Kingfisher

EMBARGOED UNTIL 0700 HOURS - Thursday 22 March 2012

Kingfisher reports full year adjusted pre-tax profits up 20% to £807 million and dividends up 25% in its final year of 'Delivering Value'. Provides details of the next phase of its development 'Creating the Leader'

Group Financial Summary	**2011/12**	**2010/11**	**% Total Change (Reported)**	**% Total Change (Constant currency)**	**% Like-for-like (LFL) change**
Sales	£10,831m	£10,450m	+3.6%	+3.3%	+1.3%
Retail profit	£882m	£762m	+15.7%	+15.8%	
Adjusted pre-tax profit	£807m	£670m	+20.4%		
Adjusted basic EPS	25.1p	20.5p	+22.4%		
Interim dividend	2.47p	1.925p	+28.3%		
Final dividend	6.37p	5.145p	+23.8%		
Full year dividend	8.84p	7.07p	+25.0%		
(Financial net debt) / net cash	£(88)m	£14m	n/a		

Note: Joint Venture (Turkey JV) and Associate (Hornbach) sales are not consolidated. 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. Adjusted measures are before exceptional items, financing fair value remeasurements, amortisation of acquisition intangibles, related tax items and tax on prior year items. A reconciliation to statutory amounts is set out in the Financial Review (Section 6).

Highlights (in constant currencies):

- Completion of the four year 'Delivering Value' programme, Kingfisher successfully repositioned as a stronger, more valuable business
- Self-help initiatives drove strong growth in each of the three main operating divisions in what remained challenging consumer markets:
    - French retail profits up 20.0% to £423 million driven by strong sales growth (+3.7% LFL) and continuing margin initiatives
    - UK & Ireland retail profits up 11.6% to £271 million. B&Q retail profit margin continued to improve, benefiting from margin and cost initiatives. 29 ex-Focus DIY stores acquired, 27 converted during the year to the B&Q format. Screwfix retail profit up 16.2%
    - Other International retail profits up 13.2% to £188 million driven by profit growth in Poland, Turkey, Germany and Russia and lower losses in China
- Full year dividend up 25%, ahead of growth in adjusted earnings. Dividend cover reduced to 2.8 times and to be lowered to 2.7 times over the medium-term, as previously announced
- Property portfolio independently valued at £3.5 billion (2010/11: £3.3 billion)

Statutory reporting	**2011/12**	**2010/11**	**Reported Change**
Profit before taxation	£797m	£671m	+18.8%
Profit for the year	£639m	£491m	+30.1%
Basic EPS	27.5p	21.0p	+31.0%

Note: A reconciliation to adjusted measures above is set out in the Financial Review.

Ian Cheshire, Group Chief Executive, said:

"I am pleased we have delivered another year of strong profit growth, our third such year in a row. In what remain challenging times for our customers, these results are testament to the dedication of our talented colleagues around the world. Our relentless focus on the self-help initiatives that formed our four year 'Delivering Value' programme has borne fruit, generating a significant increase in the value of our business for shareholders.

"We have much more to do, but I believe Kingfisher is now well on the way to fulfilling its potential as the industry leader in home improvement. This is an exciting prospect for both our colleagues and our shareholders. Industry leadership will bring with it an outperformance in sales, profit and economic return, making Kingfisher a more valuable business.

"Today we are embarking on the next phase of this journey. Our 'Creating the Leader' programme will see us emerge as a world-class retailer, helping customers have better, more sustainable homes.

"Whilst the immediate economic outlook remains uncertain, we face the future in robust shape and with our successful self-help approach now embedded in the way we do business."

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Further copies of this announcement can be downloaded from www.kingfisher.com or viewed on the Kingfisher IR iPad App available for free at the Apple App store.

We can also be followed on twitter @kingfisherplc.

A video interview with Ian Cheshire and Kevin O'Byrne is available on the website.

The remainder of this release is broken down into six main sections:

1) Strategic update
2) 2011/12 Trading review
3) Detailed 'Delivering Value' milestones achieved for the four years to Jan 2012
4) Country data as at 28 January 2012
5) 2011/12 full year operational review by geography
6) Financial Review

Note: Part 2 of the announcement contains the condensed Financial Statements

Section 1
STRATEGIC UPDATE

Delivering Value
February 2008 – January 2012

In 2008 we announced our aim to create a step change in shareholder value. The new management team introduced a four year programme of self-help initiatives known as 'Delivering Value' which targeted an improvement in cash returns from every part of the Group. The seven steps that constituted the 'Delivering Value' programme have been a great success during what has been a particularly challenging period for all retailers.

As a result Kingfisher is now a significantly stronger, higher returning business with an improved customer offer. Since the start of 'Delivering Value' (31 January 2008 to 19 March 2012) Kingfisher's stock market valuation has more than doubled from £3.4 billion to £7.2 billion and Total Shareholder Return has been 126.4% (FTSE 100: 16.2%).

A detailed list of the milestones achieved under the seven step plan is listed in section 3 of this release but in summary, since the start of the programme in January 2008, we have:

- **Improved our profitability**
  - Adjusted pre-tax profit more than doubled, up from £357 million in 2007/08 to £807 million in 2011/12
  - Retail profit margin up 290bps to 8.1%
  - Grown adjusted basic EPS by 137%

- **Generated higher returns on capital**
  - Improved the Group's standard return on capital from 5.8% in 2008/09 to 10.7%, now ahead of the cost of capital
  - 2011/12 Kingfisher Economic Profit of £131 million (2007/08: £109 million loss[(1)])

- **Grown responsibly**
  - Made our business more sustainable, CO_2 emissions down 25%
  - Helped our customers make their homes more sustainable with sales of 'Eco' products broadly doubling since 2008/09 to £1.4 billion

- **Strengthened our foundations**
  - Reduced financial net debt from £1.6 billion at reported exchange rates to £88 million and improved our credit rating metrics
  - Expanded and modernised the business, investing £1.4 billion to grow and improve our offer for customers, securing better future prospects for our shareholders and employees
  - Developed a high quality direct sourcing capability, growing our annual direct sourced shipments from $821 million to $1,456 million, now representing around 15% of our total Group sales

Our success is built on the positive engagement of our colleagues right across the Group. Kingfisher today is managed in a more unified way with collective responsibility for our performance. A series of internal networks bring together our international teams to work on common group goals, a new approach known internally as 'One Team'.

Creating the leader
February 2012 onwards

We start this new and exciting phase with a clear sense of purpose and new ambition, having now repositioned Kingfisher as a stronger business in the attractive home improvement market.

Our unique contribution as a business to our customers is that we can harness our international scale, sourcing capability, our heritage as a leader in sustainability and our home improvement experience to bring new, more sustainable and more affordable products to market. By also providing our customers with project advice and new shopping channels to complement our stores we will make it easier for them to adapt their homes to their evolving needs. Our shorthand for describing this new purpose is *"Better Homes, Better Lives".*

By working towards this purpose we will unlock more benefit for all our stakeholders; a more valuable business for our shareholders, a better partner for our suppliers, a more secure and brighter future for our colleagues and a more sustainable business for our local communities.

In March 2011 we set out the key elements of the 'Creating the Leader' phase that will form the cornerstones of our strategy for the coming years. In September 2011 we announced more details on the opportunity and the progress we have made with common ranging. In February 2012 we announced changes to the roles and responsibilities of the Group Executive team to provide the right organisational leadership for the future. Today we are providing more detail including announcing eight specific steps that make up the new medium term plan, along with their associated key success measures and short term milestones.

EASIER *(Aim: become the world's expert at making home improvement easier for customers, thereby growing our like-for-like sales and our market share).*

1. **Making it easier for our customers to improve their home**
   Measure: LFL sales growth

   - Key work streams
     - Keeping prices low and competitive
     - Easier products to use
     - Easier stores to shop
     - DIY education & advice
     - Online research, design and forums
     - De-mystify 'eco' for the home

   - 2012/13 milestones
     - Complete UK roll out of DIY training classes
     - Launch B&Q You Tube channel with 'how to' video instructions for the most popular DIY projects
     - Test new formats in UK, France, Turkey, Russia & China
     - Prepare for the UK's 'Green Deal'

A revenue investment of £20 million over the next two years will be made training colleagues, developing new products and services and on legal and technical advice in preparation for the launch of the UK government's 'Green Deal' later this year.

