retained earnings	Capital redemption reserve	Other reserves (note 14)	Total equity
At 1 February 2020	**332**	**2,228**	**(23)**	**2,994**	**43**	**228**	**5,802**
Profit for the period	**–**	**–**	**–**	**317**	**–**	**–**	**317**
Other comprehensive income for the period	**–**	**–**	**–**	**126**	**–**	**199**	**325**
Total comprehensive income for the period	**–**	**–**	**–**	**443**	**–**	**199**	**642**
Inventory cash flow hedges - gains transferred to inventories	**–**	**–**	**–**	**–**	**–**	**(19)**	**(19)**
Share-based compensation	**–**	**–**	**–**	**11**	**–**	**–**	**11**
Own shares issued under share schemes	**–**	**–**	**9**	**(9)**	**–**	**–**	**–**
Tax on equity items	**–**	**–**	**–**	**–**	**–**	**6**	**6**
At 31 July 2020	**332**	**2,228**	**(14)**	**3,439**	**43**	**414**	**6,442**

	Half year ended 31 July 2019						
£ millions	Share capital	Share premium	Own shares held	Retained earnings	Capital redemption reserve	Other reserves (note 14)	Total equity
At 1 February 2019	332	2,228	(25)	3,192	43	379	6,149
Profit for the period	–	–	–	171	–	–	171
Other comprehensive income for the period	–	–	–	45	–	191	236
Total comprehensive income for the period	–	–	–	216	–	191	407
Inventory cash flow hedges - gains transferred to inventories	–	–	–	–	–	(24)	(24)
Share-based compensation	–	–	–	8	–	–	8
Own shares issued under share schemes	–	–	9	(9)	–	–	–
Purchase of own shares for cancellation	–	–	(10)	–	–	–	(10)
Dividends (note 10)	–	–	–	(157)	–	–	(157)
Tax on equity items	–	–	–	–	–	5	5
At 31 July 2019	332	2,228	(26)	3,250	43	551	6,378

	Year ended 31 January 2020						
£ millions	Share capital	Share premium	Own shares held	Retained earnings	Capital redemption reserve	Other reserves (note 14)	Total equity
At 1 February 2019	332	2,228	(25)	3,192	43	379	6,149
Profit for the year	–	–	–	8	–	–	8
Other comprehensive income/(loss) for the year	–	–	–	22	–	(119)	(97)
Total comprehensive income/(loss) for the year	–	–	–	30	–	(119)	(89)
Inventory cash flow hedges - gains transferred to inventories	–	–	–	–	–	(40)	(40)
Share-based compensation	–	–	–	11	–	–	11
Own shares issued under share schemes	–	–	12	(12)	–	–	–
Purchase of own shares for ESOP trust	–	–	(10)	–	–	–	(10)
Dividends (note 10)	–	–	–	(227)	–	–	(227)
Tax on equity items	–	–	–	–	–	8	8
At 31 January 2020	332	2,228	(23)	2,994	43	228	5,802

Kingfisher plc

2020/21 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED BALANCE SHEET

£ millions	Notes	At 31 July 2020	At 31 July 2019	At 31 January 2020
Non-current assets				
Goodwill		**2,419**	2,439	2,416
Other intangible assets	11	**332**	374	339
Property, plant and equipment	11	**3,033**	3,356	2,988
Right-of-use assets		**1,872**	2,030	1,916
Investment property	11	**20**	8	8
Investments in joint ventures and associates		**14**	13	16
Post-employment benefits	12	**612**	413	404
Deferred tax assets		**12**	13	12
Derivative assets	13	**–**	2	–
Other receivables		**23**	40	27
		8,337	8,688	8,126
Current assets				
Inventories		**2,383**	2,765	2,485
Trade and other receivables		**345**	415	293
Derivative assets	13	**34**	62	14
Current tax assets		**18**	3	9
Cash and cash equivalents		**1,749**	385	189
Assets held for sale		**184**	58	196
		4,713	3,688	3,186
Total assets		**13,050**	12,376	11,312
Current liabilities				
Trade and other payables		**(2,774)**	(2,554)	(2,210)
Borrowings	13	**(539)**	(47)	(43)
Lease liabilities		**(351)**	(318)	(306)
Derivative liabilities	13	**(49)**	(19)	(43)
Current tax liabilities		**(94)**	(148)	(78)
Provisions		**(52)**	(84)	(65)
Liabilities directly associated with assets held for sale		**(67)**	–	(88)
		(3,926)	(3,170)	(2,833)
Non-current liabilities				
Other payables		**(5)**	(4)	(5)
Borrowings	13	**(96)**	(97)	(93)
Lease liabilities		**(2,146)**	(2,320)	(2,221)
Derivative liabilities	13	**(1)**	–	(3)
Deferred tax liabilities		**(251)**	(242)	(189)
Provisions		**(41)**	(39)	(39)
Post-employment benefits	12	**(142)**	(126)	(127)
		(2,682)	(2,828)	(2,677)
Total liabilities		**(6,608)**	(5,998)	(5,510)
Net assets		**6,442**	6,378	5,802
Equity				
Share capital		**332**	332	332
Share premium		**2,228**	2,228	2,228
Own shares held in ESOP trust		**(14)**	(26)	(23)
Retained earnings		**3,439**	3,250	2,994
Capital redemption reserve		**43**	43	43
Other reserves	14	**414**	551	228
Total equity		**6,442**	6,378	5,802

The interim financial report was approved by the Board of Directors on 21 September 2020 and signed on its behalf by:

