Consolidated income statement

For the financial year ended 2 February 2008

£ millions	Notes	2007/08 Before exceptional items	2007/08 Exceptional items (note 3)	2007/08 Total	2006/07 Before exceptional items	2006/07 Exceptional items (note 3)	2006/07 Total
Continuing operations:							
Revenue	2	**9,364**	**-**	**9,364**	8,676	-	8,676
Cost of sales		**(6,093)**	**-**	**(6,093)**	(5,624)	-	(5,624)
Gross profit		**3,271**	**-**	**3,271**	3,052	-	3,052
Selling and distribution expenses		**(2,390)**	**(35)**	**(2,425)**	(2,207)	-	(2,207)
Administrative expenses		**(469)**	**-**	**(469)**	(434)	-	(434)
Other income		**22**	**44**	**66**	24	49	73
Other expenses		**-**	**(5)**	**(5)**	-	-	-
Share of post-tax results of joint ventures and associates	2	**19**	**-**	**19**	17	-	17
Operating profit		**453**	**4**	**457**	452	49	501
Analysed as:							
Retail profit	2	**498**	**(1)**	**497**	504	49	553
Central costs		**(40)**	**5**	**(35)**	(39)	-	(39)
Share of interest and tax of joint ventures and associates		**(5)**	**-**	**(5)**	(13)	-	(13)
Finance income		**33**	**-**	**33**	25	-	25
Finance costs		**(95)**	**-**	**(95)**	(76)	-	(76)
Net finance costs	4	**(62)**	**-**	**(62)**	(51)	-	(51)
Profit before taxation		**391**	**4**	**395**	401	49	450
Income tax expense	5	**(125)**	**2**	**(123)**	(120)	8	(112)
Profit for the year		**266**	**6**	**272**	281	57	338
Attributable to:							
Equity shareholders of the Company				**274**			337
Minority interests				**(2)**			1
				272			338
Earnings per share	7						
Basic				**11.7p**			14.4p
Diluted				**11.7p**			14.4p
Adjusted basic				**11.3p**			11.9p
Adjusted diluted				**11.3p**			11.8p

The proposed final dividend for the financial year ended 2 February 2008, subject to approval by shareholders at the Annual General Meeting, is 3.4p per share.

Consolidated statement of recognised income and expense

For the financial year ended 2 February 2008

£ millions	Notes	2007/08	2006/07
Actuarial gains on post employment benefits		**47**	95
Currency translation differences			
Group		**206**	(60)
Joint ventures and associates		**26**	(12)
Losses transferred to income statement		**3**	-
Cash flow hedges			
Fair value losses		**(6)**	(9)
Losses transferred to inventories		**8**	3
Tax on items recognised directly in equity		**(19)**	(30)
Net income/(expense) recognised directly in equity		**265**	(13)
Profit for the year		**272**	338
Total recognised income for the year		**537**	325
Attributable to:			
Equity shareholders of the Company	9	**537**	324
Minority interests		**-**	1
		537	325

Consolidated balance sheet
As at 2 February 2008

£ millions	Notes	2007/08	2006/07
Non-current assets			
Goodwill		**2,532**	2,552
Other intangible assets		**85**	89
Property, plant and equipment		**3,698**	3,211
Investment property		**29**	29
Investments in joint ventures and associates		**204**	185
Post employment benefits	8	**110**	-
Deferred tax assets		**25**	30
Derivative financial instruments		**66**	29
Other receivables		**13**	18
		6,762	6,143
Current assets			
Inventories		**1,873**	1,531
Trade and other receivables		**533**	495
Current tax assets		**1**	15
Other investments		**11**	28
Derivative financial instruments		**5**	10
Cash and cash equivalents		**218**	395
		2,641	2,474
Total assets		**9,403**	8,617
Current liabilities			
Trade and other payables		**(2,238)**	(1,953)
Current tax liabilities		**(89)**	(87)
Derivative financial instruments		**(10)**	(5)
Borrowings		**(191)**	(242)
Provisions		**(47)**	(56)
		(2,575)	(2,343)
Non-current liabilities			
Other payables		**(32)**	(4)
Deferred tax liabilities		**(318)**	(263)
Derivative financial instruments		**(52)**	(46)
Borrowings		**(1,620)**	(1,432)
Provisions		**(49)**	(53)
Post employment benefits	8	**(33)**	(55)
		(2,104)	(1,853)
Total liabilities		**(4,679)**	(4,196)
Net assets		**4,724**	4,421
Equity			
Share capital		**371**	371
Share premium		**2,188**	2,185
Own shares held		**(66)**	(81)
Reserves	9	**2,220**	1,939
Minority interests		**11**	7
Total equity		**4,724**	4,421