2. **Giving our customers more ways to shop**
   Measure: Unique web users

   - Key work streams
     - Group multi-channel platform
     - Smartphone & tablets
     - Click, pay & collect in store

   - 2012/13 milestones
     - Launch Screwfix mobile click, pay & collect offer
     - Develop a Group multi-channel platform and implement first in 'TradePoint'
     - Upgrade B&Q's online offer
     - Trial 'click & collect' in Castorama France

COMMON *(Aim: use our scale to accelerate innovation and make home improvement more affordable for our customers whilst boosting our profitability).*

3. **Building innovative common brands**
   Measure: Of all product sales, 50% to be common (versus c.2% today) and 35% to be direct sourced (versus 15% today). Note: common means same product or same supplier where common product is not possible e.g. electrical extension cable which is the same supplier but with different electrical sockets

   - Key work streams
     - Direct sourcing
     - Common ranges
     - New product innovation
     - Coordinated range change

   - 2012/13 milestones
     - 18% of sales to be direct sourced
     - 7% of sales to be common
     - Double direct sourcing in our developing markets (Poland, Russia, Turkey & China)
     - Extend 'Trade' common own brands in Screwfix and Brico Dépôt

4. **Driving efficiency and effectiveness everywhere**
   Measures: Retail profit margin

   - Key work streams
     - Supply chain efficiency
     - Streamlining in-store processes
     - Harmonisation of IT
     - Goods not for resale (GNFR)

- 2012/13 milestones
  - Develop a Group-wide stock forecasting and replenishment IT solution, implement first in B&Q UK
  - GNFR savings from European-wide supply negotiations including marketing catalogue printing and store fixture and fittings costs

EXPAND *(Aim: accelerate and improve profitable expansion)*

5. Growing our presence in existing markets
Measure: Kingfisher Economic Profit (KEP)

- Key work streams
  - Opening new stores
  - Developing store formats

- 2012/13 milestones
  - Open 67 new stores (UK 50, France 2, Poland 6, Russia 2, Turkey 4 & Spain 3)
  - Revamp and extend five Castorama France stores

6. Expanding in new and developing markets
Measure: Kingfisher Economic Profit (KEP)

- Key work streams
  - Research new territory entry
  - Test a ‘Do it For Me’ (DFM) store format to complement our existing DIY and Trade formats

- 2012/13 milestones
  - Test a DFM store format in China

ONE TEAM (*Aim: harness our talent, become a force for good)*

7. Developing leaders and connecting people
Measure: Engagement scores

- Key work streams
  - Kingfisher Academy
  - Cross group networks

- 2012/13 milestones
  - Launch the Kingfisher Academy

8. **Sustainability: becoming 'Net Positive'**
   Measure: 'Net Positive' scorecard

   - Key work streams
     - Timber
     - Energy
     - Communities
     - Innovation

   - 2012/13 milestones
     - Launch 'Net Positive' and associated scorecard

Financial benefits

Becoming the best at making home improvement easier for our customers whilst at the same time driving more commonality throughout our business will drive significant financial benefits.

Five years from now we expect to have largely completed the work streams announced today. Predicting the potential retail profit benefits from this programme today, when we don't know the economic conditions or competitive landscape we will face in five years is difficult. However, whatever the conditions, we believe our efforts will drive higher LFL sales, higher gross margin and more cost efficiencies than would have been delivered without this programme.

We anticipate that around two additional percentage points of LFL sales growth(2), one additional percentage point of gross margin (after reinvesting some sourcing gains into lower prices) and a one percentage point reduction in the cost to sales ratio will arise from this programme. In total, we estimate that this would create an additional £300 million of annualised retail profit in the fifth year, net of price reinvestment and based on the size of the business and market conditions today.

(1) constant currencies
(2) adding profit at the gross margin rate

Kingfisher

Section 2
2011/12 TRADING REVIEW

FRANCE

Sales £m	2011/12	2010/11	% Reported Change	% Constant Change	% LFL Change
France	4,470	4,204	6.3%	4.8%	3.7%

Retail profit £m	2011/12	2010/11	% Reported Change	% Constant Change
France	423	348	21.7%	20.0%

France comprises Castorama and Brico Dépôt
All trading commentary below is in constant currencies

Kingfisher France

Kingfisher France continued to outperform the market with self-help initiatives driving sales ahead 4.8% to £4.5 billion (+3.7% LFL, +4.0% on a comparable store basis). According to Banque de France data, sales for the home improvement market [(1)] were up 2.7%. Across the two businesses, two new stores were opened, four were relocated and two revamped, adding around 2% new space.

Retail profit grew by 20.0% to £423 million driven by the strong sales growth, higher gross margins (+60 basis points) from increased direct sourcing and continued buying optimisation benefits and a £7 million one-off release of a provision no longer required.

Castorama total sales grew by 3.9% to £2.4 billion (+3.2% LFL, +3.6% on a comparable store basis) supported by continued progress with its store modernisation programme (2/3 of total selling space now completed), new range introductions and the innovative 'Do-it-Smart' marketing campaign aimed at making home improvement projects easier for customers.

Sales across outdoor and indoor categories were up a similar amount with sales of new decorative, bathroom and storage ranges, supported by new catalogues, performing particularly well.

Brico Dépôt, which more specifically targets trade professionals and heavy DIYers, delivered total sales growth of 5.9% to £2.1 billion (+4.4% LFL). The trade market [(2)], improved by 3.9% compared to the prior year following a pick-up in new housing starts and planning consents.[(3)]

Self-help initiatives to drive sales and footfall continued to progress well including a continued extensive programme of range refreshment, more 'arrivages' promotions (rolling programme of one-off special buys) and the re-launch of the Brico Dépôt 'Le Book' pocket-sized catalogue early in the year to reinforce Brico Dépôt's value credentials. New ranges introduced last year (e.g. kitchen and power tools) performed particularly well (+5% LFL).

[(1)] *Banque de France data (Feb 2011- Jan 2012) including relocated and extended stores, excludes heavier trade market.*
[(2)] *Private building market Jan-Dec 2011 according to UNIBAL*
[(3)] *Service de l'observation et des statistiques Jan 2012*

UK & IRELAND

Sales £m	2011/12	2010/11	% Reported Change	% Constant Change	% LFL Change
UK & Ireland	4,338	4,333	0.1%	0.1%	(1.4)%

Retail profit £m	2011/12	2010/11	% Reported Change	% Constant Change
UK & Ireland	271	243	11.6%	11.6%

UK & Ireland comprises B&Q in the UK & Ireland and Screwfix
All trading commentary below is in constant currencies

Kingfisher UK & Ireland

Total sales grew by 0.1% to £4.3 billion (-1.4% LFL) in a continuing challenging consumer environment which saw Focus DIY, the UK's fourth largest DIY operator with 177 stores, close during the year. Retail profit grew by 11.6% benefiting from continued gross margin and cost initiatives.

GfK market data for the UK's leading home improvement retailers[(1)] was down around 3% across the year whereas the trade market[(2)] declined by 7%.

B&Q UK & Ireland's total sales were down 0.9% (-1.8% LFL) to £3.8 billion with outdoor product sales up around 1% and indoor product sales down around 3%.

The new in-store trade-only 'TradePoint' offer continues to grow and attract new trade professional customers with around 800,000 registered by the end of the year, four times the number previously registered with the B&Q Trade Discount Card. This growing database enables B&Q to identify and directly market to this important customer segment for the first time.

Retail profit grew by 10.9% to £238 million. Gross margin was up 30 basis points against tough comparatives (2010/11: +110 basis points) benefitting from sales of higher margin products and more direct sourcing. A strong focus on operating cost efficiencies also continued with costs (SG&A[(3)]) percentage to sales held broadly flat across the year despite high general inflation.

During H1 Kingfisher paid £24 million to buy up to 31 leasehold properties from the administrator of Focus DIY. Following regulatory approval and discussions with landlords, 27 reopened in the B&Q format in H2 for a capital cost of around £15 million and are trading well. An additional £11 million exceptional charge was also incurred integrating the stores before they opened.

(Note: of the 177 Focus DIY stores trading before its administration, 29 were subsequently acquired by Kingfisher, 13 by other home improvement businesses and the remaining 135 were closed).

Screwfix grew total sales by 8.2% (+1.9% LFL) to £518 million in a challenging smaller tradesman market[(2)]. Continuing initiatives which helped to drive market share gains included new ranges (e.g. safety and work wear), the addition of specialist trade desks exclusive to plumbers and electricians within Screwfix outlets, and the continued roll out of new outlets.

