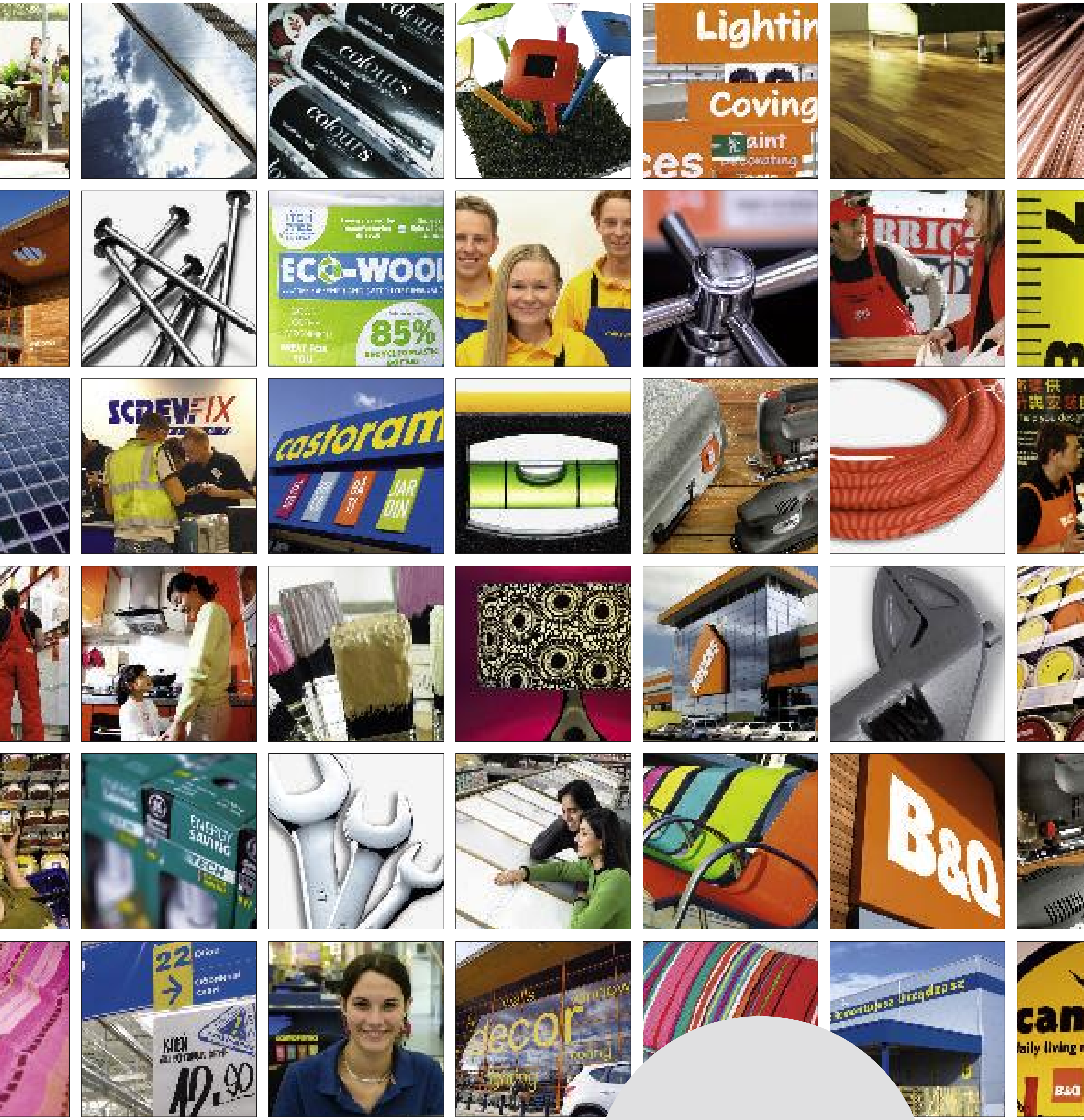
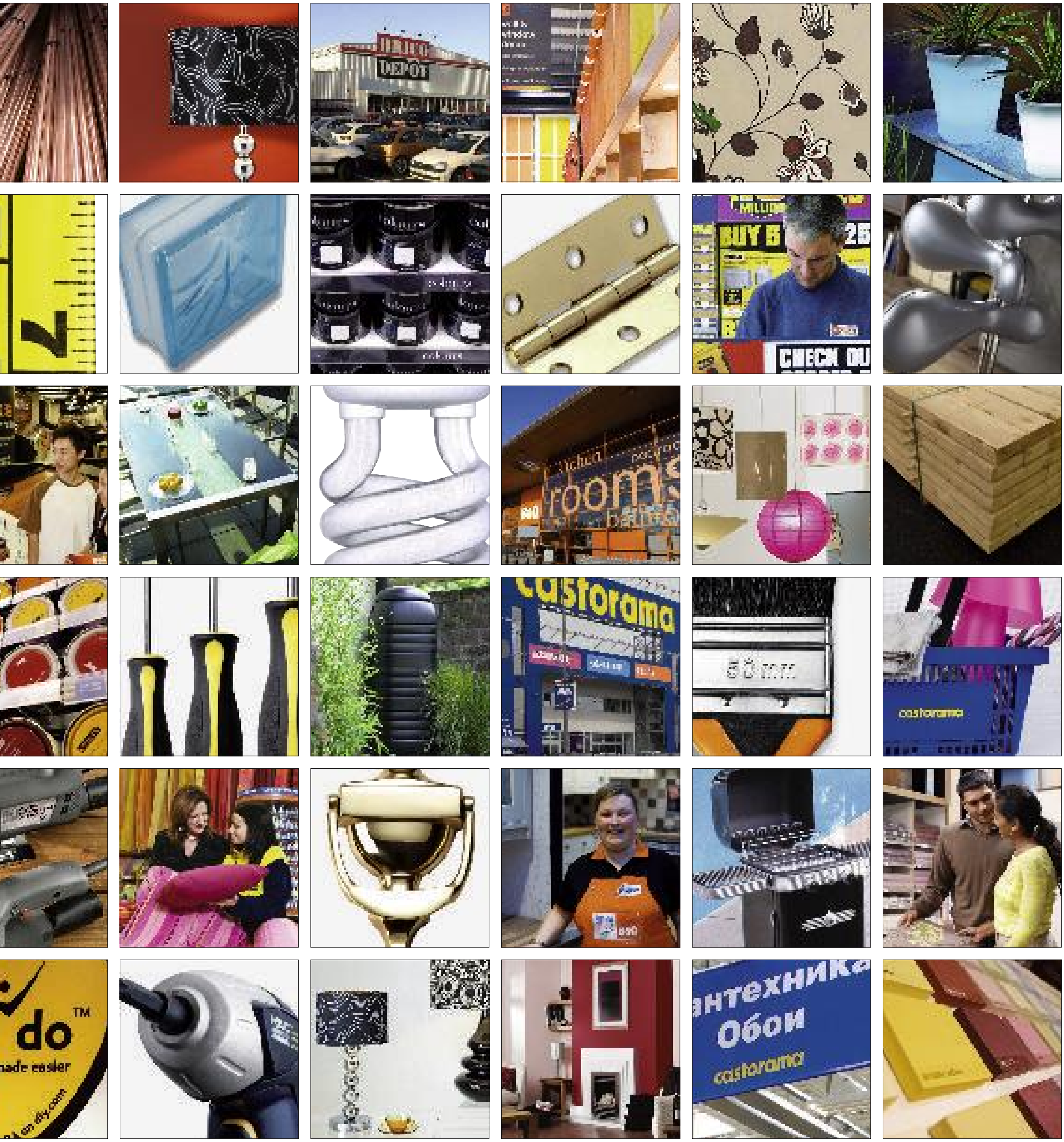


KINGFISHER

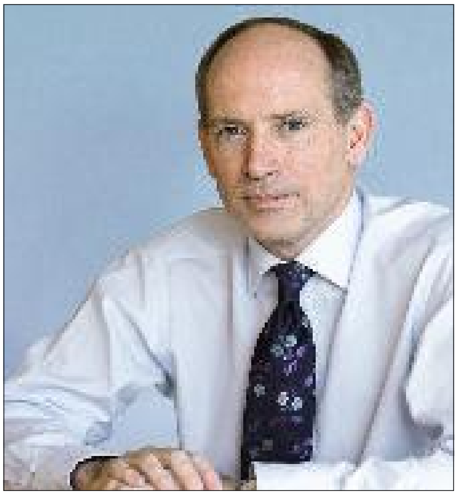
ANNUAL REPORT
AND ACCOUNTS 2007/08



Inside:

Our aims

Our aim is to deliver a step-change in value by focusing on three key priorities:



Management
A new senior team, working within a new management structure, will have collective responsibility for overall Group delivery of results as well as key existing cross-Group activities.

Capital
Investment will be reprioritised, targeting higher hurdle rates and faster payback periods. A key target is to stabilise debt at current levels, prior to reducing it in due course. A target of flat net debt has been set for the current year.

Cash returns
Greater focus will be placed on generating higher cash returns from the retail businesses. Stretching targets for sales growth, margin improvement and cost reduction will be drawn up.

Ian Cheshire
Group Chief Executive
Kingfisher plc

For further details, see the Group Chief Executive's statement on pages 6 and 7

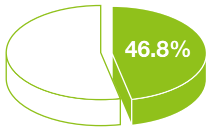
Kingfisher plc is the leading home improvement retail group in Europe and Asia and the third largest in the world.

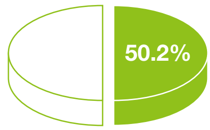
Kingfisher operates 780 stores in nine countries in Europe and Asia, with leading market positions in the UK, France, Poland, Italy, Turkey and China, as well as developing businesses in another three countries.

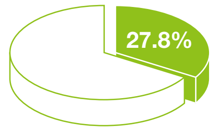
Kingfisher at a glance

UK

Contribution to Group sales total and %	Gross capital expenditure	Property (at market value) % by geography
46.8%	50.2%	27.8%
£4.4bn	£271m*	£1.0bn

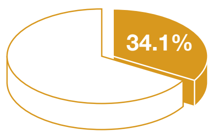


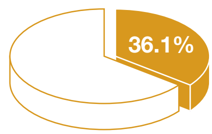




France

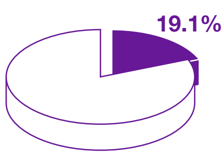
Contribution to Group sales total and %	Gross capital expenditure	Property (at market value) % by geography
34.1%	23.1%	36.1%
£3.2bn	£125m	£1.3bn

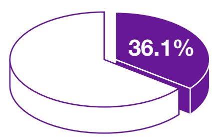




Other International

Contribution to Group sales total and %	Gross capital expenditure	Property (at market value) % by geography
19.1%	26.7%	36.1%
£1.8bn**	£144m	£1.3bn





Total	Contribution to Group sales	Gross capital expenditure	Property (at market value)
Total	£9.4bn	£540m	£3.6bn

* Includes Corporate Centre capital allocation
**JV sales not consolidated

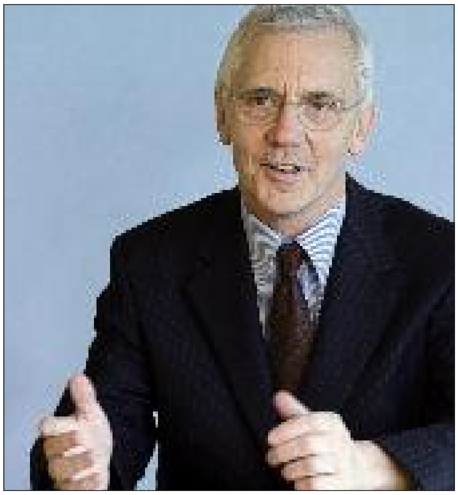
Country > See page 08	Market size £bn	Market position	Brands	Stores	Selling space (000s sq m)	Employees* (full-time equivalent)
UK	27	1	B&Q	323	2,368	26,427
			SCREWFIX	93	8	2,408
				6	19	195

Country > See page 12	Market size £bn	Market position	Brands	Stores	Selling space (000s sq m)	Employees* (full-time equivalent)
France	31	1	castorama	98	972	12,022
			BRICO DEPOT	89	476	6,001

Country > See page 16	Market size £bn	Market position	Brands	Stores	Selling space (000s sq m)	Employees* (full-time equivalent)
Poland	5.4	1	castorama	40	326	7,365
			BRICO DEPOT	2	8	155
Italy	9	2	castorama	28	175	2,114
Turkey	5	1		15	78	1,637
Ireland	0.9	–	B&Q	8	51	590
Spain	3.4	3	BRICO DEPOT	11	60	684
Russia	10	3	castorama	5	44	1,282
China	29	1	B&Q	62	585	10,358
				780	**5,170**	**71,238**

HORNBACH **Strategic alliance.** A 21% interest in Hornbach, which operates over 120 stores in Germany and eight other European countries

Chairman's statement



The last financial year has been a challenging one for Kingfisher and for its shareholders who have seen a significant reduction in the company's share price. Much of this has been a result of stock market volatility, which was caused by uncertainty in the global financial markets. During the year, investor sentiment moved against UK-based retailers, particularly those selling 'bigger ticket' items such as home improvement, as concerns about consumer credit availability grew.

Whilst stock market sentiment will always ebb and flow, our job inside the company is to keep focused on moving the business forward aggressively but responsibly in order to optimise shareholders' interests in the medium and long-term, as well as the short-term. Our model, which gives us exposure to opportunities in a range of markets, many in fast growing economies, should enable us to grow at rates which are notably higher than companies who are solely based in a single developed market. However, for the model to work most effectively, each of the units needs to perform and a close eye needs to be kept on the balance sheet.

Against this background it was good to see a range of excellent performances by a number of our companies during this last year. Examples include Castorama in Poland, which had a very successful year, as did its namesake in France. Koçtaş, our Turkish joint venture, delivered very strong results and our new business in Russia made an extremely encouraging start. There are, however, areas where we need to see improvement, including our business in China, where the performance is being addressed.

Overall, total Group sales rose 8% to £9.4 billion in the year, with adjusted pre-tax profit down 2.8% to £386 million, largely due to a difficult UK market.

In the UK, B&Q made major changes to its business, not only refreshing much of its ranges with new products, but revamping around 5.5 million square feet of its store space. This has been a demanding task which has been carried out well at a difficult stage in the business cycle. These changes are delivering good results, it was the right thing to do, and I am sure it will ensure B&Q is ready to take full advantage when the market improves.

Key Group strategic performance indicators

01. B&Q UK store space revamped (in year)

20% — **2007/08**

11% — 2006/07

02. Castorama France store space revamped (in year)

7% — **2007/08**

6% — 2006/07

Kingfisher has good brands, exceptional international and national store footprints, and excellent people. These now need to be pulled together to deliver the necessary returns on our investments and sustainable profit growth which will filter through into improved benefits for our shareholders.

At the end of the financial year, Ian Cheshire took over from Gerry Murphy as Kingfisher's Chief Executive. Gerry played a major part in developing the business, particularly from an international perspective, but now Ian has the responsibility of really delivering the Group's potential. I am very confident that he is the man for the job.

The spread of our Group means that there are many opportunities to invest. I am pleased to see that one of Ian's first priorities following his appointment was to tighten up our controls over capital spend and to limit the overall amounts. However, if we are to move the business forward we do have to make finance available for considered investment, whilst taking steps to ensure that our balance sheet is prudently protected.

With this in mind and recognising the external economic environment, the Board has decided to reduce the final dividend by fifty percent and would expect to apply a similar cut to the forthcoming interim dividend. This would have the effect of rebasing the dividend to a level more prudently covered by current earnings from which it could grow consistent with the performance and capital needs of the Group. The Board is recommending a final dividend of 3.4p, making a total dividend for the year of 7.25p.

As I said at the beginning, this has been a difficult year for our investors but within the business there have been many major successes. This has been due to a combination of talent and hard work on the part of our 85,000 staff across the world. I would like to thank them for their enthusiasm and professionalism and wish them all the very best for the coming year.

Peter Jackson
Chairman

Group financial performance indicators

	2007/08[1]	2006/07	Reported change	Constant currency change (52 weeks)
Retail sales	**£9,364m**	£8,676m	+7.9%	+8.0%
Retail profit[2]	**£498m**	£504m	(1.2)%	(2.7)%
Adjusted pre-tax profit[3]	**£386m**	£397m	(2.8)%	
Adjusted post-tax profit[3]	**£265m**	£277m	(4.3)%	
Adjusted basic EPS[3]	**11.3p**	11.9p	(5.0)%	
Pre-tax profit	**£395m**	£450m	(12.2)%	
Post-tax profit[4]	**£274m**	£337m	(18.7)%	
Basic EPS	**11.7p**	14.4p	(18.8)%	
Full year dividend	**7.25p**	10.65p	(31.9)%	
Like-for-like sales growth	**+2.6%**	+0.9%	–	
Net debt	**£1,559m**	£1,294m	–	

01 For the UK businesses, reported results are for the 52 weeks ended 2 February 2008 (2006/07: 53 weeks ended 3 February 2007). Outside the UK, results are reported on a calendar month basis. Joint venture (JV) and Associate sales are not consolidated.

02 Retail profit is stated before central costs, exceptional items, acquisition intangibles amortisation and share of joint venture and Associate interest and tax.

03 Adjusted measures are before exceptional items, financing fair value remeasurements and acquisition intangibles amortisation. A reconciliation to statutory amounts is set out in the Financial Review.

04 Profit for the period attributable to equity shareholders.

03. Direct sourcing

$821m (**2007/08**) $702m (2006/07)

04. Net new stores opened*

85 (**2007/08**) 64 (2006/07)

* excluding discontinued operations

05. Countries of operation

9 (**2007/08**) 11 (2006/07)

06. Corporate responsibility

2007/08 2006/07

Refer to pages 24 and 25

Chief Executive's statement

Ian Cheshire, Group Chief Executive, at the Brico Dépôt store in Melun, near Paris.

Our aim is to deliver a step-change in value by focusing on three key priorities

I am delighted to be leading Kingfisher at this important time in our development. We have a great opportunity to unlock the full potential of our strong assets. By changing how the Group as a whole is managed, tightening our use of capital and driving out higher cash returns from our businesses we intend to deliver a step-change in value for our shareholders.

Home improvement is an attractive segment of retail, benefiting from natural long-term demand characteristics fuelled by demand for more new housing and more frequent home renewal. The market also benefits from many products being common across international markets, giving rise to global sourcing and economies of scale.

Within this market Kingfisher is alone in having such a large and geographically diversified business. However, delivering more shareholder value from this strong strategic position will require changes in three key areas.

Management

A new senior team, working within a new management structure, will have collective responsibility for overall Group delivery of results as well as key existing cross-Group activities.

Historically, Kingfisher has followed a decentralised management approach, with our retail businesses largely operating independently but participating in Group-wide programmes for local advantage. This approach has successfully resulted in the businesses being well adapted to local customers, but it has yet to deliver the Group's full potential.

Going forward, the retail businesses will retain responsibility for best serving their local customers but a new senior team, working within a new management structure, will have collective responsibility for overall Group delivery of results as well as key existing cross-Group activities; global sourcing, own-brand development, common purchasing, IT, property and global talent management.

Accordingly, three new geographic divisions have now been established; UK, France and Other International. Three new management roles have been created with overall responsibility for all businesses in each geographic division, and good progress has been made in identifying these executives. Philippe Tible, CEO of Castorama France, has been appointed to lead the French division and an announcement about the UK will be made shortly.

These three roles will make up the core of the new Retail Board with cross-Group powers and incentives. Internal management information has been simplified and more rigorous internal reporting – business performance monitoring and challenge processes – are being introduced. The Group Chief Executive will regularly attend Board meetings of the UK, French and Polish businesses.

Capital

Investment will be reprioritised, targeting higher hurdle rates and faster payback periods. A key target is to stabilise debt at current levels, prior to reducing it in due course. A target of flat net debt has been set for the current year.

Capital invested to support Kingfisher's domestic and international development has been significant to date, building strong retail and sourcing operations across the world and there continue to be new investment opportunities which offer good returns. However, debt has expanded in recent years and, with the global economic cycle now tightening, stabilising debt at current levels, prior to reducing it in due course is now a priority. Accordingly, we have set a target of constant currency flat net debt for the current year.

Consistent with this, existing capital deployed across the Group will be reviewed and new capital investment will continue, albeit at a slower rate. Annual capital investment will be around £400 million, reprioritised to the highest and fastest-returning projects. Higher hurdle rates have already been introduced with immediate effect, driving quicker achievement of attractive returns.

Cash returns

Greater focus will be placed on generating higher cash returns from the retail businesses. Stretching targets for sales growth, margin improvement and cost reduction will be drawn up.

Having invested significantly in the worldwide retail and sourcing operations, greater focus will now be placed on generating higher cash returns from the retail businesses. Operational improvements will be achieved through a greater customer focus and drive for operating cost efficiencies.

Over the next three months the new management team will draw up new three-year operating plans with clear, stretching, but achievable, sales growth, margin improvement and cost reduction targets. Greater emphasis will also be placed on optimising working capital. Accordingly, we will align management incentives to the delivery of these plans, which will drive a step-change in shareholder value.

No business can fully shield itself from economic cycles and given the current state of the financial markets, most commentators are expecting the short-term outlook to worsen before it improves. Against this background, our priorities remain on improving cash margin and controlling costs. I remain confident that Kingfisher has a bright future with a strong position in an attractive retail sector, and with geographic diversification in developed and developing markets.

Ian Cheshire
Group Chief Executive

Operating review UK

Revamp programme gathers pace

The UK home improvement market* grew over the first half of the year, before weakening over the second half, as concerns over higher personal debt, less debt availability and falling house prices began to weigh on the consumer. For the full year, the market grew by around 3%, following falls of 0.5% last year and 4% in 2005/06.

Kingfisher's businesses outperformed the market by delivering sales growth of 5.1%, despite disruption from B&Q's biggest year of change in its history.

B&Q's total reported **sales** were £3.9 billion, up 2.7% (52 weeks). For the first time in three years, despite operating in a challenging market and with difficult summer weather patterns, like-for-like sales were up, by 0.6%. Total sales grew 4.8% over the first half but only 0.5% in the second half (26 weeks), reflecting a tougher retail environment. However, good sales growth from revamped large stores and new ranges helped offset disruption from the ongoing renewal activity.

Retail profit was £131 million (2006/07: £163 million), after £29 million net revenue costs of the renewal programme (£14 million revamping larger stores and £15 million range review clearance activity). Underlying retail profit was broadly maintained. The underlying gross margin rate, before range review clearance activity, was slightly up compared to last year, reflecting less promotional activity and a favourable sales mix towards new, higher margin products.

Total costs grew 4% (52 weeks) with underlying cost inflation of 2%, net new space growth of 2% and the additional costs of store revamping offset by cost savings.

Renewal programme update

B&Q aims to grow its share of home improvement expenditure by strengthening its appeal to both the Do-it-Yourself (DIY) and Do-it-For-Me (DFM) customer. During 2007/08, B&Q underwent the biggest year of change in its history, which included updating product ranges, improving its store environments and introducing more services, to ensure B&Q is the first and only store for a greater proportion of customers' home improvement spend.

New product ranges

B&Q updated 60% of its overall product ranges during the year, supported by a major new advertising campaign. Updated ranges of wall and window coverings, lighting, soft furnishings and kitchens sold particularly well, as have bedroom, plumbing and flooring ranges which have been updated more recently. A better underlying performance is expected from these changes in 2008/09.

Customer service

Customer service requirements are typically the highest when shopping for room make-over decorative items and major home improvement projects. Good advice, online and in-store, coupled with fast and efficient delivery and installation, are key to good customer service.

During the first half of the year, 800 in-store decorative advisers received practical decorating skills training, to enable them to advise customers on how to style rooms. This initiative has been well received and will be extended to laying flooring, tiling and the basics of plastering and fitting kitchens and bathrooms.

* Market data from GfK for the leading retailers of home improvement products and services

01 Revamped displays
A key development during the year was the progress of the large store revamp programme. These stores are lighter, brighter and feature more clearly defined shop-within-shop sections, more room-set displays and more space allocated to kitchens, bathrooms, flooring and tiling areas. The store revamp in Farnborough, Hampshire (pictured right), was completed in February. B&Q revamped around 5.5 million square feet of store space across the year and now has over half its store space in a modern format. In total, 38 of the 117 large stores are in the modern format, with 27 completed in the year. The programme remains on track for completion in 2011.

Operating review UK

Following a major overhaul of B&Q's installation and home delivery services, the time from order to delivery and installation of kitchens and bathrooms has been reduced by five weeks on average.

Also, the B&Q website (www.diy.com) has been revamped, with customers now able to use new free room design and bathroom planner software, view more than 35,000 products online and check availability in their local store. In addition, 6,500 products continue to be available for home delivery.

Store development

Having revamped around 5.5 million square feet of store space across the year, B&Q now has over half its store space in a modern format. Twenty seven large store revamps, which encompass more clearly defined shop-within-shop sections, room-set displays and more space allocated to kitchens, bathrooms, flooring and tiling areas were completed. This programme remains on track for completion by 2011.

The 11 large new format stores which have been open for more than one year have delivered targeted average sales densities of over £200 per square foot, 25% higher than comparable sized, older format stores.

The higher sales productivity results from customers spending more in the expanded kitchen, bathroom and associated project areas. In aggregate, the revamps, which on average have only 24 weeks' trading data, have delivered sales uplifts of 13% higher than a 'control group'. However, measurement of this relative uplift excludes the benefits of updated product ranges, which are now substantially available in all stores, including the 'control group' stores.

B&Q now has 117 large stores (38 in the latest format) and 206 medium stores (of which 151 have been modernised). Overall net space increased 2% during the year.

UK Trade

Screwfix total sales grew 28.0% (52 weeks), driven by the continued roll-out of the trade counters, which provide customers with immediate product availability and a bigger catalogue. An additional 55 outlets opened during the year, taking the total to 93. Trade counters now represent almost 40% of total sales. To support this continued growth, a second distribution centre was successfully commissioned during the year in Stafford.

Retail profit increased 6.4%, driven by the strong sales growth and fulfilment efficiency gains, offset by start-up costs for the second distribution centre and an accelerated trade counter opening programme. Excluding the impact from these initiatives, retail profit would have been up around 14%.

Trade Depot, which targets the general builder and specialist trade customer, opened two more branches during the year taking the total trading to six. Underlying trading remains encouraging.

As part of the new management structure, an integrated review of the optimal UK trade strategy across our various brands will be conducted.

One Planet Living at B&Q

ONE PLANET LIVING

In January, B&Q unveiled a series of initiatives to help it and millions of British home owners to reduce their environmental impact. B&Q signed a three-year partnership with BioRegional to move towards being a One Planet Living business. As the world's population grows there simply aren't enough resources available on the planet to meet potential demand. One Planet Living aims to maximise the use of sustainable materials and their transport whilst minimising carbon usage and waste.

B&Q is working with BioRegional to develop two sustainability action plans: one for B&Q's own operations, and one to help its customers achieve One Planet Living in their homes and gardens. As part of this, B&Q aims to develop a substantial One Planet Living product range in store. This includes low energy lightbulbs and eco-wool loft lagging, winner of the Retail Week Product Innovation of the Year award for 2008.

As part of this initiative, B&Q also announced its decision to phase out patio heaters.

01 Monsoon Yasuko ceramic table lamp, £99

02 New Colours Collection paints, £14.98 per 2.5 ltr

03 New Organic Living ranges of herbs and plants

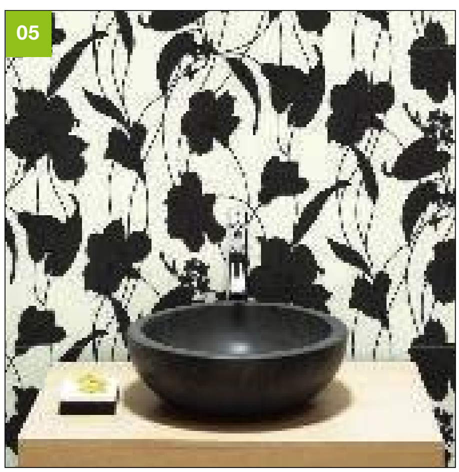
Screwfix – a multi-channel success story

Screwfix is a true multi-channel retailer. With its catalogue, internet and trade counter network giving customers three ways to buy, the business has grown to become the UK's largest direct and online supplier of trade tools, accessories and hardware products. Every week, Screwfix despatches around 80,000 parcels for next day and weekend delivery to tradesmen, handymen and serious DIY enthusiasts all over the country.

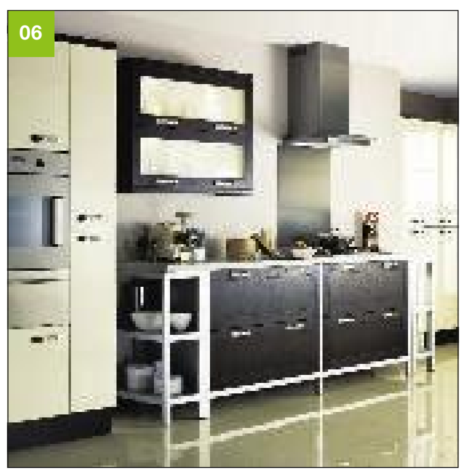
In the past year the number of products offered by Screwfix has grown by 20% to more than 18,000. The catalogue grew by 14% to over 1,100 pages. The online presence is also growing, with internet orders accounting for 30% of the total. And in the past three years Screwfix has added a nationwide network of trade counters, with over 10,000 items in stock for immediate collection. By the year end there were 93 trade counters in the UK, with the 100th opening at the end of February, in Epsom, Surrey.

Screwfix recently added a second national distribution centre to serve its growing trade counter estate.

04 Carbonised solid bamboo wood flooring, £22.98 per sq/m



05 Moisture-resistant B&Q Designer Marylou wallpaper, £12.98 per roll



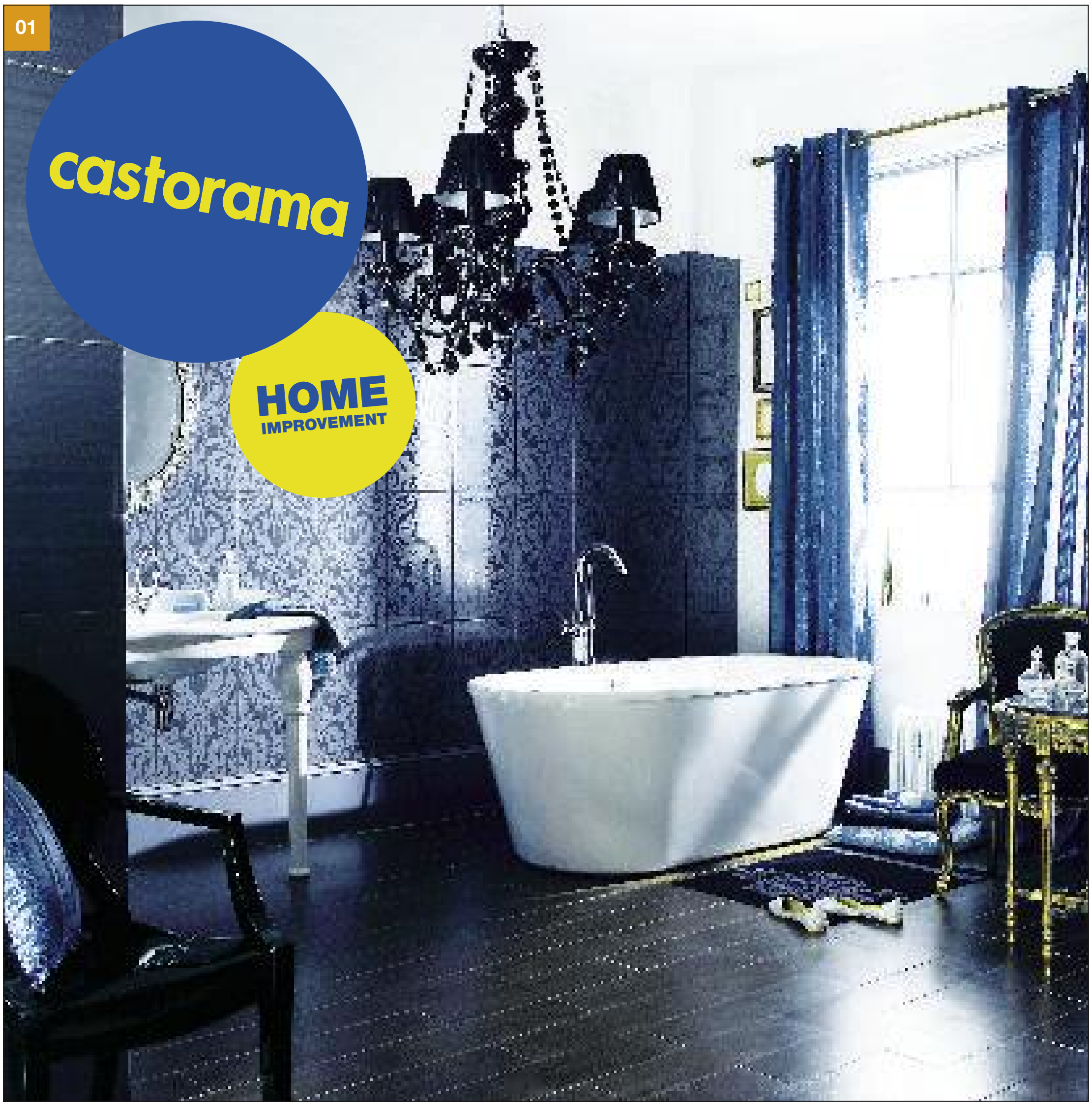
06 Gloss Cream Slab and Chocolate Oak Shaker Kitchen produced from timber certified to FSC standards

* Prices correct as at 26 March 2008

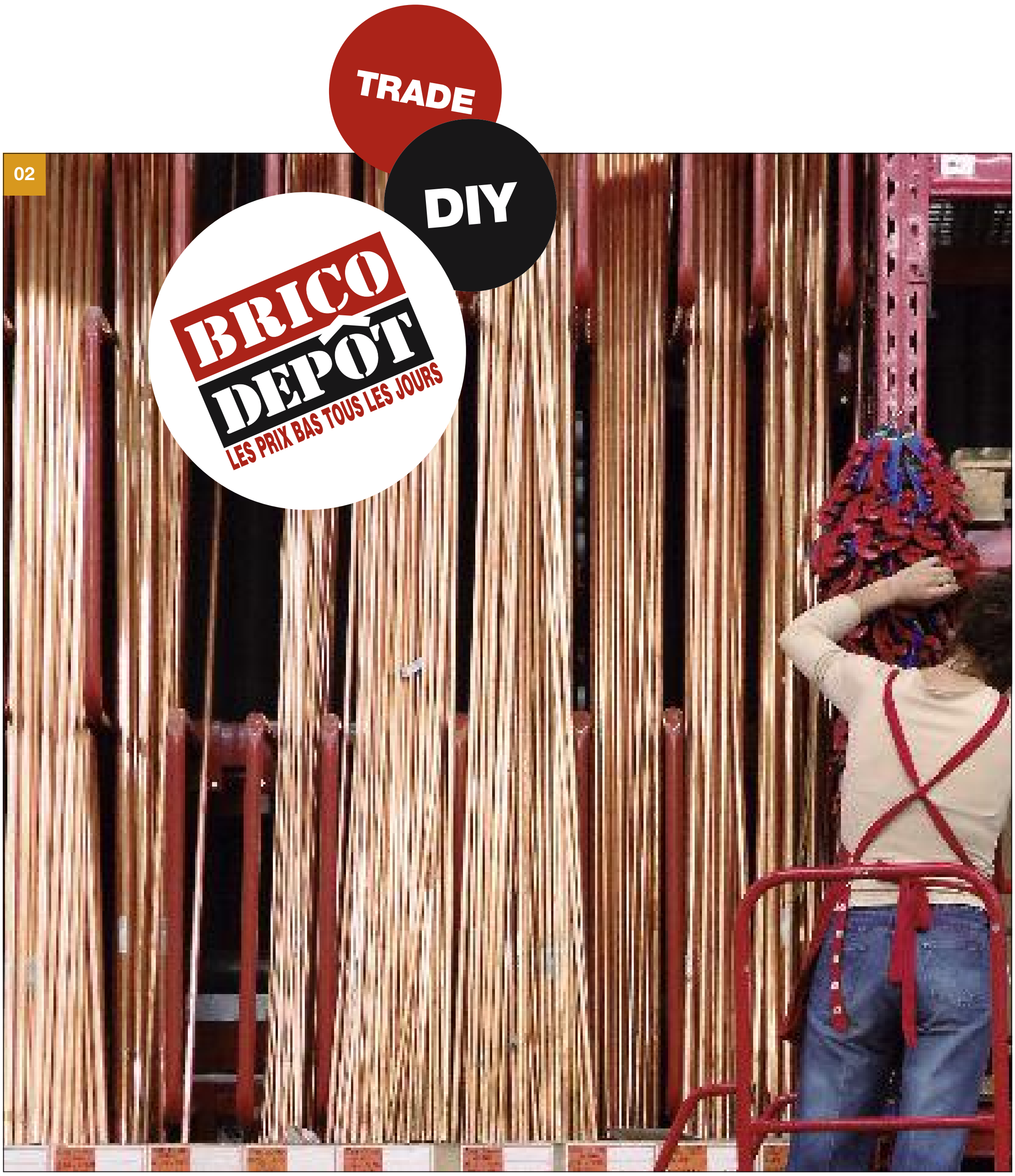
Operating review **France**

Two complementary businesses

Kingfisher is the market leader in France with its two complementary store formats, Castorama and Brico Dépôt. Kingfisher's total sales in France grew 7.2% in the year with retail profit up 13.2%.