Thierry Garnier, Chief Executive Officer

Bernard Bot, Chief Financial Officer

Kingfisher plc

2020/21 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED CASH FLOW STATEMENT

£ millions	Notes	Half year ended 31 July 2020	Half year ended 31 July 2019	Year ended 31 January 2020
Operating activities				
Cash generated by operations	15	**1,412**	613	1,052
Income tax paid		**(80)**	(34)	(155)
Net cash flows from operating activities		**1,332**	579	897
Investing activities				
Purchase of property, plant and equipment and intangible assets		**(87)**	(163)	(342)
Disposal of property, plant and equipment, investment property, assets held for sale and intangible assets		**2**	125	188
Interest received		**3**	6	12
Interest element of lease rental receipts		**1**	1	1
Principal element of lease rental receipts		**2**	2	5
Advance payments on right-of-use assets		**(1)**	–	(3)
Advance receipts on right-of-use assets		**2**	–	–
Dividends received from joint ventures and associates		**–**	2	1
Net cash flows used in investing activities		**(78)**	(27)	(138)
Financing activities				
Interest paid		**(14)**	(13)	(35)
Interest element of lease rental payments		**(79)**	(82)	(165)
Principal element of lease rental payments		**(136)**	(158)	(319)
Repayment of bank loans		**(1)**	(1)	(1)
Issue of fixed term debt	16	**1,950**	–	–
Repayment of fixed term debt	16	**(1,461)**	–	–
Purchase of own shares for ESOP trust		**–**	(10)	(10)
Ordinary dividends paid to equity shareholders of the Company	10	**–**	(157)	(227)
Net cash flows from financing activities		**259**	(421)	(757)
Net increase in cash and cash equivalents		**1,513**	131	2
Cash and cash equivalents at beginning of period		**195**	229	229
Exchange differences		**56**	25	(36)
Cash and cash equivalents at end of period		**1,764**	385	195

Cash and cash equivalents at the end of the period include £15m of cash included within assets held for sale on the balance sheet (2019/20: £nil). Cash and cash equivalents at 31 January 2020 include £6m of cash included within assets held for sale on the balance sheet.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

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

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

The interim financial report does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Audited statutory accounts for the year ended 31 January 2020 were approved by the Board of Directors on 16 June 2020 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under sections 498(2) or (3) of the Companies Act 2006. The interim financial report has been reviewed, not audited, and was approved by the Board of Directors on 21 September 2020.

2. Basis of preparation

The interim financial report for the six months ended 31 July 2020 ('the half year') has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, 'Interim Financial Reporting', as adopted by the European Union. It should be read in conjunction with the annual financial statements for the year ended 31 January 2020, which have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. The consolidated income statement and related notes represent results for continuing operations, there being no discontinued operations in the periods presented. Where comparatives are given, '2019/20' refers to the six months ended 31 July 2019.

Going concern

Based on the Group's liquidity position and cash flow projections, including a forward looking Covid-19 scenario, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements for the half year ended 31 July 2020.

This assessment is considered to be a critical accounting judgement and further details, including the analysis performed and conclusions reached, are set out below.

Overview

In determining whether the Group's accounts can be prepared on a going concern basis, the Directors considered the Group's business activities together with factors likely to affect its performance and financial position.

These factors included governments' categorisation, under Covid-19 regulations, of the Group's activities as 'essential' in its largest markets, actual trading performance over the past six months, expectations on the future economic environment, the impact of mitigation actions, available liquidity as well as the other principal risks associated with the business's ongoing operations.

The key judgements in relation to this assessment are the likelihood and impact of a potential resurgence of the Covid-19 pandemic as a result of physical distancing measures being relaxed, the reinstatement of selective containment measures by governments and the more durable impact of Covid-19 on the wider economy and household spending in the markets in which the Group operates. In informing these judgements, the Directors considered the Group's trading performance during the different phases of the pandemic, the mitigating actions available, the current outlook for the business in addition to an unlikely future Covid-19 worst case scenario, and finally two 'reverse stress test' scenarios.

Business and financial impact

Following the outbreak of the Covid-19 pandemic in Europe in March 2020, stores were closed for customer browsing and in-store purchasing in the UK, France, Spain and Russia and subject to stricter social distancing rules in Poland and Romania, resulting in a decline of Group like-for-like sales of 24.8% in Q1 (February to April). After a period of trialling alternative operating models and introducing safe operating procedures, nearly all stores were reopened by the middle of May. Trading since reopening has been consistently strong across all categories, with Group Q2 (May to July) like-for-like sales growth of 19.5%.

The re-imposition of restrictive measures following local Covid-19 outbreaks, such as in the Leicester area in the UK, has not had any meaningful negative impact on trading, with stores in the affected regions remaining open and continuing to trade strongly. The designation as an 'essential retailer' in the Group's largest markets, the successful operation of stores while adhering to social distancing and safety procedures even after the re-introduction of stricter control measures, indicate that the Group would be able to mitigate the negative impact on sales of stricter confinement rules that could be re-introduced in the event of a more widespread resurgence of the virus. The Group's net cash outflow, representing the net change in cash at bank excluding physical cash in tills and cash in transit and excluding drawdown on Revolving Credit Facilities (RCFs), from 1 February up to the first week of May was c.£250m. This reflected negative sales over the preceding seven weeks, along with significant payments to suppliers during this period for orders made prior to the Covid-19 crisis. This net cash outflow was more than offset by renewed strong sales and associated working capital recovery since the third week of May. The net cash flow from 1 February to 31 July was £1,025m (see note 16).