During H1 Screwfix developed and successfully trialled a smaller format outlet (400 sq m compared with the typical 700 sq m) in order to access smaller or more densely populated urban catchments. As a result, Screwfix accelerated its UK expansion plans beyond the 20 new outlets originally planned at the start of the year. As a result, 53 net new outlets were opened during the year, 42 in the newer, smaller format. Screwfix now operates 215 outlets in total which now account for around two-thirds of total sales.

Retail profit was up 16.2% to £33 million, reflecting the strong sales growth, more direct sourcing, distribution efficiencies and continued tight cost control.

(1) GfK data includes new space added but excludes private retailers e.g. IKEA and smaller independents
(2) Based on the Builders' Merchants Federation lightside trade data Jan-Dec 2011
(3) Selling,General and Administrative Expenses

OTHER INTERNATIONAL

Sales £m	2011/12	2010/11	% Reported Change	% Constant Change	% LFL Change
Other International	2,023	1,913	5.8%	7.3%	2.2%

Retail profit £m	2011/12	2010/11	% Reported Change	% Constant Change
Other International	188	171	9.5%	13.2%

Other International comprises Poland, China, Spain, Russia, Turkey JV and Hornbach in Germany. Joint Venture (Turkey JV) and Associate (Hornbach) sales are not consolidated
All trading commentary below is in constant currencies

Other International total sales increased by 7.3% to £2.0 billion (+2.2% LFL). Retail profit was up 13.2% to £188 million driven by profit growth in Poland, Turkey, Germany and Russia and lower losses in China.

During 2011/12, 17 net new stores opened, eight in Poland, four in Russia, six in Turkey and one rationalisation in China, adding around 10% new space. A further 15 new stores are planned for 2012/13, including six in Poland, two in Russia, four in Turkey and three in Spain, adding around 7% new space.

In **Eastern Europe** sales in **Poland** were up 6.2% (+1.5% LFL) to £1,094 million. Expanded decorative ranges and a stronger performance in the building category all boosted sales and profits. Retail profit was up 3.8% to £135 million reflecting the sales growth with gross margins benefiting (+30 basis points) from more direct sourcing and buying scale benefits and continued tight cost control. In **Russia** sales grew by 34.6% to £321 million reflecting new store openings and strong LFL growth (+14.9% LFL). In **Turkey**, Kingfisher's 50% JV, Koçtaş, grew retail profit by 13.1% to £14 million reflecting strong sales growth (+5.9% LFL), more direct sourcing benefiting gross margins and tight cost control.

Elsewhere, in **Spain** the Brico Dépôt business continued to grow sales in a tough market with sales up 6.3% (+4.0% LFL) to £242 million. **Hornbach**, in which Kingfisher has a 21% economic interest, grew its retail profit contribution by 6.0% to £33 million (2010/11: £31 million).

B&Q China sales declined 6.0% to £366 million (-4.5% LFL) reflecting one less store and a more challenging housing market than anticipated (down 16%[(1)]). Losses of £3 million for the year were significantly reduced on the prior year (2010/11: £8 million loss) reflecting continued tight cost management and the annualising of sub-let rental income.

[(1)] *New property transaction sales for China's 13 largest cities Jan 2011-Dec 2011 according to the China Real Estate Exchange Center*

Section 3
DETAILED 'DELIVERING VALUE' MILESTONES ACHIEVED FOR THE FOUR YEARS TO JAN 2012

1. Driving up B&Q UK & Ireland's profit

- B&Q retail profit up 83% despite market decline
- Retail profit margin up 300bps to 6.2%, on track to achieve a sustainable 7% margin, supported by:
    - Distribution efficiencies
    - Shrinkage reduction
    - More direct sourcing
    - Cost efficiency programme
- Store estate updated
- Stringent store standards operating successfully
- Over 60% of colleagues achieved retail qualifications (NVQs or City & Guilds)

2. Exploiting our UK Trade opportunity

- Combined trade sales of over £1bn
- New trade offer ('TradePoint') added to all B&Q stores, 800,000 trade professionals registered
- Developed and expanded Screwfix
    - Opened 122 new Screwfix outlets (taking the total to 215)
    - Added specialist trade counters exclusive to plumbers and electricians
    - Group 'centre of excellence' for multi-channel developments
    - Launched a 15 minute 'click, collect & go' offer

3. Expanding our total French business

- Sales up 10%[(1)], profits up 42%[(1)]
- Retail profit margin up 210bps to 9.5% supported by:
    - Buying optimisation benefits
    - Shrinkage reduction
    - More direct sourcing
- Added 12% net new space
- Castorama modernisation accelerated
    - 66% of stores now in modern format, up from 42% in 2007/08
    - Innovative 'Do-it-Smart' programme launched

4. Rolling out in Eastern Europe

- Sales up 71%[(1)] to £1.7 billion[(2)], profits up 62%[(1)]
- Opened 59 net new stores, +85% net new space
    - 25 in Poland, 21 in Turkey and 13 in Russia
- Opened new distribution facilities in Poland and Turkey to unlock future direct sourcing and distribution benefits

5. Turning around B&Q China

- Losses significantly reduced despite lower sales
  - 2008/09: loss of £63 million[(1)]
  - 2011/12: loss of £3 million
- Cash neutral
- Store portfolio rationalised from 63 to 40 stores, 16 downsized
- New, smaller format in development

6. Growing Group sourcing

- Direct sourcing shipments up 77%
- Established 11 Group-wide common own brands
  - Replacing most of the 150+ local own brands
  - Enabling investment in innovation and prices
- Invested in sourcing, innovation and brand management design capabilities

7. Reducing working capital

- Reduced working capital by £427 million[(3)]
- Average payment terms on direct sourced product extended by 56 days to 90 days

[(1)] *constant currencies*
[(2)] *including 100% of the sales of the Turkey JV*
[(3)] *excluding £260m negative impact of French LME, the legislative changes shortening French payment terms*

Section 4
COUNTRY DATA – AS AT 28 JANUARY 2012

	Store numbers	Selling space (000s sq.m.)	Employees (FTE)	Long-term store targets
Castorama	103	1,060	11,088	110
Brico Dépôt	102	565	6,680	130
Total France	**205**	**1,625**	**17,768**	**240**
B&Q UK & Ireland	357	2,577	23,502	360
Screwfix	215	16	3,545	390
Total UK & Ireland	**572**	**2,593**	**27,047**	**750**
Poland	67	492	10,278	125
China	40	333	4,897	To be decided
Spain	17	100	891	100
Russia	18	161	2,687	60
Turkey JV	36	191	3,310	100
Total Other International	**178**	**1,277**	**22,063**	**385**
Total	**955**	**5,495**	**66,878**	**1,375**

Section 5
2011/12 FULL YEAR OPERATIONAL REVIEW BY GEOGRAPHY

	Sales 2011/12 £m	% Total Change (Reported)	% Total Change (Constant currency)	% Like-for-like (LFL) Change	Retail Profit 2011/12 £m	% Total Change (Reported)	% Total Change (Constant currency)
France *(1)*	4,470	6.3%	4.8%	3.7%	423	21.7%	20.0%
UK & Ireland *(2)*	4,338	0.1%	0.1%	(1.4)%	271	11.6%	11.6%
Other International *(3)*	2,023	5.8%	7.3%	2.2%	188	9.5%	13.2%
Total Group	**10,831**	**3.6%**	**3.3%**	**1.3%**	**882**	**15.7%**	**15.8%**

Note: Joint Venture (Turkey JV) and Associate (Hornbach) sales are not consolidated. 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.

(1) Castorama and Brico Dépôt.
(2) B&Q in the UK & Ireland and Screwfix.
(3) Poland, China, Spain, Russia, Turkey JV and Hornbach in Germany.

2011/12: £1 = 1.15 euro (2010/11: £1 = 1.17 euro), £1 = 4.80 Polish zloty (2010/11: £1 = 4.65 Polish zloty), £1 = 10.31 Chinese renminbi (2010/11: £1 = 10.41 Chinese renminbi)

Company Profile:

Kingfisher plc is Europe's leading home improvement retail group and the third largest in the world, with 955 stores in eight countries in Europe and Asia. Its main retail brands are B&Q, Castorama, Brico Dépôt and Screwfix. Kingfisher also has a 50% joint venture business in Turkey with Koç Group, and a 21% interest in, and strategic alliance with Hornbach, Germany's leading large format DIY retailer.