01 Castorama
Castorama's stores are aimed at the mainstream consumer. They stock a wide range of up to 50,000 home improvement products, enabling customers to complete a full project, including 'finishing touches', such as lighting and soft furnishings. New bathroom ranges performed well during the year across four 'style houses'; 'Contemporary', 'Technicolour', 'Charme' (pictured) and 'Authentique'.



02 Brico Dépôt
Brico Dépôt is aimed at the heavy DIY-er or trade professional. Its stores offer a range of around 13,000 construction, renovation and DIY products, stocked in large volumes and sold at 'everyday low prices'.

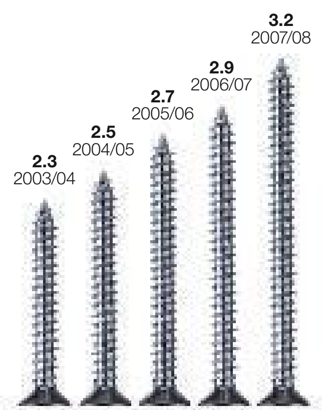
Operating review **France**

In France, Kingfisher's total sales grew 7.2% (LFL +2.6%). Eight new stores were opened in the year and six were revamped, adding around 4% new space. Banque de France data shows that growth in comparable DIY store sales* was 3.0% for the full year. Kingfisher's businesses outperformed the market by delivering comparable stores sales growth of 3.7% (on the same basis as Banque de France), despite disruption from store revamps.

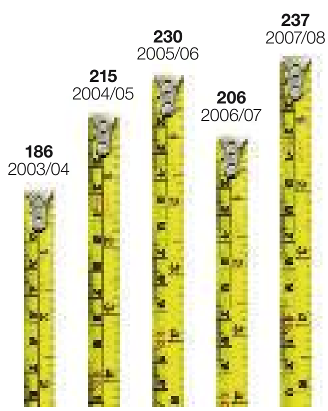
Retail profit grew 13.2% to £237 million with both businesses delivering good profit growth. Gross margins were up 90 basis points due to higher own-brand sales penetration, a 25% increase in direct sourcing and an improved sales mix across both businesses. With a high level of freehold stores and strong cost control, Kingfisher's net cost inflation in France continues to run at around 2%. This is expected to increase to around 3% for 2008/09.

Brico Dépôt total reported sales increased 11.1% to £1.5 billion. LFL sales growth was +1.4% after around 2% of internal cannibalisation resulting from the decision to open new stores in catchments where existing stores are trading at full capacity. Sales were strong in building and decorative categories, supported by favourable weather and new ranges of power tools and indoor paint.

France retail sales £bn



France retail profit £m



France store numbers

Castorama total reported sales grew 4.1% to £1.7 billion (+3.7% LFL, +5.6% on a comparable store basis), driven by good performances of new paint, decorative and bathroom ranges. The sales participation of exclusive own-brand products continued to grow with sales of the decorative 'Colours' ranges almost doubling compared to the prior year.

Castorama continued its store modernisation programme, with six stores revamped during the year. Forty-two per cent of total selling space is now in the new format and these stores continue to outperform, with average sales densities 19% higher than older format stores.

Eight new stores opened in the year taking the total to 89, including the opening of three stores transferred from Castorama at the end of last year.

The new SAP information technology platform was implemented to support Brico Dépôt's future growth. Since completion of the project stock availability and stock quality have improved.

* Banque de France data including relocated and extended stores
All percentage movements are in constant currencies.

01 Selection of Colours door handles, 13,95 €

02 Florida barbecue, 159 €

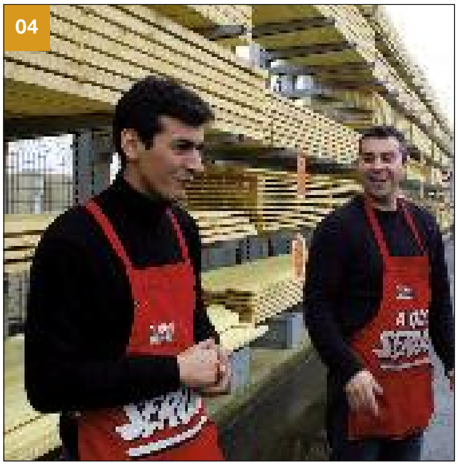
03 Souffle de Liberté wallpaper, 12,90 € per roll

Sustainability at Castorama

Castorama has continued to work with the conservation organisation WWF to promote 'Partners for the Planet' products with lower impact on the environment. These include energy saving products, timber certified to FSC standards and paint with the European Eco label. In 2007/08 'eco' products represented 8% of Castorama France's total sales and included more than 2,000 product lines. During the year, Castorama also launched a new 24 page guide called 'The Planet, It's My Home' featuring solutions for more sustainable living.

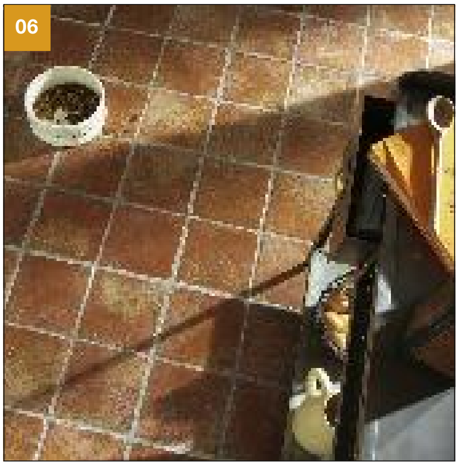
Castorama will build on this work in the coming year through a range of initiatives starting with a new merchandising display – 'La Maison Éco' – which was launched in the new store in La Défense in April 2008. 'La Maison Éco' which identifies products for a 'healthy, efficient, sustainable home' will be part of all new stores.

The store opening also saw the launch of Castorama's new CD-Rom energy efficiency tool for customers, enabling them to calculate an 'energy scorecard' for their home and to find alternative products to reduce their consumption.



04 Staff at Brico Dépôt France's Melun store

05 Colours WhiteSystem paint, 9,80 € per litre



06 Sévilla ceramic floor tiles, 23,80 € per sq/m

* Prices correct as at 26 March 2008

Operating review **Other International**

Targeted expansion

Kingfisher's sales in the Rest of Europe increased 22.8% to £1,273 million (+12.2% LFL) with 12 more stores trading* compared to the prior year. Retail profit increased 5.9% to £122 million. Asia sales increased 7.0% to £472 million (-0.1% LFL) with retail losses of £14 million (2006/07: £5 million profit).

Rest of Europe sales increased 22.8% to £1,273 million (+12.2% LFL) with 12 more stores (excluding Turkey JV) trading compared to the prior year. Retail profit increased 5.9% to £122 million, reflecting strong growth in Poland offset by weaker performances from Castorama Italy and Hornbach (21% economic interest) in a difficult German market.

Seventeen new stores were opened in the year across six countries, including seven in Poland, five in Turkey and two in Russia.

Sales for Castorama and Brico Dépôt in **Poland** increased 31.1% to £703 million (+22.5% LFL), boosted by buoyant consumer spending, strong property and construction markets and favourable weather. Retail profit increased 41.8% to £87 million as good cost control, a year on year doubling in direct sourcing and increased own-brand penetration, helped to offset increasing wage inflation. New ranges, including exclusive own-brand professional tools and decorative products, performed well.

Seven new stores opened including the second Brico Dépôt, launched to meet the demand for a more trade-orientated offer.

Operating in a generally weak retail market, Castorama **Italy** sales declined 1.2% to £314 million (-2.4% LFL). Sales benefited from relocated and revamped stores, together with successful targeted promotional activity in bathroom accessory and flooring categories. Retail profit of £29 million was down slightly on the prior year (2006/07: £31 million), with higher pre-opening and revamp costs. Increased own-brand penetration and good cost control helped to offset the slow market.

One new store was opened taking the total to 28. Two stores were revamped and one was relocated.

In **Ireland**, where B&Q has eight stores, sales grew 6.8%, reflecting one new store opening in the second half of the year. Brico Dépôt's expansion into **Spain** continued, with 11 stores now trading with underlying trading encouraging. In **Russia**, two new Castorama stores were opened taking the total to five. Sales more than doubled compared to the prior year (+25.6% LFL).

* Excluding Turkey
All percentage movements are in constant currencies.

Koçtaş in **Turkey**, a 50% joint venture, continued to grow sales and retail profit strongly, benefiting from Kingfisher sourcing buying power and own-brand penetration. Five new stores opened taking the total to 15. Hornbach, in which Kingfisher has a 21% economic interest, contributed £13 million to retail profit; £6 million lower than last year, due to a difficult German market.

Asia sales increased 7.0% to £472 million (-0.1% LFL) with retail losses of £14 million (2006/07: £5 million profit).

B&Q **China** sales increased 7.9% to £465 million reflecting new store openings and the development of new ranges. Sales were flat on a LFL basis, impacted by a slowdown of new apartment sales in the major Chinese markets, and new regulations covering trading terms between retailers and suppliers.

Following the regulation change, finalisation of B&Q China's 2007 supplier agreements was delayed until clarification with the authorities in August 2007. As a result of the required changes to some of its supplier arrangements, B&Q China's result for the year was impacted by £11 million, contributing to a retail loss of £12 million (2006/07: £8 million profit).

The Chinese market remains fundamentally attractive with B&Q's operations in the major cities continuing to show attractive returns. B&Q has expanded rapidly over the last three years, adding 42 stores, tripling its store base. However, after several years of dramatic growth the business now needs a period of consolidation. Following a Group-led review, B&Q China will be restructured giving rise to an operating exceptional cost of £22 million in 2007/08, relating to the accelerated write-down of assets. A further exceptional charge of around £11 million is expected to be recognised in 2008/09. Of the total £33 million exceptional charge, the cash cost is expected to be £9 million.

Other Asia

B&Q Taiwan delivered a small profit for the year prior to it being sold to its 50% joint venture partner on 4 January 2008. The exit from the two stores in South Korea was completed towards the end of the year. Following the disposal of Taiwan and Korea, the B&Q Asia head office in Hong Kong will close in the first half of 2008/09.

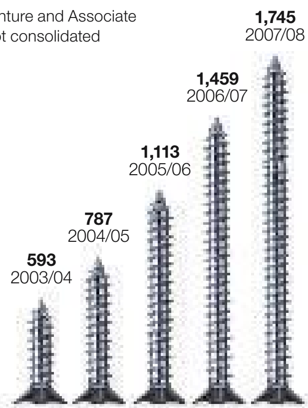
01 Orange gloss kitchen from B&Q China

02 Polish cement bags, 6,48 Polish Zloty

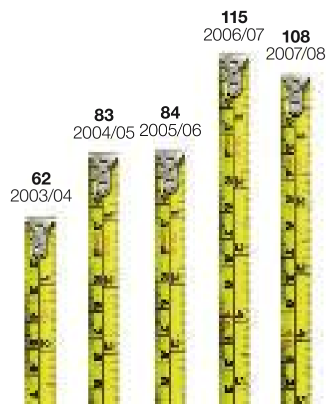
03 Koçtaş bed linen set, 34,90 New Turkish Lira

Other International sales £m

* Joint venture and Associate sales not consolidated

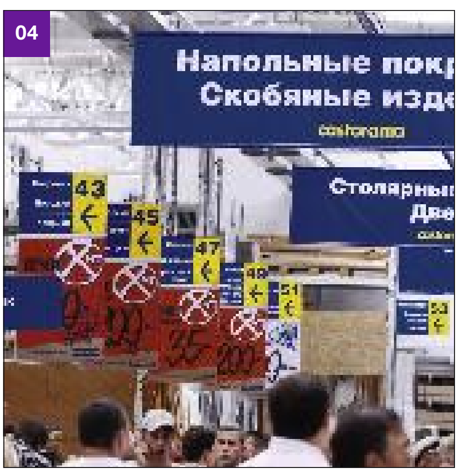


Other International retail profit £m



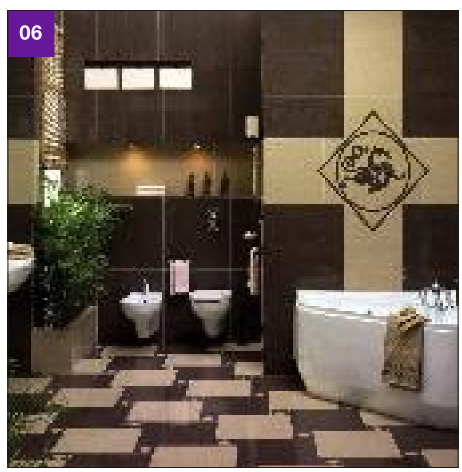
Other International store numbers

171
STORES



04 Castorama Russia sales more than doubled compared to the prior year

05 Own-brand paint from Castorama Italy, 2,71 Euro per litre



06 Wejście Smoka bathroom from Castorama Poland

* Prices correct as at 26 March 2008

Our markets

Major growth opportunities in expanding markets

Home improvement market growth (forecast average 2008-2010)

£121 billion
COMBINED VALUE OF KINGFISHER'S MARKETS

Source: Kingfisher estimates

Kingfisher has exposure to fast-growing, developing economies in Europe and Asia, including Poland, Russia and China, as well as having well-established businesses in developed markets like the UK and France. In total, the home improvement markets in which Kingfisher operates are worth over £120 billion.

UK and France

We are the market leader in the UK and France, two of the largest retail markets in Europe. Each has large, relatively wealthy populations and levels of home ownership are high. Compared with the whole European Union (EU), a relatively higher proportion of consumer retail expenditure is on home improvement products and services. The home improvement markets in these countries are well-developed, large and have benefited from increasing consumer wealth and growth in the number of homes. Consumers are served by large, well-established national retailers and small local specialists.

One major difference between the UK and France is the level of consumer debt, which is significantly higher in the UK. In 2005, the UK market declined after many years of growth, reflecting weaker consumer confidence as interest rates started to rise and spending increased in other areas such as travel, leisure and new electronic technology. The UK market continued to decline in 2006 but returned to some growth in 2007. However, with consumer confidence taking a sharp downturn towards the end of 2007, most commentators are predicting that 2008 will be another year of market decline. The French market, however, has performed more strongly in recent years with consumers less impacted by rising interest rates.

Kingfisher also operates in Ireland, one of the smallest markets in Europe.

Market potential

	Population millions	House-holds millions	GDP growth % av 2008-2011	Market size £bn	Market share %
UK	61	26	2.3	27	16
France	61	26	1.9	31	10
Other International					
Poland	38	14	5.7	5.4	12.9
Italy	59	23	1.4	9	3.5
Turkey	73	16	5	5	1.5
Ireland	4	1.4	2.9	0.9	8
Spain	44	15	2.6	3.4	3
Russia	142	53	6.5	10	0.7
China	1,315	381	9.8	29	2

Source: National statistical offices/Euromonitor International/Kingfisher estimates

Other International

Italy and Spain

Kingfisher operates the largest home improvement brand in Italy and has a small but fast-developing business in Spain, having entered the market five years ago. Italy and Spain are the fourth and fifth largest retail markets in Europe respectively, with large and relatively wealthy populations. Retail expenditure has grown faster than the EU average over the last five years. Home ownership is high but the proportion of retail expenditure spent on home improvement is significantly lower than the European average. As a result, the home improvement markets are currently less well developed and served by a fragmented group of national and regional retailers.

Both markets are suffering from cyclical pressures at the moment with the Italian market declining as relatively higher indebted consumers cope with higher interest rates, and the Spanish consumer confidence impacted by a weak housing market.

Poland and Russia

Kingfisher is market leader in Poland and is building a new business in Russia. Consumers in these countries are enjoying increasing disposable income and consumption growth is strong. Retail spending in total and the proportion spent on home improvements are both lower than the EU average in these countries but are growing faster as consumers become wealthier and look to improve their homes. Poland has a large, mostly home-owning population with good DIY skills. Russia is the largest European country and developing fast. The home improvement market is being driven by new construction and much needed renovation.

In both markets, consumers have traditionally been served by fragmented small-scale, local outlets and open markets. Over the last five years established retailers from western Europe have expanded into these two markets.

Kingfisher also operates a joint venture in Turkey, a fast-developing market with strong future growth prospects.

China

China has a fast-growing urban middle class of around 130 million. As a result, China is fast becoming one of the most important retail markets in the world. In recent years many millions of Chinese have been migrating to its major cities. As a result, new homes are being built in these cities at an unprecedented rate, typically sold as empty concrete shells. The new owners are responsible for completing the internal fit-out and decoration themselves. This has fuelled the rapid growth of the home improvement market, particularly design, decorating and installation services. Although there has been a slowdown in sales of new apartments recently in the major markets, long-term growth prospects are strong as expected sustained economic growth in China should result in continued new home construction, growing consumer wealth and greater home ownership. The home improvement market has historically been served by a highly fragmented base of very small local outlets. Larger retailers with more product choice as well as decorative and installation services are emerging.

Group talent development

Maximising the performance of an international workforce

As a large international retailer, with stores in nine countries, Kingfisher can provide unique career and personal development opportunities for its people and provide a high quality international talent pool for the Group.

To help maximise these opportunities, the Kingfisher Executive Group (KEG) and the Kingfisher Talent Group (KTG) were both established in 2006/07 to help identify, retain and cultivate the next generation of business leaders within Kingfisher.

Their role is to underpin and provide a succession pipeline to the well-established Kingfisher Leadership Group (KLG), the top tier of Kingfisher's talent pyramid with a membership drawn from the Group Board, the Boards of the three largest operating companies and the heads of the other international businesses.

The KEG's membership is therefore drawn from the 150 most senior roles below the KLG, with the expectation that it will act as a stepping stone to that grouping, while the KTG offers a platform for future success to the brightest and best employees seeking an international career and not currently occupying senior management positions.

With these groups in place, the focus last year shifted towards developing a series of initiatives to maximise the potential of their members. Principal among these was the creation of Leadership Attributes, which provide a clear articulation of what it means to be a good leader in Kingfisher, as well as defining the personal characteristics that can help an individual drive success in international retailing.

Produced by a cross-company working group and with the full participation of colleagues throughout Europe and Asia, the Leadership Attributes are now being embedded within the Group, complementing existing work in this area that has already taken place at operating company level.

KTG members benefited from a number of development activities during the year and in January 2008 an event was organised for the entire group, after which they joined the annual Kingfisher Management Forum for the first time.

Recognising the benefits of an engaged workforce

Ensuring that employees are highly engaged with the strategies and action plans of Kingfisher's businesses is a top priority. Key to improving this is to understand accurately and in detail the level of engagement and how to influence this level.

Within Kingfisher, B&Q UK is the leader in measuring and influencing workforce engagement. In 2000 it launched the 'Q12' survey, a well-established measurement tool run by Gallup based on 12 key employee expectations that, when satisfied, form the foundation of strong feelings of commitment and motivation among staff. This survey has been the cornerstone of their efforts to measure and improve workforce engagement and over 30,000 staff take part twice a year. In 2007 B&Q became the first company outside the United States, and the first retailer in the world, to win the Gallup Worldwide award for outstanding employee engagement.

From 2008 the survey will be extended across the Group to include all the members of the KLG and the KEG.

Another successful initiative has been implemented at Castorama France, where innovative use of technology has improved engagement through greater dialogue between employees and management. Vizavi, launched in November 2007, is a webcast debate between a group of nominated employees and a panel of senior managers including the Chief Executive (see panel for more details). By encouraging honest and straightforward discussion outside of hierarchical lines, Vizavi has joined the staff website Castoramoa (launched in 2006) as one of the key communication tools supporting Castorama's ongoing modernisation programme.

Employee engagement is also a key element of an integrated performance management process launched at Screwfix last year. A new engagement survey joined a new induction programme, appraisal process and succession management in the tool box now available to managers across the business.

In France, Brico Dépôt has installed computer terminals in its stores, giving all employees the ability to access the company's online HR Information System to manage HR-related administrative tasks.

A major focus on management development

Management development remained a major focus. At Koçtaş, the Group's joint venture business in Turkey, nearly 100 employees from different managerial levels took part in a year-long development programme that included classroom-based training, action plans and meetings with senior managers. In the UK, Trade Depot laid the groundwork for a new initiative – entitled 'Leaders of the Future' – to identify and develop talented people within the business, while Screwfix introduced a fast-track development programme for trade counter managers.

Bridging the 'talent gap'

As China's retail industry continues to grow at pace, its key players are facing an ever greater gap between supply and demand for talented individuals. In order to attract, motivate, develop and retain talented people, B&Q China continues to invest significantly in staff training and development. Last year store staff received an average of 60 hours' training each. In addition, 100 employees successfully completed Fast Track training and assessment, thereby earning promotion to key management positions in the company's 60-plus stores.

Valuing diversity in the workplace

Kingfisher is committed to equality in the workplace, and encourages policies on gender, age, disability and race. A good example is Castorama France and its policy of integrating disabled people into its workforce wherever possible – the number of disabled Castorama employees had risen to 412 by the year end.

Sharing ideas and talent around the Group

As an international home improvement business Kingfisher is uniquely well-positioned to share talent and ideas across borders, enriching the local knowledge base and providing personal and career development opportunities to employees with the drive to try something new.

Robert Johnstone (48) spent five-and-a-half years at B&Q UK in Regional Manager roles. He joined Castorama Russia in September 2006 as Operations Director.

He said: "This has been a fantastic move for me – a chance to experience a new retail market and to operate at a more strategic level. I hope I've been able to influence my Russian colleagues in two key areas: the first by demonstrating the benefits of motivating employees to do their best; the second revolving around my belief that success in retailing comes to those who keep it simple. From my own perspective I continue to learn every day about doing business in Russia, and in particular the vital importance of building strong relationships with government and other stakeholders."

In 2007 Castorama France launched a new televised debate with senior management to help boost employee engagement. Called Vizavi, the debates feature a panel of senior management who are questioned by staff members in the audience. The programmes (see photos on right) are then screened on Castorama's intranet.

01 A Vizavi programme being recorded in Paris

02 Guy Colleau (centre), new CEO of Castorama France

'Project Confidence' training at B&Q UK

Jane Laybourne, from B&Q's Sunderland store, is one of more than 2,000 B&Q UK employees who have taken part in B&Q's 'Project Confidence' training programme. This is a two-day practical workshop to improve their product knowledge and boost their confidence in dealing with customer enquiries.

She says of the training: "It has vastly improved my confidence in talking to customers about power tools. I find the customers take on board what we are saying now and have greater trust in the advice they are getting. It has also helped to pull our team closer together – before, we didn't understand each other's level of knowledge on power tools, but now we can discuss them in a way we all understand and are comfortable with."

With training already delivered in the décor, flooring and ceramics, and power tools categories, the programme will be broadened in 2008 to include gardening, electrospares, hardware, joinery, building and showroom.

Group sourcing programme

01 Colours paint in Koçtaş stores

02 Own-brand multi-language packaging

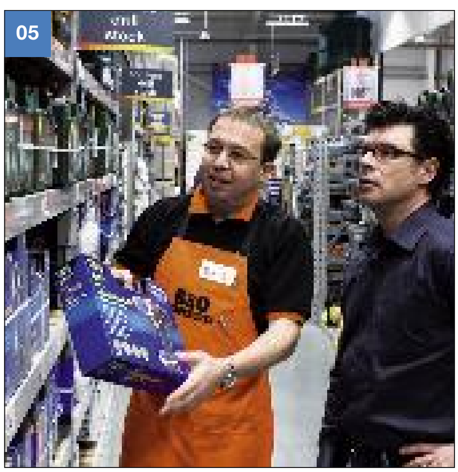
03 New ranges of Colours decorative products

Extending our sourcing coverage

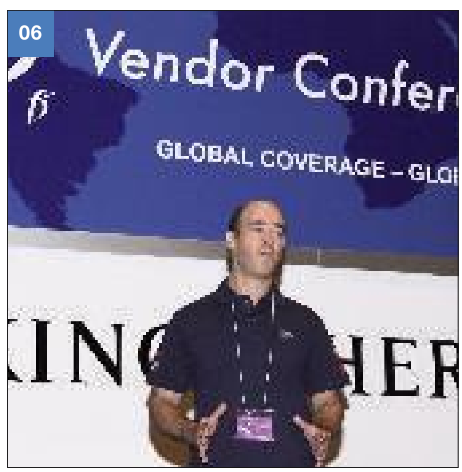
Kingfisher's direct sourcing network is taking on a truly global perspective. Our well-established sourcing offices in Asia continue to grow and are now complemented by additional offices in Poland and, since November 2007, São Paulo in Brazil. This allows us to extend our sourcing coverage deep into Eastern Europe and Latin America, providing direct access to major manufacturers around the world. This balance in our sourcing portfolio gives us a strong advantage both in terms of finding new and unique products, and allowing us to source at lower cost in an inflationary environment.

The photo shows FSC-certified sucupira hardwood flooring from Kingfisher's new sourcing office in Brazil.

04 Buying catalogues produced by Kingfisher Sourcing Offices



05 James Walker, B&Q Power Tools Buyer, discussing a joint-buy of cordless drills with Claude Manac'h, Group Category Manager



06 Paul Mir, Group Commercial Director, presenting at the Kingfisher Vendor Conference in Shenzhen, China

Stronger supplier relationships

Making the most of Kingfisher's unique competitive advantage
As the leading home improvement retailer in Europe and Asia, with operations in nine countries, Kingfisher has a scale and international reach which give it unique competitive advantages. But these advantages can only be truly realised with the Group's commercial function, its operating companies and its global supplier base working closely together.

A year of significant change saw a thorough re-engineering of Kingfisher's international commercial organisation, designed to bring it closer to the businesses it supports, define shared priorities and launch a series of initiatives that will deliver against those priorities.

Progress was made in several key areas, notably direct sourcing, developing supplier partnerships, common purchasing and reinforcing own-brands.

Direct sourcing continues to drive quality, innovation and value
Kingfisher's direct sourcing network, which enables Group companies to buy goods directly from the manufacturer, offers major competitive advantages, not least the ability to secure lower prices for our customers. Increasingly, Kingfisher is also using direct sourcing to drive quality, innovation and design excellence in the products it buys.

Last year, the value of Group purchases made through the direct sourcing network increased by 17% to US$821 million (at factory prices). Combined, approximately 17,000 individual products generated 10% of total Group sales revenues.

Growth was particularly strong in the decorative, lighting and bathroom categories, as customers recognised great value from recently introduced stylish 'designer' products which, thanks to Kingfisher's global scale, are priced very competitively.

Coverage of the world's key product supply markets was extended by the opening of a direct sourcing office in São Paulo, Brazil, which provides greater access to the rich natural resources of South America, such as FSC certified timber, natural stone and ceramics. The new office joins existing ones in Shanghai, Hong Kong, Poland and India, each specialising in distinct product areas that, when combined, provide the broad range of options demanded by product buyers within Kingfisher's businesses.

Also last year Kingfisher held its largest Vendor Conference, which brought together around 150 suppliers from Asia, Eastern Europe, South America and India to meet with buyers from across the Group. The event, held in Shenzhen, China, focused on further strengthening existing relationships and working together to develop growth opportunities.

Common purchasing programmes
Last year saw the development of common purchasing programmes dedicated to key product ranges within categories such as tools, light bulbs and wood flooring. More than 20 programmes are now under way, covering own-brand as well as third-party branded products, and more are in the pipeline.

By bringing product buyers together for joint purchasing trips and dedicated networking events, these programmes allow greater sharing of ideas and expertise between Kingfisher's largest businesses, as well as boosting the Group's purchasing power. Crucially, they also allow Kingfisher to take the lead in determining the design and specifications of many products, using the in-house design and product benchmarking expertise of B&Q UK and Castorama France.

Using quality own-brands to add value and grow market share
Continued progress was made throughout the year to strengthen and diversify Kingfisher's own and exclusive-brand portfolio, notably in hand tools, power tools and decorative products. Kingfisher's own-brands in these areas include Performance Power and MacAllister power tools and the Colours range of decorative products, which includes paint, wallpaper, lighting and soft furnishings.

Developing strategic supplier partnerships
During the year, negotiations took place with approximately 20 key strategic suppliers responsible for a significant proportion of Group purchases, aimed at putting in place international contracts that will improve purchase terms, facilitate the development of common ranges between operating companies and secure exclusive products. With much of the groundwork now complete, these agreements are due to be finalised in the 2008/09 financial year.

A sustainable business

Corporate Responsibility – steps to sustainability

Over the past year Kingfisher has been working with the sustainable development charity Forum for the Future to identify sustainability opportunities and challenges for the business over the next 10 years. In order to prepare for these changes, Kingfisher has set the ambitious objective of fully integrating sustainability into its business thinking. Individual case studies have been included in the Operating Review (on pages 8 to 17) and further information is available in Kingfisher's Corporate Responsibility Report and on the Kingfisher website.

Kingfisher has also developed a set of sustainability goals (see opposite page). We are working to achieve these goals through our Steps to Responsible Growth programme. This sets out specific actions that Kingfisher's operating companies must take on 12 key social and environmental issues. For each issue, it identifies three levels of progress – 'minimum action', 'policy target' and 'leadership position'. Most of the operating companies have now met the 'minimum action' level of progress on the 12 issues, with some going beyond this on specific issues. Kingfisher's target is for the operating companies to meet the 'policy target' level by the end of January 2011. The company has also set five-year targets on energy, waste and sustainable timber sourcing and additional targets will also be set in 2008 in the light of the new sustainability goals.

The company has been ranked highly in a number of recent benchmarking studies. For example, it achieved Platinum status in the BITC CR Index 2007 and number one position in the UK in The Independent newspaper's guide to the world's greenest companies. Kingfisher also continues to be included in the two main socially responsible investment indices – the FTSE4Good and Dow Jones Sustainability Index (DJSI).

Sustainable products for consumers

Consumers are becoming increasingly aware of environmental and sustainability issues – bringing new opportunities for our businesses to develop and market sustainable products and services.

Marketing campaigns – Kingfisher's operating companies have started a number of high profile marketing campaigns to help customers create more sustainable homes. For example:

- B&Q UK is one of the first major businesses to commit to One Planet Living – an initiative launched by the environmental organisations WWF and BioRegional, which sets out 10 sustainability principles to ensure people live within the resources of this planet. The company is planning to introduce One Planet Living products to help customers reduce the impact of their homes. See further details on page 10.
- Castorama France has continued to work in partnership with WWF to promote 'Partners for the Planet' products. It has produced a 24-page guide for customers 'Ma Planète c'est ma Maison' (The Planet, It's My Home). See further details on page 15.
- B&Q China's Better Homes campaign is ongoing – promoting sustainable products to customers through the Better Homes logo, catalogue, in-store posters and leaflets.

Energy efficient products – To help customers reduce their impact on climate change, the business has sourced its own-brand range of energy-efficient light bulbs, which are being rolled out across the Group. B&Q UK has run its Energy Efficiency Made Easy campaign for the second year, with TV adverts and a printed flyer on energy efficient products. Castorama France has introduced a series of workshops for customers in stores on energy saving.

Timber – In 2007/08, 71% of reported timber volume sold was from proven, well managed forests or recycled. Kingfisher's target is to increase this to 75% by 2010/11 and a timber advisor has been recruited to help achieve this.

Chemicals – Operating companies are required to have a programme to engage with vendors over the use of chemicals of concern by 2010/11. A Steering Group has been set up to help prepare for the new EU chemicals legislation, REACH.

Factory working conditions – Kingfisher's overseas sourcing offices audited 433 factories in 2007/08 to assess compliance with the Kingfisher Code of Conduct on Factory Working Conditions. In addition, a number of Kingfisher operating companies have supplier assessment programmes and Kingfisher has developed a Supply Chain Toolkit to help ensure a consistent approach across the Group.

Making our own operations sustainable

Climate change – Kingfisher has been working with the Carbon Trust to measure and reduce the Group's carbon footprint. Energy efficiency of stores was 214 kwh/m^2 in 2007/08. The Group target is to achieve a 10% improvement in store energy efficiency by 2011/12 (from 2006/07).

Waste – Kingfisher has a target to cut the amount of store waste disposed (tonnes per £ of retail sales) by 10% by 2011/12 against the 2006/07 baseline.

Diversity – Across the Group, women accounted for 40% of total employees and 27% of managers in 2007/08. A Diversity Guidance Pack has been produced for Kingfisher operating companies.

Store neighbourhoods – Kingfisher aims to be a good neighbour in all the communities it serves. Operating companies support a wide range of community and charity projects. See page 35 for data on charity contributions.