The financial statements were approved by the Board of Directors on 26 March 2008 and signed on its behalf by:

Ian Cheshire
Group Chief Executive

Duncan Tatton-Brown
Group Finance Director

Consolidated cash flow statement
For the financial year ended 2 February 2008

£ millions	Notes	2007/08	2006/07
Net cash flows from operating activities	10	**465**	559
Cash flows from investing activities			
Purchase of minority interests		**(1)**	(2)
Purchase of intangible assets		**(29)**	(28)
Purchase of property, plant and equipment and investment property		**(499)**	(439)
Disposal of property, plant and equipment and investment property		**117**	251
Disposal of investment in joint venture		**50**	-
Net disposal/(purchase) of other investments		**21**	(29)
Dividends received from joint ventures and associates		**6**	5
Net cash flows from investing activities		**(335)**	(242)
Cash flows from financing activities			
Interest received		**23**	19
Interest paid		**(89)**	(71)
Interest element of finance lease rental payments		**(6)**	(6)
Net receipt on forward foreign exchange contracts		**6**	-
Net receipt/(repayment) of bank loans		**136**	(133)
Issue of Medium Term Notes and other fixed term debt		**-**	252
Capital element of finance lease rental payments		**(11)**	(12)
Issue of share capital to equity shareholders of the Company		**3**	11
Issue of share capital to minority interests		**3**	1
Disposal of own shares held		**2**	7
Dividends paid to equity shareholders of the Company		**(249)**	(248)
Dividends paid to minority interests		**(4)**	(2)
Net cash flows from financing activities		**(186)**	(182)
Net (decrease)/increase in cash and cash equivalents and bank overdrafts		**(56)**	135
Cash and cash equivalents and bank overdrafts at beginning of year		**245**	114
Exchange differences		**6**	(4)
Cash and cash equivalents and bank overdrafts at end of year	11	**195**	245

Notes to the financial information
For the financial year ended 2 February 2008

1. Basis of preparation

The financial information which comprises the consolidated income statement, consolidated statement of recognised income and expense, consolidated balance sheet, consolidated cash flow statement and related notes do not constitute the Group's Annual Report and Accounts. The auditors have reported on the Group's statutory accounts for each of the years 2007/08 and 2006/07 under section 235 of the Companies Act 1985, which do not contain statements under sections 237 (2) or (3) of the Companies Act 1985 and are unqualified. The statutory accounts for 2006/07 have been delivered to the Registrar of Companies and the statutory accounts for 2007/08 will be filed with the Registrar in due course. Copies of the Annual Report and Accounts will be posted to shareholders during the week beginning 28 April 2008.

The Group's financial reporting year ends on the nearest Saturday to 31 January each year. The current financial year is the 52 weeks ended 2 February 2008. The comparative financial year is the 53 weeks ended 3 February 2007. This only impacts the UK operations with all of the other operations reporting on a calendar basis as a result of local statutory requirements.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, IFRIC interpretations and those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the use of valuations for certain financial instruments, share-based payments and post employment benefits.

The principal accounting policies applied in the preparation of the consolidated financial statements are consistent with those set out in the statutory accounts for 2006/07.