Section 6
2011/12 FINANCIAL REVIEW

A summary of the reported financial results for the year ended 28 January 2012 is set out below:

	2011/12 £m	2010/11 £m	Increase
Sales	**10,831**	10,450	3.6%
Adjusted pre-tax profit	**807**	670	20.4%
Profit before taxation after exceptional items	**797**	671	18.8%
Adjusted basic earnings per share	**25.1p**	20.5p	22.4%
Dividends	**8.84p**	7.07p	25.0%

A reconciliation of statutory profit to adjusted profit is set out below:

	2011/12 £m	2010/11 £m	Increase
Profit before taxation	**797**	671	18.8%
Exceptional items	**12**	6	
Profit before exceptional items and taxation	**809**	677	19.5%
Financing fair value remeasurements	**(2)**	(7)	
Adjusted pre-tax profit	**807**	670	20.4%

Profit and EPS including all exceptional items for the year ended 28 January 2012 is set out below:

	2011/12	2010/11	Increase
Profit for the year	**£639m**	£491m	30.1%
Basic EPS	**27.5p**	21.0p	31.0%

Overview

Total **sales** grew 3.3% on a constant currency basis and by 3.6% to £10.8 billion on a reported rate basis. During the year, an additional 93 net new stores were opened taking the store network to 919 (excluding Turkey JV). This includes the impact of closing 2 stores across the Group, the opening of 27 ex-Focus stores in B&Q UK and 54 Screwfix trade counters in the UK. On a LFL basis, Group sales were up 1.3%.

Retail profit before exceptional items grew by 15.7% to £882 million, and by 15.1% to £870 million including exceptional items.

The net **interest** charge for the year was £10 million, down £17 million on the prior year. This is discussed further below.

Profit before tax grew by 18.8% to £797 million as a result of continued improved trading in the year and a reduction in net finance costs. On a more comparable basis, which removes the impact of exceptional items and fair value remeasurements, **adjusted pre-tax** profit grew by 20.4% to £807 million.

Profit for the year grew by 30.1% to £639 million. This resulted in the Group recording a **basic EPS** of 27.5p which is up 6.5p (+31.0%) in the year.

Interest

Net interest has decreased by £17 million in the year. The breakdown is as follows:

	2011/12 £m	2010/11 £m
Cash		
Interest on net debt	**(8)**	(25)
Non Cash		
Interest return/(charge) on defined benefit pension scheme	**2**	(7)
Unwinding of discount on provisions	**(4)**	(3)
Other	**(2)**	1
Underlying net interest	**(12)**	(34)
Financing fair value remeasurements (FFVR*)	**2**	7
Statutory net interest	**(10)**	(27)

**FFVR 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*

Cash interest reduced by £17 million in the year to £8 million mainly as a result of having a full year's benefit of buying back debt during 2010/11. Non cash interest reduced by £5 million driven by the defined benefit pension scheme. As a result, the underlying net interest charge reduced by £22 million to £12 million.

Statutory net interest, which is stated after FFVR, reduced by £17 million to £10 million.

Taxation

The underlying effective rate of tax, calculated on profit before exceptional items, prior year tax adjustments and the impact of rate changes is 28% (2010/11: 29%). The overall tax rate for the year is 20% (2010/11: 27%) which reflects a reassessment of various positions taken in prior years.

Effective tax rate calculation 2011/12	**Profit £m**	**Tax £m**	**Effective rate %**
Profit before tax and tax thereon	797	158	20
Add exceptional loss and tax thereon	12	7	-
Less prior year items	-	59	-
Total	809	224	28

Kingfisher's effective tax rate is sensitive to the blend of tax rates and profits in the Group's various jurisdictions. Whilst we will continue to plan our tax affairs efficiently and adopt a prudent approach towards providing for uncertain tax positions, we are aware that with pressure on government finances the tax cost of multinationals may increase over time.

The tax charge for the year has been impacted by tax rate changes in some of the countries in which we operate. The most significant changes were the UK statutory tax rate falling from 28% to 26% and the French rate for businesses with turnover over €250m increasing from 34.43% to 36.1%.

The tax rates for this financial year and the expected rates for next year are as follows:

Jurisdiction	**Statutory tax rate 2012/13**	**Statutory tax rate 2011/12**
UK	24%	26%
France	34.43% / 36.1%	34.43% / 36.1%
Poland	19%	19%
Rest of Europe	0% - 34%	0% - 34%
Asia	16.5% - 25%	16.5% - 25%

Taxation risk management

Kingfisher's tax strategy is to manage its tax affairs efficiently and in a way which enhances shareholder value whilst balancing the tax risks it faces. Tax risks can arise from changes in law, differences in interpretation of law, changes in tax rates and the failure to comply with the applicable tax laws and associated procedures. The Group manages and controls these risks through local management, its Group tax department and appropriate advice from reputable professional firms. Where disputes arise with the tax authorities, the Group addresses the areas of dispute promptly in a professional, open and constructive manner.

Exceptional items

	2011/12 £m (Charge)/ gain	2010/11 £m (Charge)/ gain
UK ex-Focus stores acquisition integration	**(11)**	-
UK restructuring	**2**	(9)
(Loss)/profit on disposal of properties	**(3)**	3
	(12)	(6)
Tax on exceptional items	**7**	3
Net exceptional items	**(5)**	(3)

The Group has recorded a net exceptional post tax loss of £5 million in the year (2010/11: £3 million loss). Exceptional items before tax included £11 million exceptional costs relating to the integration of ex-Focus DIY stores into the B&Q UK store network and a £3 million loss on disposal of properties (2010/11: £3 million profit), partly offset by a £2 million exceptional credit for the release of the UK restructuring provision following the exit of an idle store (2010/11: £9m restructuring costs).

Earnings per share

Basic earnings per share (EPS) have increased by 31.0% to 27.5p (2010/11: 21.0p). The increase year on year is driven by improved trading performance and reduction in net finance costs. On a more comparable basis, removing the impact of exceptional items, financing fair value remeasurements and the effect of prior year tax adjustments, adjusted basic earnings per share increased by 22.4% to 25.1p (2010/11: 20.5p).

	2011/12	2010/11
Basic earnings per share	**27.5p**	21.0p
Exceptional items	**0.5p**	0.3p
Financing fair value remeasurements (net of tax)	**(0.1)p**	(0.2)p
Impact of prior year items and exceptional items on income tax	**(2.8)p**	(0.6)p
Adjusted earnings per share	**25.1p**	20.5p

Dividends

The Board has proposed a final dividend of 6.37p which gives a full year dividend of 8.84p, an increase of 25.0% (2010/11: 7.07p). The final dividend reduces full year dividend cover on adjusted earnings to 2.8 times (2010/11: 2.9 times) which is in line with our medium term objective to lower dividend cover from 3.0 times to 2.7 times adjusted earnings. At this level, the Board believes the dividend will continue to be prudently covered by earnings and free cash flow and remain consistent with the capital needs of the business.

As previously announced, the Group's interim dividend is calculated automatically as 35% of the prior year's total dividend. Based on this, the interim dividend to be paid in November 2012 would be 3.09p per share (2011: 2.47p per share). The full year dividend will continue to be proposed each year as part of the full year preliminary announcement in March.

The final dividend for the year ended 28 January 2012 will be paid on 18 June 2012 to shareholders on the register at close of business on 4 May 2012, subject to approval of shareholders at the Annual General Meeting, to be held on 14 June 2012. A dividend reinvestment plan (DRIP) is available to shareholders who would prefer to invest their dividends in the shares of the Company. The shares will go ex-dividend on 2 May 2012. For those shareholders electing to receive the DRIP the last date for receipt of electing is 24 May 2012.

Returns

The Group has historically reported two main Return on Capital (ROC) measures.

The first measure, Standard ROC, is primarily a Group measure. It is stated on a non-lease adjusted basis, although we also quote a lease adjusted number. The asset base includes goodwill.

The second measure, Lease Adjusted ROC excluding Goodwill is used to monitor performance at a geographic divisional level.

Internally, management are focused on Kingfisher Economic Profit (KEP) which is derived from the concept of Economic Value Added. The measure is used to ensure capital is being used productively and decisions made which will create value for shareholders. KEP takes into account a charge for the capital employed in the business. In doing this the calculation treat leases as though they were owned assets within capital employed, capitalising them using the long-term yield methodology. For the purposes of the calculation, reported adjusted post-tax profit is used, but interest and lease costs are added back. A charge for the cost of capital employed is then deducted by applying the Group's lease adjusted weighted average cost of capital (WACC) to its lease and pension adjusted capital employed.