A more detailed Corporate Responsibility Report for 2007/08 is available on the Kingfisher website at www.kingfisher.com/cr and as a printed summary. The report has been reviewed by an independent stakeholder panel and assurance of the data conducted by Ernst & Young.

The data presented is gathered from operating companies, joint ventures and overseas sourcing offices.
The scope varies by data set. Please refer to the CR Report and website for further details.

Our sustainability goals

Kingfisher's aim is to fully integrate sustainability into business thinking and be the customer choice for sustainable home improvement products and services.

01. Our products and services

Enable sustainability in all our product and service categories

02. Our customers

Make it easy for our customers to create their homes in a sustainable way

03. Our stores and operations

Ensure our stores and operations are efficient and sustainable

04. Our people

Engage employees to be champions of sustainability across our business

05. Our economic growth

Use our sustainability strategy to create value for the benefit of our business and shareholders

06. Our community

Be a good neighbour in all the communities we serve

07. Our world

Work with our suppliers and partners to make sustainability easy and find solutions to common sustainability problems

www.kingfisher.com/CR

Financial review

Financial summary

A summary of the reported financial results for the year ended 2 February 2008 is set out below:

	2007/08 £m	2006/07 £m	Increase/ (decrease)
Revenue	**9,364**	8,676	7.9%
Operating profit	**457**	501	(8.8)%
Profit before taxation	**395**	450	(12.2)%
Adjusted pre-tax profit	**386**	397	(2.8)%
Basic earnings per share	**11.7p**	14.4p	(18.8)%
Adjusted earnings per share	**11.3p**	11.9p	(5.0)%
Dividends	**7.25p**	10.65p	(31.9)%
Underlying Return on Invested Capital (ROIC)	**7.0%**	6.9%	0.1pps

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

	2007/08 £m	2006/07 £m	Increase/ (decrease)
Profit before taxation	**395**	450	(12.2)%
Exceptional items	**(4)**	(49)	(91.8)%
Profit before exceptional items and taxation	**391**	401	(2.5)%
Financing fair value remeasurements	**(5)**	(4)	25.0%
Adjusted pre-tax profit	**386**	397	(2.8)%
Income tax expense on pre-exceptional profit	**(125)**	(120)	4.2%
Income tax on fair value remeasurements	**2**	1	n/a
Minority interest	**2**	(1)	n/a
Adjusted post-tax profit	**265**	277	(4.3)%

Reporting period

The Group's financial reporting year ends on the nearest Saturday to 31 January. The current year is for the 52 weeks ended 2 February 2008 with the comparative financial period being 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 effect of the 53rd week on the results of the Group's comparative period was an increase of £79 million revenue. It has no significant impact on operating profit. So that the results are more readily comparable, all of the UK like-for-like analysis has been calculated comparing the 52 weeks against 52 weeks last year.

Total reported **sales** grew 7.9% to £9.4 billion on a reported rate basis, and 8.0% on a 52 week constant currency basis. During the year, an additional 80* net new stores were added, taking the store network to 765 (excluding Turkey JV). On a LFL basis, Group sales were up 2.6%.

Operating profit before exceptional items grew by 0.2% to £453 million and fell by 8.8% to £457 million after exceptional items.

The net **interest** charge for the year was £62 million, up £11 million on the prior year as a result of higher annualised interest rates and movements in exchange rates. This was partially offset by an increase in net interest return on the defined benefit pension scheme.

Adjusted pre-tax profit fell 2.8% reflecting challenging trading conditions in the UK and China only being partially offset by positive performances in France and Poland.

Taxation

The effective rate of tax on profit has increased from 25% in the prior year to 31% reflecting an increased level of tax on exceptional items net of a release of provisions in respect of prior years. The effective rate of tax on profit before exceptional items and excluding prior year tax adjustments and the impact of rate changes is 32% (2006/07: 32%).

The Group effective tax rate is calculated as follows:

Effective tax rate calculation 2007/08	Profit £m	Tax £m	Effective rate
Profit before tax and tax thereon	395	(123)	31%
Less exceptional profit and tax thereon	(4)	14	
Less prior year adjustment – exceptional		(16)	
Less prior year adjustment – non-exceptional		9	
Less adjustment attributable to rate changes		(9)	
Total	391	(125)	32%

The Group effective rate of tax is affected by the varying tax rates in the different jurisdictions in which it operates, the mix of taxable profits in those jurisdictions, the rules impacting on deductibility of certain costs and the non-recognition of tax losses in start-up jurisdictions. Whilst the headline tax rates in some of the jurisdictions in which we operate are reducing, there is also an increased focus on tax as a means of raising revenue for the local economies and therefore the tax cost of multinationals is tending to increase over time. We will continue to plan our tax affairs efficiently.

The statutory tax rates in the jurisdictions in which the Group operates for this financial year and expected rates in the next financial year are as follows:

Jurisdiction	Statutory tax rate 2007/08	Statutory tax rate 2008/09
UK	30%	30% – 28%
France	34.43%	34.43%
Poland	19%	19%
Rest of Europe	12.5% – 37.25%	12.5% – 35%
Asia	17.5% – 33%	17.5% – 25%

* excluding Turkey JV and discontinued operations

Taxation risk management
Kingfisher seeks to organise its tax affairs efficiently and in a way which enhances shareholder value whilst balancing the tax risks it faces. Tax risks can arise from change of law, differences in interpretation of the law, changes in tax rates and the failure to comply with the tax law and associated procedures. The Group manages and controls these risks through use of local management, its Group tax department and takes 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
The Group recorded a £4 million pre-tax exceptional income in the year. Net profits on property disposals of £39 million and £5 million income on previously written off loans have been offset by exceptional costs in Asia of £40 million.

Costs of £13 million have been expensed on the closure of B&Q Korea and the Asia head office, which will close during the first half of 2008/09. The Group also sold its B&Q Taiwan 50% stake for £50 million recording a gross profit before goodwill of £27 million and net loss on disposal of £5 million. The £32 million goodwill was allocated to B&Q Taiwan on the acquisition of Castorama's minority interest in 2002/03. A further £22 million loss has been recorded as a result of restructuring the B&Q China business.

In total the B&Q China restructuring is anticipated to cost approximately £33 million of which £9 million will be a cash cost.

Earnings per share

	2007/08	2006/07
Basic earnings per share	**11.7p**	14.4p
Exceptional items (net of tax)	**(0.3)p**	(2.4)p
Financing fair value remeasurements (net of tax)	**(0.1)p**	(0.1)p
Adjusted earnings per share	**11.3p**	11.9p

Dividends
The Board has proposed a final dividend of 3.4p per share, making the total dividend for the year 7.25p per share, down 31.9% on the prior year. This dividend is covered 1.6 times by adjusted earnings (2006/07: 1.1 times).

The final dividend for the year ended 2 February 2008 will be paid on 13 June 2008 to shareholders on the register at close of business on 18 April 2008, subject to approval of shareholders at the Company's Annual General Meeting, to be held on 5 June 2008. A dividend reinvestment plan (DRIP) is available to all shareholders who would prefer to invest their dividends in the shares of the Company.

The shares will go ex-dividend on 16 April 2008. For those shareholders electing to receive the DRIP the last date for receipt of electing is 22 May 2008. Dividend cheques and tax vouchers will be posted on 11 June 2008. Certificates for shareholders electing for the DRIP will be posted no later than 26 June 2008.

Return on Invested Capital (ROIC)
ROIC is defined as net operating profit less adjusted taxes (adjusted operating profit excluding property lease and property depreciation costs less tax, plus property revaluation increases in the year) divided by average invested capital (average net assets less financing related balances and pension provisions plus property operating lease costs capitalised at the long-term property yield).

Following the transition to IFRS, the Group elected not to revalue properties from 1 February 2004. However, property appreciation is an integral part of a ROIC measure and therefore Kingfisher continues to include revaluation gains and the current market value of our properties in ROIC calculations.

ROIC declined from 8.7% to 6.5%, compared to the Group's weighted average cost of capital of 7.6%, up 0.2 percentage points on last year primarily due to higher costs of debt.

Underlying ROIC increased from 6.9% to 7.0%. Underlying ROIC assumes properties appreciate in value at a steady rate over the long-term. When calculating the underlying ROIC, short-term variations in property values more or less than the long-term mean are excluded.

ROIC excluding goodwill
Kingfisher's sales, invested capital and underlying ROIC excluding goodwill are disclosed below by geography:

	Retail Sales £bn [1]	Proportion of Group sales %	Invested Capital (IC) £bn [2]	Proportion of Group IC %	Returns % (ROIC) [2]
UK	4.4	47%	6.1	65%	7%
France	3.2	34%	1.7	18%	12%
Other international	1.8	19%	1.6	17%	10%
Group total	**9.4**	**100%**	**9.4**	**100%**	**9%**

1 For the UK businesses, reported total sales figures are for the 52 weeks ended 2 February 2008. Outside the UK, figures are on a calendar month basis.
2 Excluding goodwill of £2.5 billion but including smoothed property appreciation and leases capitalised at long-term yields.

Financial review

Cashflow

The Group generated £465 million of cash from operating activities in the year, down £94 million on the prior year. The year on year change is mainly as a result of a cash outflow recorded in working capital of £36 million, whereas in 2006/07 a cash inflow of £124 million was recorded. Inventory at £1,873 million was £342 million greater than last year reflecting an increased number of stores, extra inventory from the revamp programmes at B&Q UK and Castorama France, the effect of exchange rates (£118 million) and buying ahead as a result of the timing of Easter.

Net capital expenditure was £411 million (2006/07: £216 million) which has risen year on year as a result of a rise in the level of acquisitions within the Group's portfolio and a reduction of disposals.

The Group received £50 million net consideration on the sale of B&Q Taiwan.

The resulting year end net debt was £1,559 million (2006/07: £1,294 million).

Capital expenditure

Following the appointment of a new Group Chief Executive the capital allocation and approval process has been tightened with the aim of prioritising a lower rate of annual capital investment towards the highest and fastest returning projects:

- The management team will draw up new three year operating plans which lead into the budget process for the following year. This process drives the key strategic capital allocation decisions and the output is reviewed by the Board, twice a year.
- The capital expenditure committee will now be chaired by the Group Chief Executive and will include the Group Property Director as well as the Group Finance Director. It will review all projects between £0.75 million and £15.0 million (including the capitalised value of lease commitments). Projects above this level are approved by the Board although all projects above £0.75 million are notified to the Board.
- Investment criteria and hurdle rates have been revised with more challenging hurdle rates for IRR (Internal Rate of Return) and payback and the introduction of a new target for year three returns versus initial cash investment.
- An annual post-investment review process will continue to review the performance of all projects above £0.75 million which were completed in the prior year. The findings of this exercise will be considered by both the new Retail Board and the main Board and directly influence the assumptions for similar project proposals going forward.

Gross capital expenditure (excluding business acquisitions) for the Group was £528 million (2006/07: £467 million). £227 million was spent on property (2006/07: £220 million) and £301 million on fixtures, fittings and intangibles (2006/07: £247 million). A total of £117 million (2006/07: £251 million) of proceeds from disposals were received during the year, £115 million of which came from property disposals.

Payments to acquire businesses in the year amounted to £1 million (2006/07: £2 million) which related to the purchase of minorities in China.

Financing

At the year end, the Group had undrawn committed bank facilities available of £675 million. The Group has no significant debt maturities until 2010. The maturity profile of Kingfisher plc's debt and financing arrangement is illustrated at: www.kingfisher.com/investors/debtinvestors/debtmaturity

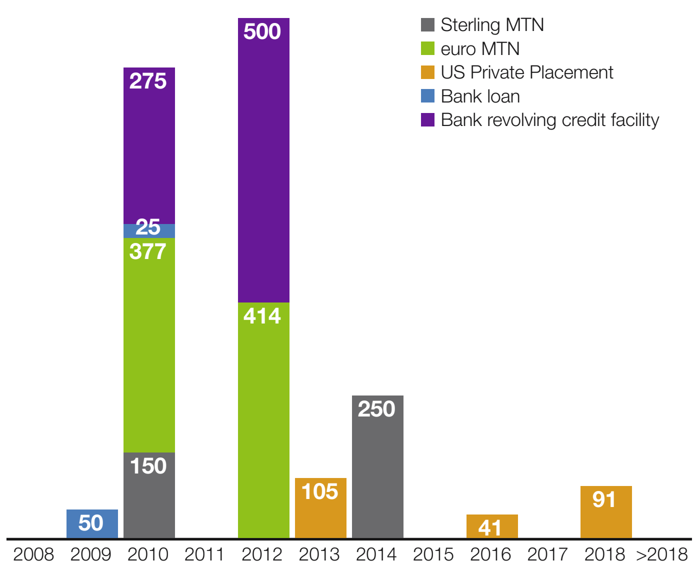
Kingfisher aims to smooth the maturity profile of its debt by issuing debt with different maturities and by utilising committed bank revolving credit facilities to provide additional liquidity.

In March 2007, the Group obtained new committed revolving credit facilities totalling £275 million with a number of banks and a £25 million committed term bank loan facility. These facilities mature in March 2010 and are available to be drawn to support the general corporate purposes of the Group. In July 2007, the Group extended the maturity of its £500 million syndicated bank revolving credit facility by one year, such that it now matures in August 2012.

The terms of the US Private Placement note agreement and the committed bank facilities require that the ratio of operating profit to net interest payable must be no less than 3:1. The Group comfortably complied with this covenant. The interest rates paid by the Group under these financing arrangements are based on LIBOR plus a margin. The margins are fixed and are not subject to change in line with credit ratings.

Debt maturity profile

£m



* As at 2 February 2008

Financial risk management
Kingfisher's treasury function has primary responsibility for managing certain financial risks to which the Group is exposed, details of which are provided in note 25 of the accounts.

Capital risk management
The Group's objectives when managing capital are:
- To safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for its shareholders and benefits for its other stakeholders; and
- To maintain a balance between the higher returns that may arise from a higher level of borrowings and the advantages of a strong credit profile.

The Group manages its capital by:
- Making an assessment of the return on invested capital;
- Monitoring the impact on the Group's net debt; and
- Reviewing the level of dividends.

The Group is subject to certain externally imposed capital requirements as follows:
- Kingfisher Insurance Limited and Kingfisher Reinsurance Limited, wholly owned subsidiaries, are subject to minimum capital requirements as a consequence of their insurance activities.
- Certain direct and indirect subsidiaries of B&Q (China) B.V., a wholly owned subsidiary, are subject to minimum capital requirements under Chinese statute.

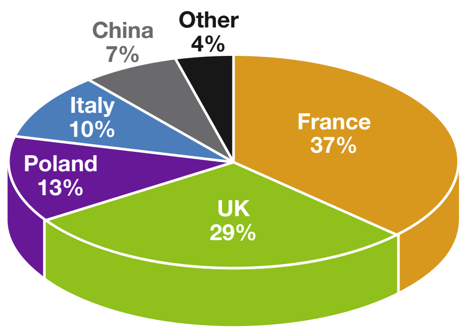
The Group complied with the externally imposed capital requirements during the year.

Property
The values are based on valuations performed by external qualified valuers where the key assumption is the estimated yields. The average income yields used were 6.3% in the UK (2006/07: 5.5%), 6.5% in France and Italy (2006/07: 6.7%), 6.9% in Poland (2006/07: 6.8%) and 7.7% in China (2006/07: 7.7%).

During the year the Group disposed of properties for cash consideration of £115 million including £73 million on the sale of its national distribution centre in Worksop, which it retained the right to lease for 24 years. This is consistent with the Group's policy of recycling property when economically attractive. The proceeds of the transaction were used to repay existing debt and to invest in Kingfisher's worldwide store opening programme, including further freehold acquisitions.

The Group owns a significant property portfolio, most of which is used for trading purposes. If the Group had continued to revalue this it would have had a market value of £3.6 billion at year end, compared to the net book value of £2.7 billion recorded in the financial statements. This represents a £386 million increase against the prior year and a £76 million increase on a constant currency basis.

Property market value by segment



Pensions
The Group holds a net pension surplus of £77 million in relation to defined benefit pension arrangements including an asset of £110 million in relation to its UK Scheme. In 2006/07 the Group held a deficit of £55 million. This increase was as a result of additional payments to the UK pension scheme (£101 million was paid compared to a normal contribution of around £45 million per annum) and increases in the discount rate used to calculate the defined benefit obligation from 5.3% to 6.2% as a result of increases to corporate bond rates over the year. This was partly offset by an increase in the inflation rate assumption from 2.9% to 3.3% and changed mortality rates. The mortality change increased the obligation by approximately £34 million and ensures that these assumptions remain in line with current market best estimates. Further disclosures of the assumptions used (including mortality assumptions) are provided in note 27 of the consolidated financial statements.

It is worth noting that the pension valuation is dependent on a number of assumptions which although they have been applied consistently and sensibly, may change, which could have a significant effect on the overall surplus.

Risks

The Board considers risk assessment, identification of mitigating actions and internal control to be fundamental to achieving Kingfisher's strategic objectives. The Corporate Governance report on pages 37 to 41 describes the systems and processes through which the directors manage and mitigate risks. The Board considers that the principal risks to achieving its objectives are set out below. The Board recognises that the nature and scope of risks can change and so regularly reviews the risks faced by the Group as well as the systems and processes to mitigate them.

Economic conditions

The economy is a major influence on consumer spending. The current economic outlook, particularly with regards to trends in employment, inflation, taxation, consumer debt levels and interest rates, is likely to impact consumer demand for discretionary spending on the home and places our business plans and forecasts at risk. Whilst predicting future trends is very difficult, Kingfisher reflects the latest independently-sourced estimates in its internal plans.

International expansion not only provides opportunities for sustainable growth and returns but also economic diversification. The UK now accounts for less than half of Group sales and the international element will continue to grow at a faster pace. This year, Kingfisher accelerated the rate of investment into Russia to take full and timely advantage of this exciting and fast-growing economy.

New and emerging markets

Given current global economic conditions and liquidity constraints there is a risk that we will be unable to exploit new opportunities for entering new and emerging markets. We remain, however, committed to developing our existing investments, particularly in Russia and China.

These markets, which offer opportunities for long-term sustainable growth with superior returns, will continue to present challenges in terms of managing cultural and political nuances and risks.

We will continue our policy of identifying and recruiting strong local management teams, who understand the local culture, market and risks, and, in some cases, collaborating with joint venture partners to mitigate country specific risks.

Kingfisher also provides guidance, policies and procedures to ensure that new investments and initiatives are subject to an appropriate level of due diligence and probity and are supported by a robust process of economic and business appraisal. Where issues do arise, the Group acts quickly to address them and learn from the experience.

Health & Safety

With over 85,000 employees and six million customers visiting Kingfisher stores each week there is always a risk of accidents involving either customers or staff and, as a result, robust health and safety systems are a priority. While regulatory requirements vary from country to country, each operating company is required to designate a director with specific responsibility for health and safety, who is then responsible for ensuring that a written health and safety policy is communicated to all staff, that appropriate health and safety arrangements are in place to protect our employees and that we comply with local regulatory requirements. The ultimate responsibility within each operating company remains with the unit head.

Kingfisher Head Office is responsible for facilitating the sharing of best practice and the development of minimum Group standards, which in some cases will be higher than local regulatory requirements and has this year validated progress through independent third party verification.

Attracting and retaining the best people

Retail is fundamentally a people business and the ability to attract, recruit and retain quality staff is a risk in a highly competitive labour market. We continue to invest in our people, ensuring that we recruit and retain the right calibre of staff with the skills, experience and talent to grow the business. We have introduced appropriate management development programmes to ensure that we assess, manage and develop our people's leadership skills, talents and experiences from the Board down.

Strategy effectiveness

In retail, change remains the only constant and we continually seek to identify, and anticipate the risks regarding our assumptions and understanding of consumer trends and respond to our customers' demands for goods and services. In order to ensure that our strategies meet both current and future customer needs, each individual operating company is responsible for implementing the necessary processes and procedures to monitor the efficiency, economy and effectiveness of the delivery of its strategic plans. Similarly, corporate planning processes are in place to ensure that our businesses' strategies are aligned and contribute to delivering sustainable shareholder value.

Investment opportunities

Investment in the business is fundamental to achieving Kingfisher's aim of providing shareholders with sustainable returns. Despite difficult economic conditions and concerns regarding prospects for consumer spending throughout 2008, we remain committed to our modernisation programmes at B&Q UK and Castorama France.

We also continue to invest in our growth UK and international businesses. These businesses continue to deliver sustainable growth as well as offering opportunities for economic diversification and offsetting tough trading conditions in our developed markets.

Kingfisher will continue to review the balance of risk between its ability to generate sufficient cash to maintain its investment programme, paying a dividend to shareholders and maintaining a healthy balance sheet in the face of the pressures created by the global "credit crunch" and its associated impact on global liquidity and cash markets.

Kingfisher has also sought to maximise its financial resources through ongoing reviews of its business portfolio, for example the sale of the joint venture in Taiwan and the closure of South Korea, and will continue to initiate programmes to reduce current working capital in order to free up funds to finance investment opportunities.

Group synergies

In ever increasingly competitive and cost-sensitive consumer markets it is imperative that we are able to drive efficiency and promote innovation through the effective leveraging of our Group structure and by taking advantage of the potential economies of scale created by the breadth and range of our operations.

This year has seen the continued development of the benefits derived from Group Commercial, particularly with regards to an increased emphasis on both direct sourcing and collaborative product initiatives, particularly between our two biggest businesses, B&Q UK and Castorama France.

Similarly, the creation of Kingfisher Information Technology Services is driving greater efficiency and benefits of scale for our information technology architectures, hardware and capabilities.

The careful management of formats such as Brico Dépôt, Screwfix and Trade Depot, which complement our more developed businesses, will also continue to drive enhanced overall value for the Kingfisher Group as a whole.

Business continuity

A crisis can come in many different forms and there is a risk that either a single catastrophic loss or a cumulative series of failures will impact our ability to trade or have a major impact on our reputation. Crisis management programmes are established throughout the business and clear communication strategies are in place in order to manage any major crisis.

Our level of crisis readiness is subject to review by both internal and external audit as directed by both local audit committees and the Kingfisher Audit Committee. We are also supported by a comprehensive risk financing programme to ensure we are appropriately insured.

Corporate responsibility

Kingfisher is committed to promoting both ethically sound and sustainable business ethics and practices in addition to promoting products to help our customers make choices regarding their contribution to creating a more sustainable environment.

This commitment is based on an understanding of the risks, to both our brand and our customers' expectations, of not operating in an ethical manner and is supported by a long-term and demonstrable investment in promoting ethics, social responsibility and environmental sustainability, supported by a clear policy and framework which sets consistent and measurable targets and standards for all of our operating companies.

We also engage with key Non-Governmental Organisations and industry forums (e.g. Forum for the Future, FTSE4Good, Business in the Community) to ensure that we are at the forefront of the environmental debate and assume a leadership position amongst our peers. For more details see pages 24 and 25.

Regulatory

The geographic and cultural diversity of the markets in which we operate exposes us to wide-ranging and complex legal and regulatory risks. Individual operating companies, supported where necessary by Group Governance & Corporate Services, are responsible for ensuring that they have access to adequate and sufficient legal and governance resource.

Operational management is also responsible for liaising with either local legal resources or Group Governance & Corporate Services to resolve any potential issues arising from new legislation or any suspected breaches of existing legislation and practices.

Where new operating companies are either acquired or created, formal Group-defined governance structures are established from the outset and, at a minimum provide guidance regarding local capital expenditure sign-off, Board, and Audit Committee processes and procedures, the implementation of which are subject to a review by the Director of Governance as well as Internal Audit.

Board of Directors

Peter Jackson
Chairman ▲ ■
Peter Jackson joined the Board as a Non-Executive Director with effect from 3 January 2006 and took on the role of Chairman on 24 May 2006. He retired as Chief Executive of international food and retail group Associated British Foods plc (ABF) in April 2005, after six years in that role. He joined the Board of ABF in 1992 following its acquisition of British Sugar plc. He is also Senior Independent Director of Smiths Group, the international engineering group. Age 61.

Ian Cheshire
Group Chief Executive
Appointed Executive Director in June 2000 and Group Chief Executive in January 2008. He was previously Chief Executive, B&Q from June 2005. He was appointed Chief Executive International and Development in September 2002, Chief Executive of e-Kingfisher in May 2000 and was Group Director of Strategy & Development. Before joining Kingfisher he worked for a number of retail businesses including Sears plc where he was Group Commercial Director. He is also a non-executive director of Bradford & Bingley plc. Age 48.

Duncan Tatton-Brown
Group Finance Director
Appointed Group Finance Director and a Director of the Company in February 2004. He was Finance Director of B&Q from January 2001. Previously he was Chief Financial Officer at Virgin Entertainment Group and has held various finance positions at Burton Group plc. He is also a non-executive director of Rentokil Initial plc. Age 43.

Daniel Bernard
Deputy Chairman and Non-Executive Director ● ■
Appointed Non-Executive Deputy Chairman on 24 May 2006. He was Chairman and Chief Executive of Carrefour, the Paris-based retail group and world's second largest retailer, from 1992 to 2005. Prior to Carrefour, he was Chief Operating Officer of METRO, Germany's leading international retailer. He is President of Provestis, his own investment company and a non-executive director of Alcatel Lucent and Cap Gemini. He was previously non-executive director of Compagnie de St Gobain until June 2006. Age 62.

John Nelson
Senior Independent Non-Executive Director ● ▲ ■
Appointed to the Board in January 2002 and is the Senior Independent Non-Executive Director. He is Chairman of European real estate group, Hammerson plc, and Senior Adviser to Charterhouse Capital Partners LLP. He retired as Chairman of Credit Suisse First Boston (Europe) in 2002 and was formerly Vice Chairman of Lazard Brothers, non-executive director of BT Group plc and non-executive director of Woolwich plc. Age 60.

Phil Bentley
Non-Executive Director ● ■
Appointed to the Board in October 2002. He is also Managing Director of British Gas, and has been on the Board of Centrica plc since 2000, which he joined as Group Finance Director. He previously spent five years at Diageo plc and 15 years in international finance roles at BP plc. Age 49.

Michael Hepher
Non-Executive Director ● ▲ ■
Appointed to the Board in September 1997. He is a non-executive director of Catlin Group Ltd, Canada Life (U.K.) Ltd and Great West Life Assurance Company. His former roles include non-executive Chairman of Lane, Clark and Peacock, non-executive Chairman of TeleCity plc, Chairman and Chief Executive of Charterhouse plc, Group Managing Director of BT plc and non-executive director of Diageo plc and Lloyds Bank plc. Age 64.

Janis Kong
Non-Executive Director ▲ ■
Appointed to the Board in December 2006. She is a non-executive director of The Royal Bank of Scotland Group Plc, Portmeirion Group PLC and VisitBritain, as well as being Chairman of the Board of Trustees of Forum for the Future. She was, until her retirement in March 2006, a director of BAA plc and Chairman of Heathrow Airport Ltd for five years as well as Chairman of Heathrow Express. Prior to that she was Managing Director of Gatwick Airport and held a number of operational roles within BAA during her 33 year career with the company. Age 57.

Hartmut Krämer
Non-Executive Director ■
Appointed to the Board in November 2002 having been CEO of the retail clothing group, Peek & Cloppenburg, and subsequently of Groupe Redcats, the home shopping division of Pinault-Printemps-Redoute. He is also a non-executive director of GSE SAS, Toupargel Groupe S.A. and Alfesca Ltd. Age 61.

● Audit Committee
▲ Remuneration Committee
■ Nomination Committee

See page 37 for further details

Directors' report

The directors are pleased to present their report for the financial year ended 2 February 2008.

Principal activities and developments in the year

Kingfisher is an international home improvement business operating in markets that fit strategic criteria of attractive scale, structure and economics. Operating principally through its main retail brands B&Q, Castorama, Brico Dépôt and Screwfix, Kingfisher operates in nine countries across Europe and Asia and is market leader in five countries. This continues to give the Group an excellent platform for growth in all of its markets. In addition, Kingfisher has property interests in the countries in which it operates, which are primarily managed through the relevant retail business.

A review of the business, providing a comprehensive analysis of the main trends and factors likely to affect the development, performance and position of the business, including environmental, employee and social and community issues, together with the Group's Key Performance Indicators (KPIs), and a description of the principal risks and uncertainties facing the business and which should be treated as forming part of this report by reference is detailed on pages 2 to 31 as follows:

Kingfisher at a glance (page 2), KPIs (pages 4 and 5), review of the business and progress, including the Operating review (pages 8 to 17), and an overview of markets, Group talent development, the Group sourcing programme and corporate responsibility (pages 18 to 25), Financial Review (pages 26 to 29) and risks (pages 30 and 31).

In total, 85 net new stores (excluding discontinued operations) were opened in the year, taking the Group's total to 780.

In the UK, B&Q continued its modernisation programme, with 38 larger stores now trading in the new format. 60% of its product ranges were updated during the year. Screwfix continued the expansion of its trade counters nationwide, taking the number of branches from 38 to 93.

In August 2007 Kingfisher agreed to sell its freehold interest in B&Q's distribution centre in Worksop, Nottinghamshire for a total of £73m. The sale gave rise to a pre-tax exceptional gain of £40m.

In France, 42% of Castorama's selling space is now trading in the new format and Brico Dépôt opened eight stores during the year.

On 4 January 2008 Kingfisher sold its 50% joint venture stake in B&Q Taiwan to its joint venture partner, Test Rite International.

In South Korea where the Group's two trial stores were making progress, opening sufficient stores to achieve economic scale in a reasonable timeframe appeared unlikely. Accordingly, the business was closed during the year.

In Russia, Castorama continued to make good progress with two new stores opened, including the first in Moscow.

Results and dividends

The profit before taxation of the Group amounted to £395m (2006/07: £450m) with a profit after taxation of £272m (2006/07: £338m).

During the year, the market value of the Group's land and buildings increased to £3.5bn; £0.8bn above their net carrying amount. The market value of the Group's investment properties increased to £44m; £15m above their net carrying amount.

Kingfisher paid an interim dividend of 3.85p (2006/07: 3.85p) per ordinary share amounting to £90m (2006/07: £90m) on 16 November 2007. The directors recommend a final dividend of 3.4p (2006/07: 6.8p) per ordinary share amounting to £80m (2006/07: £159m) to be paid on 13 June 2008 to those shareholders whose names are on the register of members at the close of business on 18 April 2008, making a total for the year of 7.25p (2006/07: 10.65p) per ordinary share amounting to £170m (2006/07: £249m). The ex-dividend date will be 16 April 2008. Dividend cheques and tax vouchers will be posted on 11 June 2008.

The Dividend Reinvestment Plan (DRIP) is available to all shareholders who would prefer to invest their dividends in the shares of the Company. If shareholders wish to elect for the DRIP for the final dividend and have not already done so, a letter or completed DRIP mandate form must be received by the Company's Registrars by 22 May 2008. Certificates for shareholders electing for the DRIP will be posted by no later than 26 June 2008. Further details of the DRIP and an application form are available from the Company's Registrars whose details can be found on page 104.

Directors

Details of the directors of the Company are shown on page 32, and in the Corporate Governance Report on page 37.

John Nelson stepped down from his role as Deputy Chairman at the Annual General Meeting ('AGM') in 2007 but remained as Senior Independent Director. Gerry Murphy stepped down from his role as Group Chief Executive on 2 February 2008. Ian Cheshire was appointed Group Chief Executive on 28 January 2008.

Re-election of directors

The Articles of Association require one third of the directors who are subject to retirement by rotation to retire and submit themselves for re-election at the AGM each year and, in any event, at least once every three years. Accordingly, Ian Cheshire and Hartmut Krämer retire by rotation and are offering themselves for re-election. Having served for over 10 years as a non-executive director, and in accordance with the Combined Code, Michael Hepher is also retiring and offers himself for re-election. He has taken this step to provide continuity of Board membership as Kingfisher's new Group Chief Executive takes office. The Board continues to believe that the two non-executive directors standing for re-election are independent, and that they make an effective and valuable contribution to the Board, demonstrating continued commitment to the role. In Mr Hepher's case, his independence is assured through his continued application of his breadth of experience in a manner that provides challenge within a supportive context. He maintains strong principles, acting as the conscience of shareholders as well as an ambassador for the business.

Neither of the non-executive directors standing for re-election has a service contract with the Company.

Directors' report

Directors' interests

The directors who held office at 2 February 2008 had the following interests in the shares of the Company:

Shares	Ordinary shares 2 February 2008	Ordinary shares 3 February 2007 or, if later, on appointment
Phil Bentley	**18,097**	18,097
Daniel Bernard	**10,651**	10,000
Ian Cheshire	**342,506**	22,879
Michael Hepher	**1,599**	1,599
Peter Jackson	**60,000**	60,000
Janis Kong	**24,000**	24,000
Hartmut Krämer	**–**	–
Gerry Murphy (until 2 February 2008)	**497,604**	359,151
John Nelson	**43,750**	43,750
Duncan Tatton-Brown	**83,845**	57,688

Between 2 February 2008 and 26 March 2008 there was no change in the relevant interests of the directors.

As at 26 March 2008 no person who was then a director had any interest in any derivative or other financial instrument relating to the Company's shares and, so far as the Company is aware, none of their connected persons had any relevant interest.

The directors' interests in options over shares of the Company as at 2 February 2008 are shown within the Remuneration report on pages 42 to 52.

Deeds of indemnity

As at the date of this report, indemnities that are 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006 are in force under which the Company has agreed to indemnify the directors, to the extent permitted by law, in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as directors of the Company or any of its subsidiaries. Such indemnities were also in force in respect of each person who was a director of the Company at any time during the financial year ended 2 February 2008.

Going concern

The directors confirm that, after reviewing expenditure commitments, expected cash flows and borrowing facilities, they have a reasonable expectation that Kingfisher has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing these accounts.

Employee involvement

The Board continues to emphasise high standards of customer care and service in each operating company. The commitment of employees to this principle is vital, and each operating company has developed channels of communication to help people to expand their knowledge of, and involvement with, Kingfisher.

These channels include engagement surveys, briefing groups, internal magazines and newsletters that report on business performance and objectives, community involvement and other issues. Kingfisher's intranet systems are also used to communicate results announcements to employees throughout the Group and to distribute information about other important business developments.

Directors and senior management regularly visit stores and discuss with employees matters of current interest and concern.

To supplement existing communication within each business, the Kingfisher European Forum was established in 2003. The Forum provides information and consultation with employee representatives from Kingfisher's businesses in EU countries on specified trans-national business issues affecting those countries.

We are committed to, and focused on, the development of our people and have identified a talent population across the organisation in whom we will invest significantly to further the capability of our leaders, both now and in the future. We are committed with passion and energy to the challenges we face across our business and strive for excellence in our leadership.

The use of in-house and specialist training programmes as well as links with the general educational sector, reinforces Kingfisher's commitment to employee involvement and development. Employees are also represented on the trustee board of Kingfisher's UK pension arrangements.

All UK employees (as well as those in Ireland and Hong Kong) are entitled to participate in Kingfisher's long-standing Savings-Related Share Option Scheme (ShareSave), regardless of number of hours worked, provided they meet certain service conditions. In addition, save-as-you-earn plans, not linked directly to the purchase of Kingfisher shares, operate in other countries along similar lines to the UK scheme, taking account of local tax and legal requirements.