Use of adjusted measures

Kingfisher believes that retail profit, adjusted pre-tax profit, adjusted post-tax profit and adjusted earnings per share provide additional useful information on underlying trends to shareholders. These measures are used by Kingfisher for internal performance analysis and incentive compensation arrangements for employees. The terms 'retail profit', 'exceptional items' and 'adjusted' are not defined terms under IFRS and may therefore not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to, GAAP measurements of profit. The term 'adjusted' refers to the relevant measure being reported excluding exceptional items, financing fair value remeasurements and amortisation of acquisition intangibles. Retail profit is defined as 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 will be included as exceptional items are:

- non-trading items included in operating profit such as profits and losses on the disposal or closure of subsidiaries, joint ventures, associates and investments which do not form part of the Group's trading activities;
- gains and losses on the disposal of properties; and
- the costs of significant restructuring and incremental acquisition integration costs.

2. Segmental analysis

Income statement

£ millions	United Kingdom	France	Poland	Rest of Europe	Asia	Total
	Year ended 2 February 2008					
External revenue	**4,395**	**3,224**	**703**	**570**	**472**	**9,364**
Retail profit	**153**	**237**	**87**	**35**	**(14)**	**498**
Exceptional items before central costs	**38**	**1**	**-**	**-**	**(40)**	**(1)**
Less: Share of operating profit of joint ventures and associates	**-**	**-**	**-**	**(20)**	**(4)**	**(24)**
Segment result before joint ventures and associates	**191**	**238**	**87**	**15**	**(58)**	**473**
Share of post-tax results of joint ventures and associates	**-**	**-**	**-**	**16**	**3**	**19**
Segment result	**191**	**238**	**87**	**31**	**(55)**	**492**
Central costs						**(35)**
Operating profit						**457**
Net finance costs						**(62)**
Profit before taxation						**395**
Income tax expense						**(123)**
Profit for the year						**272**

£ millions	United Kingdom	France	Poland	Rest of Europe	Asia	Total
	Year ended 3 February 2007					
External revenue	4,262	2,955	508	494	457	8,676
Retail profit	183	206	58	52	5	504
Exceptional items before central costs	50	(1)	-	-	-	49
Less: Share of operating profit of joint ventures and associates	-	(1)	-	(23)	(6)	(30)
Segment result before joint ventures and associates	233	204	58	29	(1)	523
Share of post-tax results of joint ventures and associates	-	-	-	13	4	17
Segment result	233	204	58	42	3	540
Central costs						(39)
Operating profit						501
Net finance costs						(51)
Profit before taxation						450
Income tax expense						(112)
Profit for the year						338

The Group's primary reporting segments are geographic, with the Group operating in four main geographical areas, being the UK, France, Rest of Europe and Asia. The Group only has one business segment, being retail, therefore no secondary segmental disclosure is given.

The 'Rest of Europe' segment consists of B&Q Ireland, Castorama Poland, Castorama Italy, Castorama Russia, Brico Dépôt Spain, Koçtaş and Hornbach. Poland has been shown separately as it meets the reportable segment criteria as prescribed by IAS 14 Segment Reporting. The 'Asia' segment consists of B&Q China, B&Q Taiwan, B&Q Home in South Korea and the Asia head office.

Central costs have not been allocated. These principally comprise the Head Office operations of Kingfisher plc.

3. Exceptional items

£ millions	2007/08	2006/07
Included within selling and distribution expenses		
Loss on closure of B&Q Home in South Korea and Asia head office	**(13)**	-
China restructuring	**(22)**	-
	(35)	-
Included within other income		
Profit on disposal of properties	**39**	49
Recovery of loan receivable previously written off	**5**	-
	44	49
Included within other expenses		
Gross profit on disposal of B&Q Taiwan joint venture before goodwill	**27**	-
Goodwill attributed to B&Q Taiwan joint venture	**(32)**	-
Net loss on disposal of B&Q Taiwan joint venture	**(5)**	-
Exceptional items	**4**	49

Closure costs of £13m have been expensed in relation to the closure of B&Q Home in South Korea and the Asia head office. A further £22m exceptional charge has been recognised as part of a restructuring project in B&Q China, comprising store impairment costs and onerous lease contracts.

The Group has recorded £39m exceptional profit on disposal of properties, which includes a £40m profit on the sale and leaseback of the Worksop Distribution Centre by B&Q UK. In the prior year, total profits recognised on the disposal of properties totalled £49m. The Group recognised £43m profit on disposal of properties on the sale and leaseback of seven large UK stores to The British Land Company.