Kingfisher Economic Profit (KEP)

	2011/12	2010/11	Increase
Kingfisher Economic Profit (KEP)	**£131m**	£68m	£63m

By optimising the allocation of resources and increasing retail profit, Kingfisher has increased KEP by £63 million in 2011/12 in constant currencies.

Group return

	2011/12	2010/11	Increase
Return on capital (ROC)	**10.7%**	9.6%	+1.1pps

For Standard ROC, the Group return is calculated as post-tax Retail Profit less central costs and excluding exceptional items, other than realised property profit. This return is then divided by a two point average of Invested Capital (calculated as Net Assets excluding Net Debt and Pension related items including related Deferred Tax).

The strong operating performance combined with improved asset turns has resulted in the Standard ROC performance increasing from 9.6% to 10.7% in 2011/12 compared to the Group's WACC of 8.1%.

The Group lease adjusted ROC is based on the same definition but it excludes property lease costs, and Invested Capital is adjusted for lease costs capitalised at the long term property yield. The Group lease adjusted ROC has increased from 7.3% to 8.0% in 2011/12, compared to the Group's lease adjusted WACC of 6.8%.

Geographic divisional return

Kingfisher's underlying ROC by geographic division is set out below. All divisions improved their returns in 2011/12. The divisional return is stated adjusted for property lease costs and before property profits. The divisional invested capital excludes goodwill but includes capitalised leases:

	Retail Sales £bn	Proportion of Group sales %	Invested Capital (IC) £bn [1]	Proportion of Group IC %	Returns % (ROC) [1]	
					2011/12	2010/11
UK	4.3	40%	5.8	64%	**7.4%**	6.6%
France	4.5	42%	2.0	22%	**15.2%**	13.6%
Other International	2.0	18%	1.3	14%	**11.3%**	11.1%

[1] Excluding goodwill of £2.4billion.

Free cash flow

A reconciliation of free cash flow and cash flow movement in net debt/cash is set out below:

	2011/12 £m	2010/11 £m
Operating profit (before exceptional items)	**819**	704
Other non cash items [1]	**274**	276
Change in working capital	**(187)**	(141)
Pensions and provisions (before exceptional items)	**(54)**	(57)
Operating cash flow	**852**	782
Net interest paid	**(8)**	(19)
Tax paid	**(148)**	(133)
Gross capital expenditure (before strategic investments)	**(338)**	(285)
Disposal of assets	**9**	87
Free cash flow	**367**	432
Dividends paid	**(178)**	(129)
Share purchase for employee incentive schemes	**(117)**	-
Strategic capex investments [2]		
- Freehold interests	**(73)**	(25)
- Ex-Focus DIY stores	**(39)**	-
Other [3]	**(17)**	(9)
Cash flow movement in net (debt)/cash	**(57)**	269
Opening net cash/(debt)	**14**	(250)
Other movement including foreign exchange	**(45)**	(5)
Closing net (debt)/cash	**(88)**	14

[1] Includes depreciation and amortisation, impairment losses, share-based compensation charge, share of post-tax results of JVs and associates, pension service cost and profit/loss on retail disposals.
[2] Investments of a one-off nature, such as bolt on acquisitions and buy outs of freeholds in existing leased stores.
[3] Includes dividends received from JVs and associates, business acquisitions, issue of shares and exceptional items (excluding property disposals).

Net debt at the end of the year was £88 million (2010/11: £14 million net cash). Net debt has decreased by £1.5 billion over the last four years on a reported currency basis.

Operating cash flow increased by £70 million during the year due to profit generation of £115 million offset in part by increased working capital requirements.

In the current year working capital has increased by £187 million, significantly driven by the LME change in France (legislative changes shortening payment terms) with the balance due to increased imports from the Kingfisher Sourcing Organisation and additional stock in newly opened stores. Stock days have increased in the year from 95 days in

2010/11 to 102 days on a moving average basis. Over the four years of the 'Delivering Value' programme, working capital has reduced by £427 million excluding the impact of LME of £260 million.

Free cash flow of £367 million was generated in the year, a reduction of £65 million year on year mainly driven by increased net capital expenditure with higher spend on new assets and £78 million lower receipts on the disposal of assets.

During the year free cash flow generated was utilised to improve shareholder returns. The dividend was increased to £178 million and £117 million was used to acquire 42 million Kingfisher shares to cover existing share incentive schemes, avoiding dilution of current shareholders. In addition £73 million (2010/11: £25 million) was invested to increase the freehold property mix in the UK and £39 million was invested in buying 29 ex-Focus DIY stores and reopening 27 of them in the year as B&Q stores.

With a sustained focus on cash over the last four years, the Group has been able to reduce its reliance on external funding and improve its financial flexibility. In 2011/12 the Group bought back £28 million nominal value of its 2014 Sterling MTN, bringing the total reduction in gross debt through repayment and repurchase over the past four years to £1.4 billion. This has been a key driver of the fall in the net cash interest charge from £79 million in 2007/08 to £8 million in the current financial year, and represents an EPS benefit of 2.2p per share.

The Group will maintain a high focus on free cash flow generation going forward to fund increased investment in growth opportunities where returns are attractive and increased dividends to shareholders.

Capital expenditure

Gross capital expenditure for the year was £450 million (2010/11: £310 million), including strategic capex investments of £112 million (2010/11: £25 million). Before strategic capex investments, on-going capex increased by 19% to £338 million (2010/11: £285 million). Of this, £107 million was spent on property (2010/11: £91million) and £231 million on fixtures, fittings and intangibles (2010/11: £194 million). A total of £9 million of proceeds from disposals were received during the year (2010/11: £87 million).

As detailed last year the Group has a rigorous approach to capital allocation and authorisation. The process includes:

- An annual strategic planning process based on detailed plans for all businesses for the next three years. This process drives the key strategic capital allocation decisions and the output is reviewed by the Board, twice a year
- A capital approval process through a capital expenditure committee, attended by the Group Chief Executive, Group Finance Director, Chief Operating Officer, Group Property Director, and the two Divisional CEOs as required. The committee is delegated to review all projects above £0.75 million and to sign-off the projects between £0.75 million and £15.0 million (including the capitalised value of lease commitments)
- Projects above £15.0 million are approved by the Board although all projects above £0.75 million are also notified to the Board

- Clear investment criteria including KEP and challenging hurdle rates for IRR (Internal Rate of Return) and DPB (Discounted PayBack)
- An annual post-investment review process to undertake a full review of all projects above £0.75 million which were completed in the last 2 to 4 years. The findings of this exercise are considered by both the capital expenditure committee and the Board and directly influence the Regional and Group Development Strategy and the assumptions for similar project proposals going forward
- An annual review of KEP by store is performed which drives plans to improve the returns of weaker stores

Management of liquidity risk and financing

The Group now has low levels of financial net debt. However, the Group's overall leverage, including capitalised lease debt that in accordance with accounting regulations does not appear on the balance sheet, is estimated to be around 50%. At this level the Group has financial flexibility whilst retaining an efficient cost of capital.

Kingfisher is currently targeting to have relatively low levels of financial net debt to maintain a solid investment grade credit rating. Where appropriate Kingfisher may purchase current leasehold assets used by the Group. This may increase financial debt but have no impact on lease adjusted net debt.

Kingfisher 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 three 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 Group derives almost half its profit from the eurozone, and as such is exposed to continuing uncertainty over the future of the euro and resultant market volatility. Kingfisher has undertaken a risk assessment and is developing a series of mitigation strategies to assist in insulating the Group against future eurozone instability.

During the year Kingfisher re-financed its committed bank facility for a further five years to 2016, and at the same time reduced the total facility amount to £200 million. At the year end this facility was undrawn.

Kingfisher deposits surplus cash with a number of banks with the strongest short term credit ratings and with money market funds which have the strongest, AAA, credit rating and offer same day liquidity. A credit limit for each bank or fund is agreed by the Board covering the full value of deposits and a proportion of the value of derivative contracts. The credit risk is reduced further by spreading the investments and derivative contracts across several counterparties. At the year end the Group had a total of around £300 million of cash deposited with banks and in money market funds. The highest single cash investment was a £63 million money market fund investment.

The maturity profile of Kingfisher's debt is illustrated at:
http://www.kingfisher.com/index.asp?pageid=76

The terms of the US Private Placement note agreement and the committed bank facility require only that the ratio of Group operating profit, excluding exceptional items, to net interest payable must be no less than 3:1 for the preceding 12 months at half year and full year ends. At the year end the Group's ratio was significantly higher than this requirement.