Respect for the diversity of people

Kingfisher is committed to treating its employees and customers with dignity and respect, and to valuing diversity.

Kingfisher strives to create an environment that respects, welcomes and enables employees to reach their full potential for their own benefit and that of the Company.

It is Kingfisher's policy to:

- Ensure there is no discrimination in employment on the grounds of race, gender, age, disability, marital status, sexual orientation or religious belief;
- Implement measures in stores to ensure a level of customer service for disabled people equivalent to that offered to non-disabled people; and
- Maintain a mechanism which customers and employees can use to give feedback on our performance and ensure that all customer comments are analysed, responded to and acted upon.

Kingfisher sets specific standards on diversity across the Group through its social and environmental programme 'Steps to Responsible Growth' (see page 24). Guidance has been developed for Kingfisher's subsidiaries to help them understand diversity and to ensure they meet the standards required within Steps. Diversity data is published in the Corporate Responsibility Report, available on the website www.kingfisher.com/CR

Charitable donations

Kingfisher and its subsidiaries made contributions to charity/community projects worth an estimated £1.5m in the financial year ended 2 February 2008 – equivalent to 0.4% of pre-tax profits. This included cash donations (£0.3m) and gifts-in-kind (£1.0m – retail cost). Support was also given through the donation of time by employees (£0.2m).

Supplier payment policy

The Company does not impose standard payment terms on its suppliers but agrees specific terms with each of them, and then pays in accordance with those terms. The Company is a holding company and therefore has no trade creditors.

Disclosure of information to auditors

Each person who is a director at the date of approval of this report confirms that: so far as he or she is aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he or she ought to have taken as a director to make him or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985.

Takeover directive

Pursuant to Section 992 of the Companies Act 2006, which implements the EU Takeovers Directive the Company is required to disclose certain additional information. Such disclosures, which are not covered elsewhere in this Annual Report, include the following:

Significant agreements – change of control

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid, such as bank loan agreements, Eurobond documentation, private placement debt and employees' share plans. None of these are deemed to be significant in terms of their potential impact on the business of the Group as a whole except for the following:

- The £500m credit facility dated 15 March 2005 between, the Company, HSBC Bank plc (as the facility agent) and the banks named therein as lenders, contains a provision such that in the event of a change of control, any lender may, if they so require, notify the agent that they wish to cancel their commitment whereupon the commitment of that lender will be cancelled and all their outstanding loans, together with accrued interest, will become immediately due and payable;
- The $466.5m US Private Placement notes, issued pursuant to a note purchase agreement dated 24 May 2006 by the Company to various institutions, contains a provision such that in the event of a change of control, the Company is required to make an offer to the holders of the US Private Placement notes to prepay the principal amount of the notes together with interest accrued;
- The €550m Medium Term Notes (MTNs), issued on 23 November 2005 under the Group's €2,500m MTN programme by the Company to various institutions, contains an option such that in the event of a change of control and as a result of the change of control the Company's credit rating is downgraded below investment grade (BBB-, or equivalent or better) any holder of the MTNs may require the Company to prepay the principal amount of that note together with interest accrued.

A change of control will be deemed to have occurred if any person or persons acting in concert (as defined in the City Code on Takeovers and Mergers) at any time is/are or become(s) interested in more than 50% of the issued ordinary share capital of the Company or shares in the capital of the Company carrying more than 50% of the voting rights normally exercisable at a general meeting of the Company.

Share capital and control

Details of the Company's issued share capital are set out on page 99. All of the Company's issued ordinary shares are fully paid up and rank equally in all respects.

The ordinary shares are listed on the Official List and traded on the London Stock Exchange and are also listed on the Paris Bourse in France. In addition, the Company has entered into a level I American Depositary Receipt programme with the Bank of New York Mellon, under which the Company's shares are traded on the over-the-counter market in the form of American Depositary shares.

During the year ended 2 February 2008, options were exercised pursuant to the Company's share option schemes, resulting in the allotment of 1,789,548 new ordinary shares. No new ordinary shares have been allotted under these schemes since the end of the financial year to the date of this report.

Rights attaching to shares

The rights and obligations attaching to the Company's ordinary shares, in addition to those conferred on their holders by law, are set out in the Company's Articles of Association ("the Articles"), copies of which can be obtained from Companies House in the UK or by writing to the Company Secretary.

The holders of ordinary shares are entitled to receive the Company's reports and accounts, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights.

Transfers of shares

There are no restrictions on the transfer of ordinary shares or on the exercise of voting rights attached to them, except (i) where the Company has exercised its right to suspend their voting rights or to prohibit their transfer following the omission of their holder or any person interested in them to provide the Company with information requested by it in accordance with Part 22 of the Companies Act 2006 or (ii) where their holder is precluded from exercising voting rights by the FSA's listing rules or the City Code on Takeovers and Mergers.

Purchase of own shares

At the AGM on 31 May 2007, shareholders approved a resolution for the Company to make purchases of its own shares to a maximum number of 235,920,341 ordinary shares. This resolution remains valid until the conclusion of this year's AGM. As at 2 February 2008 the directors had not used this authority. It is Kingfisher's present

Directors' report

intention to cancel any shares acquired under such authority, unless purchased to satisfy outstanding awards under employee share incentive plans. A resolution will be proposed at this year's AGM to renew this authority.

Issue of shares
At the 2007 AGM shareholders approved a resolution to give the directors authority to allot shares up to an aggregate nominal value of £104,267,996. In addition, shareholders approved a resolution giving the directors a limited power to allot shares for cash other than pro rata to existing shareholders. These resolutions remain valid until the conclusion of this year's AGM. Resolutions will be proposed at this year's AGM to renew these authorities. The directors have no present intention to issue ordinary shares, other than pursuant to employee share schemes and pursuant to the DRIP.

Further explanation of the resolutions is included with the notice of the meeting circulated to shareholders with this report.

Major shareholders
As at 26 March 2008, the Company had been notified in accordance with the Disclosure and Transparency Rules of the UK Financial Services Authority of the following interests in the Company's shares:

Company	Number of shares held	Percentage of issued share capital held
Amvescap	117,914,880	5.00%
Brandes Investment Partners, L.P.	118,049,678	5.00%
Capital Research and Management Company	119,203,483	5.05%
Legal & General Group plc	96,039,913	4.07%
Templeton Global Advisors Limited	149,231,047	6.32%
Walter Scott & Partners Limited	92,178,075	3.90%

Appointment and replacement of directors
The Company's rules about the appointment and replacement of directors are contained in the Articles and accord with usual English company law provisions. The powers of the directors are determined by UK legislation and the Memorandum and Articles of Association of the Company in force from time to time.

New Articles of Association
Changes to the Articles must be approved by the shareholders passing a special resolution. A resolution will be put to this year's AGM to adopt new Articles with effect from 1 October 2008, primarily as a result of changes to English company law introduced by the Companies Act 2006. An explanation of the main changes proposed to be made to the Articles is included with the notice of the meeting circulated to shareholders with this report.

Directors' responsibility statement pursuant to DTR4
The directors confirm that, to the best of each person's knowledge:

(a) the Group financial statements in this report, which have been prepared in accordance with International Financial Reporting Standards (IFRS's) as adopted by the EU, IFRIC interpretation and those parts of the Companies Act 1985 applicable to companies reporting under IFRS, give a true and fair view of the assets, liabilities, financial position and profit of the Group taken as a whole; and

(b) the parent Company financial statements in the report, which have been prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law give a true and fair view of the assets, liabilities, financial position and profit of the Company; and

(c) the management report contained in this report includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties that they face.

By Order of the Board
Nick Folland
Company Secretary
26 March 2008

Corporate Governance report

Combined Code statement

Kingfisher is committed to maintaining the highest standards of corporate governance. The Board endorses the principles set out in the Combined Code 2006, and throughout the year ended 2 February 2008 the Company has complied in full with the requirements of the Code.

Board of Directors

The role of the Board is to determine the Group's strategy and provide appropriate leadership. It oversees management's implementation of the strategy and acts as a sounding board for senior executives. It also provides a critical overview of strategic risks and monitors the adequacy of the Group's control environment.

The matters which are reserved to the Board and the authorities delegated to management are contained within Matters Reserved for the Board (available at www.kingfisher.com) as well as within various policies covering such matters as treasury management, capital expenditure approvals, legal matters and internal audit.

The policies referred to above and the system of internal controls are also supported by Kingfisher's Code of Conduct. The Code of Conduct is available to all employees in their own language and, to the extent possible, forms part of the employees' contract of employment.

Kingfisher's Board currently comprises the Chairman, Deputy Chairman, five other independent non-executive directors, the Group Chief Executive and the Group Finance Director. John Nelson stepped down from his role as Deputy Chairman at the AGM in 2007 but remained as Senior Independent Director. Gerry Murphy stepped down from his role as Group Chief Executive on 2 February 2008. Ian Cheshire was appointed as Group Chief Executive on 28 January 2008.

Having regard to the Combined Code, and the output from the Board evaluation process, the Board believes all the non-executive directors to be independent, including Michael Hepher, notwithstanding the fact that he has served for more than 10 years as a director. Michael Hepher has offered himself for re-election at the AGM this year to provide continuity of Board membership as Kingfisher's new Group Chief Executive takes office. The Board sets out its reasons for determining his continued independence on page 33.

There is a clear and documented division of responsibilities between the Chairman and the Group Chief Executive, which is available at www.kingfisher.com.

The non-executive directors share responsibility for the execution of the Board's duties and are actively involved in the development of the Company's strategy. They are also required to provide advice to the Group Chief Executive to ensure that individual business decisions conform to agreed strategies and policies, and where they sit on a relevant committee, to scrutinise performance and assess risks and the integrity of financial information and controls, and to ensure appropriate remuneration and succession planning for executive directors.

All directors are provided with, and have full and timely access to, information that enables them to make informed decisions on corporate and business issues, including operational and financial performance, risk management and business plans. In particular, the Board receives monthly information on the performance and results of the Group and the individual operating businesses.

In addition to the schedule of matters reserved for itself, the Board has delegated certain matters to a number of standing committees with defined terms of reference, which are published on the Company's website at www.kingfisher.com. The Board members' length of service and their committee membership is shown in the following table:

Name	Length of service	Age	Board Committee membership
Peter Jackson	2 years and 3 months	61	Nomination (Chairman), Remuneration [1]
Phil Bentley	5 years and 6 months	49	Audit (Chairman), Nomination
Daniel Bernard	1 year and 10 months	62	Audit, Nomination
Ian Cheshire	7 years and 10 months	48	Executive
Michael Hepher	10 years and 7 months	64	Audit, Nomination, Remuneration
Janis Kong	1 year and 4 months	57	Nomination, Remuneration
Hartmut Krämer	5 years and 5 months	61	Nomination
Gerry Murphy [2]	5 years and 2 months	52	Nomination, Executive, Disclosure
John Nelson	6 years and 3 months	60	Remuneration (Chairman), Audit, Nomination
Duncan Tatton-Brown	4 years and 2 months	43	Executive, Disclosure

[1] Joined the Remuneration Committee on 20 March 2008.
[2] Until 2 February 2008.

Corporate Governance report

The directors' biographies, which can be found on page 32, illustrate the directors' range of experience, which is intended to provide an effective Board to lead and control Kingfisher. Non-executive directors are appointed for an initial term of three years.

On appointment, each director receives a tailored induction programme which includes:
- Individual time with the Chairman, the Group Chief Executive, the Group Finance Director and other senior corporate executives;
- Visits to Group and competitors' stores;
- Meetings with management of the operating businesses; and
- External training courses at the Company's expense, if required.

External training at the Company's expense is available on an ongoing basis and the Board visits and meets with a number of operating companies and their management teams each year. In addition, ad-hoc update training is provided on appropriate matters.

Comprehensive Directors & Officers liability insurance is provided by a reputable insurer covering all past, present and future director and officer appointments. Cover is in respect of any actual or alleged breach of duty, breach of trust, neglect, error, misleading statement, omission, breach of warranty or authority or other act.

The Board regards independent performance evaluation as an important part of monitoring and improving its effectiveness. This year a further evaluation of the Board and its Committees was undertaken using bespoke board evaluation software from Evalu8 Limited, a board evaluation and corporate governance compliance consultant, and the output and implications for improvement were considered by the whole Board. As a result, a specific programme of actions has been agreed to enhance Board agenda planning and to deliver more focused summary information to directors in addition to that already provided.

Each year the results of the Board evaluation are used by the Chairman for assessing the individual performance of directors and inform the Nomination Committee's assessment of the skills required by any new non-executive directors.

The attendance record of individual directors at Board and Committee meetings is detailed below. In addition the non-executive directors meet separately, once each year, without the Chairman.

	Board meetings	Committee meetings				
		Audit	Remuneration	Nomination	Executive	Disclosure
Number of meetings in year	10	4	6	6	11	3
Peter Jackson	10	–	–	6	–	–
Gerry Murphy	9	–	–	2	8	3
John Nelson	10	4	6	6	–	–
Phil Bentley	10	4	–	6	–	–
Daniel Bernard	9	4	–	6	–	–
Ian Cheshire	10	–	–	–	10	–
Michael Hepher	10	4	5	5	–	–
Janis Kong	10	–	5	6	–	–
Hartmut Krämer	10	–	–	5	–	–
Duncan Tatton-Brown	10	–	–	–	11	3

Non-attendance at Board and Committee meetings is rare, usually when either an unexpected commitment arises, or, for newly appointed directors, there is a prior clash with a meeting which had been timetabled and could not be rearranged. Directors are generally provided with the papers for Board and Committee meetings a week in advance and directors who are unable to attend provide comments and feedback to either the Chairman, the Chairman of the relevant Committee or the Company Secretary, who ensure those comments and views are raised at the meeting. Additional Board meetings are also held to approve quarterly financial reports and preliminary statements at the half and year end.

Details of the Audit and Nomination Committees are provided in the individual reports of those Committees on page 53. The details of the Remuneration Committee are in the Remuneration report on pages 42 to 52.

The Executive Committee formally comprises the executive directors of the Company. In addition, members of the senior management team attend the meetings. The Committee's terms of reference can be found at www.kingfisher.com. The Committee provides an effective method of ensuring the active participation of senior operational management in understanding the key issues facing Kingfisher, as a UK listed company. The Committee's responsibilities in relation to risk management and internal control, and corporate responsibility, are set out below and on pages 40 and 41.

Company Secretary

On 27 July 2007 Nick Folland was appointed as Company Secretary and Director of Governance and Corporate Services and Helen Jones resigned. All directors have access to, and the services of, the Company Secretary and may also take independent professional advice at Kingfisher's expense.

The Company Secretary acts as secretary to all of the Board Committees.

The Company Secretary is also responsible for facilitating the induction and professional development of Board members as well as ensuring good information flows within the Board, its committees and between the non-executive directors and senior management.

Relations with shareholders

Kingfisher is committed to an active dialogue with its shareholders through a planned programme of investor relations. This activity is a key component of its corporate communications programme and is headed by the Group Communications Director, Ian Harding.

Shareholders also receive Annual and Interim Reports and the investors' section of Kingfisher's website (www.kingfisher.com/investors) includes copies of all these, all trading updates, press announcements and presentations to shareholders.

This year's investor relations programme included formal presentations of full year and interim results, conference calls to discuss quarterly trading statements on three other occasions during the year, and regular meetings between institutional investors and senior management.

The Board believes that there are sufficient opportunities for the necessary dialogue with shareholders and the Board. Apart from the consultation noted above, these include regular meetings between investors and management, the availability of all the non-executive directors for meetings if so requested by the shareholders and a standing invitation for the non-executive directors to attend any of the major presentations by management to shareholders. The Senior Independent Director, John Nelson, is available to shareholders if there are concerns that cannot be resolved through normal channels of communication.

The Board receives regular reports concerning institutional shareholder meetings and their issues and concerns. This process and reporting allows the directors to develop the necessary understanding of the views of the shareholders and also enables the Board to judge whether the investors have a sufficient understanding of the Company's objectives.

Both institutional and private shareholders are welcome at the AGM, which includes a presentation on the Group's business by the Group Chief Executive. The AGM also provides an opportunity for shareholders to discuss with executive and non-executive directors any issues concerning the Company and its activities.

Auditor independence

Kingfisher's rules and authorisation processes for the instruction of the auditors for non-audit work were reviewed and updated in 2005 and details can be found at www.kingfisher.com. The auditors are precluded from engaging in non-audit services that would compromise their independence or violate any laws or regulations affecting their appointment as auditors. Approval of the Chairman of the Audit Committee is required prior to awarding contracts for non-audit services to the external auditors in excess of a specified amount. The external auditors report to the Audit Committee annually on their independence from the Company. Periodic rotation of key partners is also required.

Each of the Group's businesses are consulted on the effectiveness and independence of the Auditors annually. In addition, the Auditors provide the Audit Committee with a schedule of each matter on which there was an initial difference between them and management in relation to the accounting treatment, with the advice (if needed) of the firm's technical committee, and with the final decisions on these issues. The Audit Committee considers whether the audit should go out to tender but has taken the view that partner rotation at both the Group and operating business level has been sufficient to maintain the necessary independence.

Accountability, risk management and internal control

The Board considers risk assessment, identification of mitigating actions and internal control to be fundamental to achieving Kingfisher's strategic corporate objectives.

This system of internal control is:

- The Board's overall responsibility;
- Regularly, and at least annually, reviewed for its effectiveness by both the Board and the Audit Committee;
- In compliance with the Turnbull guidance 2005; and
- Supported by Kingfisher's policies in such areas as code of conduct, legal and secretarial, finance and treasury.

Corporate Governance report

However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The key elements of the internal control process are summarised below:

The Board, which:
- Has approved a set of policies, procedures and frameworks for effective internal control, including, the provision of quality internal and external reporting and compliance with applicable laws and regulations, which are periodically reviewed and updated;
- Regularly reviews and updates the Group's strategy and those of its operating companies;
- Reviews and assesses Kingfisher's key risks at least annually;
- Reviews performance through a comprehensive system of reporting, based on an annual budget with monthly business reviews against actual results, analysis of variances, key performance indicators and regular forecasting;
- Has well defined policies governing appraisal and approval of capital expenditure and treasury operations;
- Seeks assurance that effective control is being maintained through regular reports from the Audit Committee and various independent monitoring functions.

The Audit Committee which, in respect of the Group:
- Monitors the integrity of the financial statements and any formal announcements relating to financial performance;
- Reviews and evaluates the internal financial risk, and other internal controls and their associated systems;
- Monitors and reviews the effectiveness of the internal audit function;
- Considers and reviews the reports from the external auditors on the principal reporting issues faced by the Group.

The Executive Committee which, in respect of the Group:
- Reviews and makes recommendations to the Board, where appropriate, regarding:
  - The strategic and business plans of individual businesses and the strategic choices of the Group;
  - The annual budget and capital expenditure proposals for the Group;
  - Management development and senior executive succession plans.
- Oversees and reviews the Group's corporate responsibility programme and operating companies' individual progress; with the Group Chief Executive reporting to the Board at least annually on issues, progress and recommendations for change.
- Approves or, where appropriate, recommends to the Board any acquisitions or disposals of companies, businesses or significant assets;
- Reviews periodically as necessary the communications messages to the investor community for effectiveness and relevance. It also ensures any issues regarding strategy and performance that the investor community are expressing are fully understood, that these are communicated appropriately to the Board and actions are taken to address any legitimate concerns;
- Oversees the work of the Treasury Committee and reviews and approves on behalf of the Board any significant or unusual treasury transactions within the limits set out in the Treasury Policy and exercises all powers of execution and delivery of the Board in relation to the approval and authorisation for signature of financing documents within the Committee's terms of reference and authority limits; and
- Allots new shares in the Company to employees following the exercise of share options in schemes approved by the Board and shareholders.

The business head of each operating company/business area who:
- Maintains systems that continually identify and evaluate significant risks affecting their strategies and that apply to their areas of the business;
- Has responsibility for identification and evaluation of significant risks to their business area, together with the design of mitigating controls;
- Reviews and monitors the effectiveness of internal control systems through an operating company audit committee and reports from internal and external audit functions;
- Has responsibility for and ensures the effective functioning of their operating company audit committee;
- Self-certifies that internal control processes are in place and that they comply with Group policies; and
- Supported by their operating company audit committee, reports on any control weaknesses or breakdowns that could be material to the Group.

The Internal Audit and Risk Management function which:
- Works with the operating companies to develop, improve and embed risk management tools and processes into their business operations;
- Oversees the operation of the individual operating businesses' audit committees;
- Ensures that business risks are identified, managed and regularly reviewed at all levels of the Group and that directors are periodically appraised of the key risks in accordance with the Turnbull guidance;
- Provides the Board with objective assurance on the control environment across the Group;
- Monitors adherence to the Group's key policies and principles; and
- Provides the Group Audit Committee with necessary assurances on the control environment.

Whilst management at each operating business has responsibility for the identification and evaluation of significant risks applicable to their business and any mitigating actions to be taken through the Executive Committee, Group executive management reviews, identifies and evaluates the risks which are significant at a Group level as well as the mitigating actions against those risks. These are then considered by the Board after review by the Audit Committee. The type of risks identified include strategic risk, external factors (such as competition, environment and regulation), change management programmes, health and safety, retention of key management and macro market risks. The Internal Audit plans are designed to address the controls and actions in relation to each business's significant identified risks.

The directors confirm they have reviewed the effectiveness of this system of internal control, that any necessary action has been or is being taken to remedy any significant failings or weaknesses identified from the review and that it accords with the guidance of the Turnbull Committee on internal control.

Environmental, social and governance (ESG)

The Executive Committee oversees corporate responsibility including environment, social and governance matters and its terms of reference can be found on the website www.kingfisher.com. The Board recognises the importance of ESG matters and receives information concerning any risks that may be posed regarding such matters from the Group Chief Executive and the Executive Committee. The Board formally reviews corporate responsibility progress on an annual basis.

Kingfisher has developed a Corporate Responsibility Risk Register, to deliver a common approach to the way risks are identified and managed across the Group. An initial set of risks has been identified and is being finalised following a trial of the register with Koçtaş in January 2008. The register is designed to be used by Kingfisher's operating companies to help them identify their own specific risks, including the magnitude and probability of occurrence and the range of mitigating controls in place to minimise the potential impacts of the risks. Following evaluation and review, further guidance is being developed for use by all Kingfisher's subsidiaries.

Key ESG matters are managed through Kingfisher's Corporate Responsibility Policy and Steps to Responsible Growth programme (see page 24). In addition, Kingfisher has a Code of Conduct for Ethical Business practice which provides guidance on governance issues. Non-compliance with the Code can result in disciplinary action for employees or termination of contract for vendors and contractors.

Kingfisher is working to identify sustainability opportunities and challenges for the business over the next ten years. In order to prepare for these changes, the Company has set the ambitious objective to fully integrate sustainability into its business thinking and has also developed a set of sustainability goals (see page 25). Kingfisher is working to achieve these goals through its Steps to Responsible Growth programme.

An overview of progress on corporate responsibility can be found on page 24. A more detailed Corporate Responsibility Report is available on the website www.kingfisher.com/CR.

Directors' responsibility for preparing financial statements

The following statement is made with a view to distinguishing for shareholders the respective responsibilities of the directors and the auditors in relation to the financial statements.

The directors are required by company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group as at the end of the financial year and of the profit for the year to that date. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union, and the parent company financial statements and the Directors' Remuneration Report in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). In preparing the financial statements the directors are required to:

- Ensure that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the Group financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation; and that the parent company financial statements and the Directors' Remuneration Report comply with the Companies Act 1985;
- Take such steps as are reasonably open to them to safeguard the assets of the Company and Group and to prevent and detect fraud and other irregularities;
- Apply suitable accounting policies in a consistent manner and supported by reasonable and prudent judgements and estimates where necessary;
- Comply with applicable accounting standards (except where any departures from this requirement are explained in the notes to the financial statements); and
- Ensure the maintenance and integrity of the Company's website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By Order of the Board
Nick Folland
Company Secretary
26 March 2008

Remuneration report

This report to shareholders provides information on the remuneration and share interests of all Kingfisher directors and has been prepared in accordance with Schedule 7A to the Companies Act 1985 and the applicable Listing Rules.

The Remuneration Committee

The Remuneration Committee is responsible for the broad policy governing senior executives' pay and remuneration. It sets the actual levels of all elements of the remuneration of all executive directors of the Company and for certain senior operating executives. The Committee also oversees the administration of Kingfisher's employee share schemes and determines the level of fees for the Chairman of the Board. The Committee's terms of reference are available at www.kingfisher.com.

The Committee aims to ensure that senior executives (including executive directors of the Company) are rewarded for their contribution to Kingfisher and are motivated to enhance returns to shareholders. It advises the Board on the remuneration framework and policy for such senior executives and, once formally endorsed by the full Board, it applies the policy.

The Committee members are John Nelson (Chairman), Michael Hepher and Janis Kong, all independent non-executive directors. Since the year-end Peter Jackson, who was independent on initial appointment as Company Chairman, also became a member of the Committee on 20 March 2008. The Group Chief Executive is invited to attend meetings of the Committee but not when his own arrangements are considered. The Committee met six times during the year.

The Committee consults with shareholders to ensure their views are understood and taken into account in the work of the Committee, particularly in relation to changes in Kingfisher employee share scheme arrangements and wider trends in executive remuneration.

Advice

During the year the Committee sought the advice of Kingfisher's Group Human Resources Director, Tony Williams, and was supported by the Company Secretary; Nick Folland from 27 July 2007 and, prior to that, Helen Jones. The Committee has also appointed the following external advisers:

- Hewitt New Bridge Street (HNBS) provides advice on the ongoing operation of employee and executive share plans together with advice on executive remuneration; and
- Allen & Overy LLP provides legal advice to the Committee on service and employment contracts and for other employment and remuneration issues in relation to executive directors and senior executives. Allen & Overy LLP also advises the Company separately on other legal matters; and
- Watson Wyatt provides advice and benchmarking on the market competitiveness of remuneration for executives in the UK and overseas.

Information subject to audit

The following sections, on pages 42 to 52, of the Remuneration report are audited:

- 'Components of executive directors' remuneration – Annual bonus and long-term incentives, including the ('PSP')' – the summary of performance criteria upon which the vesting of performance shares are conditional;
- 'Executive directors' remuneration overview';
- Kingfisher Incentive Scheme '('KIS') Share Awards';
- 'Performance Share Awards';
- 'ShareSave Option Scheme';
- 'Closed incentive plans' – except for compliance with guidelines on dilution limits;
- 'Directors' pension benefits'; and
- 'Non-executive directors' remuneration table and notes.

Remuneration policy for executive directors

The Committee intends that executive director remuneration should be competitive by reference to the experience of the executive concerned, the role fulfilled, internal relativities and the markets in which the Company competes. This is designed to promote business success through the recruitment, retention and motivation of the highest quality executives.

Executives are eligible for annual bonus awards under the KIS Cash and KIS Shares schemes and separately receive annual awards of Performance Shares under the Performance Share Plan ('PSP'). The Committee believes that this structure is weighted towards the achievement of stretching, individually targeted annual bonus measures, but also aligns the interests of executives with those of shareholders through a continued emphasis on equity based incentives which also provide a better 'lock-in' of key executives. During the year, the Committee reviewed the Group Chief Executive's maximum bonus opportunity as well as annual award levels under the PSP for executive directors. The results of this review are described below. Following resultant changes the Committee is satisfied that there is an appropriate balance between the different elements of pay (including the split between fixed and variable pay).

Gerry Murphy stood down as Group Chief Executive of Kingfisher plc on 2 February 2008. Under the terms of his service agreement, termination payments are staged and subject to a requirement for him to mitigate in respect of his future earnings. The agreement provided for Mr Murphy to receive a monthly payment equal to 15% of annual salary for up to 12 months. Payments reduce if he commences lower paid employment during the 12 month period and cease immediately if he commences employment providing the same or higher value remuneration. In addition, he continues to receive a supplement at a reduced rate of 30% of monthly salary above the Pension Scheme Cap over the same period. From 1 March 2008 Gerry Murphy's monthly payment has been reduced as a result of him being paid a salary by The Blackstone Group.

In addition, unvested awards under Kingfisher's long-term incentive arrangements at the date of termination of his appointment lapsed although Multiplier awards (see below) will vest on their respective vesting dates, subject to the satisfaction of the applicable performance condition and subject to the time pro-rating formula set out in the rules of the Kingfisher Incentive Scheme.

Following the termination of Gerry Murphy's service agreements the Board, through its Nomination Committee, conducted a rigorous search and selection process with the assistance of specialist recruitment consultants, which identified Ian Cheshire as the most suitable candidate for the role of Group Chief Executive. His remuneration was the result of an extensive review carried out by the Committee with the assistance of HNBS.

A key consideration when determining Ian Cheshire's package was the Committee's desire that a significant proportion of the package should be performance related and that the incentives should support Kingfisher's primary objective of a recovery in the Group's performance.

Future annual bonus objectives will be focused on key strategic goals rather than solely on the annual budget and indicative targets will be pre-set for the next four years and confirmed annually. Given the current outlook for the retail market generally, the performance parameters for Ian Cheshire and Duncan Tatton-Brown for 2008/2009 will be focused on key strategic goals.

For the long-term incentive element, the Committee has decided that the current TSR-based plan should largely continue and an award under the plan has been made to Ian Cheshire to coincide with his appointment as Group Chief Executive. However, as an encouragement for him to make a direct purchase of shares, a supplemental earnings per share ('EPS') based recruitment award has been made which only rewards superior EPS growth. As a result of his acquiring and holding at least 266,667 shares, he has been awarded 1,114,206 shares which will vest in four years on the basis of significant growth in profitability. Ian Cheshire acquired 268,924 shares on 1 February 2008. Consensus analyst forecasts for this coming year (2008/09) indicate no growth (or a decrease) in EPS but, if the year were broadly in line with current estimates of the prior year (2007/08) just finished, then the annual growth required in adjusted EPS for the subsequent three years would be between c.12% and c.20% per annum. In profit before tax terms this would reflect a range of approximately £560m to £690m which is felt to be appropriate but challenging in light of internal business plans. The performance conditions set by the Committee are outlined under the paragraph headed 'The PSP'.

Components of executive directors' remuneration

Salaries and benefits

Salaries are reviewed annually in August, taking into account market conditions, affordability, the level of increases awarded to staff generally and the individual's contribution. In addition, the Company provides a range of additional benefits, including life and medical insurance, membership of a Company pension scheme, a subsidised staff canteen, a staff discount card, 30 working days holiday per year and a company car or cash allowance.

With effect from 1 August 2007, Gerry Murphy, Ian Cheshire and Duncan Tatton-Brown were all awarded base salary increases of 3% per annum.

Upon Ian Cheshire's appointment as Group Chief Executive, effective 28 January 2008, his salary was increased to £800,000.

The current annual base salaries of the executive directors as at 26 March 2008 are:

Ian Cheshire	£800,000
Duncan Tatton-Brown	£453,200

Annual bonus and long term incentives

Annual bonuses are awarded under the KIS. The KIS comprises the Kingfisher Annual Cash Incentive Scheme 2003 (KIS Cash scheme) and the Kingfisher Incentive Share Scheme 2003 (KIS Shares scheme). Under these arrangements senior executives may receive a performance-related cash bonus under the KIS Cash scheme and a contingent share award under the KIS Shares scheme equal to half the value (at the time of award) of the cash bonus. The contingent share award must normally be held for three years before it vests, with the shares being normally subject to forfeiture should the executive leave Kingfisher during the three-year deferral period as a result of voluntary resignation or dismissal for cause. Contingent share awards awarded from April 2007, in line with ABI best practice, receive a dividend roll-up on vesting calculated on the basis of a notional purchase of shares on each relevant ex-dividend date using that day's closing mid-market price.

Substantial awards under the KIS Cash scheme and the KIS Shares scheme are only payable to executives on achievement of the performance targets agreed by the Committee at the beginning of each year, based on Kingfisher's strategic and financial planning process and the economic and competitive environment in which the Company and its principal businesses operate.

In respect of the financial year ended 2 February 2008, the key performance parameters for Gerry Murphy and Duncan Tatton-Brown were:
1. Group return on invested capital;
2. Group cash generation;
3. Group profit after tax; and
4. Individual targets.

For Ian Cheshire, 25% of his bonus focused on Group profit after tax with 75% being targeted in respect of B&Q UK's performance on:
1. Return on invested capital;
2. Cash generation; and
3. Individual targets.

The overall bonuses earned were below on-target levels. The return on invested capital target was not achieved, the cash generation target at Group was met but not for B&Q and the profit after tax measure was partially met. The individual objectives set for the executive directors, which principally related to specific measures regarding the B&Q development programme, were partially met.

Remuneration report

Following the review undertaken to determine Ian Cheshire's remuneration as Group Chief Executive, the Committee has decided that the maximum bonus payable under the Kingfisher Incentive Scheme ("KIS") will be increased from 150% of salary (100% of salary in cash and 50% of salary in deferred forfeitable shares) to 200% of salary (133% in cash and 67% in deferred forfeitable shares). The indicative annual targets to be set for the next four years tie in with the growth assumptions explained earlier so the concept of an on-target bonus becomes redundant and, in future, an on-target bonus will not be disclosed. However, the level of growth required to achieve significant bonuses will be materially higher than was the case in previous years.

Maximum vesting under the KIS and PSP result in up to approximately 75% of total remuneration being performance-related, an approach the Committee believes is appropriate for Kingfisher as a dynamic international retailer.

If an executive does not work for Kingfisher throughout the whole of a financial year, the Committee has the discretion to determine the appropriate level of payment under the KIS Cash scheme for that year. Where Kingfisher terminates an executive's contract except for cause, or on retirement, then, reflecting the fact there will be no entitlement to awards under the KIS Shares scheme, the executive may receive a cash replacement of the equivalent value of the KIS Shares scheme award, pro rata for the period of the financial year employed, subject to the discretion of the Committee to decide the appropriate level of such bonus.

The PSP

Under the PSP provisional awards of Performance Shares have been granted to selected senior executives at six-monthly intervals following the publication of the annual and half yearly results. Awards were made on 11 April and 1 October 2007.

As part of the terms of his recruitment, awards were made to Ian Cheshire on 1 February in respect of his current year (2008/2009) allocations under the plan and therefore no further awards will be made to him during the financial year.

Previously the Committee has operated an annual limit on awards under the PSP of 125% of salary, although the plan rules allow for awards of up to 200% of salary to be made in normal circumstances. Going forward, and for the award made on Ian Cheshire's appointment, in order to bring long-term incentive provision into line with median practice in other FTSE 100 companies and other retailers of a similar size, the annual limit is likely to be increased to 200% of salary with the performance measures made correspondingly more demanding as follows.

Performance Shares will normally vest three years from the award date, provided that the executive is still employed by the Group and Kingfisher's Total Shareholder Return (TSR) performance is above median for the FTSE 100 during the three year performance period. No vesting will occur at or below median performance.