While trading continues to be exceptionally strong on a year on year basis since early May, in forming their outlook on future financial performance, the Directors considered the normalisation of store traffic and average spend levels, the risk of higher business volatility and the negative impact of the general economic environment on household and trade spend. The Directors also considered that the business would continue to benefit from continued cost reduction measures, lower levels of investment and an ongoing focus on working capital.

Forward looking Covid-19 scenarios

In addition to their outlook for the financial performance of the Group, the Directors also reviewed an updated downside 'worst case' scenario for Covid-19, assuming a more widespread resurgence of the pandemic as of mid-September. This Covid-19 worst case scenario assumes the re-imposition of stricter local confinement rules affecting individual geographic regions representing one-third of the Group's stores in each country for a period of 4 weeks, with all stores in a country impacted over a twelve week period. During the stricter lockdown period, stores are assumed to see a reduction in sales of between 25% and 35%. Following the lifting of local lockdown restrictions, trading is modelled to recover to slightly negative sales growth levels over a period of 8 weeks. The Covid-19 worst case scenario would result in approximately £700m lower sales compared to the original budget for 2020/21 over the 12 months going concern period. Given current trading and expectations for the business, the Directors believe that this scenario reflects an unlikely worst case outcome for the Group.

Further downside sensitivities were applied to the Covid-19 scenario. These sensitivities considered both the length of time during which strict social distancing measures would be in place and increased the extent of the impact on sales. In particular, the Directors reviewed two reverse stress test scenarios that model the decline in sales that the Group would be able to absorb before requiring additional sources of financing, over and above what is currently guaranteed. The two scenarios modelled different assumptions on the length and extent of the impact on sales. The decline in sales would be around £3 billion over a 12 month period in both reverse stress test scenarios compared to the original budget for 2020/21. The financing sources used in these scenarios would be the c.£540m term facility with three French banks and, for a limited time, part of the Group's RCFs that contain a financial covenant. If such a scenario would occur, the Group would take additional mitigating actions, including further initiatives on cost and cash, drawing on the Bank of England's Covid Corporate Financing Facility (CCFF) for which it is eligible for an amount up to £600m, and negotiating a waiver or amendment of the financial covenant of its RCFs and term loan.

These reverse stress test scenarios, including the events that could lead to them, were considered to be remote.

Mitigating actions

The mitigating actions available to the Group, either already utilised or which could be (re)implemented are as follows:

- Cost savings, including through store operating efficiencies (adjustment of store variable costs, maintenance and store opening hours), reduction in discretionary costs (marketing and advertising, consumables and other GNFR spend, travel) and freezing of pay and recruitment;
- Reducing inventory purchases by adjusting purchasing plans beyond the automatic reductions from lower sales;
- Limiting capital expenditure to the minimum required under contractual or legal obligations or for health and safety purposes;
- Optimising working capital by negotiating longer payment terms for rental and supplier payments, while continuing to pay all suppliers in full and according to contractual payment terms;
- Benefiting from government support programmes as far as these are maintained or re-introduced; and
- Cease dividend payments.

Financing actions

The Group commenced the year as at 1 February 2020, with cash and cash equivalents (including amounts held for sale) of £195m.

To further protect the Group against extended lockdown measures and deeper periods of disruption than anticipated, the Group secured access to additional funding arrangements.

On 18 May 2020, the Group drew on a €600m (c.£540m) term facility with three French banks in support of its operations in France. This loan is guaranteed at 80% by the French State ('Prêt garanti par l'État') and has a maturity of one year, extendable for up to five years.

The Group also confirmed its eligibility under the Bank of England's CCFF and on 12 June 2020 issued 11-month Commercial Paper for £600m under this programme, the maximum amount under its allocated issuer limit. These funds were fully repaid on 23 July 2020. Due to the terms of eligibility of the CCFF programme, the Group is unable to rely on eligibility alone in its going concern assessment. Access to this facility was not therefore included in the reverse stress test assessments described above.

The Group has also agreed an additional RCF of £250m with a syndicate of its relationship banks. This facility is currently undrawn and expires in May 2021.

These additional funding arrangements complement the already available two RCFs totalling £775m, which expire in March 2022 (£225m) and August 2022 (£550m). Most banks participating in the RCF expiring in August 2022 have agreed to an extension to August 2023, with £493m available until then. The two RCFs are currently undrawn.

While the Directors do not believe that this additional liquidity is needed even under the worst case Covid-19 scenario, the additional liquidity could be required should the negative impact of the pandemic on trading conditions be significantly more prolonged or severe than those modelled in the reverse stress tests.

The Group has a number of financing facilities, including the three RCFs, that require the Group to maintain an interest cover ratio that is tested semi-annually. The terms of these financing facilities require that the ratio of Group operating profit (excluding exceptional items) to net interest payable (excluding interest on IFRS 16 lease liabilities) must be no less than 3:1 for the preceding 12 months as at the half and full year ends. At the date of this report, the Group is in compliance with its financial covenant and expects to remain compliant even under the forecast Covid-19 worst case scenario over the going concern period.

As a result of the strong sales since the beginning of May and the drawings under the French Government facility, the Group had cash and cash equivalents (including amounts held for sale) of £1,764m at 31 July 2020. At 18 September 2020 the Group had access to over £3.7bn in total liquidity, including cash and cash equivalents of c.£2.1bn and eligibility to access over £1.6bn of funding under the CCFF and RCFs.