The Group has recognised £5m income in relation to the repayment of a loan made to ProMarkt which had previously been written off as an exceptional item.

On 4 January 2008, the Group disposed of its 50% interest in B&Q Taiwan (B&Q International Co. Ltd) to its joint venture partner, Test Rite International Co. Ltd, for cash consideration of £50m. This resulted in a £27m profit before goodwill being recognised and a £5m loss after goodwill. The goodwill was allocated to B&Q Taiwan on the Group's acquisition of the minority interests of Castorama in 2002/03.

4. Net finance costs

£ millions	2007/08	2006/07
Cash and cash equivalents and current other investments	**21**	19
Expected net return on defined benefit pension schemes	**12**	6
Finance income	**33**	25
Bank overdrafts and bank loans	**(12)**	(7)
Medium Term Notes and other fixed term debt	**(79)**	(65)
Financing fair value remeasurements	**5**	4
Finance leases	**(6)**	(6)
Unwinding of discount on provisions	**(3)**	(2)
Finance costs	**(95)**	(76)
Net finance costs	**(62)**	(51)

5. Income tax expense

£ millions	2007/08	2006/07
UK corporation tax		
Current tax on profits for the year	**21**	36
Adjustments in respect of prior years	**(29)**	-
	(8)	36
Double taxation relief	**(1)**	(6)
	(9)	30
Overseas tax		
Current tax on profits for the year	**99**	80
Adjustments in respect of prior years	**-**	(2)
	99	78
Deferred tax		
Current year	**20**	13
Adjustments in respect of prior years	**22**	(9)
Adjustments in respect of changes in tax rates	**(9)**	-
	33	4
Income tax expense	**123**	112

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 32.0% (2006/07: 32.0%). A tax credit of £2m has been recognised in the income statement relating to exceptional items, of which £14m is charged against the current year tax charge in relation to the £4m net exceptional income, with the remaining £16m credit in respect of prior periods, relating to tax previously provided on exceptional items. The tax credit on exceptional items for the year ended 3 February 2007 was £8m, of which £3m related to adjustments in respect of prior years.

6. Dividends

£ millions	2007/08	2006/07
Dividends to equity shareholders of the Company		
Final dividend for the year ended 3 February 2007 of 6.8p per share (28 January 2006: 6.8p per share)	**159**	158
Interim dividend for the year ended 2 February 2008 of 3.85p per share (3 February 2007: 3.85p per share)	**90**	90
	249	248
Proposed final dividend for the year ended 2 February 2008 of 3.4p per share	**80**	

The proposed final dividend for the year ended 2 February 2008 is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

7. Earnings per share

	2007/08			2006/07		
	Earnings	Weighted average number of shares	Per share amount	Earnings	Weighted average number of shares	Per share amount
	£ millions	millions	pence	£ millions	millions	pence
Basic earnings per share	**274**	**2,342**	**11.7**	337	2,333	14.4
Effect of dilutive share options		**9**	**-**		11	-
Diluted earnings per share	**274**	**2,351**	**11.7**	337	2,344	14.4
Basic earnings per share	**274**	**2,342**	**11.7**	337	2,333	14.4
Effect of non-recurring costs						
Exceptional items	**(4)**		**(0.2)**	(49)		(2.1)
Tax on exceptional items	**(2)**		**(0.1)**	(8)		(0.3)
Financing fair value remeasurements	**(5)**		**(0.2)**	(4)		(0.2)
Tax on financing fair value remeasurements	**2**		**0.1**	1		0.1
Adjusted basic earnings per share	**265**	**2,342**	**11.3**	277	2,333	11.9
Diluted earnings per share	**274**	**2,351**	**11.7**	337	2,344	14.4
Effect of non-recurring costs						
Exceptional items	**(4)**		**(0.2)**	(49)		(2.2)
Tax on exceptional items	**(2)**		**(0.1)**	(8)		(0.3)
Financing fair value remeasurements	**(5)**		**(0.2)**	(4)		(0.2)
Tax on financing fair value remeasurements	**2**		**0.1**	1		0.1
Adjusted diluted earnings per share	**265**	**2,351**	**11.3**	277	2,344	11.8

Basic earnings per share is calculated by dividing the earnings attributable to ordinary equity shareholders of the Company by the weighted average number of ordinary 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 ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company’s shares during the year.