In order for any of an award of shares subject to the TSR performance condition to vest, the Company's TSR must be at least 1 percentage point above the median over the relevant three year period (at which level of performance 15.625% of this award will vest) and in order for all of this award to vest it must increase by at least 1 percentage point above the upper quintile. Previous awards vested at 1 percentage point above the upper quartile. 15.625% will vest at threshold as this preserves the same percentage of salary vesting at threshold based on an increase in the normal award level from 125% to 200% of salary.

In addition, awards will only vest to the extent that the Committee is satisfied that the Company's TSR over the period is reflective of the underlying financial performance of the Company.

TSR at the end of the Performance Period	Percentage this part of the award of performance shares under an award that will vest
Less than median plus 1 percentage point	Nil
Median plus 1 percentage point	15.625%
Between median plus 1 percentage point and upper quintile plus 1 percentage point	Straight-line vesting between 15.625% and 100%
Upper quintile plus 1 percentage point	100%

TSR was selected as the most appropriate performance measure for the PSP as it is robust, aligns executives' interests with those of shareholders and is generally favoured by the Company's major shareholders. The FTSE 100 was chosen as the comparator group because there is a general lack of directly quoted home improvement businesses against which to compare the Company's TSR specifically and because major shareholders, when consulted previously, indicated their preference for the chosen comparator group. HNBS independently carries out the relevant TSR calculations for the Committee.

Performance Shares also receive a dividend roll-up calculated on the basis of a notional purchase of shares on each relevant ex-dividend date using that day's closing mid-market price. Shares used to satisfy awards under a plan are normally purchased in the market via an employee benefit trust.

The Committee intends to carry out a wider review of long-term incentive provision during 2008 although it has concluded that the award to the Group Finance Director to be made in 2008 should be over shares then worth 200% of salary with 50% subject to the TSR condition outlined above in respect of the award to Ian Cheshire and the other 50% subject to the same EPS conditions as are summarised below in respect of the special award to Ian Cheshire.

As part of the terms of his recruitment, the Committee offered Ian Cheshire the opportunity to purchase 266,667 shares in the Company and in return receive a matching award of 200% of salary (i.e. broadly a 4:1 match; although the actual purchase was 268,924 shares at 148p and the matching award price was based on a share price of 143.6p, being the three day average share price prior to grant). The matching award was granted pursuant to the exemption from the need for prior shareholder approval contained in Listing Rule 9.4.2. The matching award is non-pensionable and non-transferable (other than on death). This award has been linked to challenging performance conditions linked to the Group's recovery (see page 45) and also required

Ian Cheshire to make a significant personal investment in Kingfisher shares upfront. The Committee confirms that the matching award was felt to be necessary to facilitate Ian Cheshire's recruitment as Group Chief Executive.

The one-off award to Ian Cheshire is subject to the following performance condition:

The award will vest four years after grant subject to the extent to which demanding performance conditions based on growth in the Company's adjusted EPS measured over four years have been achieved. The award is subject to the retention of the shares purchased on 1 February 2008 and will lapse pro rata to the extent of any disposal.

The performance condition for this award will be as follows:

EPS at the end of the Performance Period	Percentage this part of the award of performance shares under an award that will vest
Less than 15.9p	Nil
15.9p	15.625%
Between 15.9p and 17.0p	Straight-line vesting between 15.625% – 50%
17.0p	50%
Between 17.0p and 19.6p	Straight-line vesting between 50% – 100%
19.6p	100%

The Committee may in its absolute discretion amend the range of EPS targets set out in the table above to take account of:
– any material change in the retail prices index over the Performance Period;
– any change to, or event that affects, the structure or business of the Kingfisher group;
– any other material change in circumstances.

Any such amendment will be disclosed in the relevant Directors' Remuneration Report.

The Committee may also vary the performance condition if an event has occurred which causes it to consider that it would be appropriate, provided the Committee considers the varied condition to be fair and reasonable and not materially less challenging than the original condition would have been but for the event in question.

The award is subject to substantially the same terms that apply to awards granted under the PSP. In particular:

As a general rule, the award will lapse upon Ian Cheshire ceasing to hold employment or be a director within the Kingfisher group. However, if he ceases to be an employee or a director because of his death, ill-health, injury, disability, retirement, redundancy or in other circumstances at the discretion of the Committee, then his award will vest on the date when it would have vested if he had not ceased such employment or office. The extent to which the award will vest in these situations will depend upon two factors: (i) the extent to which the performance condition has been satisfied; and (ii) the pro-rating of the award to reflect the reduced period of time between its grant and vesting, although the Committee can decide not to pro-rate the award if it regards it as inappropriate in the particular circumstances.

If Ian Cheshire ceases to be an employee or director of any company in the Group for one of the good leaver reasons specified above, the Committee can decide that his award will vest when he leaves, subject to: (i) the performance condition being measured at that time; and (ii) pro-rating by reference to the time of cessation as described above.

In the event of a takeover or winding up of the Company (not being an internal corporate reorganisation) the award will vest early subject to: (i) the extent that the performance condition has been satisfied at that time; and (ii) the pro-rating of the award to reflect the reduced period of time between its grant and vesting, although the Committee can decide not to pro-rate the award if it regards it as inappropriate to do so in the particular circumstances.

In the event of an internal corporate reorganisation, the award will be replaced by an equivalent new award over shares in a new holding company unless the Committee decides that the award should vest on the basis which would apply in the case of a takeover.

If a demerger, special dividend or other similar event is proposed which, in the opinion of the Committee, would affect the market price of shares to a material extent, then the Committee may decide that the award will vest on the basis which would apply in the case of a takeover as described above.

The Award will not confer any shareholder rights until shares have been acquired on the exercise of the award.

In the event of any variation of the Company's share capital or in the event of a demerger, payment of a special dividend or similar event which materially affects the market price of the shares, the Committee may make such adjustment as it considers appropriate to the number of shares subject to the award.

The Committee may, at any time, amend the agreement in any respect, provided that the prior approval of shareholders is obtained for any amendments that are to the advantage of Ian Cheshire in respect of the rules governing the basis for determining Ian Cheshire's entitlement to, and the terms of, the shares or cash to be acquired and the adjustment of the award.

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor alteration made to benefit the administration of the agreement, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Ian Cheshire or for any company in the Group. Shareholder approval will also not be required for any amendment to the performance condition.

A copy of the Performance Share Award agreement dated 1 February 2008 will be available for inspection prior to and for at least 15 minutes before and during the AGM.

Remuneration report

Other long-term incentive plans
Apart from the ShareSave Option Scheme, all other option and incentive arrangements have been discontinued, but awards made under these schemes in previous years will vest over time, in accordance with the rules governing the various plans. The details are shown in the section entitled Closed Incentive Plans on pages 49 and 50.

Share Ownership Guidelines

The Committee has established formal share ownership guidelines which prohibit executive directors selling shares obtained through the KIS Shares scheme and long-term incentive plans including the PSP (except to meet tax obligations) until they hold shares costing or worth at least one times base salary (two times for the Group Chief Executive). The Committee believes that this will provide a longer-term retention mechanism and mean that, over time, executives will have a significant personal interest in Kingfisher shares. The Committee believes these arrangements align executives' and shareholders' interests effectively and encourage a long-term view of performance.

Executive directors' service contracts

All executive directors and UK senior executives have service contracts terminable by no more than 12 months' notice by either side, with no different arrangements applying in the event of termination following a change of control. For senior executives not employed from the UK, the same principles apply, but there are local laws and regulations which mean it is possible that, subject to length of service and reasons for termination, more than 12 months' notice has to be given. Details of the executive directors' contracts are summarised below.

The contracts for all executive directors provide that termination payments would be paid on a phased basis at a monthly rate of 15% of annual salary for a maximum of 12 months from the termination date. Lower amounts are payable if the director commences lower paid employment during the 12 month period, and payments cease immediately when employment providing the same or higher value remuneration is started.

To reflect the arrangements entered into on his appointment, Gerry Murphy continues to receive for the same period a monthly pension contribution or Scheme Cap supplement at a reduced rate of 30% of his monthly salary above the Scheme Cap (see Pension provision below).

Executive director	Date of last contract	Notice period (months)
Ian Cheshire	28/01/2008	12
Duncan Tatton-Brown	01/02/2004	12
Gerry Murphy	16/03/2004	12

Kingfisher allows each executive director (and senior executives), to accept and hold one non-executive role outside the Group.

The following fees for acting as non-executive directors of companies not part of the Kingfisher Group were earned and retained by the relevant individual during 2007/08:

Ian Cheshire	£48,000
Duncan Tatton-Brown	£50,000
Gerry Murphy	£70,000

Pension provision

Ian Cheshire and Duncan Tatton-Brown are members of the main defined benefit funded arrangement, the Kingfisher Pension Scheme, which was closed to new employees of the Group on 1 April 2004, and which provides a pension on retirement at normal retirement at age 65 of 1/60th of base salary up to the Earnings Cap for each year of pensionable service. In the event of death during employment, dependants would receive a pension and a lump sum from the Scheme (relating to the employee's contributions during the period of membership) and life insurance equal to four times the amount of base salary up to the Earnings Cap. On leaving the employment of the Group before retirement, members would become entitled to a deferred pension.

In addition to the Scheme benefits, Gerry Murphy, pursuant to his service agreement, received a pension supplement of 40% of his earnings above the Scheme Cap.

During the year the Committee conducted a review of the pension provision offered to the executive directors, as a result of which provision above the Scheme Cap for Ian Cheshire and Duncan Tatton-Brown was increased so that it now comprises a 7.5% cash supplement together with a 12.5% Company contribution directly to any of the funds available through the Kingfisher pension arrangements. For the six month period, August 2007 to January 2008, executive directors have received the following additional company contributions to pensions. Ian Cheshire received £21,275 and Duncan Tatton-Brown received £21,275.

Going forward the salary supplement will be phased out over the next three years, reducing Duncan Tatton-Brown's cash supplement by 2.5% each year and increasing the Company contribution by 2.5% each year until such time as Duncan Tatton-Brown receives a 20% Company contribution to pension fund only, with no cash.

Following his appointment as Group Chief Executive, Ian Cheshire receives a 30% Company contribution, but no longer any cash supplement.

Executive directors' remuneration overview

Executive directors

£000	Base salary	Total Benefits [1]	Cash Bonus [2]	Total remuneration 2007/08	Total remuneration 2006/07
Ian Cheshire	446.6	50.0	53.5	**550.1**	765.1
Duncan Tatton-Brown	446.6	52.9	113.0	**612.5**	696.3
Gerry Murphy [3]	925.7	382.9	326.0	**1,634.6**	1,670.5
Total	1,818.9	485.8	492.5	**2,797.2**	3,131.9

1 Total benefits include cash payments representing Scheme Cap Supplements of £325,432 for Gerry Murphy, £29,200 for Ian Cheshire and £29,198 for Duncan Tatton-Brown; non-cash benefits comprised medical, life and permanent health insurance; Ian Cheshire received a cash allowance in lieu of a company car until his appointment as Group Chief Executive. Upon his appointment, his cash allowance was increased by the difference in the car allowance for an executive director and the Group Chief Executive. He now receives a company car and also receives a cash payment as he has not taken full entitlement of his allowance for his car.
2 For the contingent shares award under the KIS Shares scheme in relation to the financial year ended 2 February 2008, see the table below, and for the Multiplier Awards see the table under Closed Incentive Plans on page 50.
3 The maximum sum due in respect of Gerry Murphy's basic salary compensation will be £1.7m and the maximum payment due in respect of the reduced pension supplement will be an additional £248,000; each being paid monthly and subject to mitigation.

KIS Share Awards

Once the contingent share award is made in respect of the bonus earned, the only qualifying condition for the award normally to vest is to be in the employment of the Company at the vesting date. In respect of bonuses paid in 2004, 2005 and 2006, an additional Multiplier Award of shares was potentially receivable by certain executive directors – details of these are shown under Closed Incentive Plans on page 50. Following the introduction of the PSP, no further Multiplier Awards have been granted.

Name	Number of contingent shares at start of year	Number of contingent shares awarded in year	Price per share	Dividend roll-up shares [1]	Market price per share on date of award	Number of contingent shares at end of year	Vesting date	Lapse date
Ian Cheshire	86,088		288.50p		286.00p	–	28/04/2007	28/10/2007
	39,685		286.92p		285.50p	39,685	06/04/2008	06/10/2008
	60,471		233.83p		231.25p	60,471	10/04/2009	10/10/2009
		49,795 [2]	277.75p	988		50,783	11/04/2010	11/10/2010
Total	186,244	49,795		988		150,939		
Duncan Tatton-Brown	44,412		288.50p		286.00p	–	28/04/2007	28/10/2007
	44,913		286.92p		285.50p	44,913	06/04/2008	06/10/2008
	10,777		233.83p		231.25p	10,777	10/04/2009	10/10/2009
		39,867 [2]	277.75p	791		40,658	11/04/2010	11/10/2010
Total	100,102	39,867		791		96,348		
Gerry Murphy*	221,448		288.50p	–	286.00p	–	28/04/2007	28/10/2007
	116,822		286.92p	–	285.50p	116,822	06/04/2008	06/10/2008
	23,844		233.83p	–	231.25p	23,844	10/04/2009	10/10/2009
		80,665 [2]	277.75p	1,600		82,265	11/04/2010	11/10/2010
Total	362,114	80,665		1,600		222,931		
Totals	**648,460**	**170,327**		**3,379**		**470,218**		

* Gerry Murphy's awards vested on 2 February 2008, his termination date, and are capable of exercise during the six month period following 2 February 2008.
1 The price used to calculate the Dividend roll-up shares was 194p, being the market price on 3 October 2007.
2 As disclosed in last year's Remuneration Report these awards under the KIS Shares scheme were made on 11 April 2007, in respect of the financial year ended 3 February 2007. These awards are structured as nominal cost options (on payment in aggregate of a maximum of £1). They will normally vest in April 2010 and will be exercisable within the period of six months starting from the vesting date.

Awards of contingent shares, in respect of the financial year ended 2 February 2008, are due to be made on 21 April 2008, vesting in April 2011, to Ian Cheshire and Duncan Tatton-Brown under the KIS Shares scheme to the value of £26,739 and £56,499, respectively, at the average mid-market price over the three dealing days, 16, 17, and 18 April 2008. As the awards will be made after publication of the results for the financial year ended 2 February 2008, the detail will be disclosed fully in next year's Annual Report.

Remuneration report

Performance Share Awards

Performance Shares will normally vest subject to the Company's TSR performance relative to the constituents of the FTSE 100 over a fixed three-year performance period. Further details of the performance condition are outlined on page 44.

Name	Number of Performance Shares at start of year	Number of Performance Shares awarded in year	Date of grant	Price per share	Dividend roll-up shares	Number of Performance Shares at end of year	Vesting date	Lapse date
Ian Cheshire	117,663		28/06/2006	225.75p	1,871 [1]			
					2,929 [2]			
					2,430 [3]	124,893	28/06/2009	28/12/2009
	107,632		24/10/2006	255.50p	2,637 [2]			
					2,188 [3]	112,457	24/10/2009	24/04/2010
		99,277	11/04/2007	277.00p	1,970 [3]	101,247	11/04/2010	11/10/2010
		159,039	01/10/2007	178.10p	3,156 [3]	162,195	01/10/2010	01/04/2011
		1,114,206	01/02/2008	143.60p	–	1,114,206	01/02/2011	01/08/2011
Total	225,295	1,372,522			17,181	1,614,998		
Duncan Tatton-Brown	110,741		28/06/2006	225.75p	1,761 [1]			
					2,756 [2]			
					2,287 [3]	117,545	28/06/2009	28/12/2009
	107,632		24/10/2006	255.50p	2,637 [2]			
					2,188 [3]	112,457	24/10/2009	24/04/2010
		99,277	11/04/2007	277.00p	1,970 [3]	101,247	11/04/2010	11/10/2010
		159,039	01/10/2007	178.10p	3,156 [3]	162,195	01/10/2010	01/04/2011
Total	218,373	258,316			16,755	493,444		
Gerry Murphy*	245,016		28/06/2006	225.75p	3,897 [1]	–		
					6,099 [2]			
					5,060 [3]		28/06/2009	02/02/2008
	223,091		24/10/2006	255.50p	5,466 [2]	–		
					4,535 [3]		24/10/2009	02/02/2008
		205,776	11/04/2007	277.00p	4,083 [3]	–	11/04/2010	02/02/2008
		329,646	01/10/2007	178.10p	6,541 [3]		01/10/2010	02/02/2008
Total	468,107	535,422			35,681	–		
Totals	**911,775**	**2,166,260**			**69,617**	**2,108,442**		

* Gerry Murphy's awards lapsed on 2 February 2008, his termination date.
[1] The price used to calculate the Dividend roll-up shares was 242p, being the market price on 20 September 2006.
[2] The price used to calculate the Dividend roll-up shares was 277.5p, being the market price on 4 April 2007.
[3] The price used to calculate the Dividend roll-up shares was 194p, being the market price on 3 October 2007.
[4] As the awards are structured as nominal cost options (on payment in aggregate of a maximum of £1) they can be exercised within a six month period starting from the vesting date.

Award of Matching Shares to Ian Cheshire agreed on 28 January 2008 as part of his recruitment as Group Chief Executive

Type of award [1,2]	At start of year	Awarded during year	Vested during the year	Lapsed during the year	At end of year	Market price of shares when award made	Qualifying conditions	Vesting date [3,4]	Lapse date
Matching shares granted pursuant to Listing Rule 9.4.2	–	1,114,206	–	–	1,114,206	143.6p	EPS	1 February 2012	1 August 2012

[1] In accordance with the terms of his appointment, the Committee offered Ian Cheshire the opportunity to purchase 266,667 shares in the Company and in return receive a matching award of 200% of salary (i.e. broadly a 4:1 match although he bought 268,924 shares at 148p) subject to performance conditions and his continuing to hold the purchased shares. The value of the matching award was £1,600,000 as of the date of his appointment. Awards were granted on 1 February 2008 at a share price of 143.6p.
[2] No Matching Shares vest unless EPS at the end of the four year performance period is greater than 15.9p, at which level of performance 15.625% of the award will vest. The percentage vesting increases on a pro rata basis so that 50% of the Matching Shares vest if EPS is 17.0p. Full vesting occurs if EPS is 19.6p at the end of the performance period with pro rata vesting between 17.0p and 19.6p.
[3] If Ian Cheshire's employment terminates before any vesting date by reason of death, injury, ill health, early termination by Kingfisher (other than for cause) or resignation for 'good reason' (as defined in his service contract), then subject to the discretion of the Committee in certain limited circumstances, such of the Matching Shares as can be treated as vested will vest, taking into account EPS performance up to the date of cessation of his employment, but reduced on a time pro-rated basis.
[4] As the awards are structured as nominal cost options (on payment in aggregate of a maximum of £1) they can be exercised within a six month period starting from the vesting date.

ShareSave Option Scheme

A UK ShareSave Option Scheme is open to all eligible employees, including executive directors. As is the case with all savings-related share option schemes open to all employees, there are no performance criteria.

	Number of Options							
	At start of year	Granted during year	Exercised during year	Lapsed during year	At end of year	Option price (pence)	Date from which exercisable	Lapse date
Ian Cheshire	4,805	–	–	–	4,805	196.67	01/12/2009	01/06/2010
Duncan Tatton-Brown	5,324	–	–	–	5,324	175.60	01/12/2008	01/06/2009
Gerry Murphy*	5,324	–	–	5,324	–	175.60	01/12/2008	02/02/2008
Totals	**15,453**	**–**	**–**	**5,324**	**10,129**			

* Gerry Murphy's awards lapsed on 2 February 2008, his termination date.

Closed Incentive Plans

There are also outstanding awards under the Executive Share Option Scheme, as well as Multiplier Awards made in previous years under the KIS Shares scheme and the recruitment awards granted to Gerry Murphy that may still become exercisable or vest at the end of their respective deferral periods. These are plans that are now closed and under which no further awards will be made. The full details of each can be found in previous Annual Reports.

The outstanding awards are as follows:

Executive Share Options

The last grants under the Executive Share Option Scheme were made on 17 April 2003. Other than those granted to Gerry Murphy which have lapsed, the options vest from three to 10 years of the grant date subject to the satisfaction of a performance condition which generally requires the growth in the Company's Earnings Per Share (EPS) over a three-year period to have exceeded that of the Retail Price Index (RPI) plus 6%. The criteria were set and approved by shareholders when the scheme was established in 1993 and were judged at the time to be appropriate criteria.

	Number of Options							
	At start of year	Granted during year	Exercised during year	Lapsed during year	At end of year	Option price (pence)	Date from which exercisable	Lapse date
Ian Cheshire	45,489	–	–	–	45,489	395.69	26/10/2004	26/10/2008
	30,520	–	–	–	30,520	589.76	01/04/2004	01/04/2009
	74,346	–	–	–	74,346	393.43	17/04/2004	17/04/2010
	69,991	–	–	–	69,991	357.18	25/09/2004	25/09/2010
	126,231	–	–	–	126,231	209.93	26/09/2004	26/09/2011
	91,350 [1]	–	–	–	91,350	290.08	09/04/2005	09/04/2012
	164,144	–	–	–	164,144	194.95	08/10/2005	08/10/2012
	134,538	–	–	–	134,538	237.85	17/04/2006 [2]	17/04/2013
	736,609	–	–	–	736,609			
Duncan Tatton-Brown	72,272	–	–	–	72,272	209.93	26/09/2004	26/09/2011
	26,151	–	–	–	26,151	290.08	09/04/2005	09/04/2012
	43,600	–	–	–	43,600	194.95	08/10/2005	08/10/2012
	35,736	–	–	–	35,736	237.85	17/04/2006 [2]	17/04/2013
	177,759	–	–	–	177,759			
Gerry Murphy	12,612	–	–	12,612	–	237.85	17/04/2006	17/04/2007
	1,332,773	–		1,332,773	–	237.85	17/04/2006	17/04/2007
	1,345,385	–	–	1,345,385	–			

[1] Phantom Options of 91,350 were granted to Ian Cheshire in addition to these options at the same price, with the same performance conditions and over the same maturity periods. On exercise, only the cash equivalent to any gain will be paid and disclosed as remuneration at that time.
[2] The performance conditions for all options have been met with the exception of the final grant made on 17 April 2003.

In the period 4 February 2007 to 2 February 2008, the highest and lowest market price for Kingfisher shares was 284p and 115.3p respectively. The market price at close of business on 1 February 2008 was 150.8p.

Remuneration report

Multiplier Awards relating to prior year KIS Share Awards

Bonuses paid under the KIS Shares scheme in April 2004 (in respect of Gerry Murphy only as he did not receive the normal grant of options in April 2003), 2005 and 2006 were matched at a ratio of 0.4:1 by a conditional Multiplier Award of shares. Vesting of these awards is subject to the TSR performance of the Company against the constituents of the FTSE 100 over the three-year period following the year for which the bonus was earned. No vesting will occur at or below median performance. At above median performance, 25% of these shares vest, increasing on a straight-line basis to 100% at above upper quartile performance. In addition, the Committee must also be satisfied that the TSR performance is reflective of underlying Company performance for such awards to vest.

Name	Multiplier awards at start of year	Multiplier awards granted in year	Price per share	Market price per share on date awarded	Multiplier Awards at end of year	Vesting date [1]	Lapse date
Ian Cheshire	15,874	–	286.92p	285.50p	15,874	06/04/2008	06/10/2008
	24,188	–	233.83p	231.25p	24,188	10/04/2009	10/10/2009
Total	40,062	–			40,062		
Duncan Tatton-Brown	17,965	–	286.92p	285.50p	17,965	06/04/2008	06/10/2008
	4,310	–	233.83p	231.25p	4,310	10/04/2009	10/10/2009
Total	22,275	–			22,275		
Gerry Murphy	88,579	–	288.50p	286.00p	–	28/04/2007	28/04/2007
	46,728	–	286.92p	285.50p	46,728	06/04/2008	06/10/2008
	9,537	–	233.83p	231.25p	9,537	10/04/2009	10/10/2009
Total	144,844	–			56,265		
Totals	**207,181**	**–**			**118,602**		

[1] Since the end of the financial year ended 3 February 2007 the TSR performance has been calculated in respect of the potential Multiplier Award vesting in April 2007 and median performance was not achieved accordingly, this Multiplier Award did not vest and therefore lapsed.

Share awards to Gerry Murphy – agreed in 2002 as part of his recruitment arrangements

These share-based awards were agreed as part of the terms of Gerry Murphy's recruitment as Group Chief Executive and were fully disclosed in 2003/04.

Type of award	At start of year	Awarded during year	Vested during the year	Lapsed during the year	Market price of shares when award made	Qualifying conditions	Vesting date	At end of year
Potential Matching Shares	Between nil and:					TSR of median		
	285,960 [1]	–	–	285,960	286.00p	to upper quartile	27/04/2007	–
	301,476 [2]	–	–	301,476	286.92p	compared to	06/04/2008	–
						FTSE 100		

[1] Gerry Murphy's award over 285,960 lapsed during the year as the TSR target had not been met.
[2] Gerry Murphy's award over 301,476 lapsed on 2 February 2008, the termination date of his employment.

No variations to the terms and conditions of the awards were made during the year.

Dilution Limits

Kingfisher share plans comply with recommended guidelines on dilution limits and the Company has always operated within these limits. Assuming none of the extant options lapse and will be exercised and having included all exercised options the Company has utilised 2.5% of the 10% in 10 years and 1% of the 5% in 10 years in accordance with the Association of British Insurers (ABI) guidance on dilution limits.

Directors' pension benefits

The following table shows details required under both Schedule 7A to the Companies Act 1985 and the Listing Rules as they apply to Kingfisher for the year ended 2 February 2008.

In respect of the Companies Act, the details shown represent:
– accrued pension benefits at the relevant dates;
– the increase in the amount of accrued pension during this year;
– the transfer value amounts as at 3 February 2007 and 2 February 2008;
– the increase in transfer value between those dates, net of member contributions paid.

			Accrued pension			Transfer value			Pension cost		
Name	Age	Years of service	Increase in accrued pension £000 pa	**2008 £000 pa**	2007 £000 pa [1]	Increase in transfer value £000 (net of director's contributions)	**2008 £000**	2007 £000 [1]	Increase in accrued pension £000 pa (net of inflation/ revaluation)	**2008 £000**	2007 £000
Ian Cheshire [1]	48	9	2	**20**	18	(7)	**207**	206	2	**5**	14
Gerry Murphy [2]	52	5	22	**35**	13	164	**354**	182	21	**174**	17
Duncan Tatton-Brown [3]	43	7	8	**27**	19	20	**193**	166	7	**29**	8

1 Accrued pensions and transfer values include employer contributions (as bonus surrender) made in March 2004 of £15,000
2 Accrued pensions and transfer values include employer contributions (by way of bonus surrender) made in March 2004 of £18,569, in March 2005 of £38,869 and in March 2007 of £179,607
3 Accrued pensions and transfer values include employer contributions (by way of bonus surrender) made in March 2004 of £20,000, in March 2005 of £30,000 and in March 2007 of £30,000.

Remuneration policy for non-executive directors

The Board determines the fees paid to non-executive directors under a policy which seeks to recognise the time commitment, responsibility and technical skills required to make a valuable contribution to an effective Board. During 2007 the basic non-executive director's fee was increased from £50,000 to £51,500 per annum with effect from 1 August 2007. No additional fees are paid for membership of committees. The fee paid for chairing the Audit Committee is £15,000, and the fee paid for chairing the Remuneration Committee is £10,000, each per annum. The fee for the Senior Independent Director is £13,000 per annum.

The fee paid to Daniel Bernard as Deputy Chairman was increased from €200,000 to €206,000 (£142,344) per annum with effect from 1 August 2007 and reflects his considerable international retailing experience.

The Chairman's fees are set by reference to his time commitment and relevant benchmark data. The fee paid to Peter Jackson was increased to £284,000 per annum with effect from 1 August 2007.

Non-executive remuneration

	Total remuneration [1]	
Non-executive director	**2007/08 £000**	2006/07 £000
Francis Mackay [2]	**–**	78.8
Peter Jackson [3]	**279.5**	202.4
Daniel Bernard [4]	**140.3**	90.0
John Nelson	**73.0**	68.0
Phil Bentley	**65.8**	58.5
Michael Hepher	**50.8**	46.0
Hartmut Krämer	**50.8**	46.0
Margaret Salmon [5]	**–**	38.9
Janis Kong [6]	**50.8**	7.3
Total	**711.0**	635.9

1 Non-executive directors are only paid fees.
2 Until his retirement in May 2006
3 At a rate of £42,000 per annum until 24 May 2006 and £275,000 for the rest of 2006/07. In addition, in 2007/08, Peter Jackson received a benefit of £344 for office support costs reimbursed by the Company.
4 From his appointment on 24 May 2006
5 Until her resignation on 8 December 2006
6 From her appointment on 8 December 2006

Remuneration report

Non-executive directors have letters of engagement and not service contracts. The Chairman's letter of engagement allows for six months' notice.

Other non-executive directors are appointed for an initial period of three years. Their position can be revoked without compensation at any time at the discretion of the Company.

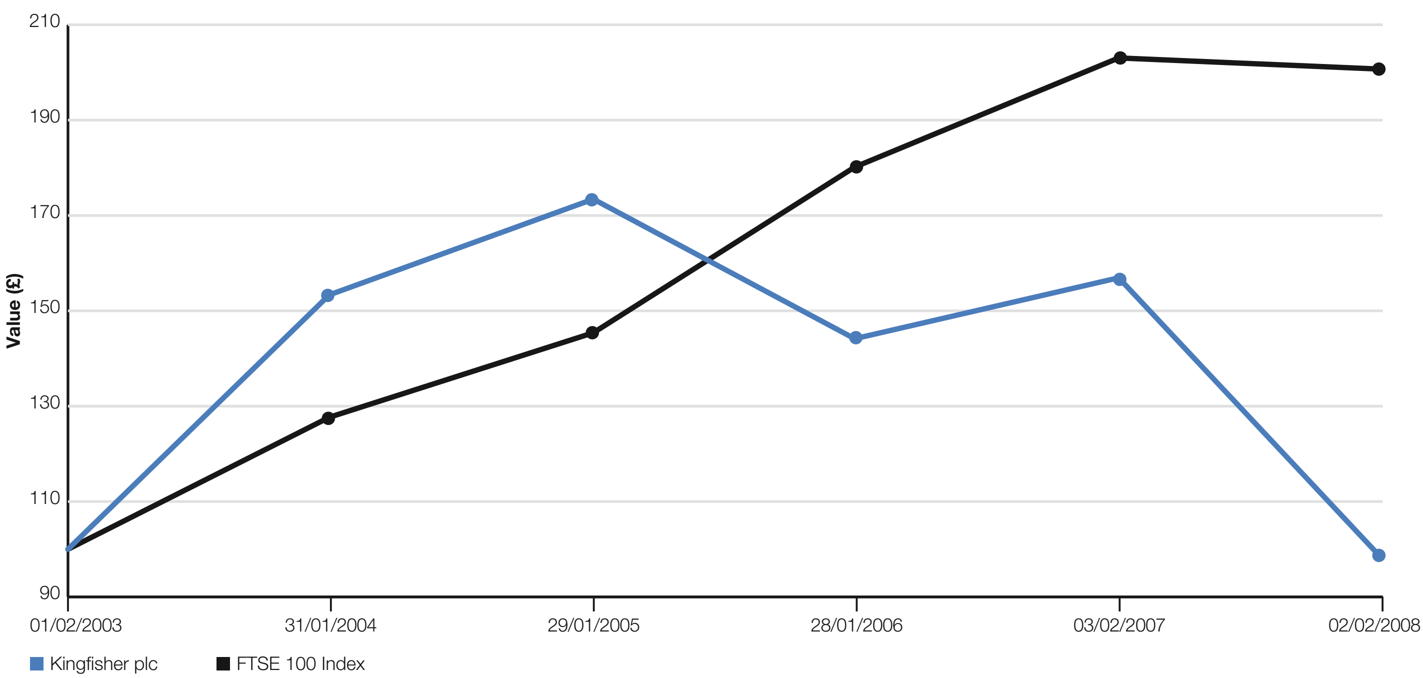
	Date of last letter	Unexpired term	Total length of service
Peter Jackson	19/12/2005	9 months	2 years and 3 months
Daniel Bernard	19/04/2006	14 months	1 year and 10 months
John Nelson	20/03/2008	34 months	6 years and 3 months
Phil Bentley	10/02/2006	6 months	5 years and 6 months
Hartmut Krämer	10/02/2006	7 months	5 years and 5 months
Michael Hepher	19/03/2007	17 months	10 years and 7 months
Janis Kong	17/10/2006	20 months	1 year and 4 months

Shareholder Return

The Company's TSR (share price growth plus dividends paid) for the five years to 2 February 2008 is shown in the graph below, which plots the value of £100 invested in Kingfisher over the last five financial years, assuming shares awarded in Kesa, when demerged, were sold and the proceeds re-invested in Kingfisher shares. The other line on the graph shows the performance of the FTSE 100 Index over the same period.

The Company chose the FTSE 100 Index as an appropriate comparator for this graph because the Company has been a constituent of that index throughout the period and its constituents are used as the comparator group for the PSP.

Total shareholder return
Source: Thomson Financial



This graph shows the value, by 2 February 2008, of £100 invested in Kingfisher plc on 1 February 2003 compared with the value of £100 invested in the FTSE 100 Index. The other points plotted are the values at intervening financial year-ends.

By order of the Board
John Nelson
Chairman, Remuneration Committee
26 March 2008

Audit Committee report

The Audit Committee consists of four independent non-executive directors. It is chaired by Phil Bentley, who is a qualified accountant and was, until his promotion to Managing Director of British Gas, the Group Finance Director of Centrica plc and as such is considered to be suitably qualified to be the Audit Committee Chairman. He, Daniel Bernard, John Nelson and Michael Hepher served for the whole year.

At the invitation of the Committee, the Chairman of the Board and the Group Chief Executive regularly attended meetings, as did the Group Finance Director, the Head of Internal Audit and the external auditors. Private meetings were also held with the external and internal auditors at which management were not present.

The Committee provides an independent overview of the effectiveness of the Group's internal control systems and financial reporting processes. Its terms of reference are available at www.kingfisher.com. The principal responsibilities include monitoring the integrity of the financial statements, including a review of the significant financial reporting judgements contained in them, and overseeing the work of both the internal and the external auditors.

During the year, the internal audit function was independently reviewed by an external consultant. Whilst there were no significant concerns raised, all actions required as a result of the findings were discussed and agreed at a scheduled Committee meeting.

During the year, the Committee reviewed the effectiveness of the external audit and PricewaterhouseCoopers' role in performing it. The results of this process were discussed and it was agreed that the performance of the auditors was acceptable.

In 2007/08 there were four Committee meetings, with four planned for 2008/09. Should the need arise, additional ad-hoc meetings are held. A standing forward agenda covering the whole year was used to ensure that the Committee's terms of reference were fully addressed.