The Group has entered into interest rate derivative contracts to convert the fixed rate payable on its bonds and US Private Placement notes to a floating rate of interest. The floating interest rates paid by the Group under its financing arrangements are based on LIBOR and EURIBOR plus a margin. The margins were not changed during the year.

Capital risk management

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern and retain financial flexibility in order to continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a solid investment grade credit rating

The Group manages its capital by:

- Continued focus on free cash flow generation
- Setting the level of capital expenditure and dividend in the context of current year and forecast free cash flow generation
- Rigorous review of capital investments and post investment reviews to drive better returns and
- Monitoring the level of the Group's financial and leasehold debt in the context of Group performance and its credit rating

Kingfisher Insurance Ltd, a wholly owned subsidiary, is subject to minimum capital requirements as a consequence of its insurance activities. The Group complied with the externally imposed capital requirements during the year.

Property

The Group owns a significant property portfolio, most of which is used for trading purposes. If the Group had continued to revalue this in its books it would have had a market value of £3.5 billion at year end (2010/11: £3.3 billion), compared to the net book value of £2.8 billion recorded in the financial statements.

The values are based on valuations performed by external qualified valuers where the key assumption is the estimated yields. The valuation exercise was performed in November 2011 with over one third of the portfolio valued by external professional valuers.

In addition the Group has a lease portfolio which is treated as debt by the rating agencies and is valued by them at around £3.5 billion. The Group calculates this leasehold debt by using property yields, assuming occupancy of the property for the longer term. On this basis the value of leasehold debt at the year end was £4.9 billion.

Pensions

The approach used to prepare the pension valuation is in line with current market practice and international accounting standards, and has been applied consistently. This accounting valuation is very sensitive to a number of assumptions and market rates which are likely to fluctuate in the future. To aid understanding of the impact that changes to the assumptions could have on the reported UK pension surplus, we have included sensitivity analysis as part of the pension disclosure in note 9 of this announcement. Further details of all the key assumptions are also contained within the note.

At the year end, the Group had a net deficit of £15 million (2010/11: £58 million deficit) in relation to defined benefit pension arrangements of which a £25 million surplus is in relation to its UK Scheme.

The decrease in the net deficit was predominantly due to strong asset returns more than offsetting a lower discount rate used to value the UK pension obligation.

Forward-looking statements

This press release contains certain statements that are forward-looking and 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. These forward-looking statements include, but are not limited to, statements relating to the Company's expectations around the company's next phase of development known as 'Creating the Leader' and its associated eight steps.

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 press release 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 and reliance should not be placed on any forward looking statement. The Company undertakes no obligation to publicly update any forward- looking statement, whether as a result of new information, future events or otherwise. Nothing in this press release should be construed as a profit forecast.

Consolidated income statement
Year ended 28 January 2012

£ millions	Notes	2011/12 Before exceptional items	2011/12 Exceptional items (note 4)	2011/12 Total	2010/11 Before exceptional items	2010/11 Exceptional items (note 4)	2010/11 Total
Continuing operations:							
Sales	3	**10,831**	**-**	**10,831**	10,450	-	10,450
Cost of sales		**(6,748)**	**-**	**(6,748)**	(6,545)	-	(6,545)
Gross profit		**4,083**	**-**	**4,083**	3,905	-	3,905
Selling and distribution expenses		**(2,769)**	**(9)**	**(2,778)**	(2,739)	(9)	(2,748)
Administrative expenses		**(560)**	**-**	**(560)**	(527)	-	(527)
Other income		**33**	**(3)**	**30**	34	3	37
Share of post-tax results of joint ventures and associates		**32**	**-**	**32**	31	-	31
Operating profit		**819**	**(12)**	**807**	704	(6)	698
Analysed as:							
Retail profit	3	**882**	**(12)**	**870**	762	(6)	756
Central costs		**(43)**	**-**	**(43)**	(41)	-	(41)
Share of interest and tax of joint ventures and associates		**(20)**	**-**	**(20)**	(17)	-	(17)
Finance costs		**(31)**	**-**	**(31)**	(46)	-	(46)
Finance income		**21**	**-**	**21**	19	-	19
Net finance costs	5	**(10)**	**-**	**(10)**	(27)	-	(27)
Profit before taxation		**809**	**(12)**	**797**	677	(6)	671
Income tax expense	6	**(165)**	**7**	**(158)**	(183)	3	(180)
Profit for the year		**644**	**(5)**	**639**	494	(3)	491
Attributable to:							
Equity shareholders of the Company				**640**			494
Non-controlling interests				**(1)**			(3)
				639			491
Earnings per share	7						
Basic				**27.5p**			21.0p
Diluted				**26.9p**			20.7p
Adjusted basic				**25.1p**			20.5p
Adjusted diluted				**24.6p**			20.2p

The proposed final dividend for the year ended 28 January 2012, subject to approval by shareholders at the Annual General Meeting, is 6.37p per share.

Consolidated statement of comprehensive income
Year ended 28 January 2012

£ millions	Notes	2011/12	2010/11
Profit for the year		**639**	491
Actuarial gains on post employment benefits	9	**20**	128
Currency translation differences			
Group		**(128)**	32
Joint ventures and associates		**(10)**	-
Cash flow hedges			
Fair value gains		**10**	5
Losses/(gains) transferred to inventories		**8**	(14)
Tax on other comprehensive income		**(9)**	(33)
Other comprehensive income for the year		**(109)**	118
Total comprehensive income for the year		**530**	609
Attributable to:			
Equity shareholders of the Company		**530**	611
Non-controlling interests		**-**	(2)
		530	609

Consolidated statement of changes in equity
Year ended 28 January 2012

£ millions	Notes	Share capital	Share premium	Own shares held	Retained earnings	Other reserves	Total	Non-controlling interests	Total equity
		Attributable to equity shareholders of the Company							
At 30 January 2011		**371**	**2,194**	**(42)**	**2,390**	**539**	**5,452**	**8**	**5,460**
Profit for the year		**-**	**-**	**-**	**640**	**-**	**640**	**(1)**	**639**
Actuarial gains on post employment benefits	9	**-**	**-**	**-**	**20**	**-**	**20**	**-**	**20**
Currency translation differences									
Group		**-**	**-**	**-**	**-**	**(129)**	**(129)**	**1**	**(128)**
Joint ventures and associates		**-**	**-**	**-**	**-**	**(10)**	**(10)**	**-**	**(10)**
Cash flow hedges									
Fair value gains		**-**	**-**	**-**	**-**	**10**	**10**	**-**	**10**
Losses transferred to inventories		**-**	**-**	**-**	**-**	**8**	**8**	**-**	**8**
Tax on other comprehensive income		**-**	**-**	**-**	**(4)**	**(5)**	**(9)**	**-**	**(9)**
Other comprehensive income for the year		**-**	**-**	**-**	**16**	**(126)**	**(110)**	**1**	**(109)**
Total comprehensive income for the year		**-**	**-**	**-**	**656**	**(126)**	**530**	**-**	**530**
Share-based compensation		**-**	**-**	**-**	**32**	**-**	**32**	**-**	**32**
New shares issued under share schemes		**1**	**5**	**-**	**-**	**-**	**6**	**-**	**6**
Own shares issued under share schemes		**-**	**-**	**25**	**(23)**	**-**	**2**	**-**	**2**
Own shares purchased		**-**	**-**	**(117)**	**-**	**-**	**(117)**	**-**	**(117)**
Dividends		**-**	**-**	**-**	**(178)**	**-**	**(178)**	**-**	**(178)**
Purchase of non-controlling interests		**-**	**-**	**-**	**(8)**	**-**	**(8)**	**-**	**(8)**
At 28 January 2012		**372**	**2,199**	**(134)**	**2,869**	**413**	**5,719**	**8**	**5,727**
At 31 January 2010		371	2,191	(54)	1,921	516	4,945	10	4,955
Profit for the year		-	-	-	494	-	494	(3)	491
Actuarial gains on post employment benefits	9	-	-	-	128	-	128	-	128
Currency translation differences									
Group		-	-	-	-	31	31	1	32
Cash flow hedges									
Fair value gains		-	-	-	-	5	5	-	5
Gains transferred to inventories		-	-	-	-	(14)	(14)	-	(14)
Tax on other comprehensive income		-	-	-	(34)	1	(33)	-	(33)
Other comprehensive income for the year		-	-	-	94	23	117	1	118
Total comprehensive income for the year		-	-	-	588	23	611	(2)	609
Share-based compensation		-	-	-	21	-	21	-	21
New shares issued under share schemes		-	3	-	-	-	3	-	3
Own shares issued under share schemes		-	-	12	(11)	-	1	-	1
Dividends		-	-	-	(129)	-	(129)	-	(129)
At 29 January 2011		371	2,194	(42)	2,390	539	5,452	8	5,460