Going concern basis

Considering the above, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For these reasons, the Directors consider it appropriate for the Group to continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements for the half year ended 31 July 2020. Should the impact of the pandemic be more prolonged or severe than currently forecast by the Directors under the reverse stress test scenarios, the Group would need to implement additional operational or financial measures.

New and amended accounting standards

New standards, amendments and interpretations are in issue and effective for the Group's financial year ended 31 January 2021, but they do not have a material impact on the interim financial report.

Principal rates of exchange against Sterling

	Half year ended 31 July 2020		Half year ended 31 July 2019		Year ended 31 January 2020	
	Average rate	Period end rate	Average rate	Period end rate	Average rate	Year end rate
Euro	**1.13**	**1.11**	1.14	1.10	1.14	1.19
US Dollar	**1.25**	**1.31**	1.29	1.22	1.28	1.32
Polish Zloty	**5.03**	**4.90**	4.90	4.70	4.91	5.11
Romanian Leu	**5.46**	**5.37**	5.42	5.19	5.44	5.69
Russian Rouble	**89.25**	**97.48**	83.14	77.46	82.13	84.48

Risks and uncertainties

The principal risks and uncertainties to which the Group is exposed are set out on pages 36-45 of the Kingfisher plc Annual Report and Accounts for the year ended 31 January 2020. These have been reviewed as part of the Group's half year procedures and are listed in the Financial Review.

Use of non-GAAP measures

In the reporting of financial information, the Group uses certain measures that are not required under IFRS, the generally accepted accounting principles ('GAAP') under which the Group reports. Kingfisher believes that retail profit, adjusted pre-tax profit, adjusted effective tax rate, and adjusted earnings per share provide additional useful information on performance and trends to shareholders. These and other non-GAAP measures (also known as 'Alternative Performance Measures'), such as net debt, are used by Kingfisher for internal performance analysis and incentive compensation arrangements for employees. The terms 'retail profit', 'exceptional items', 'adjusted', 'adjusted effective tax rate' and 'net debt' are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, GAAP measures.

Retail profit is defined as continuing operating profit before central costs, the Group's share of interest and tax of joint ventures and associates, and exceptional items. Central costs principally comprise the costs of the Group's head office before exceptional items. The separate reporting of exceptional items, which are presented as exceptional within their relevant income statement category, include items which by virtue of their size and/or nature, do not reflect the Group's ongoing trading 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, exit or impairment of subsidiaries, joint ventures, associates and investments which do not form part of the Group's ongoing trading activities;
- profits and losses on the disposal of properties and significant write-downs of goodwill and other assets;
- the costs of significant restructuring and incremental acquisition integration costs; and
- significant one-off tax settlements and provision charges/releases and the tax effects of other exceptional items.

The term ‘adjusted’ refers to the relevant measure being reported for continuing operations excluding exceptional items, exchange differences on lease liabilities, financing fair value remeasurements, related tax items and prior year tax items (including the impact of changes in tax rates on deferred tax). Exchange differences on lease liabilities represent the income statement impact of translating lease liabilities denominated in non-functional currencies (e.g. a dollar-denominated lease in Russia) which are not able to be designated as net investment hedges. Financing fair value remeasurements represent changes in the fair value of financing derivatives, excluding interest accruals, offset by fair value adjustments to the carrying amount of borrowings and other hedged items under fair value hedge relationships. Financing derivatives are those that relate to hedged items of a financing nature.

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

Net debt comprises lease liabilities, borrowings and financing derivatives (excluding accrued interest) less cash and cash equivalents and short-term deposits, including such balances classified as held for sale.

The Group no longer reports profits on an ‘underlying’ basis, with the single ‘adjusted’ measure now judged by management to be a better and simpler reflection of business performance. The term ‘underlying’ previously referred to the relevant adjusted measure being reported before non-exceptional transformation costs (‘transformation P&L costs’). Non-exceptional transformation costs previously represented the additional costs that arose only as a result of the transformation plan launched in 2016/17, which either because of their nature or the length of the period over which they were incurred were not considered as exceptional items. As a result, half year 2019/20 ‘Retail profit’ and ‘Central costs’ comparatives have been restated to include their respective share of costs previously reported as non-exceptional transformation costs (see note 4). Note that the ‘adjusted’ performance measures are unaffected by this change.

A further restatement of half year 2019/20 comparatives has been performed for the reallocation of certain central support costs between operating segments, which has also impacted their reported retail profits (see note 4).

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 January 2020, as described in note 2 of those financial statements, except where set out below. The critical accounting estimates and judgements are set out in note 3 of the annual financial statements for the year ended 31 January 2020 and remain unchanged.

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

Government grant income is recognised in the Income Statement over the periods necessary to match the benefit of the credit with the costs for which it is intended to compensate. The grant is only recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received. Grant income is recorded as a deduction to the related expense, where the expense has been incurred in the same period as the grant income received.