As part of the Board effectiveness evaluation, the Audit Committee's work was assessed and no significant issues or concerns were highlighted. The actions required as a result of the findings from the assessment process were discussed at one of the four scheduled Committee meetings across the year.

During the year and as part of its normal programme, the Committee has considered and reviewed a number of matters, some of which were:
– Progress on Audit Plans across the businesses;
– Risks and controls in certain overseas subsidiaries; and
– Group minimum control standards, including IT.

Phil Bentley
Chairman, Audit Committee
26 March 2008

Nomination Committee report

The Nomination Committee comprises the Chairman, all the non-executive directors and the Group Chief Executive. It is chaired by Peter Jackson. Its terms of reference are available at www.kingfisher.com.

The Committee reviews annually the succession plans for the Board and the senior executives and monitors agreed actions. The succession plan for executive directors is considered by the full Board so that the necessary input of the serving executive directors can be given. Suitably qualified external search consultants assist in the search process for all new Board appointees.

The Nominations Committee conducted a formal, rigorous and transparent process to identify a new Group Chief Executive during the year under review. This process involved the appointment of a qualified external search consultant to assist in providing a thorough, independent and objective assessment of a comprehensive range of internal and external candidates. Prior to initiating this search, the consultant was provided with a comprehensive briefing as to the skills, knowledge and experience required and, from this, a list of potential candidates was identified. Following a series of interviews involving a number of directors, a short-list of candidates was presented to the Nomination Committee and a final recommendation made by it to the Board for approval.

The Committee keeps the composition of the Board under review to monitor the continuing independence of the non-executive directors, to identify any gaps in skills or experience so that appropriate training can be arranged, and to inform the succession plan for future Board appointments.

As a result of this work, the Committee agrees, for recommendation to the Board, plans and processes for ensuring continuity of experience as well as compliance with the requirement that at least half the Board (excluding the Chairman) is comprised of independent non-executive directors.

The Committee met six times during the year.

Peter Jackson
Chairman, Nomination Committee
26 March 2008

Consolidated income statement

For the financial year ended 2 February 2008

£ millions	Notes	2007/08 Before exceptional items	2007/08 Exceptional items (note 5)	2007/08 Total	2006/07 Before exceptional items	2006/07 Exceptional items (note 5)	2006/07 Total
Continuing operations:							
Revenue	4	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	4	19	–	19	17	–	17
Operating profit		453	4	457	452	49	501
Analysed as:							
Retail profit	4	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	6	(62)	–	(62)	(51)	–	(51)
Profit before taxation	7	391	4	395	401	49	450
Income tax expense	9	(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	11						
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	30	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	12	**2,532**	2,552
Other intangible assets	13	**85**	89
Property, plant and equipment	14	**3,698**	3,211
Investment property	15	**29**	29
Investments in joint ventures and associates	17	**204**	185
Post employment benefits	27	**110**	–
Deferred tax assets	26	**25**	30
Derivative financial instruments	24	**66**	29
Other receivables	19	**13**	18
		6,762	6,143
Current assets			
Inventories	18	**1,873**	1,531
Trade and other receivables	19	**533**	495
Current tax assets		**1**	15
Other investments	20	**11**	28
Derivative financial instruments	24	**5**	10
Cash and cash equivalents	21	**218**	395
		2,641	2,474
Total assets	4	**9,403**	8,617
Current liabilities			
Trade and other payables	23	**(2,238)**	(1,953)
Current tax liabilities		**(89)**	(87)
Derivative financial instruments	24	**(10)**	(5)
Borrowings	22	**(191)**	(242)
Provisions	28	**(47)**	(56)
		(2,575)	(2,343)
Non-current liabilities			
Other payables	23	**(32)**	(4)
Deferred tax liabilities	26	**(318)**	(263)
Derivative financial instruments	24	**(52)**	(46)
Borrowings	22	**(1,620)**	(1,432)
Provisions	28	**(49)**	(53)
Post employment benefits	27	**(33)**	(55)
		(2,104)	(1,853)
Total liabilities	4	**(4,679)**	(4,196)
Net assets		**4,724**	4,421
Equity			
Share capital	29	**371**	371
Share premium	29	**2,188**	2,185
Own shares held	29	**(66)**	(81)
Reserves	30	**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	32	**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	33	**195**	245

Notes to the consolidated financial statements

1 General information

Kingfisher plc (the Company) and its subsidiaries (together the Group) retail home improvement products through a network of retail sites, located mainly in the United Kingdom, continental Europe and Asia.

Kingfisher plc is a Company incorporated in the United Kingdom. The nature of the Group's operations and its principal activities are set out in the Operating review and the Financial review on pages 8 to 29.

The address of its registered office is 3 Sheldon Square, Paddington, London W2 6PX.

The Company has a primary listing on the London Stock Exchange and a secondary listing on the Paris Bourse.

These consolidated financial statements have been approved for issue by the Board of Directors on 26 March 2008.

2 Principal accounting policies

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

a. Basis of preparation

The consolidated financial statements of the Company and its subsidiaries are made up to the nearest Saturday to 31 January each year, except as disclosed in note 4 of the Company's separate financial statements. The current financial year is the 52 weeks ended 2 February 2008. The comparative financial year is the 53 weeks ended 3 February 2007.

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. A summary of the principal Group accounting policies is set out below.

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

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.

b. Basis of consolidation

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

(i) Subsidiaries

Subsidiary undertakings are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiary undertakings acquired during the period are recorded under the acquisition method of accounting and their results included from the date of acquisition. The results of subsidiaries which have been disposed of during the period are included up to the effective date of disposal.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

(ii) Joint ventures and associates
Joint ventures are entities over which the Group has equal joint control, with a third-party, to govern the financial and operating activities of that entity. The equity method is used to account for the Group's investments in joint ventures.

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

Under the equity method investments are initially recognised at cost. The Group's investments in joint ventures and associates include goodwill (net of any accumulated impairment losses) identified on acquisition.

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

Unrealised gains on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures and associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

c. Foreign currency translation

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

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

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

(iii) Group companies
The balance sheets of overseas subsidiary undertakings are expressed in Sterling at the rates of exchange at the balance sheet date. Profits and losses of overseas subsidiary undertakings are expressed in Sterling at average exchange rates for the period. Exchange differences arising on the retranslation of foreign operations are recognised in a separate component of equity.

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rates of exchange at the balance sheet date.

Principal rates of exchange:

euro/£	2007/08	2006/07
Year end rate	**1.33**	1.52
Average rate	**1.45**	1.47

d. Revenue recognition
Revenue comprises retail sales and services supplied. Revenue excludes transactions made between companies within the Group, Value Added Tax, other sales-related taxes and is net of returns, staff and trade discounts.

Revenue relating to the sale of in-store product is earned at the point of cash receipt. All other revenue is recognised when the product has been delivered or, for installation income, when the service has been performed. Delivered products and service income represent only a small component of the Group's revenue as a majority of the Group's sales relate to in-store purchase of product.

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

f. Intangible assets
(i) Goodwill
Goodwill is carried at cost less accumulated impairment losses. Goodwill is not amortised and is tested annually for impairment by assessing the recoverable amount of each cash generating unit to which the goodwill relates. When the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised immediately in the income statement. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Notes to the consolidated financial statements

2 Principal accounting policies continued

(ii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of two to five years.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, which are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development, employee and consultancy costs and an appropriate portion of relevant overheads. Costs associated with identifying, sourcing, evaluating or maintaining computer software are recognised as an expense as incurred.

g. Property, plant and equipment

(i) Cost

Land and buildings held for use in the business are carried at cost less accumulated depreciation and any provisions for impairment. Fixtures, fittings and equipment are carried at cost less accumulated depreciation and any provisions for impairment.

(ii) Depreciation

Depreciation of property, plant and equipment is provided to reflect a reduction from cost to estimated residual value over the estimated useful life of the asset to the Group. Depreciation of property, plant and equipment is calculated using the straight line method and the annual rates applicable to the principal categories are:

Freehold and long leasehold buildings	–	between 2% and 5%
Short leasehold land and buildings	–	over remaining period of the lease
Fixtures and fittings	–	between 5% and 25%
Computers and electronic equipment	–	between 25% and 50%
Motor cars	–	25%
Commercial vehicles	–	between 10% and 33%

Freehold land is not depreciated. Asset lives and residual values are reviewed at each balance sheet date.

(iii) Impairment

Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future pre-tax cash flows of the relevant cash generating unit or fair value less costs to sell if higher. The discount rate applied is based upon the Group's weighted average cost of capital with appropriate adjustments for the risks associated with the relevant business. Any impairment in value is charged to the income statement in the period in which it occurs.

(iv) Disposal

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

(v) Subsequent costs

Subsequent costs are included in the related asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement in the period in which they are incurred.

h. Leased assets

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

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

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

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

i. Investment property

The Group's investment properties are carried at cost less depreciation and provision for impairment.

j. Capitalisation of borrowing costs

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

k. Inventories

Inventories are stated at the lower of cost and net realisable value, on a weighted average cost basis. Cost includes appropriate attributable overheads and direct expenditure incurred in the normal course of business in bringing goods to their present location and condition.

Rebates receivable from suppliers are credited to the carrying value of inventory in the period in which they are earned.

Costs of inventories include the transfer from equity of any gains or losses on qualifying cash flow hedges relating to purchases.

l. Employee benefits

(i) Post employment benefits

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

The asset or liability recognised in the balance sheet in respect of defined benefit pension plans is the fair value of plan assets less the present value of the defined benefit obligation at the balance sheet date, together with an adjustment for any past service costs not yet recognised. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds which are denominated in the currency in which the benefits will be paid and which have terms to maturity approximating to the terms of the related pension liability.

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

Past service costs are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight line basis over the vesting period.

For defined contribution plans, the Group pays contributions to privately administered pension plans on a contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Share-based compensation

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

m. Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the income statement because it excludes items of income or expense which are taxable or deductible in other years or which are never taxable or deductible. The Group's liability for current tax is calculated using tax rates which have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences or unused tax losses can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply in the period when the liability is settled or the asset is realised.

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

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

n. Provisions

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

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

Notes to the consolidated financial statements

2 Principal accounting policies continued

o. Financial instruments

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

(i) Cash and cash equivalents

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

(ii) Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs and subsequently measured at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are amortised to the income statement using the effective interest method.

(iii) Other investments

Other investments are measured at fair value. Gains and losses arising from changes in fair value are recognised directly in equity, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement for the period.

(iv) Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

(v) Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

(vi) Derivative financial instruments and hedge accounting

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

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

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

Fair value hedges

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

Cash flow hedges

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

Net investment hedges

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

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

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

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

p. New standards

The following new standards, amendments and interpretations became effective in these financial statements:

IFRS 7	Financial Instruments: Disclosures and the complementary amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures	Requires new disclosures relating to financial instruments and share capital. Also introduces new disclosures regarding the significance of financial instruments for an entity's financial position and performance and qualitative and quantitative disclosures on the nature and extent of risks. This has no impact on the classification and valuation of the Group's financial instruments, nor to the disclosures relating to taxation and trade and other payables.
IFRIC 8	Scope of IFRS 2	Requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This had no impact on the Group's results.
IFRIC 9	Re-assessment of embedded derivatives	Requires that a re-assessment of whether embedded derivatives should be separated from the underlying host contract should be made only where there are changes to the contract. This had no impact on the Group's results.
IFRIC 10	Interim financial reporting and impairment	Prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This did not have any impact on the Group's results.
IFRIC 14	IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	Provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This has been adopted early by the Group and has not had any impact on the Group's results.

The following standards, amendments and interpretations became effective but were not relevant to the Group's results:

IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	Addresses the application of IAS 29 when an economy first becomes hyperinflationary and in particular the accounting for deferred tax.

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were issued but not yet effective:

IAS 23 (Amendment)	Borrowing costs (effective from 1 January 2009)	(Still subject to endorsement by the European Union). Requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. This will be applied in the Group's 2009/10 financial statements.
IFRS 8	Operating segments (effective from 1 January 2009)	IFRS 8 will replace IAS 14 and will align segment reporting with the requirements of the US standard SFAS 131 "Disclosures about segments of an enterprise and related information". The new standard requires 'a management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This will be applied in the Group's 2009/10 financial statements.
IFRIC 12	Service concession arrangements (effective from 1 January 2008)	Applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. This is not expected to be relevant to the Group as none of the Group's companies provide public sector services.
IFRIC 13	Customer loyalty programmes (effective from 1 July 2008)	Clarifies that where goods or services are sold together with a customer loyalty incentive (for example loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. This will be applied in the Group's 2009/10 financial statements.

Notes to the consolidated financial statements

3 Critical accounting estimates and judgements

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

Impairment of goodwill and other assets

The Group is required to test whether goodwill has suffered any impairment. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. The use of this method requires the estimation of future cash flows expected to arise from the continuing operation of the cash generating unit and the choice of a suitable discount rate in order to calculate the present value. Actual outcomes could vary significantly from these estimates. See note 12 for further information.

Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes in each territory. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts which were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. See notes 9 and 26 for further information.

Post employment benefits

The present value of the defined benefit liabilities recognised on the balance sheet is dependent on interest rates of high quality corporate bonds. The net financing charge or return is dependent on both the interest rates of high quality corporate bonds and the assumed investment returns on scheme assets. Other key assumptions for pension obligations, including mortality rates, are based in part on current market conditions. See note 27 for further information.

Restructuring provision

The Group provided £224m in 2005/06 relating to the closure and downsizing of stores in B&Q UK and the termination of the B&Q UK financial services arrangement. The ultimate costs and timing of cash flows are dependent on exiting the property lease contracts on the closed stores and sub-dividing and sub-letting the surplus space released from those stores to be downsized, as detailed in note 28.

4 Segmental analysis

Income statement

						Year ended 2 February 2008
£ millions	United Kingdom	France	Poland	Rest of Europe	Asia	Total
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.

Balance sheet

£ millions	United Kingdom	France	Poland	Rest of Europe	Asia	Unallocated	Total
At 2 February 2008							
Segment assets excluding joint ventures and associates	**4,409**	**2,699**	**613**	**749**	**432**	**297**	**9,199**
Investments in joint ventures and associates	**–**	**8**	**–**	**196**	**–**	**–**	**204**
Segment assets	**4,409**	**2,707**	**613**	**945**	**432**	**297**	**9,403**
Segment liabilities	**(1,125)**	**(790)**	**(92)**	**(156)**	**(191)**	**(2,325)**	**(4,679)**
At 3 February 2007							
Segment assets excluding joint ventures and associates	4,124	2,315	466	592	423	512	8,432
Investments in joint ventures and associates	–	7	–	158	20	–	185
Segment assets	4,124	2,322	466	750	443	512	8,617
Segment liabilities	(1,069)	(654)	(56)	(209)	(152)	(2,056)	(4,196)

Unallocated assets and liabilities include those assets and liabilities pertaining to the Head Office function, including Group net debt and the Group's tax related balances.

Notes to the consolidated financial statements

4 Segmental analysis continued

Other segmental information

£ millions	United Kingdom	France	Poland	Rest of Europe	Asia	Unallocated	Total
Year ended 2 February 2008							
Capital expenditure							
Goodwill	–	–	–	–	4	–	4
Other intangible assets	21	4	–	–	1	3	29
Property, plant and equipment	244	121	47	69	23	3	507
Amortisation	(14)	(11)	(1)	(1)	(2)	(7)	(36)
Depreciation	(111)	(48)	(10)	(15)	(14)	–	(198)
Impairment losses	–	–	–	–	(19)	–	(19)
Year ended 3 February 2007							
Capital expenditure							
Other intangible assets	11	8	–	1	1	7	28
Property, plant and equipment	161	125	19	64	35	7	411
Amortisation	(21)	(2)	–	–	(2)	(8)	(33)
Depreciation	(99)	(37)	(6)	(12)	(13)	(7)	(174)
Impairment losses	–	–	(1)	–	–	–	(1)

5 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.

Refer to note 9 for the taxation impact on exceptional items.

6 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)

Medium Term Notes and other fixed term debt interest includes net interest expense accrued on derivatives of £7m (2006/07: £6m income) and amortisation of issue costs of borrowings of £1m (2006/07: £1m).

The amount of borrowing costs capitalised in the year was £3m (2006/07: £1m). Borrowing costs included in the cost of qualifying assets during the year arose on the centrally held borrowing pool and are calculated by applying a capitalisation rate of 6.6% (2006/07: 5.5%) to expenditure on such assets.

Financing fair value remeasurements comprise a net gain on derivatives, excluding accrued interest, of £66m (2006/07: £46m loss), offset by a net loss from fair value adjustments to the carrying value of borrowings of £61m (2006/07: £50m gain). The net gain on derivatives includes ineffectiveness gains on net investment hedges of £3m (2006/07: £3m).

7 Profit before taxation

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

£ millions	2007/08	2006/07
Operating lease rentals [1]		
Minimum lease payments	**366**	346
Sublease income	**(18)**	(17)
	348	329
Rental income received on investment property	**(4)**	(5)
Repairs and maintenance	**51**	65
Amortisation of other intangible assets [2]	**36**	33
Depreciation of property, plant and equipment and investment property		
Owned assets	**189**	163
Under finance leases	**9**	11
Impairment of other intangible assets [2]	**2**	–
Impairment of property, plant and equipment and investment property	**17**	1
Loss/(profit) on disposal		
Other intangible assets	**–**	6
Land and buildings and investment property	**(39)**	(49)
Fixtures, fittings and equipment	**10**	5
Investment in joint venture	**5**	–
Inventories: impairment to net realisable value [3]	**41**	19
Trade receivables: impairment of bad and doubtful debts	**2**	2
Staff costs (note 8)	**1,270**	1,176
Auditors' remuneration (see below)	**3**	4

1 Of the operating lease rental charge, £29m related to plant and equipment (2006/07: £33m).
2 Of the amortisation and impairment of other intangible assets charge, £6m (2006/07: £1m) and £32m (2006/07: £32m) were included in selling and distribution expenses and administrative expenses respectively.
3 There were no reversals of impairments of inventories in the year (2006/07: £nil).

Notes to the consolidated financial statements

7 Profit before taxation continued

Auditors' remuneration

£ millions	2007/08	2006/07
Fees payable to the Company's auditor for the audit of the Company and consolidated financial statements	**0.6**	0.6
Fees payable to the Company's auditor for the audit of the Company's subsidiaries pursuant to legislation	**1.3**	1.2
Total audit fees	**1.9**	1.8
Other services supplied pursuant to legislation	**0.2**	0.2
Tax advisory services	**0.5**	1.3
All other services	**0.4**	0.3
	3.0	3.6

All of the auditors' remuneration was paid to PricewaterhouseCoopers LLP.

8 Employees and directors

£ millions	2007/08	2006/07
Employee benefit expenses		
Wages and salaries	**1,041**	955
Social security costs	**190**	169
Post employment benefits – defined benefit	**28**	40
– defined contribution	**5**	3
Share-based payments	**6**	9
	1,270	1,176

Number thousands		
Average number of persons employed		
Stores	**81**	76
Administration	**4**	4
	85	80
The equivalent number of employees working full-time would have been	**71**	67

Remuneration of key management personnel

The remuneration of the Directors and senior management is set out below:

£ millions	2007/08	2006/07
Short-term employee benefits	**8.7**	8.6
Post employment benefits	**0.8**	0.7
Termination benefits	**2.8**	0.3
Share-based payments	**1.9**	2.2
	14.2	11.8

Further details with respect to the Directors' remuneration are set out in the Remuneration report on pages 42 to 52.

Key management consists of the Kingfisher plc Board, the Executive Committee and the Chief Executives of certain of our operating businesses.

Directors' transactions

There were no transactions with the Directors during the period (2006/07: £nil).

9 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

Factors affecting tax charge for the year

The tax charge for the year differs from the standard rate of corporation tax in the UK of 30%. The differences are explained below:

£ millions	2007/08	2006/07
Profit before taxation	**395**	450
Profit multiplied by the standard rate of corporation tax in the UK of 30% (2006/07: 30%)	**119**	135
Effects of:		
Share of post-tax results of associates and joint ventures	**(6)**	(5)
Expenses not deductible/(taxable) for tax purposes	**17**	(9)
Temporary differences:		
– Net gains on property	**(5)**	–
– Losses not recognised	**14**	–
– Other	**1**	–
Foreign tax rate differences	**(1)**	2
Adjustments in respect of prior years or changes in tax rates	**(16)**	(11)
	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.

In addition to the amounts charged to the income statement, tax of £19m (2006/07: £30m) was charged directly to equity. Of the £19m, £13m is included in deferred tax and £6m is included in current tax.

Kingfisher paid €137.5m 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. Proceedings for the recovery of this tax have been initiated and although this may take several years to be resolved, Kingfisher believes that the risk of ultimately being liable for this amount is low. No asset has been recognised in these financial statements as the recovery of this amount is not sufficiently certain at this time.

In certain circumstances, it is possible that the conditions of the UK and French tax clearances for the demerger of Kesa Electricals in the year ended 31 January 2004 could be breached. Whilst the consequences of such a breach could be significant, the Group actively monitors compliance with these conditions and believes that the likelihood of any breach is remote.

10 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.

Notes to the consolidated financial statements

11 Earnings per share

	2007/08			2006/07		
	Earnings £ millions	Weighted average number of shares millions	Per share amount pence	Earnings £ millions	Weighted average number of shares millions	Per share amount 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 effect of exceptional items, financing fair value remeasurements and amortisation of acquisition intangibles, to allow comparison of underlying trading performance on a consistent basis.

12 Goodwill

£ millions	Cost
At 4 February 2007	**2,552**
Additions	**4**
Disposals	**(32)**
Exchange differences	**8**
At 2 February 2008	**2,532**
At 29 January 2006	2,559
Exchange differences	(7)
At 3 February 2007	2,552

The Group disposed of its 50% interest in B&Q Taiwan resulting in a disposal of goodwill of £32m.

Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units (CGUs). A geographic segmental summary of the goodwill allocation at net carrying amount is presented below:

£ millions	United Kingdom	France	Poland	Rest of Europe	Asia	Total
At 2 February 2008	**1,796**	**516**	**81**	**55**	**84**	**2,532**
At 3 February 2007	1,796	512	81	55	108	2,552

The recoverable amount of a CGU is determined based on value-in-use calculations. The CGUs for which the carrying amount of goodwill is deemed significant are the UK and France. The key assumptions used for value-in-use calculations are set out below:

United Kingdom

- The cash flow projections are based on financial forecasts and strategic plans approved by the Board covering a five year period, based on both past performance and expectations for future market development and include planned working capital movements and capital expenditure. Cash flows beyond this five year period are extrapolated using a growth rate of 2.25% (2006/07: 2.25%) which does not exceed the long-term average growth rate for retail businesses in the UK.
- The risk-adjusted discount rate of 9.0% (2006/07: 8.7%) is pre-tax and reflects the specific risks inherent in retail businesses, determined relative to comparable retail companies in the UK.

France

- The cash flow projections are based on financial forecasts and strategic plans approved by the Board covering a five year period, based on both past performance and expectations for future market development and include planned working capital movements and capital expenditure. Cash flows beyond this five year period are extrapolated using a growth rate of 1.8% (2006/07: 1.8%) which does not exceed the long-term average growth rate for retail businesses in France.
- The risk-adjusted discount rate of 9.1% (2006/07: 8.9%) is pre-tax and reflects the specific risks inherent in retail businesses, determined relative to comparable retail companies in France.

13 Other intangible assets

£ millions	Computer software	Other	Total
Cost			
At 4 February 2007	**215**	**8**	**223**
Additions	**29**	**–**	**29**
Disposals	**–**	**(1)**	**(1)**
Exchange differences	**9**	**1**	**10**
At 2 February 2008	**253**	**8**	**261**
Amortisation			
At 4 February 2007	**(133)**	**(1)**	**(134)**
Charge for the year	**(35)**	**(1)**	**(36)**
Impairment losses	**(1)**	**(1)**	**(2)**
Exchange differences	**(4)**	**–**	**(4)**
At 2 February 2008	**(173)**	**(3)**	**(176)**
Net carrying amount			
At 2 February 2008	**80**	**5**	**85**
Cost			
At 29 January 2006	201	6	207
Additions	26	2	28
Disposals	(9)	–	(9)
Exchange differences	(3)	–	(3)
At 3 February 2007	215	8	223
Amortisation			
At 29 January 2006	(105)	(1)	(106)
Charge for the year	(33)	–	(33)
Disposals	3	–	3
Exchange differences	2	–	2
At 3 February 2007	(133)	(1)	(134)
Net carrying amount			
At 3 February 2007	82	7	89

The impairment losses in the year relate to certain loss-making stores in China and the closure of B&Q Korea.

The Group has no other intangible assets with indefinite useful lives.

Notes to the consolidated financial statements

14 Property, plant and equipment

£ millions	Land and buildings	Fixtures, fittings and equipment	Total
Cost			
At 4 February 2007	**2,428**	**1,604**	**4,032**
Additions	**229**	**278**	**507**
Disposals	**(72)**	**(71)**	**(143)**
Reclassifications	**17**	**(17)**	**–**
Exchange differences	**236**	**82**	**318**
At 2 February 2008	**2,838**	**1,876**	**4,714**
Depreciation			
At 4 February 2007	**(142)**	**(679)**	**(821)**
Charge for the year	**(28)**	**(170)**	**(198)**
Impairment losses	**–**	**(17)**	**(17)**
Disposals	**3**	**59**	**62**
Exchange differences	**(11)**	**(31)**	**(42)**
At 2 February 2008	**(178)**	**(838)**	**(1,016)**
Net carrying amount			
At 2 February 2008	**2,660**	**1,038**	**3,698**
Cost			
At 29 January 2006	2,550	1,477	4,027
Additions	198	213	411
Disposals	(194)	(103)	(297)
Transfers to investment property	(16)	–	(16)
Reclassifications	(41)	41	–
Exchange differences	(69)	(24)	(93)
At 3 February 2007	2,428	1,604	4,032
Depreciation			
At 29 January 2006	(125)	(637)	(762)
Charge for the year	(31)	(143)	(174)
Impairment losses	(1)	–	(1)
Disposals	8	100	108
Reclassifications	4	(4)	–
Exchange differences	3	5	8
At 3 February 2007	(142)	(679)	(821)
Net carrying amount			
At 3 February 2007	2,286	925	3,211
Assets in the course of construction included above at net carrying amount			
At 2 February 2008	**217**	**52**	**269**
At 3 February 2007	138	53	191
Assets held under finance lease included above at net carrying amount			
At 2 February 2008	**27**	**19**	**46**
At 3 February 2007	28	23	51

During the year the Group recognised £17m of impairment losses in selling and distribution expenses. As a result of closing B&Q Korea a £2m impairment charge was recognised. A further £15m impairment charge was recognised in relation to certain loss making stores in China. The Group reviews property, plant and equipment if events or changes in circumstances indicate that the carrying amount may not be recoverable. This is based on value-in-use calculations with the key assumptions being the stores' long-term plans and the risk-adjusted pre-tax discount rate (13.1% in China).

The amount of borrowing costs capitalised in property, plant and equipment in the year was £3m (2006/07: £1m). The cumulative total of borrowing costs included at the balance sheet date, net of depreciation, was £20m (2006/07: £17m).

Land and buildings are analysed as follows:

£ millions	Freehold	Long leasehold	Short leasehold	2007/08 Total	2006/07 Total
Cost	**2,235**	**150**	**453**	**2,838**	2,428
Depreciation	**(59)**	**(3)**	**(116)**	**(178)**	(142)
Net carrying amount	**2,176**	**147**	**337**	**2,660**	2,286

Properties held at 1 February 2004 are at deemed cost, being the fair value of land and buildings as at the transition date to IFRS. Fair value is taken to be the open market value at the date of valuation. All property acquired from 1 February 2004 is carried at cost.

Included in land and buildings is leasehold land in the UK, China, Poland, Russia and Germany. This leasehold land is in effect a prepayment for the use of land and is accordingly being amortised on a straight line basis over the estimated useful life of the assets. The cost and depreciation of leasehold land included in land and buildings at 2 February 2008 were £273m and £50m (2006/07: £254m and £45m) respectively.

The Group does not revalue properties within its financial statements. A valuation exercise is performed for internal purposes annually in October by independent external valuers covering over one third of the property portfolio with the remaining portfolio valued internally. Based on this the value of property would be £3.5 billion (2006/07: £3.1bn). The key assumption used in calculating this is the estimated yields. The average income yields used were 6.3% in the UK (2006/07: 5.5%), 6.5% in France and Italy (2006/07: 6.7%), 6.9% in Poland (2006/07: 6.8%) and 7.7% in China (2006/07: 7.7%).

15 Investment property

£ millions	
Cost	
At 4 February 2007	**36**
Disposals	**(2)**
Exchange differences	**3**
At 2 February 2008	**37**
Depreciation	
At 4 February 2007	**(7)**
Exchange differences	**(1)**
At 2 February 2008	**(8)**
Net carrying amount	
At 2 February 2008	**29**
Cost	
At 29 January 2006	22
Disposals	(1)
Transfers from property, plant and equipment	16
Exchange differences	(1)
At 3 February 2007	36
Depreciation	
At 29 January 2006	(7)
At 3 February 2007	(7)
Net carrying amount	
At 3 February 2007	29

The fair value of investment property at 2 February 2008 was £44m (2006/07: £39m).

16 Subsidiaries

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 4 of the Company's separate financial statements.

Notes to the consolidated financial statements

17 Investments in joint ventures and associates

£ millions	
At 4 February 2007	**185**
Disposals – net assets	**(20)**
Share of post-tax results	**19**
Dividends	**(6)**
Exchange differences	**26**
At 2 February 2008	**204**
Analysed as:	
Net assets excluding goodwill	**191**
Goodwill	**13**
	204

At 29 January 2006	185
Share of post-tax results	17
Dividends	(5)
Exchange differences	(12)
At 3 February 2007	185
Analysed as:	
Net assets excluding goodwill	172
Goodwill	13
	185

The Group disposed of its 50% interest in B&Q Taiwan resulting in a disposal of investments in joint ventures of £20m.

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

	Country of incorporation	% Interest held	Class of shares owned	Main activity
Principal joint ventures				
Koçtaş Yapi Marketleri Ticaret A.S.	Turkey	50%	Ordinary	Retailing
Principal associates				
Hornbach Holding A.G.	Germany	21%	Ordinary & preference	Retailing
Crealfi S.A.	France	49%	Ordinary	Finance

Aggregate amounts relating to joint ventures and associates:

			2007/08			2006/07
£ millions	Joint ventures	Associates	Total	Joint ventures	Associates	Total
Non-current assets	**18**	**239**	**257**	36	222	258
Current assets	**33**	**222**	**255**	39	163	202
Current liabilities	**(34)**	**(89)**	**(123)**	(42)	(120)	(162)
Non-current liabilities	**–**	**(185)**	**(185)**	(2)	(111)	(113)
Net assets	**17**	**187**	**204**	31	154	185
Income	**151**	**441**	**592**	136	391	527
Expenses	**(141)**	**(427)**	**(568)**	(127)	(370)	(497)
Interest	**–**	**(5)**	**(5)**	–	(6)	(6)
Profit before taxation	**10**	**9**	**19**	9	15	24
Tax	**(2)**	**2**	**–**	(2)	(5)	(7)
Share of post-tax results	**8**	**11**	**19**	7	10	17

18 Inventories

£ millions	2007/08	2006/07
Finished goods for resale	**1,873**	1,531

The cost of inventories recognised as an expense and included in cost of sales for the year ended 2 February 2008 amounted to £5,607m (2006/07: £5,015m).

19 Trade and other receivables

£ millions	2007/08	2006/07
Non-current		
Prepayments	**10**	10
Other receivables	**3**	8
	13	18
Current		
Trade receivables	**49**	52
Provision for impairment of receivables	**(3)**	(2)
Net trade receivables	**46**	50
Property receivables	**1**	7
Prepayments	**161**	182
Other receivables	**325**	256
	533	495
Trade and other receivables	**546**	513

Other receivables principally comprise rebates due from suppliers.

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

20 Other investments

£ millions	2007/08	2006/07
Current		
Short-term investments	**11**	28

Short-term investments comprise cash deposits and government bonds, attracting interest rates based on LIBOR or equivalent market rates, with a maturity between three months and 12 months. The fair values of other investments approximate to their carrying amounts.

21 Cash and cash equivalents

£ millions	2007/08	2006/07
Cash at bank and in hand	**174**	250
Short-term deposits	**44**	145
	218	395

Short-term deposits comprise money market deposits, attracting interest rates based on LIBOR or equivalent market rates, fixed for periods of up to three months. The fair values of cash and cash equivalents approximate to their carrying amounts.

Notes to the consolidated financial statements

22 Borrowings

£ millions	2007/08	2006/07
Current		
Bank overdrafts	**23**	150
Bank loans	**158**	83
Finance leases	**10**	9
	191	242
Non-current		
Bank loans	**125**	64
Medium Term Notes and other fixed term debt	**1,436**	1,307
Finance leases	**59**	61
	1,620	1,432
Borrowings	**1,811**	1,674

Bank loans and overdrafts

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

Non-current bank loans include a £50m term loan maturing in February 2009 and a £25m term loan maturing in March 2010, which bear interest based on LIBOR fixed for periods of up to six months, together with a Chinese Renminbi loan maturing in July 2010, which bears interest based on the People's Bank of China reference rate fixed for periods of up to three months. The remaining non-current bank loans are arranged at fixed rates of interest which have an average maturity of two years and an effective interest rate of 4.6% (2006/07: 4.1%).

None of the Group's borrowings are secured (2006/07: £nil).

Medium Term Notes and other fixed term debt

Medium Term Notes (MTNs) have been issued under the Group's €2,500m MTN programme and further notes issued as a US Private Placement (USPP).

£ millions	Maturity date	Issued amount	Coupon	Effective interest rate	2007/08 Carrying amount	2006/07 Carrying amount
MTN	23/03/10 [1]	£150m	6.88%	7.0%	**154**	152
MTN	21/10/10 [2]	€500m	4.50%	4.6%	**373**	326
MTN	23/11/12 [3]	€550m	4.13%	4.3%	**400**	345
MTN	15/12/14 [4]	£250m	5.63%	5.8%	**248**	242
USPP	24/05/13 [5]	$207m	6.14%	6.1%	**116**	107
USPP	24/05/16 [6]	$81m	6.30%	6.3%	**45**	42
USPP	24/05/18 [7]	$179m	6.40%	6.4%	**100**	93
					1,436	1,307

1 Swapped to floating rate Sterling based on 3 month LIBOR plus a margin using an interest rate swap.
2 €200m swapped to floating rate euro based on 3 month EURIBOR plus a margin using an interest rate swap. €500m of the debt is designated as a net investment hedge of currency exposures of overseas investments.
3 Swapped to floating rate euro based on 3 month EURIBOR plus a margin using an interest rate swap, with €330m subsequently swapped to floating rate Sterling based on 3 month LIBOR plus a margin using a cross-currency swap. €220m of the debt is designated as a net investment hedge of currency exposures of overseas investments.
4 Swapped to floating rate euro based on 3 month EURIBOR plus a margin using a cross-currency interest rate swap.
5,6,7 $467m swapped to floating rate Sterling based on 6 month LIBOR plus a margin using a cross-currency interest rate swap.