Adjusted earnings per share figures are also presented. These exclude the effects of exceptional items, financing fair value remeasurements and amortisation of acquisition intangibles, to allow comparison of underlying trading performance on a consistent basis.

8. Post employment benefits

Movements in the present value of defined benefit (obligations)/assets on the balance sheet are as follows:

£ millions	2007/08 UK	2007/08 Other	2007/08 Total	2006/07 UK	2006/07 Other	2006/07 Total
Deficit in scheme at beginning of year	**(28)**	**(27)**	**(55)**	(210)	(29)	(239)
Total service cost charged in the income statement	**(26)**	**(3)**	**(29)**	(35)	(5)	(40)
Interest cost	**(74)**	**(2)**	**(76)**	(66)	(1)	(67)
Expected return on pension scheme assets	**88**	**-**	**88**	73	-	73
Actuarial gains/(losses)	**49**	**(2)**	**47**	92	3	95
Contributions paid	**101**	**2**	**103**	118	4	122
Settlements and curtailments	**-**	**1**	**1**	-	-	-
Exchange differences	**-**	**(2)**	**(2)**	-	1	1
Surplus/(deficit) in scheme at end of year	**110**	**(33)**	**77**	(28)	(27)	(55)

The assumptions used in calculating the costs and obligations of the Group's defined benefit pension plans, as shown in the tables below, are set by the Directors after consultation with independent professionally qualified actuaries.

Annual % rate	2007/08 UK	2007/08 Other	2006/07 UK	2006/07 Other
Discount rate	**6.2**	**5.3 to 5.5**	5.3	4.6 to 5.5
Salary escalation	**4.1**	**2.0 to 6.6**	4.5	3.5 to 6.7
Rate of pension increases	**3.3**	**-**	2.9	-
Price inflation	**3.3**	**2.0 to 2.5**	2.9	2.0 to 2.5

% rate of return	2007/08 UK	2007/08 Other	2006/07 UK	2006/07 Other
Equities	**8.1**	**-**	7.8	-
Bonds	**5.3**	**-**	4.9	4.5
Property	**6.7**	**-**	6.3	-
Other	**4.3**	**4.0**	3.9	4.0
Overall expected rate of return	**6.8**	**4.0**	6.5	4.0

The UK discount rate is based on the yield on the iBoxx over 15-year AA-rated Sterling corporate bond index. The overall expected rate of return on plan assets reflects market expectations at the valuation date of long-term asset returns and the mix of assets in the plans.

	2007/08	2006/07
Age to which current pensioners are expected to live (60 now)		
- Male	**87.2**	85.1
- Female	**85.9**	86.3
Age to which future pensioners are expected to live (60 in 15 years time)		
- Male	**88.8**	86.2
- Female	**87.1**	87.5

The mortality assumptions used in the actuarial valuations of the Group's UK defined benefit pension liabilities have been selected with regard to the characteristics and experience of the membership of the plan from 2004 to 2007.

The following table analyses, for the UK Plan, the estimated impact on plan obligations resulting from changes to key actuarial assumptions, whilst holding all other assumptions constant.

Assumption	Change in assumption	Impact on UK plan liabilities
Discount rate	Increase/decrease by 0.1%	Decrease/increase by £24m
Salary escalation	Increase/decrease by 0.1%	Increase/decrease by £3m
Rate of pension increases	Increase/decrease by 0.1%	Increase/decrease by £14m
Price inflation	Increase/decrease by 0.1%	Increase/decrease by £24m
Mortality	Increase in life expectancy by one year	Increase by £40m