4. Segmental analysis

Income statement

£ millions	UK & Ireland	France	Poland	Other	Total
	Half year ended 31 July 2020				
			Other International		
Sales	**2,753**	**2,028**	**783**	**357**	**5,921**
Retail profit	**411**	**63**	**74**	**(15)**	**533**
Central costs					**(28)**
Share of interest and tax of joint ventures and associates					**(2)**
Exceptional items					**(17)**
Operating profit					**486**
Net finance costs					**(88)**
Profit before taxation					**398**

£ millions	UK & Ireland	France	Poland	Other	Total
	Half year ended 31 July 2019 restated (see below)				
			Other International		
Sales	2,655	2,158	753	431	5,997
Retail profit	279	112	81	(18)	454
Central costs					(29)
Share of interest and tax of joint ventures and associates before exchange differences on lease liabilities					(5)
Exchange differences on lease liabilities of joint ventures and associates					1
Exceptional items					(93)
Operating profit					328
Net finance costs					(83)
Profit before taxation					245

£ millions	UK & Ireland	France	Poland	Other	Total
	Year ended 31 January 2020				
			Other International		
Sales	5,112	4,082	1,461	858	11,513
Retail profit	499	164	151	(28)	786
Central costs					(62)
Share of interest and tax of joint ventures and associates					(7)
Exceptional items					(434)
Operating profit					283
Net finance costs					(180)
Profit before taxation					103

Reallocation of central support costs and transformation P&L costs

In recent years the Group has developed its offer, sourcing and supply chain organisations. The services and benefits provided to each of Kingfisher's retail banners have evolved over time. Consequently, management updated its assessment of how the Group's centrally-incurred costs are most appropriately allocated across the businesses in 2019/20.

Although neutral at a Group Retail profit level, this has resulted in a change to Retail profit by geography for 2019/20, with the principal effect of more costs being allocated to Poland and less to the UK & Ireland.

As set out in note 2, the 2019/20 half year comparatives have also been restated for the reallocation of Transformation P&L costs to Retail profit and Central costs. This has reduced the reported segment Retail profits and increased reported Central costs.
The impacts of the reallocation of central support costs and Transformation P&L costs on the 2019/20 half year segmental analysis income statement comparatives are set out below:

£ millions	As previously reported	Impact of central support cost reallocation	Impact of transformation P&L cost reallocation	Restated
				Half year ended 31 July 2019
Sales	**5,997**	**–**	**–**	**5,997**
UK & Ireland	277	7	(5)	**279**
France	114	1	(3)	**112**
Poland	88	(6)	(1)	**81**
Other	(13)	(2)	(3)	**(18)**
Retail profit	**466**	**–**	**(12)**	**454**
Central costs	(25)	–	(4)	**(29)**
Share of interest and tax of joint ventures and associates before exchange differences on lease liabilities	(5)	–	–	**(5)**
Exchange differences on lease liabilities of joint ventures and associates	1	–	–	**1**
Exceptional items	(93)	–	–	**(93)**
Transformation P&L costs before exceptional items	(16)	–	16	–
Operating profit	**328**	**–**	**–**	**328**
Net finance costs	(83)	–	–	**(83)**
Profit before taxation	**245**	**–**	**–**	**245**

Balance sheet

			Other International		At 31 July 2020
£ millions	UK & Ireland	France	Poland	Other	Total
Segment assets	**2,722**	**1,553**	**875**	**399**	**5,549**
Central liabilities					**(149)**
Goodwill					**2,419**
Net debt					**(1,377)**
Net assets					**6,442**

			Other International		At 31 July 2019
£ millions	UK & Ireland	France	Poland	Other	Total
Segment assets	3,083	1,858	867	677	6,485
Central liabilities					(162)
Goodwill					2,439
Net debt					(2,384)
Net assets					6,378

			Other International		At 31 January 2020
£ millions	UK & Ireland	France	Poland	Other	Total
Segment assets	2,989	1,715	855	488	6,047
Central liabilities					(135)
Goodwill					2,416
Net debt					(2,526)
Net assets					5,802

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 majority of the sales in each geographical area are derived from in-store sales of products.

The ‘Other International’ segment consists of Poland, Iberia, Russia, Romania, the joint venture Koçtaş in Turkey and, in the prior year, Germany. 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 central assets, pensions, insurance, interest and tax.

The Group’s sales, although generally not highly seasonal on a half yearly basis, do increase over the Easter period and during the summer months leading to slightly higher sales usually being recognised in the first half of the year. However due to uncertainty around the impact of Covid-19 on current trading performance, the phasing of sales is less predictable.

5. Exceptional items

£ millions	Half year ended 31 July 2020	Half year ended 31 July 2019	Year ended 31 January 2020
Included within selling and distribution expenses			
Impairments of Russia assets and other exit costs	**(27)**	(26)	(130)
UK & Ireland and continental Europe restructuring	**–**	(68)	(67)
Impairments of Romania assets	**–**	–	(39)
Store asset write-downs	**–**	–	(118)
IT asset write-downs and related costs	**–**	–	(44)
	(27)	(94)	(398)
Included within administrative expenses			
Release of B&Q China disposal warranty liability	**10**	–	–
Transformation exceptional costs	**–**	–	(8)
Penalties on French Tax Authority settlement	**–**	–	(17)
France business tax	**–**	–	(26)
	10	–	(51)
Included within other income/expenses			
Profit on disposal of properties	**–**	1	15
	–	1	15
Included within net finance costs			
Interest on French Tax Authority settlement	**–**	–	(7)
	–	–	(7)
Exceptional items before tax	**(17)**	(93)	(441)
French Tax Authority settlement	**–**	**–**	(51)
Other exceptional tax items	**4**	19	92
Exceptional items	**(13)**	(74)	(400)

Exceptional costs of £27m have been recognised in the current year relating to the exit of Russia, predominately relating to additional impairments that reflect the performance during the period and the anticipated net proceeds under the planned sale. The Group announced the decision to exit Russia in November 2018 and the business was classified as held for sale in January 2020.