Consolidated balance sheet
At 28 January 2012

£ millions	Notes	2011/12	2010/11
Non-current assets			
Goodwill		**2,397**	2,395
Other intangible assets		**123**	86
Property, plant and equipment		**3,667**	3,632
Investment property		**55**	32
Investments in joint ventures and associates		**271**	259
Post employment benefits	9	**25**	-
Deferred tax assets		**23**	27
Derivatives		**66**	62
Other receivables		**17**	15
		6,644	6,508
Current assets			
Inventories		**1,844**	1,791
Trade and other receivables		**531**	513
Derivatives		**26**	15
Current tax assets		**1**	45
Cash and cash equivalents		**587**	731
		2,989	3,095
Total assets		**9,633**	9,603
Current liabilities			
Trade and other payables		**(2,356)**	(2,519)
Borrowings		**(367)**	(196)
Derivatives		**(6)**	(11)
Current tax liabilities		**(305)**	(372)
Provisions		**(16)**	(27)
		(3,050)	(3,125)
Non-current liabilities			
Other payables		**(121)**	(76)
Borrowings		**(375)**	(577)
Derivatives		**(8)**	(17)
Deferred tax liabilities		**(269)**	(238)
Provisions		**(43)**	(52)
Post employment benefits	9	**(40)**	(58)
		(856)	(1,018)
Total liabilities		**(3,906)**	(4,143)
Net assets		**5,727**	5,460
Equity			
Share capital		**372**	371
Share premium		**2,199**	2,194
Own shares held		**(134)**	(42)
Retained earnings		**2,869**	2,390
Other reserves		**413**	539
Total attributable to equity shareholders of the Company		**5,719**	5,452
Non-controlling interests		**8**	8
Total equity		**5,727**	5,460

The financial statements were approved by the Board of Directors on 21 March 2012 and signed on its behalf by:

Ian Cheshire
Group Chief Executive

Kevin O'Byrne
Group Finance Director

Consolidated cash flow statement

Year ended 28 January 2012

£ millions	Notes	2011/12	2010/11
Operating activities			
Cash generated by operations	10	**827**	763
Income tax paid		**(148)**	(133)
Net cash flows from operating activities		**679**	630
Investing activities			
Purchase of businesses		**(2)**	-
Purchase of property, plant and equipment, investment property and intangible assets		**(450)**	(310)
Disposal of property, plant and equipment, investment property and intangible assets		**9**	87
Interest received		**19**	19
Dividends received from joint ventures and associates		**10**	6
Net cash flows from investing activities		**(414)**	(198)
Financing activities			
Interest paid		**(22)**	(33)
Interest element of finance lease rental payments		**(5)**	(5)
Repayment of bank loans		**(10)**	(57)
Repayment of Medium Term Notes and other fixed term debt		**(30)**	(696)
(Payment)/receipt on financing derivatives		**(5)**	6
Capital element of finance lease rental payments		**(16)**	(12)
New shares issued under share schemes		**6**	3
Own shares issued under share schemes		**2**	1
Own shares purchased		**(117)**	-
Purchase of non-controlling interests		**(8)**	-
Dividends paid to equity shareholders of the Company		**(178)**	(129)
Net cash flows from financing activities		**(383)**	(922)
Net decrease in cash and cash equivalents and bank overdrafts		**(118)**	(490)
Cash and cash equivalents and bank overdrafts at beginning of year		**636**	1,135
Exchange differences		**(33)**	(9)
Cash and cash equivalents and bank overdrafts at end of year	11	**485**	636

Notes to the 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, continental Europe and China.

Kingfisher plc is a Company incorporated in the United Kingdom. The address of its registered office is 3 Sheldon Square, Paddington, London W2 6PX.

The Company is listed on the London Stock Exchange.

2 Basis of preparation

The consolidated financial statements of the Company, its subsidiaries, joint ventures and associates are made up to the nearest Saturday to 31 January each year. The current financial year is the 52 weeks ended 28 January 2012 ('the year'). The comparative financial year is the 52 weeks ended 29 January 2011 ('the prior year'). This only impacts the UK operations with all the other operations reporting on a calendar basis as a result of local statutory requirements.

The directors of Kingfisher plc, having made appropriate enquiries, consider that adequate resources exist for the Group to continue in operational existence for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements for the year ended 28 January 2012.

The condensed financial information, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated balance sheet, consolidated cash flow statement and related notes do not constitute statutory financial statements for the 52 weeks ended 28 January 2012, but are derived from those statements. Statutory financial statements for 2011/12 will be filed with the Registrar of Companies in due course. The Group's auditors have reported on those accounts; their reports were unqualified and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006. Statutory financial statements for 2010/11 have been filed with the Registrar of Companies. The Group's auditors have reported on those accounts; their reports were unqualified and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

The condensed financial information has been abridged from the 2011/12 statutory financial statements, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS') and those parts of the Companies Act 2006 applicable to companies reporting under IFRS and therefore the consolidated financial statements comply with Article 4 of the EU IAS legislation. The condensed financial information has been prepared under the historical cost convention, as modified by the use of valuations for certain financial instruments, share-based payments and post employment benefits.

There are no new standards, amendments or interpretations, which are mandatory for the first time for the financial year ended 28 January 2012, that are relevant and material for the Group.

Principal rates of exchange

	2011/12		2010/11	
	Average rate	Year end rate	Average rate	Year end rate
Euro/£	**1.15**	**1.19**	1.17	1.16
US Dollar/£	**1.60**	**1.57**	1.54	1.59
Polish Zloty/£	**4.80**	**5.04**	4.65	4.52
Chinese Renminbi/£	**10.31**	**9.94**	10.41	10.45

Use of non-GAAP measures

Kingfisher believes that retail profit, adjusted pre-tax profit, effective tax rate, adjusted post-tax profit 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.

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
- 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. 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 represents the effective income tax expense as a percentage of continuing profit before taxation excluding exceptional items. Effective income tax expense is the continuing income tax expense excluding tax on exceptional items and tax adjustments in respect of prior years and changes in tax rates.

Net debt/cash comprises borrowings and financing derivatives (excluding accrued interest), less cash and cash equivalents and current other investments.

3 Segmental analysis

Income statement

£ millions	UK & Ireland	France	Other International Poland	Other International Other	2011/12 Total
Sales	**4,338**	**4,470**	**1,094**	**929**	**10,831**
Retail profit	**271**	**423**	**135**	**53**	**882**
Exceptional items					**(12)**
Central costs					**(43)**
Share of interest and tax of joint ventures and associates					**(20)**
Operating profit					**807**
Net finance costs					**(10)**
Profit before taxation					**797**

£ millions	UK & Ireland	France	Other International Poland	Other International Other	2010/11 Total
Sales	4,333	4,204	1,062	851	10,450
Retail profit	243	348	134	37	762
Exceptional items					(6)
Central costs					(41)
Share of interest and tax of joint ventures and associates					(17)
Operating profit					698
Net finance costs					(27)
Profit before taxation					671

The operating segments disclosed above are based on the information reported internally to the Board of Directors and Group Executive. This information is predominantly based on the geographical areas in which the Group operates and which are managed separately. The Group only has one business segment being the supply of home improvement products and services.

The 'Other International' segment consists of Poland, China, Spain, Russia, the joint venture Koçtaş in Turkey and the associate Hornbach which has operations in Germany and other European countries. Poland has been shown separately due to its significance.

Central costs principally comprise the costs of the Group's head office.

4 Exceptional items

£ millions	2011/12	2010/11
Included within selling and distribution expenses		
UK stores acquisition integration	**(11)**	-
UK restructuring	**2**	(9)
	(9)	(9)
Included within other income		
(Loss)/profit on disposal of properties	**(3)**	3
	(3)	3
Exceptional items before tax	**(12)**	(6)
Tax on exceptional items	**7**	3
Exceptional items	**(5)**	(3)

The Group acquired 29 ex-Focus DIY stores in the UK in the year and has incurred £11m of costs integrating these into the B&Q store network.