No MTNs or other fixed term debt were repaid during the year.

The US Private Placement contains a covenant requiring that, as at the end of each semi-annual and annual financial reporting period, the ratio of operating profit to net finance costs, as defined in the note purchase agreement, should not be less than 3 to 1 for the preceding 12 month period.

Finance lease commitments

The Group leases certain of its buildings and fixtures and equipment under finance leases. The average lease term maturity for buildings is eight years (2006/07: nine years) and for fixtures and equipment is two years (2006/07: two years). Building leases include a clause to enable upward revision of the rental charge to prevailing market conditions.

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

£ millions	2007/08 Present value of payments	2007/08 Minimum payments	2006/07 Present value of payments	2006/07 Minimum payments
Less than one year	**10**	**15**	9	14
One to five years	**23**	**38**	22	38
More than five years	**36**	**57**	39	63
Total minimum lease payments	**69**	**110**	70	115
Less amounts representing finance charges		**(41)**		(45)
Present value of minimum lease payments		**69**		70

The interest rates inherent in the finance leases are fixed at the contract date for the lease term. The weighted average effective interest rate on the Group's finance leases is 9.1% (2006/07: 8.7%).

Fair value of borrowings

The fair values of current borrowings approximate to their carrying amounts.

Where available, market values have been used to determine the fair value of non-current borrowings. Where market values are not available, fair values have been calculated by discounting cash flows at prevailing interest and exchange rates. The carrying amounts and fair values of non-current borrowings are as follows:

£ millions	2007/08 Carrying amount	2007/08 Fair value	2006/07 Carrying amount	2006/07 Fair value
Bank loans	**125**	**131**	64	64
Medium Term Notes and other fixed term debt	**1,436**	**1,376**	1,307	1,327
Finance leases	**59**	**66**	61	68
	1,620	**1,573**	1,432	1,459

23 Trade and other payables

£ millions	2007/08	2006/07
Current		
Trade payables	**1,306**	1,103
Other taxation and social security	**185**	157
Accruals	**272**	287
Deferred income	**107**	119
Other payables	**368**	287
	2,238	1,953
Non-current		
Accruals and other payables	**32**	4
Trade and other payables	**2,270**	1,957

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

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

Notes to the consolidated financial statements

24 Derivative financial instruments

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

£ millions	2007/08	2006/07
Fair value hedges	**13**	(21)
Cash flow hedges	**(3)**	(4)
Net investment hedges	**(23)**	19
Non-designated hedges	**22**	(6)
	9	(12)
Non-current assets	**66**	29
Current assets	**5**	10
Current liabilities	**(10)**	(5)
Non-current liabilities	**(52)**	(46)
	9	(12)

The fair values are calculated by discounting future cash flows arising from the instruments using market rates.

Fair value hedges

Interest rate swap contracts convert fixed rate debt issued under the Group's MTN programme and the US Private Placement to floating rate liabilities. At 2 February 2008 the Sterling equivalent notional amount of such contracts was £1,202m (2006/07: £1,151m). Inflation swaps hedge inflation rate exposures in certain property lease contracts. The swaps limit the annual inflation uplift on the underlying lease payments at 3% each year until April 2021 and are accounted for as a fair value hedge of unrecognised future commitments. At 2 February 2008 the Sterling equivalent notional amount of such contracts was £10m (2006/07: £10m).

Cash flow hedges

Forward foreign exchange contracts hedge currency exposures of forecast inventory purchases. At 2 February 2008 the Sterling equivalent notional amount of such contracts was £172m (2006/07: £158m). The associated fair value gains and losses will be transferred to inventories when the purchases occur during the next 12 months. Losses of £8m (2006/07: £3m) have been transferred to inventories for contracts which matured during the year.

Net investment hedges

Forward foreign exchange contracts and cross-currency interest rate swaps hedge currency exposures of overseas investments. At 2 February 2008 the Sterling equivalent notional amount of such contracts was £343m (2006/07: £295m).

Non-designated hedges

The Group has entered into certain derivatives to provide a hedge of fluctuations in the income statement arising from balance sheet positions. At 2 February 2008 the Sterling equivalent notional amount of such contracts was £609m (2006/07: £424m). These have not been hedge accounted, since the fair value movements of the derivatives in the income statement offset the retranslation of the balance sheet position. These include forward foreign exchange instruments hedging part of the funding of the Group's overseas operations, a cross-currency swap converting a euro-denominated debt into a Sterling liability and short-term foreign exchange and interest rate contracts.

The Group has reviewed all contracts for embedded derivatives. The Group does not have any embedded derivatives which are not closely related to the host contract and therefore is not required to account for these separately.

25 Financial risk management

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

In the normal course of business the Group uses financial instruments including derivative financial instruments. The main types of financial instruments used are Medium Term Notes and other fixed term debt, bank loans and deposits, interest rate swaps, cross-currency interest rate swaps, spot and forward foreign exchange contracts and foreign exchange options.

Interest rate risk

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

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

	Sterling		euro		US Dollar		Other		
£ millions	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Total
At 2 February 2008									
Net debt before derivatives	**(443)**	**(95)**	**(820)**	**28**	**(262)**	**21**	**(83)**	**72**	**(1,582)**
Derivatives	**401**	**(626)**	**547**	**(561)**	**262**	**–**	**–**	**–**	**23**
Net debt	**(42)**	**(721)**	**(273)**	**(533)**	**–**	**21**	**(83)**	**72**	**(1,559)**
At 3 February 2007									
Net debt before derivatives	(423)	107	(708)	(6)	(243)	2	58	(37)	(1,250)
Derivatives	394	(618)	473	(536)	243	–	–	–	(44)
Net debt	(29)	(511)	(235)	(542)	–	2	58	(37)	(1,294)

Currency risk

The Group's principal currency exposures are to the euro, the US Dollar, the Polish Zloty and the Chinese Renminbi. The euro and Zloty exposures are operational and arise through the ownership of the retail businesses in France, Italy, Spain and Poland. Balance sheet euro translation exposure is substantially hedged by maintaining a proportion of the Group's debt in euro. In China, balance sheet translation exposure is partly hedged by local debt in China and partly by forward foreign exchange contracts entered into to hedge this exposure. However, it is the Group's policy not to hedge the translation of overseas earnings (primarily euro) into Sterling. In addition, the Group has significant transaction exposure arising on the purchase of inventories denominated in US Dollars, which it hedges using forward foreign exchange contracts. Under Group policies, the Group companies are required to hedge committed inventory purchases and a proportion of forecast inventory purchases arising in the next 12 months, and this is monitored on an ongoing basis.

Financial instruments affected by interest rate and currency risks, being the principal market risks impacting Kingfisher, include borrowings, deposits and derivative financial instruments. The following analysis illustrates the sensitivity to changes in Sterling and euro interest rates and the US Dollar/Sterling and US Dollar/euro exchange rates.

	2007/08		2006/07	
£ millions	Profit/ loss	Other equity gain/loss	Profit/ loss	Other equity gain/loss
Sterling interest rates 0.50% increase/decrease	**3**	**–**	2	–
euro interest rates 0.50% increase/decrease	**3**	**–**	3	–
US Dollar/Sterling exchange rate 10% increase/decrease	**–**	**12**	–	17
US Dollar/euro exchange rate 10% increase/decrease	**–**	**7**	–	1

Notes to the consolidated financial statements

25 Financial risk management continued

The sensitivity analysis excludes the impact of movements in market variables on the carrying amount of post employment benefits and provisions. It has been prepared on the basis that the Group's debt, hedging activities, hedging designation, foreign currency proportion of debt and derivative contracts remain constant, reflecting the positions at 2 February 2008 and 3 February 2007 respectively. As a consequence, the analysis relates to the position at those dates and is not necessarily representative of the years then ended. The following assumptions have been made in preparing the sensitivity analysis:

- the floating leg of any swaps, floating rate debt and cash and cash equivalents are treated as not having had the interest rate set. A full 12 month effect of a change in interest rates is shown;
- the Group's designated fair value hedges are assumed to be fully effective, with gains or losses on derivative financial instruments and underlying hedged items offsetting fully in the income statement;
- forward foreign exchange contracts designated as cash flow hedges of future US Dollar inventory purchases are assumed to be fully effective. Changes in their carrying value due to sensitivity to US Dollar/Sterling and US Dollar/euro exchange rates are reflected in equity;
- the Group's designated net investment hedges are assumed to be fully effective, and as such do not expose the Group to currency risk and are not included in this analysis.

The above assumptions are made when illustrating the effect on the Group's income statement and equity given reasonable movements in foreign exchange and interest rates, before the effect of tax. The Group considers a reasonable interest rate movement to be 0.50%, based on recent interest rate history for Sterling and the euro. Similarly, sensitivity to movements in US Dollar/Sterling and US Dollar/euro exchange rates of 10% are shown, reflecting changes of reasonable proportion in the context of movements in those currency pairs over recent years.

Liquidity risk

The Group manages its exposure to liquidity risk by reviewing the cash resources required to meet its business objectives through both short and long-term cash flow forecasts, supplemented by forecasts of financial headroom. It promotes a diversity of funding sources and debt maturities, utilising committed bank revolving credit facilities to provide additional liquidity, which are available to be drawn for general corporate purposes including working capital requirements.

The analysis below is of the contractual undiscounted cash flows payable under financial liabilities and derivative assets and liabilities as at the balance sheet date.

£ millions	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
At 2 February 2008							
Bank overdrafts	(23)	–	–	–	–	–	(23)
Bank loans	(167)	(58)	(66)	(5)	(4)	–	(300)
Medium Term Notes and other fixed term debt	(73)	(73)	(573)	(46)	(443)	(525)	(1,733)
Finance leases	(15)	(14)	(10)	(8)	(6)	(57)	(110)
Derivatives – receipts	563	341	192	61	99	510	1,766
Derivatives – payments	(570)	(314)	(188)	(61)	(103)	(512)	(1,748)
Provisions – onerous property contracts	(3)	(1)	(1)	(1)	(1)	(4)	(11)
Provisions – restructuring	(45)	(46)	–	–	–	–	(91)
At 3 February 2007							
Bank overdrafts	(150)	–	–	–	–	–	(150)
Bank loans	(87)	(6)	(53)	(4)	(5)	–	(155)
Medium Term Notes and other fixed term debt	(69)	(69)	(69)	(523)	(44)	(894)	(1,668)
Finance leases	(14)	(14)	(10)	(8)	(6)	(63)	(115)
Derivatives – receipts	530	97	309	182	98	532	1,748
Derivatives – payments	(529)	(104)	(320)	(179)	(100)	(517)	(1,749)
Provisions – onerous property contracts	(2)	(4)	(1)	(1)	(1)	(1)	(10)
Provisions – restructuring	(56)	(41)	(9)	–	–	–	(106)

At 2 February 2008 the Group had the following committed borrowing facilities:

£ millions	Maturity date	Facility total	Undrawn facilities
Term bank loan	February 2009	50	–
Term bank loan	March 2010	25	–
Bilateral bank revolving credit facilities	March 2010	275	275
Syndicated bank revolving credit facility	August 2012	500	400
		850	675

Inflation risk
The Group is exposed to inflation risk in certain property lease contracts and uses inflation swaps to hedge some of this exposure.

Credit risk
Credit risk of third parties that the Group deals with is managed by setting a credit limit using published credit ratings. The exposure against this limit is determined by taking account of the full value of deposits and a proportion of the value of derivative contracts. Credit risk is reduced by spreading the Group's debt, investment and derivatives transactions across a range of markets using counterparties with strong credit ratings.

The Group has a very low retail credit risk due to the transactions being principally of a high volume, low value and short maturity. The maximum credit risk exposure of the Group's financial assets at the balance sheet date is represented by the amounts reported under the corresponding balance sheet headings. Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated and therefore no further credit risk provision is required in excess of the normal provision for doubtful receivables. There are no other significant concentrations of credit risk associated with the financial instruments of the Group.

At 2 February 2008, trade and other receivables that were past due but not impaired amounted to £19m (2006/07: £10m), of which £3m (2006/07: £2m) were over 120 days past due.

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

26 Deferred tax

£ millions	2007/08	2006/07
Deferred tax assets	**25**	30
Deferred tax liabilities	**(318)**	(263)
	(293)	(233)

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

The movement in deferred tax in the year is as follows:

£ millions	Accelerated tax depreciation	Gains on property	Provisions	Tax losses	Post employment benefits	Other	Total
At 4 February 2007	**(98)**	**(186)**	**24**	**8**	**15**	**4**	**(233)**
(Charge)/credit to income statement	**(16)**	**13**	**(4)**	**(1)**	**(26)**	**1**	**(33)**
Charge to equity	**–**	**–**	**–**	**–**	**(13)**	**–**	**(13)**
Exchange differences	**(8)**	**(10)**	**3**	**–**	**1**	**–**	**(14)**
At 2 February 2008	**(122)**	**(183)**	**23**	**7**	**(23)**	**5**	**(293)**
At 29 January 2006	(98)	(207)	19	2	70	9	(205)
(Charge)/credit to income statement	(2)	17	4	7	(26)	(4)	(4)
Charge to equity	–	–	–	–	(29)	(1)	(30)
Exchange differences	2	4	1	(1)	–	–	6
At 3 February 2007	(98)	(186)	24	8	15	4	(233)

At the balance sheet date, the Group has unused tax losses of £180m (2006/07: £156m) available for offset against future profits. A deferred tax asset has been recognised in respect of £21m (2006/07: £25m) of such losses. No deferred tax asset has been recognised in respect of the remaining £159m (2006/07: £131m) due to the unpredictability of future profit streams. Included in unrecognised tax losses are tax losses arising in China and South Korea of £73m (2006/07: £55m) which can only be carried forward in the next one to five years and tax losses arising in Spain of £24m (2006/07: £18m) which can only be carried forward for up to 15 years. Other losses may be carried forward indefinitely.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries and joint ventures. As the earnings are continually reinvested by the Group, no tax is expected to be payable on them in the foreseeable future. Earnings which could be remitted on which there would be tax to pay total £191m (2006/07: £127m).

Notes to the consolidated financial statements

27 Post employment benefits

The Group operates a variety of post employment benefit arrangements covering both funded and unfunded defined benefit schemes and funded defined contribution schemes. The most significant are the funded, final salary defined benefit and defined contribution schemes for the Group's UK employees; however various retirement benefit and defined contribution schemes are operated in France, Poland, Italy and China. In France and Poland, they are retirement indemnity in nature; and in Italy, termination indemnity in nature.

a) Defined contribution schemes

Pension costs for defined contribution schemes, at rates specified in the individual plans' rules, are as follows:

£ millions	2007/08	2006/07
Defined contribution schemes	**5**	3

b) Defined benefit schemes

The Group's principal defined benefit pension plan is in the UK. The assets of this plan are held separately from the Group in trustee-administered funds. The Trustees are required to act in the best interests of the plan's beneficiaries. The Group also has other retirement benefit plans in other territories but these are not material in relation to the Group as a whole.

The Group has one main defined benefit pension plan in the UK ("the UK plan") which was closed to new entrants in 2004. A full actuarial valuation of the UK plan is carried out every three years by an independent actuary for the plan Trustee and the last full valuation was carried out as at 31 March 2007. The Company monitors the plan funding level on a regular basis and will review with the plan Trustee at future valuations the continued appropriateness of the repayment schedule currently in place.

c) Principal actuarial valuation assumptions

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. The assumptions are based on the conditions at the time. Movements in the financial assumptions can lead to significant movement in the estimated obligations of the plan, as illustrated in the sensitivity analysis in section d) of this note.

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	
Annual % rate	UK	Other	UK	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

	2007/08		2006/07	
% rate of return	UK	Other	UK	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

Mortality assumptions

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.

For the UK plan, the base mortality assumptions have been derived by adjusting standard mortality tables (PA 92 tables) projected forward to 2007 with the medium cohort improvement factors for males and with the standard improvement factors for females. In addition, allowance has been made for future increases in life expectancy. For males, the allowance is in line with medium cohort improvements subject to a minimum rate of improvement of 1% pa, and for females, the allowance is in line with the standard improvements, subject to a minimum of 0.5% pa. These improvements have been set with regard to trends observed within the plan over the past decade. The corresponding assumptions for life expectancy of UK pension plan members are as follows:

	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

d) Sensitivity analysis of key actuarial assumptions used

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

e) Impact of defined benefit schemes on income statement

The amounts recognised in the income statement are as follows:

			2007/08			2006/07
£ millions	UK	Other	Total	UK	Other	Total
Amounts charged/(credited) to operating profit						
Current service cost	**26**	**3**	**29**	35	5	40
Settlements, curtailments, termination benefits	**–**	**(1)**	**(1)**	–	–	–
Total operating charge	**26**	**2**	**28**	35	5	40
Amounts (credited)/charged to net finance costs						
Expected return on pension scheme assets	**(88)**	**–**	**(88)**	(73)	–	(73)
Interest on pension scheme liabilities	**74**	**2**	**76**	66	1	67
Net interest (return)/charge	**(14)**	**2**	**(12)**	(7)	1	(6)
Total charged to income statement	**12**	**4**	**16**	28	6	34

Of the charge to operating profit for the year, £23m (2006/07: £27m) and £5m (2006/07: £13m) were included, respectively, in selling and distribution expenses and administrative expenses, and a £12m net credit (2006/07: £6m net credit) was included in net finance costs. Actuarial gains and losses have been reported in the statement of recognised income and expense.

f) Defined benefit asset/(liability) position on balance sheet

The amounts included in the balance sheet, arising from the Group's obligations in respect of its defined benefit retirement schemes, are determined as follows:

			2007/08			2006/07
£ millions	UK	Other	Total	UK	Other	Total
Present value of defined benefit obligations	**(1,350)**	**(45)**	**(1,395)**	(1,395)	(37)	(1,432)
Fair value of scheme assets	**1,460**	**12**	**1,472**	1,367	10	1,377
Net asset/(liability)	**110**	**(33)**	**77**	(28)	(27)	(55)

The amount of the defined benefit obligation at 2 February 2008 which relates to funded defined benefit schemes is £1,387m (2006/07: £1,416m).

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

Overall:

			2007/08			2006/07
£ millions	UK	Other	Total	UK	Other	Total
Deficit in scheme at beginning of year	**(28)**	**(27)**	**(55)**	(210)	(29)	(239)
Total service cost charged to income statement (as above)	**(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)

Notes to the consolidated financial statements

27 Post employment benefits continued

This can be split out as follows:

Movements in the present value of defined benefit obligations 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
Defined benefit obligation at beginning of year	**(1,395)**	**(37)**	**(1,432)**	(1,420)	(39)	(1,459)
Total service cost charged to income statement	**(26)**	**(3)**	**(29)**	(35)	(5)	(40)
Interest cost	**(74)**	**(2)**	**(76)**	(66)	(1)	(67)
Actuarial gains/(losses)	**106**	**(2)**	**104**	88	3	91
Contributions paid by employees	**(10)**	**–**	**(10)**	(11)	–	(11)
Benefits paid	**49**	**2**	**51**	49	4	53
Settlements and curtailments	**–**	**1**	**1**	–	–	–
Exchange differences	**–**	**(4)**	**(4)**	–	1	1
Defined benefit obligation at end of year	**(1,350)**	**(45)**	**(1,395)**	(1,395)	(37)	(1,432)

Movements in the fair value of scheme 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
Fair value of plan assets at beginning of year	**1,367**	**10**	**1,377**	1,210	10	1,220
Expected return on pension scheme assets	**88**	**–**	**88**	73	–	73
Actuarial (losses)/gains	**(57)**	**–**	**(57)**	4	–	4
Contributions paid by employer	**101**	**2**	**103**	118	4	122
Contributions paid by employees	**10**	**–**	**10**	11	–	11
Benefits paid	**(49)**	**(2)**	**(51)**	(49)	(4)	(53)
Exchange differences	**–**	**2**	**2**	–	–	–
Fair value of plan assets at end of year	**1,460**	**12**	**1,472**	1,367	10	1,377

The analysis of the scheme assets at the balance sheet date is as follows:

£ millions	2007/08 UK	2007/08 Other	2007/08 Total	2007/08 % of total	2006/07 UK	2006/07 Other	2006/07 Total	2006/07 % of total
Equities	**743**	**–**	**743**	**50%**	705	–	705	51%
Bonds	**580**	**–**	**580**	**39%**	512	–	512	37%
Property	**111**	**–**	**111**	**8%**	121	–	121	9%
Other	**26**	**12**	**38**	**3%**	29	10	39	3%
Total market value of assets	**1,460**	**12**	**1,472**	**100%**	1,367	10	1,377	100%

The pension plans do not hold any other assets than those disclosed above.

The actual return on pension scheme assets is as follows:

£ millions	2007/08 UK	2007/08 Other	2007/08 Total	2006/07 UK	2006/07 Other	2006/07 Total
Actual return on pension scheme assets	**31**	**–**	**31**	77	–	77

The history of experience adjustments is as follows:

£ millions	2007/08	2006/07	2005/06	2004/05
Present value of defined benefit obligations	**(1,395)**	(1,432)	(1,459)	(1,219)
Fair value of scheme assets	**1,472**	1,377	1,220	893
Net asset/(liability)	**77**	(55)	(239)	(326)

£ millions	2007/08	2006/07	2005/06	2004/05
Actual return less expected return on pension scheme assets	**(57)**	4	127	33
Percentage of scheme assets	***(4%)***	–	*10%*	*4%*
Experience losses arising on pension scheme liabilities	**(12)**	–	–	(12)
Percentage of scheme liabilities	***1%***	–	–	*1%*
Changes in assumptions underlying present value of pension scheme liabilities	**116**	91	(173)	(100)
Percentage of scheme liabilities	***(8%)***	*(6%)*	*12%*	*8%*
Total gains/(losses) recognised in the statement of recognised income and expense in the year	**47**	95	(46)	(79)
Cumulative gains/(losses) recognised in the statement of recognised income and expense	**17**	(30)	(125)	(79)

The estimated amount of total contributions expected to be paid to the UK, France and other pension schemes by the Group during the next financial year is £50m (2006/07: £103m paid).

28 Provisions

£ millions	Onerous property contracts	Restructuring	Total
At 4 February 2007	**9**	**100**	**109**
Charge to income statement	**1**	**13**	**14**
Utilised in the year	**(2)**	**(28)**	**(30)**
Unwinding of discount	**–**	**3**	**3**
At 2 February 2008	**8**	**88**	**96**
Current liabilities	**3**	**44**	**47**
Non-current liabilities	**5**	**44**	**49**
	8	**88**	**96**

Within the onerous property contracts provision, Kingfisher has provided against future liabilities for all properties sublet at a shortfall and long-term idle properties. The provision is based on the value of future cash outflows relating to rent, rates and service charges. This excludes idle properties related to restructuring programmes which are included in the restructuring provisions.

Restructuring provisions include the estimated cost of the B&Q UK store and head office restructuring programme. This provision has been discounted to reflect the time value of money and the risks associated with the specific liabilities. The provision is expected to be utilised over the next two years. The ultimate costs and timing of cash flows are dependent on exiting the property lease contracts on the closed stores and sub-dividing and sub-letting the surplus space released from those stores to be downsized. Also included in the restructuring provisions are amounts relating to certain loss-making stores in China and the closure of B&Q Korea and the Asia head office.

29 Share capital, share premium and own shares held

	Number of ordinary shares millions	Ordinary share capital £ millions	Share premium £ millions	Own shares held £ millions
At 4 February 2007	**2,359**	**371**	**2,185**	**(81)**
Shares issued under share schemes	**2**	**–**	**3**	**–**
Own shares disposed	**–**	**–**	**–**	**15**
At 2 February 2008	**2,361**	**371**	**2,188**	**(66)**
At 29 January 2006	2,353	370	2,175	(95)
Shares issued under share schemes	6	1	10	–
Own shares disposed	–	–	–	14
At 3 February 2007	2,359	371	2,185	(81)

The total number of authorised ordinary shares is 3,023m shares (2006/07: 3,023m shares) with a par value of $15^{5}/_{7}$p per share. All issued shares are fully paid.

Own shares held represent Kingfisher plc shares held by the Kingfisher Employee Share Ownership Plan Trust (ESOP).

Notes to the consolidated financial statements

30 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

Other reserves represent the premium on the issue of convertible loan stock in 1993, the merger reserve relating to the acquisition of Darty and the dividend in specie received from a subsidiary prior to the demerger of Woolworths.

31 Share-based payments

	2007/08 Options Number	2007/08 Weighted average exercise price £	2006/07 Options Number	2006/07 Weighted average exercise price £
Outstanding at beginning of year	28,375,635	1.39	24,572,206	1.63
Granted during the year [1,2]	15,576,198	0.77	11,427,599	0.88
Forfeited during the year	(5,705,671)	1.93	(4,773,299)	0.34
Exercised during the year	(3,157,466)	0.14	(2,439,375)	1.58
Expired during the year	(32,591)	0.04	(411,496)	1.55
Outstanding at end of year	35,056,105	1.14	28,375,635	1.39
Exercisable at end of year	5,572,104	2.38	525,703	1.46

1 The charge to the income statement for the years ended 2 February 2008 and 3 February 2007 in respect of share-based payments includes the first year's charge of the 2008 and 2007 Kingfisher Incentive Scheme (KIS) share grants respectively, based on the cash bonus for the year. Since grants under the KIS are made following the year end to which the first year of charge relates, it is not possible to give the number of options granted until after the year end.
2 The weighted average exercise price for options granted during the period represents a blend of nil price KIS and Performance Share Plan options and discounted ShareSave options (see below).

Options were exercised on a regular basis throughout the period. On that basis, the weighted average share price during the year, rather than at the date of exercise, was £2.11 (2006/07: £2.43). The options outstanding at the end of the year have exercise prices ranging from nil to £2.45 and a weighted average remaining contractual life of 2.2 years (2006/07: 3.6 years).

The Group recognised a total expense of £6m in the year ended 2 February 2008 (2006/07: £9m) relating to equity-settled share-based payment transactions.

The fair value of share options and deferred shares is obtained using the Black-Scholes and stochastic option pricing models. The inputs into these models are as follows:

	Date of grant	Share price at grant £	Exercise price £	Expected volatility %	Expected life years	Dividend yield %	Risk free rate %	Fair value £
Executive Share Scheme	17/04/03	2.44	2.38	35.0%	6.0	4.0%	4.2%	0.64
Kingfisher Incentive Share Scheme	05/04/04	2.91	–	–	3.5	3.7%	–	2.58
	05/04/04	2.91	–	35.0%	3.5	3.7%	–	1.61
	28/04/04	2.86	–	–	3.5	3.7%	–	2.54
	28/04/04	2.86	–	35.0%	3.5	3.7%	–	1.58
	06/04/05	2.86	–	–	3.5	3.7%	–	2.55
	06/04/05	2.86	–	35.0%	3.5	3.7%	–	1.62
	10/04/06	2.31	–	–	3.5	4.6%	–	2.01
	10/04/06	2.31	–	19.8%	3.5	4.6%	–	0.77
	11/04/07	2.77	–	–	3.5	–	–	2.77
Performance Share Plan	28/06/06	2.29	–	19.8%	3.5	–	4.9%	1.04
	24/10/06	2.65	–	19.6%	3.5	–	5.0%	1.36
	11/04/07	2.77	–	20.2%	3.5	–	–	1.68
	01/10/07	1.83	–	22.4%	3.5	–	–	0.26
	01/02/08	1.51	–	28.2%	3.0	–	–	0.92
	01/02/08	1.51	–	–	4.0	–	–	1.51
Kingfisher Retention Plan	16/03/06	2.48	–	21.9%	1.5	4.3%	4.4%	2.38
	16/03/06	2.48	–	18.9%	2.5	4.3%	4.4%	2.28
	28/06/06	2.29	–	18.9%	2.5	4.3%	4.4%	2.11
UK and International ShareSave	01/05/03	2.41	1.87	35.0%	3.5	4.0%	3.6%	0.70
	01/05/03	2.41	2.28	35.0%	4.5	4.0%	3.7%	0.68
	01/05/03	2.41	1.87	35.0%	5.5	4.0%	3.8%	0.76
	22/10/04	3.08	2.45	35.0%	3.5	3.3%	4.5%	0.98
	22/10/04	3.08	2.45	35.0%	5.5	3.3%	4.6%	1.08
	27/10/05	2.01	1.76	35.0%	3.5	5.3%	4.3%	0.49
	27/10/05	2.01	1.76	35.0%	5.5	5.3%	4.4%	0.52
	26/10/06	2.65	1.97	19.9%	3.5	4.0%	4.0%	0.75
	26/10/06	2.65	1.97	28.1%	5.5	4.0%	4.0%	0.86
	01/11/07	1.90	1.55	23.6%	3.5	5.6%	5.0%	0.42
	01/11/07	1.90	1.55	25.5%	5.5	5.6%	5.0%	0.44

Expected volatility was determined for each individual award, by calculating the historical volatility of the Group's share price (plus reinvested dividends) immediately prior to the grant of the award, over the same period as the vesting period of each award, adjusted by expectations of future volatility. The expected life used in the model has been adjusted for estimated effects of non-transferability, exercise restrictions and behavioural considerations.

32 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

Notes to the consolidated financial statements

33 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)

34 Acquisitions

During the current year the Group acquired the remaining minority interests in four of its B&Q China subsidiaries for a consideration of £6m, consisting of cash of £1m and deferred consideration of £5m, generating goodwill of £4m.

During the prior year the Group acquired the remaining minority interests in three of its B&Q China subsidiaries for a cash consideration of £2m generating goodwill of £nil.

35 Related party transactions

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

	2007/08		2006/07	
£ millions	Value of transactions	Receivable/ (payable) at year end	Value of transactions	Receivable/ (payable) at year end
Transactions with Crealfi S.A. in which the Group holds a 49% interest				
Commission and other income	0.1	–	–	–
Transactions with Koçtaş Yapi Marketleri Ticaret A.S. in which the Group holds a 50% interest				
Provision of employee services	(0.1)	–	–	0.1
Commission and other income	0.3	0.1	–	0.1
Transactions with Hornbach Holding A.G. in which the Group holds a 21% interest				
Provision of employee services	–	–	0.2	–
Commission and other income	0.4	0.1	–	0.1
Other expenses	(0.3)	(0.3)	(0.2)	(0.2)
Transactions with Kingfisher Pension Scheme				
Provision of administrative services	2.1	0.2	1.8	0.3

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

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

36 Commitments

Operating lease commitments

The Group leases various retail outlets, offices, warehouses and plant and equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

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

	2007/08		2006/07	
	Land and buildings	Plant and equipment	Land and buildings	Plant and equipment
Less than one year	**346**	**21**	351	17
One to five years	**1,352**	**40**	1,395	40
More than five years	**3,460**	**4**	3,820	3
	5,158	**65**	5,566	60

Movements from year to year are primarily a result of the charge for the year, acquisition of leases and the mix of leases entered into and exited.

The total of future minimum operating sublease receipts expected to be received at 2 February 2008 is £89m (2006/07: £113m).

Capital commitments

Capital commitments contracted but not provided for by the Group amounted to £32m (2006/07: £40m).

37 Contingent liabilities

Kingfisher plc has an obligation to provide a bank guarantee for £50m (2006/07: £50m) to the liquidators of Kingfisher International France Limited in the event that Kingfisher plc's credit rating falls below 'BBB'. The obligation arises from an indemnity provided in June 2003 as a result of the demerger of Kesa Electricals.

Castorama Italia S.P.A. has arranged for a guarantee for €66m (£50m), expiring in October 2010, in respect of a tax credit (2006/07: £nil).

In addition, the Group has arranged for certain bank guarantees to be provided to third parties in the ordinary course of business. The total amount outstanding at the year end was £34m (2006/07: £29m).

Independent auditors' report to the members of Kingfisher plc

We have audited the Group financial statements of Kingfisher plc for the year ended 2 February 2008 which comprise the Consolidated income statement, the Consolidated statement of recognised income and expense, the Consolidated balance sheet, the Consolidated cash flow statement and the related notes. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Parent company financial statements of Kingfisher plc for the year ended 2 February 2008 and on the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' report is consistent with the Group financial statements. The information given in the Directors' report includes that specific information presented in the Operating review and Financial review that is cross referred from the business review section of the Directors' report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Chairman's statement, the Chief Executive's review, the Operating review, the Financial review, the Directors' report, the Directors' responsibilities statement, the Corporate Governance report, the Audit Committee report and the Nomination Committee report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 2 February 2008 and of its profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the Group financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
26 March 2008

Company balance sheet

As at 2 February 2008

£ millions	Notes	2007/08	2006/07
Fixed assets			
Tangible fixed assets	3	**1**	14
Investments	4	**5,575**	5,584
		5,576	5,598
Current assets			
Debtors due within one year	5	**4,284**	3,443
Debtors due after more than one year	5	**67**	38
Cash at bank and in hand		**25**	140
		4,376	3,621
Current liabilities			
Creditors: amounts falling due within one year	6	**(2,019)**	(1,210)
Net current assets		**2,357**	2,411
Total assets less current liabilities		**7,933**	8,009
Non-current liabilities			
Creditors: amounts falling due after more than one year	7	**(1,564)**	(1,402)
Provisions for liabilities and charges	8	**(2)**	(1)
		(1,566)	(1,403)
Net assets excluding net pension asset/(liability)		**6,367**	6,606
Net pension asset/(liability)	9	**2**	(1)
Net assets including net pension asset/(liability)		**6,369**	6,605
Capital and reserves			
Called up share capital	10	**371**	371
Share premium account	11	**2,188**	2,185
Non-distributable reserves	11	**2,934**	2,934
Profit and loss account	11	**876**	1,115
Equity shareholders' funds	12	**6,369**	6,605

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

Notes to the Company financial statements

1 Principal accounting policies

The financial statements of Kingfisher plc (the Company) are made up to the nearest Saturday to 31 January each year. The financial statements have been prepared under the historical cost convention, as modified by the use of valuations for certain financial instruments, share-based payments and pensions, and are prepared in accordance with applicable accounting standards in the United Kingdom and the Companies Act 1985.

The Company's financial statements are included in the consolidated financial statements of Kingfisher plc. As permitted by section 230 of the Companies Act 1985, the profit and loss account and statement of total recognised gains and losses are not presented. The Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 Cash Flow Statements. The Company is exempt under the terms of FRS 8 Related Party Disclosures from disclosing related party transactions with subsidiaries of Kingfisher plc. The Company has taken advantage of the exemption to provide financial instrument disclosures under the terms of FRS 29 Financial Instruments: Disclosures.

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

Foreign currencies

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

Principal rate of exchange:

euro/£	2007/08	2006/07
Year end rate	**1.33**	1.52

Tangible fixed assets

Tangible fixed assets are carried in the balance sheet at cost less accumulated depreciation and any provisions for impairment. Depreciation of tangible fixed assets is provided to reflect a reduction from cost to estimated residual value over the estimated useful life of the asset to the Company. Depreciation of tangible fixed assets is calculated using the straight line method and the annual rates applicable to the principal categories are:

Fixtures and fittings	–	between 10% and 25%
Computers and electronic equipment	–	between 25% and 50%
Motor cars	–	25%

Tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of value-in-use and net realisable value. Any impairment in value is charged to the profit and loss account in the period in which it occurs.