A £14m liability that was held in relation to warranties as part of the B&Q China disposal in 2014 has been released in the period following the expiry of the warranty claims period. Of this amount, £10m has been recognised within administrative expenses and £4m has been recognised within other exceptional tax items.

Refer to note 5 of the 2019/20 interim and annual accounts for further details on exceptional items for the half year ended 31 July 2019 and the year ended 31 January 2020 respectively.

6. Net finance costs

£ millions	Half year ended 31 July 2020	Half year ended 31 July 2019	Year ended 31 January 2020
Bank overdrafts and bank loans	**(8)**	(10)	(22)
Fixed term debt	**(7)**	(2)	(4)
Lease liabilities	**(79)**	(82)	(165)
Capitalised interest	**1**	1	3
Other interest payable	**(1)**	–	(3)
Exceptional interest on French Tax Authority settlement	**–**	–	(7)
Finance costs	**(94)**	(93)	(198)
Cash and cash equivalents and short-term deposits	**2**	6	10
Net interest income on defined benefit pension schemes	**3**	3	7
Finance lease income	**1**	1	1
Finance income	**6**	10	18
Net finance costs	**(88)**	(83)	(180)

7. Government grants

The Group has utilised the Coronavirus Job Retention Scheme (CJRS) in the UK, 'activité partielle' relief measures in France, and similar schemes in Spain and Romania. This led to c.50% of the Group's colleagues being furloughed in April, reducing significantly to c.10% by the end of May as the Group reopened stores in the UK and France. With the exception of those who are vulnerable and/or at a higher risk of infection, all remaining colleagues in France and Romania returned from furlough on 1 June, with remaining colleagues in the UK and Spain returning on 1 July. From this date the Group decided to no longer claim under the furlough programmes in the UK and France. Furthermore, the Group will not claim the UK Job Retention Bonus announced by the UK government in late July 2020. The Group is intending to repay the UK furlough claim (c.£23m) in the second half of the year, unless any material changes in the trading environment occur.

The UK government announced in March that retail premises in England will be granted a relief from paying business rates in the 2020/21 tax year, effective from April. Similar measures have been announced by the local governments and assemblies of Scotland, Wales and Northern Ireland.

Participation in these schemes has lowered the operating costs of the Group by £100m (2019/20: £nil) in the six months to 31 July 2020.

8. Income tax expense

£ millions	Half year ended 31 July 2020	Half year ended 31 July 2019	Year ended 31 January 2020
UK corporation tax			
Current tax on profits for the period	**(81)**	(30)	(57)
Adjustments in respect of prior years	**4**	–	(5)
	(77)	(30)	(62)
Overseas tax			
Current tax on profits for the period	**(13)**	(29)	(46)
Adjustments in respect of prior years	**4**	(2)	(6)
	(9)	(31)	(52)
Deferred tax			
Current period	**(4)**	(11)	20
Adjustments in respect of prior years	**–**	(2)	–
Adjustments in respect of changes in tax rates	**9**	–	(1)
	5	(13)	19
Income tax expense	**(81)**	(74)	(95)

The adjusted effective tax rate on profit before exceptional items and excluding prior year tax adjustments and the impact of changes in tax rates on deferred tax is 24% (2019/20: 26%), representing the best estimate of the effective rate for the full financial year. The adjusted effective tax rate on the same basis for the year ended 31 January 2020 was 26%. Exceptional tax items for the current period amount to a credit of £4m, all of which relates to prior year items (2019/20: £19m credit, none of which related to prior year items). Exceptional tax items for the year ended 31 January 2020 amounted to a credit of £41m, with a £20m charge relating to prior year items.

9. Earnings per share

Pence	Half year ended 31 July 2020	Half year ended 31 July 2019	Year ended 31 January 2020
Basic earnings per share	**15.1**	8.1	0.4
Effect of dilutive share options	**(0.1)**	–	–
Diluted earnings per share	**15.0**	8.1	0.4
Basic earnings per share	**15.1**	8.1	0.4
Exceptional items before tax	**0.8**	4.4	21.0
Tax on exceptional and prior year items	**(0.8)**	(0.7)	(2.3)
Adjusted basic earnings per share	**15.1**	11.8	19.1
Diluted earnings per share	**15.0**	8.1	0.4
Exceptional items before tax	**0.8**	4.4	20.9
Tax on exceptional and prior year items	**(0.8)**	(0.7)	(2.3)
Adjusted diluted earnings per share	**15.0**	11.8	19.0

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

£ millions	Half year ended 31 July 2020	Half year ended 31 July 2019	Year ended 31 January 2020
Earnings	**317**	171	8
Exceptional items before tax	**17**	93	441
Tax on exceptional and prior year items	**(17)**	(15)	(49)
Exchange differences on lease liabilities	**–**	(1)	–
Adjusted earnings	**317**	248	400

The weighted average number of shares in issue during the period, excluding those held in the Employee Share Ownership Plan Trust ('ESOP trust'), is 2,104m (2019/20: 2,101m). The diluted weighted average number of shares in issue during the period is 2,113m (2019/20: 2,112m). For the year ended 31 January 2020, the weighted average number of shares in issue was 2,101m and the diluted weighted average number of shares in issue was 2,114m.