9. Reserves

£ millions	Cash flow hedge reserve	Translation reserve	Other reserves	Retained earnings	Total
At 4 February 2007	**(3)**	**20**	**159**	**1,763**	**1,939**
Actuarial gains on post employment benefits	**-**	**-**	**-**	**47**	**47**
Currency translation differences – Group	**-**	**204**	**-**	**-**	**204**
Currency translation differences – joint ventures and associates	**-**	**26**	**-**	**-**	**26**
Currency translation differences – losses transferred to income statement	**-**	**3**	**-**	**-**	**3**
Cash flow hedges – fair value losses	**(6)**	**-**	**-**	**-**	**(6)**
Cash flow hedges – losses transferred to inventories	**8**	**-**	**-**	**-**	**8**
Tax on items recognised directly in equity	**(1)**	**(5)**	**-**	**(13)**	**(19)**
Net income recognised directly in equity	**1**	**228**	**-**	**34**	**263**
Profit for the year	**-**	**-**	**-**	**274**	**274**
Total recognised income for the year	**1**	**228**	**-**	**308**	**537**
Share-based compensation charge	**-**	**-**	**-**	**6**	**6**
Own shares disposed	**-**	**-**	**-**	**(13)**	**(13)**
Dividends	**-**	**-**	**-**	**(249)**	**(249)**
At 2 February 2008	**(2)**	**248**	**159**	**1,815**	**2,220**
At 29 January 2006	1	92	159	1,609	1,861
Actuarial gains on post employment benefits	-	-	-	95	95
Currency translation differences – Group	-	(60)	-	-	(60)
Currency translation differences – joint ventures and associates	-	(12)	-	-	(12)
Cash flow hedges – fair value losses	(9)	-	-	-	(9)
Cash flow hedges – losses transferred to inventories	3	-	-	-	3
Tax on items recognised directly in equity	2	-	-	(32)	(30)
Net (expense)/income recognised directly in equity	(4)	(72)	-	63	(13)
Profit for the year	-	-	-	337	337
Total recognised (expense)/income for the year	(4)	(72)	-	400	324
Share-based compensation charge	-	-	-	9	9
Own shares disposed	-	-	-	(7)	(7)
Dividends	-	-	-	(248)	(248)
At 3 February 2007	(3)	20	159	1,763	1,939

10. Cash flows from operating activities

£ millions	2007/08	2006/07
Operating profit	**457**	501
Share of post-tax results of joint ventures and associates	**(19)**	(17)
Amortisation and depreciation	**234**	207
Impairment losses	**19**	1
Loss on disposal of intangible assets	**-**	6
Profit on disposal of property, plant and equipment and investment property	**(29)**	(44)
Loss on disposal of investment in joint venture	**5**	-
Share-based compensation charge	**6**	9
Increase in inventories	**(215)**	(215)
Decrease in trade and other receivables	**6**	44
Increase in trade and other payables	**173**	295
(Increase)/decrease in working capital	**(36)**	124
Decrease in provisions	**(16)**	(48)
Decrease in post employment benefits	**(75)**	(82)
Cash generated by operations	**546**	657
Income tax paid	**(81)**	(98)
Net cash flows from operating activities	**465**	559

11. Net debt

£ millions	2007/08	2006/07
Cash and cash equivalents	**218**	395
Bank overdrafts	**(23)**	(150)
Cash and cash equivalents and bank overdrafts	**195**	245
Current other investments	**11**	28
Bank loans	**(283)**	(146)
Medium Term Notes and other fixed term debt	**(1,436)**	(1,307)
Interest rate and cross currency swaps (excluding accrued interest)	**23**	(44)
Finance leases	**(69)**	(70)
Net debt	**(1,559)**	(1,294)

£ millions	2007/08	2006/07
Net debt at beginning of year	**(1,294)**	(1,355)
Net (decrease)/increase in cash and cash equivalents and bank overdrafts	**(56)**	135
Net (disposal)/purchase of other investments	**(21)**	29
Net (receipt)/repayment of bank loans	**(136)**	133
Issue of Medium Term Notes and other fixed term debt	**-**	(252)
Capital element of finance lease rental payments	**11**	12
Exchange differences and other non-cash movements	**(63)**	4
Net debt at end of year	**(1,559)**	(1,294)