Investments

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

Operating leases

Rentals under operating leases are charged to the profit and loss account in the period to which the payments relate. Incentives received or paid to enter into lease agreements are released to the profit and loss account on a straight line basis over the lease term or, if shorter, the period to the date on which the rent is first expected to be adjusted to the prevailing market rate.

Pensions

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

The asset or liability recognised in the balance sheet in respect of defined benefit pension plans is the fair value of plan assets less the present value of the defined benefit obligation at the balance sheet date, together with an adjustment for any past service costs not yet recognised. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds which are denominated in the currency in which the benefits will be paid and which have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited directly to the profit and loss reserve as they arise.

Past service costs are recognised immediately in the profit and loss account, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight line basis over the vesting period.

For defined contribution plans, the Company pays contributions to privately administered pension plans on a contractual basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

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

Employee Share Ownership Plan Trust (ESOP)
The ESOP is a separately administered discretionary trust. Liabilities of the ESOP are guaranteed by the Company and the assets of the ESOP mainly comprise shares in the Company.

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

Deferred tax
Provision is made for deferred tax using the incremental provision approach and is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet date.

Deferred tax is recognised in respect of timing differences that have originated but not reversed by the balance sheet date subject to the following:
- Deferred tax is not recognised on the revaluation of non-monetary assets such as property unless a binding sale agreement exists at the balance sheet date. Where rollover relief is available on an asset then deferred tax is not recognised.
- Deferred tax is recognised on unremitted earnings of overseas subsidiaries and associates only where dividends are accrued as receivable or there is an intention to remit these in the foreseeable future.
- Deferred tax assets are recognised to the extent that they are regarded as recoverable. Assets are regarded as recoverable when it is regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.
- Deferred tax is not recognised on permanent differences.

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

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

(i) Bank borrowings
Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs and subsequently measured at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are amortised to the profit and loss account using the effective interest method.

(ii) Trade creditors
Trade creditors are not interest bearing and are stated at their nominal value.

(iii) Derivative financial instruments and hedge accounting
Where hedge accounting is not applied, or to the extent to which it is not effective, changes in the fair value of derivatives are recognised in the profit and loss account as they arise.

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

For an effective hedge of an exposure to changes in the fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry being recorded in the profit and loss account. Gains or losses from remeasuring the corresponding hedging instrument are also recognised in the profit and loss account.

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

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

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

Notes to the Company financial statements

2 Profit and loss account disclosures

The Company's profit on ordinary activities after taxation was £1m (2006/07: £709m).

The Company's audit fee was £0.5m (2006/07: £0.5m).

Dividend disclosures are provided in note 10 of the Kingfisher plc consolidated financial statements.

Employees

£ millions	2007/08	2006/07
Employee benefit expenses		
Wages and salaries	**15**	11
Social security costs	**2**	2
Pensions – defined benefit	**1**	1
– defined contribution	**1**	–
Share-based payments	**2**	4
	21	18

Number		
Average number of persons employed		
Administration	**118**	136
The equivalent number of employees working full-time would have been	**116**	134

Directors' remuneration and details of share option exercises are disclosed in the Remuneration report on pages 42 to 52. Total directors' remuneration for the year was £5.2m (2006/07: £3.8m).

3 Tangible fixed assets

£ millions	Fixtures, fittings and equipment
Cost	
At 4 February 2007	**24**
Additions	**1**
Disposals	**(21)**
At 2 February 2008	**4**
Depreciation	
At 4 February 2007	**(10)**
Charge for year	**(2)**
Disposals	**9**
At 2 February 2008	**(3)**
Net carrying amount	
At 2 February 2008	**1**
At 3 February 2007	14
Assets in the course of construction included above at net carrying amount	
At 2 February 2008	**–**
At 3 February 2007	2

4 Investments

£ millions	Investments in Group undertakings	Investments in associates	Total
At 4 February 2007	**5,475**	**109**	**5,584**
Additions	**100**	**–**	**100**
Disposals	**–**	**(109)**	**(109)**
At 2 February 2008	**5,575**	**–**	**5,575**

Additions to investments in Group undertakings represent £100m (2006/07: £329m) of capital injections into a number of subsidiary undertakings.

During the year, the Company sold its investment in Hornbach Holding A.G. to a subsidiary within the Kingfisher Group.

The Directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. A full list of subsidiary undertakings is attached to the latest annual return. The following information relates to those Group undertakings at the year end whose results or financial position, in the opinion of the Directors, principally affect the figures of the consolidated financial statements of Kingfisher plc.

	Country of incorporation and operation	% interest held and voting rights	Class of share owned	Main activity
B&Q Asia Holdings Ltd [7]	Hong Kong	100%	ordinary	Holding company
B&Q (China) B.V. [6]	Netherlands	100%	ordinary	Holding company
B&Q Ireland Limited	Ireland	100%	ordinary	Retailing
B&Q plc [2]	Great Britain	100%	ordinary & special [3]	Retailing
B&Q Properties Limited	Great Britain	100%	ordinary	Property investment
Castorama Dubois Investissements S.C.A. [2,4]	France	100%	ordinary	Holding company
Kingfisher S.A.S. [4]	France	100%	ordinary	Holding company
Castorama France S.A.S. [4]	France	100%	ordinary	Retailing
Immobilière Castorama S.A.S. [4]	France	100%	ordinary	Property investment
Castorama Italia S.P.A. [4]	Italy	100%	ordinary	Retailing
Castorama RUS LLC [5]	Russia	100%	ordinary	Retailing
Castorama Polska Sp.z.o.o. [4]	Poland	100%	ordinary	Retailing
Brico Dépôt S.A.S. [4]	France	100%	ordinary	Retailing
Eurodépôt Immobilier S.A.S. [4]	France	100%	ordinary	Property investment
Euro Depot España S.A. [4]	Spain	100%	ordinary	Retailing
Halcyon Finance Ltd [1]	Great Britain	100%	ordinary	Finance
Screwfix Direct Limited	Great Britain	100%	ordinary	Retailing
Kingfisher TMB Limited	Great Britain	100%	ordinary	Retailing

1 Held directly by Kingfisher plc.
2 The merged Castorama and B&Q group is 100% owned of which 45% is held directly by Kingfisher plc.
3 The special shares in B&Q are owned 100% by Kingfisher plc and are non-voting.
4 Owing to local conditions, these companies prepare their financial statements to 31 January.
5 Owing to local conditions and to avoid undue delay in the presentation of the Group financial statements, this company prepares its financial statements to 31 December.
6 Holding company for the Group's Chinese retailing operations, which have a 31 December year end.
7 Holding company for the Group's former OBI China retailing operations, which have a 31 December year end.

Notes to the Company financial statements

5 Debtors

£ millions	2007/08	2006/07
Amounts falling due within one year		
Owed by Group undertakings	**4,283**	3,416
Corporation tax	**–**	25
Other debtors	**1**	2
	4,284	3,443
Amounts falling due after more than one year		
Interest rate and cross currency swaps	**60**	25
Deferred tax assets	**7**	13
	67	38

6 Creditors: amounts falling due within one year

£ millions	2007/08	2006/07
Bank loans and overdrafts	**100**	–
Owed to Group undertakings	**1,868**	1,160
Corporation tax	**4**	–
Accruals and deferred income	**22**	20
Other creditors	**25**	30
	2,019	1,210

7 Creditors: amounts falling due after more than one year

£ millions	2007/08	2006/07
Interest rate and cross currency swaps	**53**	45
Funding		
Bank loans	**75**	50
Medium Term Notes and other fixed term debt	**1,436**	1,307
	1,511	1,357
	1,564	1,402

Funding falls due for repayment as follows:		
After one year but not more than two years	**50**	–
After two years but not more than five years	**952**	528
After more than five years	**509**	829
	1,511	1,357

8 Provisions for liabilities and charges

£ millions	Onerous property contracts
At 4 February 2007	**1**
Charge to profit and loss account	**1**
At 2 February 2008	**2**

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

9 Net pension asset/(liability)

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

The total pension charge in the profit and loss account for the defined contribution scheme was £1m (2006/07: £nil).

Defined benefit scheme

With reference to the defined benefit scheme, the Kingfisher Pension Scheme, Kingfisher plc is one of a member of Group companies that participates in the scheme, and therefore the Company has accounted for its share of the scheme assets and liabilities. The valuation of the scheme used for FRS 17 has been based on the most recent actuarial valuation at 31 March 2007 and has been updated to 2 February 2008.

The assumptions used in calculating the costs and obligations of the defined benefit pension plan, as shown in the tables below, are set by the Directors after consultation with independent professionally qualified actuaries. The assumptions are based on the conditions at the time. Movements in the financial assumptions can lead to significant movement in the estimated obligations of the plan.

The 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 plan.

Annual % rate	2007/08	2006/07
Discount rate	**6.2**	5.3
Salary escalation	**4.1**	4.5
Rate of pension increases	**3.3**	2.9
Price inflation	**3.3**	2.9

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

The mortality assumptions used in the actuarial valuations of the 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 base mortality assumptions have been derived by adjusting standard mortality tables (PA 92 tables) projected forward to 2007 with the medium cohort improvement factors for males and with the standard improvement factors for females. In addition, allowance has been made for future increases in life expectancy. For males, the allowance is in line with medium cohort improvements subject to a minimum rate of improvement of 1% pa, and for females, the allowance is in line with the standard improvements, subject to a minimum of 0.5% pa. These improvements have been set with regard to trends observed within the plan over the past decade. The corresponding assumptions for life expectancy of pension plan members are as follows:

	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 main financial assumption is the real discount rate, representing the excess of the discount rate over the rate of inflation. If this assumption increased/decreased by 0.1%, the defined benefit obligation would decrease/increase by approximately £1m.

The amounts recognised in the profit and loss account are as follows:

£ millions	2007/08	2006/07
Amounts charged to operating profit		
Current service cost	**(1)**	(1)
Total operating charge	**(1)**	(1)
Amounts credited/(charged) to net finance costs		
Expected return on pension scheme assets	**3**	2
Interest on pension scheme liabilities	**(2)**	(2)
Net interest return	**1**	–
Total charged to profit and loss account	**–**	(1)

Notes to the Company financial statements

9 Net pension asset/(liability) continued

The amounts included in the balance sheet, within the net pension asset/(liability), arising from the Company's obligations in respect of its defined benefit retirement scheme, are as follows:

£ millions	2007/08	2006/07
Present value of defined benefit obligations	**(41)**	(46)
Fair value of scheme assets	**44**	45
	3	(1)
Related deferred tax liability	**(1)**	–
Net pension asset/(liability)	**2**	(1)

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

£ millions	2007/08	2006/07
Defined benefit obligation at beginning of year	**(46)**	(41)
Total service cost charged to profit and loss account	**(1)**	(1)
Interest cost	**(2)**	(2)
Actuarial gains/(losses)	**3**	(3)
Benefits paid	**5**	1
Defined benefit obligation at end of year	**(41)**	(46)

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

£ millions	2007/08	2006/07
Fair value of plan assets at beginning of year	**45**	35
Expected return on pension scheme assets	**3**	2
Actuarial (losses)/gains	**(2)**	5
Contributions paid by employer	**3**	4
Benefits paid	**(5)**	(1)
Fair value of plan assets at end of year	**44**	45

The total net actuarial gains and losses for the year ended 2 February 2008 was a gain of £1m (2006/07: £2m).

The analysis of the scheme assets at the balance sheet date is as follows:

	2007/08		2006/07	
	£ millions	% of total	£ millions	% of total
Equities	**23**	**52%**	23	51%
Bonds	**18**	**41%**	17	38%
Property	**3**	**7%**	4	9%
Other	**–**	**–**	1	2%
Total market value of assets	**44**	**100%**	45	100%

The pension plans do not hold any other assets than those disclosed above.

The actual return on pension scheme assets is as follows:

£ millions	2007/08	2006/07
Actual return on pension scheme assets	**1**	7

The history of experience adjustments is as follows:

£ millions	2007/08	2006/07	2005/06	2004/05
Present value of defined benefit obligations	**(41)**	(46)	(41)	(36)
Fair value of scheme assets	**44**	45	35	27
Net asset/(liability)	**3**	(1)	(6)	(9)

The amounts recognised in the profit and loss reserve were as follows:

£ millions	2007/08	2006/07	2005/06	2004/05
Actual return less expected return on pension scheme assets	**(2)**	5	4	1
Percentage of scheme assets	***(5%)***	*11%*	*11%*	*5%*
Changes in assumptions underlying present value of pension scheme liabilities	**3**	(3)	(5)	(4)
Percentage of scheme liabilities	***(7%)***	*6%*	*12%*	*10%*
Total gains/(losses) recognised in the profit and loss reserve	**1**	2	(1)	(3)

No experience gains or losses arose on pension scheme liabilities in the current or prior years. The estimated amount of contributions expected to be paid to the pension scheme during the next financial year is £1m (2006/07: £3m paid).

10 Called up share capital

	Number of ordinary shares millions	Ordinary share capital £ millions
At 4 February 2007	**2,359**	**371**
Shares issued under share schemes	**2**	**–**
At 2 February 2008	**2,361**	**371**

The total number of authorised ordinary shares is 3,023m shares (2006/07: 3,023m shares) with a par value of $15\frac{5}{7}$p per share. All issued shares are fully paid.

11 Reserves

£ millions	Share premium account	Non-distributable reserves	Profit and loss account	Total
At 4 February 2007	**2,185**	**2,934**	**1,115**	**6,234**
Actuarial gains on defined benefit pension scheme	**–**	**–**	**1**	**1**
Shares issued under share schemes	**3**	**–**	**–**	**3**
Share-based compensation charge	**–**	**–**	**2**	**2**
Own shares disposed	**–**	**–**	**6**	**6**
Profit for the year	**–**	**–**	**1**	**1**
Dividends	**–**	**–**	**(249)**	**(249)**
At 2 February 2008	**2,188**	**2,934**	**876**	**5,998**

The non-distributable reserves represent the premium on the issue of convertible loan stock in 1993, the merger reserve relating to the acquisition of Darty and the dividend in specie received from a subsidiary prior to the demerger of Woolworths.

The value of the own shares deducted from the profit and loss reserve at 2 February 2008 is £66m (2006/07: £81m).

12 Reconciliation of movement in equity shareholders' funds

£ millions	2007/08	2006/07
Profit for the year	**1**	709
Dividends	**(249)**	(248)
	(248)	461
Actuarial gains on defined benefit pension scheme	**1**	2
Shares issued under share schemes	**3**	11
Share-based compensation charge	**2**	4
Own shares disposed	**6**	7
Tax on items recognised directly in equity	**–**	(1)
Net (decrease)/increase in equity shareholders' funds	**(236)**	484
Equity shareholders' funds at beginning of year	**6,605**	6,121
Equity shareholders' funds at end of year	**6,369**	6,605

Notes to the Company financial statements

13 Share options

Options to subscribe under the various schemes for ordinary shares of $15^{5}/_{7}$p, including those held by executive directors disclosed in the Remuneration report on pages 42 to 52, are shown below:

	Date of grant	Exercise price £	Exercisable from	2007/08 Options Number	2006/07 Options Number
Executive, International Executive and Phantom Share Options	16/04/97	2.48	16/04/00 [1]	–	277,433
	23/10/97	3.06	23/10/00	–	46,111
	27/04/98	4.15	27/04/04 [1]	453,476	453,476
	26/10/98	3.96	26/10/04	80,325	80,325
	01/04/99	5.90	01/04/04 [1]	413,332	401,332
	26/05/99	6.08	26/05/04 [1]	6,105	6,105
	28/09/99	4.83	28/09/04 [1]	41,922	41,922
	17/04/00	3.93	17/04/04 [1]	1,161,972	1,161,972
	25/09/00	3.57	25/09/04 [1]	513,200	513,200
	26/09/01	2.10	26/09/04 [1]	630,365	784,733
	26/09/01	2.07	26/09/05 [1]	471,031	483,062
	09/04/02	2.90	09/04/05 [1]	1,971,095	2,035,854
	09/04/02	2.86	09/04/06 [1]	701,976	711,676
	08/10/02	1.95	08/10/05 [1]	1,650,121	1,990,475
	08/10/02	1.95	08/10/06	853,126	1,015,613
	17/04/03	2.38	17/04/06 [1]	3,029,768	4,595,927
	17/04/03	2.38	17/04/07	1,498,666	1,563,890
				13,476,480	16,163,106
All-employee	16/04/97	2.48	16/04/00	–	860,683
	21/07/98	3.75	21/07/01	3,177,703	3,222,668
				3,177,703	4,083,351
Kingfisher Incentive Share Scheme	05/04/04	–	05/04/07	–	1,357,110
	05/04/04	–	05/04/07	–	11,979
	28/04/04	–	28/04/07	–	358,459
	28/04/04	–	28/04/07	–	88,579
	06/04/05	–	06/04/08	1,163,987	1,242,183
	06/04/05	–	06/04/08	324,460	341,536
	10/04/06	–	10/04/09	1,068,242	1,133,129
	10/04/06	–	10/04/09	203,624	203,624
	01/04/07	–	01/04/08	19,766	–
	01/04/07	–	01/04/09	19,766	–
	11/04/07	–	11/04/10	1,848,887	–
	30/04/07	–	30/10/07	22,222	–
	30/04/07	–	30/04/09	14,814	–
	30/04/07	–	30/04/10	12,962	–
	01/05/07	–	01/05/08	36,463	–
	01/05/07	–	01/05/09	36,463	–
	01/05/07	–	01/05/10	36,463	–
	11/06/07	–	11/06/10	4,197	–
	18/06/07	–	18/06/08	10,319	–
	18/06/07	–	18/06/09	8,225	–
	18/06/07	–	18/06/10	6,191	–
				4,837,051	4,736,599
Performance Share Plan	28/06/06	–	28/06/09	1,464,400	1,402,253
	24/10/06	–	24/10/09	1,350,827	1,293,289
	11/04/07	–	11/04/10	1,199,754	–
	01/10/07	–	01/10/10	2,092,221	–
	01/02/08	–	01/02/11	1,114,206	–
	01/02/08	–	01/02/12	1,114,206	–
				8,335,614	2,695,542

	Date of grant	Exercise price £	Exercisable from	2007/08 Options Number	2006/07 Options Number
Kingfisher Retention Plan	16/03/06	–	30/03/07	**–**	1,069,500
	16/03/06	–	30/03/08	**767,500**	900,500
	28/06/06	–	28/06/08	**155,000**	169,000
				922,500	2,139,000
UK and International ShareSave	23/10/01	1.71	01/12/06 [1]	**966**	399,779
	02/05/02	2.33	01/07/07 [1]	**2,842**	345,302
	31/10/02	1.57	01/12/07 [1]	**2,346,448**	3,335,182
	31/10/02	2.02	01/12/06	**–**	19,051
	01/05/03	1.87	01/07/06	**–**	2,017
	01/05/03	2.28	01/07/07	**4,487**	27,088
	01/05/03	1.87	01/07/08	**810,117**	939,824
	22/10/04	2.45	01/12/07	**1,016,961**	1,140,838
	22/10/04	2.45	01/12/09	**788,449**	1,018,439
	27/10/05	1.76	01/12/08	**2,093,323**	2,911,589
	27/10/05	1.76	01/12/10	**1,009,722**	1,536,704
	26/10/06	1.97	01/12/09	**1,980,452**	3,091,248
	26/10/06	1.97	01/12/11	**1,203,759**	1,976,930
	01/11/07	1.55	01/12/10	**4,393,005**	–
	01/11/07	1.55	01/12/12	**3,132,231**	–
				18,782,762	16,743,991
Total				**49,532,110**	46,561,589

[1] Shares are held by the Employee Share Ownership Plan Trust (ESOP) to cover certain exercises of these options.

The last grant of options under the Executive, International Executive and Phantom Share Option schemes was made in April 2003. Under these schemes, participants received a bi-annual grant of options based on their position in the Group. These options are normally exercisable from the third anniversary of the date of the grant (up to the tenth anniversary), except where the performance condition has not been met, in which case this date is deferred accordingly. The performance conditions for all options have now been met, except for the grant made in April 2003. On the exercise of Phantom Share Options, participants receive in cash the increase in value of the allocated number of notional shares in the Company. All permanent employees (excluding those receiving Executive Options) were each granted options over 529 shares in both 1997 and 1998, provided that they were employed as at 19 March 1997 and in employment on the date of grant. These options were granted under the Executive Share Option Scheme.

Group employees, including directors, are granted contingent share awards under the Kingfisher Incentive Share Scheme as part of their annual performance award.

In the prior year the Group made its first contingent share awards under the Performance Share Plan and the Kingfisher Retention Plan.

Under the UK ShareSave Scheme, eligible UK employees have been invited to enter into Inland Revenue approved savings contracts for a period of three or five years, whereby shares may be acquired with repayments under the contract. The option price is the average market price over three days shortly before an offer to subscribe, discounted by 20%. Options are exercisable within a six month period from the conclusion of a three or five year period. The International ShareSave Plan, which operates along the lines of the UK ShareSave Scheme, includes eligible employees in certain overseas locations. There are 7,375 employees in Group ShareSave Schemes, of which 111 are in the International Plan at 2 February 2008.

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

The Company has not repeated the disclosures required by FRS 20 as these are already included in note 31 of the Kingfisher plc consolidated financial statements.

The Employee Share Ownership Plan Trust (ESOP)
The ESOP has been funded by a £114m interest free loan from the Company and its subsidiary undertakings to acquire shares in Kingfisher plc.

The ESOP has undertaken:
– to transfer shares to employees on exercise of certain options granted under the Executive and International Executive Share Option Schemes;
– to pay the cash sum due on exercise of rights granted under the Phantom Share Option Scheme (the ESOP will realise the due sum if necessary by selling in the market sufficient of its shares to realise that sum);
– to transfer the shares due on exercise of the Share Appreciation Rights granted to overseas employees under the International ShareSave Plan; and
– to hedge employers NIC liabilities in relation to certain options granted under the Executive Share Option Schemes.

The ESOP's shareholding at 2 February 2008 was 17m shares (2006/07: 21m shares) with a nominal value of £3m (2006/07: £3m) and a market value of £26m (2006/07: £53m). Dividends on these shares were waived for the interim and final dividends.

14 Contingent liabilities
The Company has an obligation to provide a bank guarantee for £50m (2006/07: £50m) to the liquidators of Kingfisher International France Limited in the event that the Company's credit rating falls below 'BBB'. The obligation arises from an indemnity provided in June 2003 as a result of the demerger of Kesa Electricals.

Independent auditors' report to the members of Kingfisher plc

We have audited the Parent Company financial statements of Kingfisher plc for the year ended 2 February 2008 which comprise the Company balance sheet and the related notes. These Parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Remuneration Report that is described as having been audited.

We have reported separately on the Group financial statements of Kingfisher plc for the year ended 2 February 2008.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report, the Remuneration Report and the Parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Directors' responsibility statement.

Our responsibility is to audit the Parent company financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Parent company financial statements give a true and fair view and whether the Parent company financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the Parent company financial statements. The information given in the Directors' report includes that specific information presented in the Operating review and Financial review that is cross referred from the business review section of the Directors' report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited Parent company financial statements. The other information comprises only the Chairman's statement, the Chief Executive's review, the Operating review, the Financial review, the Directors' report, the Directors' responsibilities statement, the Corporate Governance report, the Audit Committee report and the Nomination Committee report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Parent company financial statements and the part of the Remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Parent company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Parent company financial statements and the part of the Remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Parent company financial statements and the part of the Remuneration report to be audited.

Opinion
In our opinion:
- the Parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 2 February 2008;
- the Parent company financial statements and the part of the Remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the Parent company financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
26 March 2008

Kingfisher plc five year history

The amounts disclosed for 2003/04 are stated on the basis of UK GAAP because it is not practicable to restate amounts for periods prior to the date of transition to IFRS. The principal differences between UK GAAP and IFRS impacting the Group are the treatment of goodwill, post employment benefits, deferred and current taxes, accounting for share-based payments, leases and the valuation of properties. The Group has undergone a significant amount of restructuring including the demerger of Kesa Electricals in 2003/04. The income statement information presented below represents continuing operations only.

	UK GAAP		IFRS			
Income statements £ millions	2003/04	2004/05	2004/05	2005/06	2006/07	**2007/08**
Home improvement	7,038	7,650	7,650	8,010	8,676	**9,364**
Property	7	6	–	–	–	**–**
Revenue	7,045	7,656	7,650	8,010	8,676	**9,364**
Retail profit	671	748	740	533	504	**498**
Other operating costs	(46)	(36)	(37)	(38)	(39)	**(40)**
Exceptional items	(12)	–	(13)	(215)	49	**4**
Acquisition goodwill and intangible amortisation	(4)	1	–	–	–	**–**
Share of interest and tax of joint ventures and associates [1]	–	–	(13)	(10)	(13)	**(5)**
Operating profit	609	713	677	270	501	**457**
(Loss)/profit on disposal of fixed assets [2]	(4)	1	–	–	–	**–**
Profit before net finance costs	605	714	677	270	501	**457**
Net finance costs	(34)	(25)	(29)	(38)	(51)	**(62)**
Profit before taxation	571	689	648	232	450	**395**
Tax on profit on ordinary activities (excluding exceptional tax)	(183)	(201)	(201)	(162)	(120)	**(125)**
Exceptional tax	75	–	–	69	8	**2**
Profit after taxation	463	488	447	139	338	**272**
Earnings per share (pence)						
– Basic	20.3	20.3	19.3	6.0	14.4	**11.7**
– Diluted	20.2	20.2	19.2	6.0	14.4	**11.7**
– Basic adjusted [3]	17.8	20.8	19.7	12.3	11.9	**11.3**
– Diluted adjusted [3]	17.7	20.6	19.5	12.2	11.8	**11.3**
Dividend per share (pence)	9.65	10.65	10.65	10.65	10.65	**7.25**

Balance sheets £ millions	2003/04	2004/05	2004/05	2005/06	2006/07	**2007/08**
Goodwill and other intangible assets	2,455	2,463	2,533	2,660	2,641	**2,617**
Property	2,213	2,443	2,290	2,440	2,315	**2,689**
Fixtures, fittings and equipment	568	828	761	841	925	**1,038**
Investments	146	158	174	185	185	**204**
Total fixed assets	5,382	5,892	5,758	6,126	6,066	**6,548**
Net current (liabilities)/assets	(93)	(136)	(29)	72	(51)	**(23)**
Net non-current liabilities	(39)	(37)	(500)	(522)	(300)	**(242)**
Capital employed	5,250	5,719	5,229	5,676	5,715	**6,283**
Equity shareholders' funds	4,404	4,922	4,385	4,311	4,414	**4,713**
Minority interests	3	3	3	10	7	**11**
Net debt	843	794	841	1,355	1,294	**1,559**
Capital employed	5,250	5,719	5,229	5,676	5,715	**6,283**

Share data Number of shares (millions)	2003/04	2004/05	2004/05	2005/06	2006/07	**2007/08**
– Year end	2,331	2,348	2,348	2,353	2,359	**2,361**
– Average (excluding ESOP shares)	2,277	2,308	2,308	2,325	2,333	**2,342**
– Diluted average (excluding ESOP shares)	2,290	2,324	2,324	2,335	2,344	**2,351**
Share price (pence)						
– High	293	317	317	312	273	**287**
– Low	188	271	271	201	219	**115**
– Average	261	294	294	251	239	**211**

[1] Share of interest and tax of joint ventures and associates is not included in operating profit under UK GAAP.
[2] Under IFRS, profits and losses on disposal of fixed assets are included in operating profit within exceptional items.
[3] Before exceptional items, acquisition goodwill amortisation (UK GAAP only), acquisition intangible amortisation (IFRS only) and financing fair value remeasurements (IFRS only).

Shareholder information

Analysis of Share Register Categories as at 2 February 2008

	Holdings	%	Shares	%
Individuals	27,663	88.73%	48,219,274	2.04%
Bank or Nominees	3,182	10.21%	2,113,990,534	89.54%
Investment Trust	33	0.11%	84,212	0.01%
Insurance Company	20	0.06%	492,432	0.02%
Other Company	247	0.79%	194,156,918	8.22%
Pension Trust	11	0.04%	166,081	0.01%
Other Corporate Body	19	0.06%	3,698,227	0.16%
Total	31,175	100.00%	2,360,807,678	100.00%

Results and Financial Diary

First quarter results	4 June 2008
Pre-close first half sales	24 July 2008
Half year results to 2 August 2008	September 2008
Third quarter results	November 2008
Fourth quarter results	February 2009
Preliminary results	March 2009

Annual General Meeting

Thursday 5 June 2008 at 10.30am at The Paddington London Hilton Hotel 146 Praed Street, London W2 1EE.

Company Secretary and Registered Office

Nick Folland
Kingfisher plc
3 Sheldon Square
Paddington
London
W2 6PX
Tel: 020 7372 8008

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 7ZZ

Shareholder Helpline

The Shareholder Helpline is run by Kingfisher's Registrar, Computershare Investor Services PLC, and is available on UK business days between Monday and Friday, 8.30am to 5.00pm. The helpline contains automated self-service functionality which is available 24 hours a day, 7 days a week. Using your Shareholder Reference Number which is found on your share certificate or dividend tax voucher, the self-service functionality will allow shareholders to:

- Confirm the latest share price;
- Confirm current share holding balance;
- Confirm payment history;
- Order a Change of Address, Dividend Bank Mandate or Stock Transfer Form.

The number to call is 0870 702 0129.

Registrar's Investor Centre

Investor Centre is a free, secure share management website provided by Kingfisher's Registrars. Managing your shares online means you can access information quickly, securely and minimise postal communications. This service will allow you to:

- View your share portfolio and see the latest market price of your shares;
- Elect to receive your shareholder communications online;
- Calculate the total market price of each shareholding;
- View price histories and trading graphs;
- Update bank mandates and change address details;
- Use online dealing services.

To take advantage of this service, please log in at www-uk.computershare.com/investor and enter your Shareholder Reference Number and Company Code. This information can be found on your last dividend voucher or share certificate.

Protecting your investment

Kingfisher plc is legally obliged to make its share register available to the general public. Consequently some shareholders may receive unsolicited mail, including correspondence from unauthorised investment companies.

Over the last year a number of companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas-based brokers who target UK shareholders offering to sell what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation;
- Check that they are properly authorised by the FSA before getting involved. You can check at www.fsa.gov.uk/register;
- The FSA also maintains on its website a list of unauthorised overseas firms who are targeting, or have targeted, UK investors and any approach from such organisations should be reported to the FSA so that this list can be kept up to date and any other appropriate action can be considered. If you deal with an unauthorised firm, you would not be eligible to receive payment under the Financial Services Compensation Scheme. The FSA can be contacted by completing an online form at www.fsa.gov.uk;
- Inform our Registrars on 0870 702 0129.

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

Tips on protecting your shareholding

- Ensure all your certificates are kept in a safe place or hold your shares electronically in CREST via a nominee;
- Keep all correspondence from the Registrars which shows your shareholder reference number in a safe place, or destroy correspondence by shredding;
- If you change address inform the Registrars. If you receive a letter from the Registrars regarding a change of address and you have not recently moved, please contact them immediately;
- Know when the dividends are paid and consider having your dividends paid directly into your bank (you will need to fill out a dividend mandate form and send it to the Registrars), thus reducing the risk of the cheque being intercepted or lost in the post. If you change your bank account, inform the Registrars of the details of your new account. Respond to any letters the Registrars send to you about this;
- If you are buying or selling shares, only deal with brokers registered in the UK or in your country of residence.

Change of Address and Bank Mandate Security

Kingfisher's Registrar, Computershare Investor Services PLC, will not register a change of address or change of Bank Mandate instructions unless in writing and signed by the shareholder. They will take any other measures they feel reasonable to protect shareholders from fraudsters. Please note, shareholders can also update addresses and mandates via Investor Centre. This service can be accessed at www.computershare.com/investor/uk.

Low Cost Share Dealing Facilities

Shareholders now have the opportunity to buy or sell Kingfisher shares by telephone or internet using a low cost share dealing facility operated by Kingfisher's Registrar, Computershare Investor Services PLC.

Telephone: Commission is 1%, subject to a minimum charge of £15 but stamp duty at 0.5% is payable on purchases. The service is available from 8am to 4.30pm Monday to Friday excluding bank holidays.

Telephone: 0870 703 0084

Internet: Commission is 0.5%, subject to a minimum charge of £15 but stamp duty at 0.5% is payable on purchases. The service is available to place orders out of market hours.

Simply log onto www-uk.computershare.com.

Copies of the terms and conditions of both of these services can be obtained by calling 0870 702 0129.

Dividend

Shareholders can elect for dividends to be paid by mandate directly to a UK bank or building society account through the BACSTEL-IP (Bankers' Automated Clearing Services) system. For the benefit of shareholders resident in any of the eurozone countries, the Company offers the option to receive dividends in euros. The Company also offers shareholders a Dividend Reinvestment Plan. Shareholders can apply online at www.computershare.com/investor/uk or complete a mandate form and return it to the address shown. For further details, or any queries about the administration of your shareholding, please contact the Company's Registrar either by writing or phoning, or online at www-uk.computershare.com.

Global Payments Service

This service provided by Kingfisher's Registrar enables shareholders to have dividend payments paid directly into their bank account in their chosen local currency. To view terms and register, please visit www.computershare.com/uk/investor/GPS.

Electronic Communications/Electronic Proxy Voting

Kingfisher plc actively encourages all shareholders to register for the electronic communications service through the eTree™ campaign run by our Registrars and in conjunction with The Woodland Trust. When you register for electronic communications, a tree will be planted on your behalf with the Woodland Trust's 'Tree For All' scheme in a UK area selected for reforestation. This service enables you to save paper, contribute to a greener countryside and reduce harmful carbon dioxide emissions which impact climate change.

By registering with eTree™, you will be able to:

- Cast your AGM/EGM proxy vote electronically;
- Access details of your individual shareholding quickly and securely online;
- Receive electronic notification via email and the internet of statutory documents such as the Company's financial results, including annual and interim reports and quarterly trading statements.

You can register by visiting www.kingfisher.com/shareholders or www.etreeuk.com/kingfisher and follow the online instructions.

As of March 2008, over 3,300 shareholders have registered for the service and over 1,300 have contributed to the planting of 1.9 acres of woodland in the last three years. More information about the programme can be obtained by visiting www.etreeuk.com/kingfisher. For information about the Woodland Trust's 'Tree For All' scheme please go to www.treeforall.org.uk.

CREST Electronic Proxy Voting

The Company will be accepting proxy votes through the CREST Electronic Proxy Voting system.

Kingfisher is included in two socially responsible indices, the FTSE4Good and Dow Jones Sustainability Indexes.

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Printed at St Ives Westerham Press Ltd, ISO 14001, FSC certified and CarbonNeutral®.

Designed and produced by ConranDesignGroup

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