10. Dividends

£ millions	Half year ended 31 July 2020	Half year ended 31 July 2019	Year ended 31 January 2020
Dividends to equity shareholders of the Company			
Ordinary interim dividend for the year ended 31 January 2020 of 3.33p per share	**–**	–	70
Ordinary final dividend for the year ended 31 January 2019 of 7.49p per share	**–**	157	157
	–	157	227

In light of the continuing uncertainty caused by Covid-19, the Board is not declaring an interim dividend for H1 2020/21. The Board recognises the importance of dividends to shareholders and will continue to evaluate the quantum and timing of any future dividend payments.

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

Additions to the cost of property, plant and equipment, investment property and other intangible assets are £84m (2019/20: £144m) and for the year ended 31 January 2020 were £324m. Disposals in net book value of property, plant and equipment, investment property, property assets held for sale and other intangible assets are £4m (2019/20: £77m) and for the year ended 31 January 2020 were £14m.

Capital commitments contracted but not provided for at the end of the period are £58m (2019/20: £161m) and at 31 January 2020 were £62m.

12. Post-employment benefits

£ millions	Half year ended 31 July 2020	Half year ended 31 July 2019	Year ended 31 January 2020
Net surplus in schemes at beginning of period	**277**	205	205
Current service cost	**(6)**	(5)	(10)
Administration costs	**(2)**	(2)	(3)
Net interest income	**3**	3	7
Net actuarial gains	**195**	73	42
Contributions paid by employer	**13**	19	32
Exchange differences	**(10)**	(6)	4
Net surplus in schemes at end of period	**470**	287	277
UK	**612**	413	404
Overseas	**(142)**	(126)	(127)
Net surplus in schemes at end of period	**470**	287	277
Present value of defined benefit obligations	**(3,302)**	(3,249)	(3,261)
Fair value of scheme assets	**3,772**	3,536	3,538
Net surplus in schemes at end of period	**470**	287	277

The assumptions used in calculating the costs and obligations of the Group's defined benefit pension schemes are set by the Directors after consultation with independent professionally qualified actuaries. The assumptions are based on the conditions at the time and changes in these assumptions can lead to significant movements in the estimated obligations, as illustrated in the sensitivity analysis provided in note 27 of the annual financial statements for the year ended 31 January 2020.

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

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

Annual % rate	At 31 July 2020	At 31 July 2019	At 31 January 2020
Discount rate	**1.5**	2.1	1.6
Price inflation	**2.9**	3.4	2.9

13. Financial instruments

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

£ millions	At 31 July 2020	At 31 July 2019	At 31 January 2020
Cross currency interest rate swaps	**–**	1	–
Foreign exchange contracts	**34**	63	14
Derivative assets	**34**	64	14

£ millions	At 31 July 2020	At 31 July 2019	At 31 January 2020
Cross currency interest rate swaps	**–**	–	(5)
Foreign exchange contracts	**(50)**	(19)	(41)
Derivative liabilities	**(50)**	(19)	(46)

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

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

			Carrying amount
£ millions	At 31 July 2020	At 31 July 2019	At 31 January 2020
Bank loans	**2**	4	3
Fixed term debt	**633**	140	133
Borrowings	**635**	144	136

			Fair value
£ millions	At 31 July 2020	At 31 July 2019	At 31 January 2020
Bank loans	**3**	4	4
Fixed term debt	**645**	143	135
Borrowings	**648**	147	139

Fixed term debt comprises a €600m term facility with three French banks which is guaranteed at 80% by the French State ('Prêt garanti par l'État') and matures in May 2021, a €50m term loan maturing in September 2021 and a £50m term loan maturing in December 2021.

As at 31 July 2020, the Group had undrawn revolving credit facilities of £250m due to expire in May 2021, £225m due to expire in March 2022 and £550m due to expire in August 2022. In August 2020, the Group completed an extension of £493m of the £550m revolving credit facility, taking the term to August 2023.

14. Other reserves

£ millions	Translation reserve	Cash flow hedge reserve	Other	Total
	Half year ended 31 July 2020			
At 1 February 2020	**75**	**(6)**	**159**	**228**
Inventory cash flow hedges - fair value losses	**–**	**(7)**	**–**	**(7)**
Tax on items that will not be reclassified subsequently to profit or loss	**–**	**2**	**–**	**2**
Currency translation differences				
Group	**204**	**–**	**–**	**204**
Other cash flow hedges				
Fair value gains	**–**	**6**	**–**	**6**
Gains transferred to income statement	**–**	**(6)**	**–**	**(6)**
Other comprehensive income/(loss) for the period	**204**	**(5)**	**–**	**199**
Inventory cash flow hedges - gains transferred to inventories	**–**	**(19)**	**–**	**(19)**
Tax on equity items	**–**	**6**	**–**	**6**
At 31 July 2020	**279**	**(24)**	**159**	**414**

£ millions	Translation reserve	Cash flow hedge reserve	Other	Total
	Half year ended 31 July 2019			
At 1 February 2019	210	10	159	379
Inventory cash flow hedges - fair value gains	–	47	–	47
Tax on items that will not be reclassified subsequently to profit or loss	–	(9)	–	(9)
Currency translation differences				
Group	153	–	–	153
Other cash flow hedges				
Fair value gains	–	4	–	4
Gains transferred to income statement	–	(4)	–	(4)
Other comprehensive income for the period	153	38	–	191
Inventory cash flow hedges - gains transferred to inventories	–	(24)	–	(24)
Tax on equity items	–	5	–	5
At 31 July 2019	363	29	159	551