The UK restructuring credit of £2m reflects the release of onerous property contract provisions for idle stores previously included as part of the B&Q UK store closure and downsizing programme in 2005/06. In the prior year, the UK restructuring charge of £9m reflected plans to consolidate the Group's distribution network in the UK through the construction of a new regional distribution centre in the south of England and the closure of other sites. The provision covered primarily future costs of redundancies and dilapidations on the sites to be exited.

The Group has recorded a net exceptional loss of £3m on the disposal of properties (2010/11: £3m net profit).

5 Net finance costs

£ millions	2011/12	2010/11
Bank overdrafts and bank loans	**(12)**	(18)
Medium Term Notes and other fixed term debt	**(10)**	(21)
Finance leases	**(5)**	(5)
Financing fair value remeasurements	**2**	7
Unwinding of discount on provisions	**(4)**	(3)
Expected net interest charge on defined benefit pension schemes	**-**	(7)
Other interest payable	**(3)**	-
Capitalised interest	**1**	1
Finance costs	**(31)**	(46)
Cash and cash equivalents and current other investments	**19**	19
Expected net interest return on defined benefit pension schemes	**2**	-
Finance income	**21**	19
Net finance costs	**(10)**	(27)

6 Income tax expense

£ millions	2011/12	2010/11
UK corporation tax		
Current tax on profits for the year	**68**	73
Adjustments in respect of prior years	**(16)**	(10)
	52	63
Overseas tax		
Current tax on profits for the year	**142**	118
Adjustments in respect of prior years	**(31)**	(5)
	111	113
Deferred tax		
Current year	**12**	-
Adjustments in respect of prior years	**(12)**	5
Adjustments in respect of changes in tax rates	**(5)**	(1)
	(5)	4
Income tax expense	**158**	180

The effective rate of tax on profit before exceptional items and excluding tax adjustments in respect of prior years and changes in tax rates is 28% (2010/11: 29%). Tax on exceptional items for the year is a credit of £7m, £5m of which relates to prior year items. In 2010/11 tax on exceptional items was a credit of £3m, all of which related to current year items.

Kingfisher paid €138m tax to the French tax authorities in the year ended 31 January 2004 as a consequence of the Kesa Electricals demerger and recorded this as an exceptional tax charge. Kingfisher appealed successfully against this tax liability and as a result received €169m from the French tax authorities in September 2009, representing a refund of the €138m and €31m of repayment settlement. The French tax authorities appealed this decision and the hearing took place in May 2011 with the Court of Appeal finding in Kingfisher's favour. The French tax authorities have appealed this decision to the final level of court although a date for this hearing has not yet been set. Therefore no income has yet been recognised relating to this receipt.

7 Earnings per share

	2011/12			2010/11		
	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	**640**	**2,331**	**27.5**	494	2,349	21.0
Dilutive share options		**44**	**(0.6)**		38	(0.3)
Diluted earnings per share	**640**	**2,375**	**26.9**	494	2,387	20.7
Basic earnings per share	**640**	**2,331**	**27.5**	494	2,349	21.0
Exceptional items	**12**		**0.5**	6		0.3
Tax on exceptional and prior year items	**(66)**		**(2.8)**	(14)		(0.6)
Financing fair value remeasurements	**(2)**		**(0.1)**	(7)		(0.3)
Tax on financing fair value remeasurements	**-**		**-**	2		0.1
Adjusted basic earnings per share	**584**	**2,331**	**25.1**	481	2,349	20.5
Diluted earnings per share	**640**	**2,375**	**26.9**	494	2,387	20.7
Exceptional items	**12**		**0.5**	6		0.3
Tax on exceptional and prior year items	**(66)**		**(2.7)**	(14)		(0.6)
Financing fair value remeasurements	**(2)**		**(0.1)**	(7)		(0.3)
Tax on financing fair value remeasurements	**-**		**-**	2		0.1
Adjusted diluted earnings per share	**584**	**2,375**	**24.6**	481	2,387	20.2

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

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

8 Dividends

£ millions	2011/12	2010/11
Dividends to equity shareholders of the Company		
Final dividend for the year ended 29 January 2011 of 5.145p per share (30 January 2010: 3.575p per share)	**121**	84
Interim dividend for the year ended 28 January 2012 of 2.47p per share (29 January 2011: 1.925p per share)	**57**	45
	178	129

The proposed final dividend for the year ended 28 January 2012 of 6.37p per share is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability.

9 Post employment benefits

£ millions	2011/12 UK	2011/12 Other	2011/12 Total	2010/11 UK	2010/11 Other	2010/11 Total
Deficit in scheme at beginning of year	**(21)**	**(37)**	**(58)**	(171)	(27)	(198)
Current service cost	**(24)**	**(5)**	**(29)**	(23)	(4)	(27)
Interest on defined benefit obligations	**(90)**	**(3)**	**(93)**	(90)	(2)	(92)
Expected return on pension scheme assets	**94**	**1**	**95**	84	1	85
Actuarial gains/(losses)	**18**	**2**	**20**	134	(6)	128
Contributions paid by employer	**48**	**1**	**49**	45	1	46
Exchange differences	**-**	**1**	**1**	-	-	-
Surplus/(deficit) in scheme at end of year	**25**	**(40)**	**(15)**	(21)	(37)	(58)

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 based on the yield on the iBoxx over 15 year AA-rated Sterling corporate bond index adjusted for the difference in term between iBoxx and scheme liabilities. The overall expected rate of return on scheme assets reflects market expectations at the valuation date of long term asset returns and the mix of assets in the schemes.

Annual % rate	2011/12 UK	2011/12 Other	2010/11 UK	2010/11 Other
Discount rate	**4.5**	**4.6**	5.6	4.4
Salary escalation	**3.8**	**2.0 to 6.7**	4.3	2.0 to 6.7
Rate of pension increases	**3.0**	**-**	3.5	-
Price inflation	**3.0**	**2.0**	3.5	2.0
Overall expected rate of return on assets	**4.5**	**3.5**	6.0	3.5

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 2007 to 2010. The assumptions for life expectancy of UK scheme members are as follows:

Years	2011/12	2010/11
Age to which current pensioners are expected to live (60 now)		
- Male	**86.4**	86.4
- Female	**87.1**	87.1
Age to which future pensioners are expected to live (60 in 15 years' time)		
- Male	**87.1**	87.1
- Female	**88.7**	88.7

The following sensitivity analysis for the UK scheme shows the estimated impact on obligations 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 £36m
Salary escalation	Increase/decrease by 0.1%	Increase/decrease by £3m
Rate of pension increases	Increase/decrease by 0.1%	Increase/decrease by £24m
Price inflation	Increase/decrease by 0.1%	Increase/decrease by £36m
Mortality	Increase in life expectancy by one year	Increase by £57m

10 Cash generated by operations

£ millions	2011/12	2010/11
Operating profit	**807**	698
Share of post-tax results of joint ventures and associates	**(32)**	(31)
Depreciation and amortisation	**237**	238
Impairment losses	**7**	14
Loss on disposal of property, plant and equipment, investment property and intangible assets	**7**	4
Share-based compensation	**32**	21
Increase in inventories	**(94)**	(238)
Increase in trade and other receivables	**(28)**	(10)
(Decrease)/increase in trade and other payables	**(65)**	107
Movement in provisions	**(24)**	(21)
Movement in post employment benefits	**(20)**	(19)
Cash generated by operations	**827**	763

11 Net debt

£ millions	2011/12	2010/11
Cash and cash equivalents	**587**	731
Bank overdrafts	**(102)**	(95)
Cash and cash equivalents and bank overdrafts	**485**	636
Bank loans	**(98)**	(104)
Medium Term Notes and other fixed term debt	**(478)**	(504)
Financing derivatives	**67**	56
Finance leases	**(64)**	(70)
Net (debt)/cash	**(88)**	14

£ millions	2011/12	2010/11
Net cash/(debt) at beginning of year	**14**	(250)
Net decrease in cash and cash equivalents and bank overdrafts	**(118)**	(490)
Repayment of bank loans	**10**	57
Repayment of Medium Term Notes and other fixed term debt	**30**	696
Payment/(receipt) on financing derivatives	**5**	(6)
Capital element of finance lease rental payments	**16**	12
Cash flow movement in net debt	**(57)**	269
Exchange differences and other non-cash movements	**(45)**	(5)
Net (debt)/cash at end of year	**(88)**	14