£ millions	Translation reserve	Cash flow hedge reserve	Other	Total
	Year ended 31 January 2020			
At 1 February 2019	210	10	159	379
Inventory cash flow hedges - fair value gains	–	20	–	20
Tax on items that will not be reclassified subsequently to profit or loss	–	(4)	–	(4)
Currency translation differences				
Group	(134)	–	–	(134)
Joint ventures and associates	(1)	–	–	(1)
Other cash flow hedges				
Fair value losses	–	(3)	–	(3)
Losses transferred to income statement	–	3	–	3
Other comprehensive (loss)/income for the year	(135)	16	–	(119)
Inventory cash flow hedges - gains transferred to inventories	–	(40)	–	(40)
Tax on equity items	–	8	–	8
At 31 January 2020	75	(6)	159	228

15. Cash generated by operations

£ millions	Half year ended 31 July 2020	Half year ended 31 July 2019	Year ended 31 January 2020
Operating profit	**486**	328	283
Share of post-tax results of joint ventures and associates	**2**	–	(3)
Depreciation and amortisation	**264**	270	545
Net impairment losses	**24**	24	315
Gain on disposal of property, plant and equipment, investment property, assets held for sale and intangible assets	**–**	(2)	(15)
Lease losses/(gains)	**–**	2	(5)
Share-based compensation charge	**11**	8	11
Decrease/(increase) in inventories	**208**	(111)	(65)
(Increase)/decrease in trade and other receivables	**(39)**	(43)	53
Increase/(decrease) in trade and other payables	**477**	94	(91)
Movement in provisions	**(16)**	55	43
Movement in post-employment benefits	**(5)**	(12)	(19)
Cash generated by operations	**1,412**	613	1,052

16. Net debt

£ millions	At 31 July 2020	At 31 July 2019	At 31 January 2020
Cash and cash equivalents	**1,749**	385	189
Cash and cash equivalents held for sale	**15**	–	6
Cash and cash equivalents including amounts held for sale	**1,764**	385	195
Bank loans	**(2)**	(4)	(3)
Fixed term debt	**(633)**	(140)	(133)
Net financing derivatives	**20**	13	(22)
Net financial cash	**1,149**	254	37
Lease liabilities	**(2,497)**	(2,638)	(2,527)
Lease liabilities directly associated with assets held for sale	**(29)**	–	(36)
Net debt	**(1,377)**	(2,384)	(2,526)

£ millions	At 31 July 2020	At 31 July 2019	At 31 January 2020
Net debt at beginning of period	**(2,526)**	(2,542)	(2,542)
Net increase in cash and cash equivalents	**1,513**	131	2
Repayment of bank loans	**1**	1	1
Issue of fixed term debt	**(1,950)**	–	–
Repayment of fixed term debt	**1,461**	–	–
Net cash flow	**1,025**	132	3
Movement in lease liabilities including amounts held for sale	**69**	18	40
Exchange differences and other non-cash movements	**55**	8	(27)
Net debt at end of period	**(1,377)**	(2,384)	(2,526)

In May 2020, Kingfisher arranged a €600m term facility with three French banks in support of its operations in France. The loan is guaranteed at 80% by the French State ('Prêt garanti par l'État') and has a maturity of one year, extendable for up to five years. As required under the terms of the loan, the full amount was drawn down in May 2020.

In July 2020 Kingfisher repaid a €50m Medium Term Note at its maturity.

During the period Kingfisher drew down on and repaid in full the following funds:

- £600m of commercial paper under the Bank of England's Covid Corporate Financing Facility;
- £775m of the Group's revolving credit facilities; and
- €50m of temporary borrowing.

17. Contingent liabilities

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

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

In October 2017, the European Commission opened a state aid investigation into the Group Financing Exemption section of the UK controlled foreign company rules. While the Group has complied with the requirements of UK tax law in force at the time, in April 2019 the European Commission concluded that aspects of the UK controlled foreign company regime partially constitute state aid. The UK Government and the Group, along with other UK-based international companies, have appealed the European Commission decision to the European Courts.

At present it is not possible to determine the final amount that will be payable as discussions are ongoing with HM Revenue & Customs as to how the decision should be applied to the Group's facts. The Group has calculated its maximum potential liability (including compound interest) to be £64m (2019/20: £62m) in the event that all appeals against the position are unsuccessful. The maximum potential liability at 31 January 2020 (including compound interest) was calculated at £63m. The final impact on the Group remains uncertain but based upon advice taken, the Group considers that no provision is required at this time.

18. Related party transactions

The Group's significant related parties are its joint venture, associate and pension schemes as disclosed in note 36 of the annual financial statements for the year ended 31 January 2020. There have been no significant changes in related parties or related party transactions in the period.

19. Post balance sheet events

On 27 August 2020, the Group completed the disposal of a UK freehold property on a sale and leaseback basis, generating cash proceeds of £38m and a profit on disposal of £13m.

In September 2020, the Group commenced formal consultation with employee representatives regarding its proposal to implement a new commercial operating model. The associated restructuring costs, currently estimated at c.£10-20m, are expected to be recorded as an exceptional item in the current financial year's consolidated income statement.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The Directors of Kingfisher plc were listed in the Group's 2019/20 Annual Report and Accounts. A list of current Directors is maintained on the Kingfisher plc website which can be found at www.kingfisher.com.

By order of the Board

Thierry Garnier	Bernard Bot
Chief Executive Officer	Chief Financial Officer
21 September 2020	21 September 2020

INDEPENDENT REVIEW REPORT TO KINGFISHER PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2020 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated balance sheet, the condensed consolidated cash flow statement and related notes 1 to 19. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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

Our responsibility

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
London, United Kingdom
21 September 2020