Progress report on Delivering Value

KINGFISHER

Annual Report
and Accounts 2010/11

Contents

Delivering Value is on track

Kingfisher plc
Annual Report
and Accounts
2010/11

The seven step programme to improve cash returns, known as 'Delivering Value', is progressing well. The programme was mobilised during 2008/09, commenced in 2009/10 and is due to complete by the end of January 2011/12. The initiatives are supporting the trading performance in the shorter term and also better positioning the Group for its next stage of development. After two full years of the programme Kingfisher is now a significantly stronger, higher returning business.

The financial year 2011/12 will be another busy year as we complete the final milestones for the Delivering Value phase and mobilise the activities that will drive the next phase of our development.

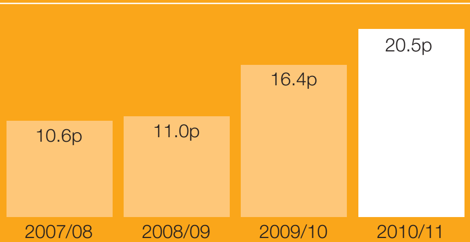
Progress 2008-2011

Adjusted pre-tax profit*

+88%

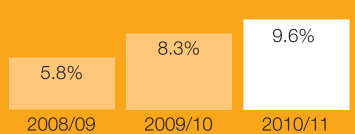
Adjusted earnings per share*

+93%



Standard return on capital
(KPI created in 2008/09)

+380 basis points



Financial net debt (cash)

down £1.6bn

* For definition see Financial Review, p19

Progress update from the Chief Executive

Ian Cheshire
Group Chief Executive
Kingfisher plc

We have delivered another year of strong profit growth and cash generation in what continue to be challenging times for our customers around the world.

Our 'Delivering Value' programme of self-help has been a great success so far with profits almost doubled since it started, return on capital up sharply and financial net debt eliminated. Despite significant economic headwinds over the last few years we are now a stronger, more valuable business. I am also delighted that we are now better able to accelerate our expansion where economic returns have been proven whilst also significantly increasing our dividend for our shareholders, many of whom are now our own colleagues.

Looking ahead, although I see no let up in the challenging environment in the short-term, I am excited by our future prospects. This year we will be stepping up the pace once more with a full set of activities in the final year of the first phase of 'Delivering Value' as well as mobilising the second phase, which is due to start in 2012. I believe we have an exciting growth opportunity, sustainable over the longer term, by creating a business that is the world's expert at making home improvement easier for customers. We are uniquely placed to use our scale, our network of international experience and our diversity for the benefit of our customers and shareholders.

Kingfisher plc is Europe's leading home improvement retail group and the third largest in the world, with nearly 860 stores in eight countries in Europe and Asia. Its main retail brands are B&Q, Castorama, Brico Dépôt and Screwfix. Kingfisher also has a 50% joint venture business in Turkey with Koç Group, and a 21% interest in, and strategic alliance with, Hornbach, Germany's leading large format DIY retailer.

Financial Highlights 2010/11

£670m Adjusted pre-tax profit*	**+22.5%**
20.5p Adjusted basic EPS*	**+25.0%**
21.0p Basic EPS	**+27.3%**
7.07p Full year dividend	**+28.5%**
£14m Net cash	**n/a**

* For definition see Financial Review, p19

Chairman's statement

It has been another good year for Kingfisher. Adjusted pre-tax profits were up 22.5% to £670 million, with growth achieved in all our major markets. The dividend was raised again, following the increase in the final dividend last year and we have a strong balance sheet, with net cash standing at £14 million by the end of the financial year. Given net debt stood at £1.6 billion only three years ago, this is a significant achievement.

Daniel Bernard
Chairman

These results were achieved against an extremely difficult backdrop. The ongoing economic downturn continued to put consumer spending under pressure, as major Western economies, such as the UK, increased taxes and reduced spending.

I believe that Kingfisher's key strengths have helped us withstand these economic headwinds. We have good geographic balance, with approximately 60% of sales and profits coming from outside the UK. We have strong retail brands with a value heritage, which is vital in tougher times. And we have an experienced management team, led by Ian Cheshire, which has taken prompt and decisive action.

We continued to make good progress with our seven step Delivering Value plan. More detail on the plan is provided in the 'Conversation with the Executive Team', but I would like to pick out a few highlights where our focus on 'self-help' has driven very good results. We delivered double digit profit growth in the UK and Ireland, France, Turkey and Spain, where our business was operating in a very difficult economy. Poland also increased profits against a tough backdrop. And in China the losses were significantly reduced as our business there continues to improve.

There is still more to come from the first phase of Delivering Value, which concludes in 2012, but I am excited about the next phase of our growth plan which we outlined in March. Our business has great potential and I believe the plan we have announced, which is covered in more detail on pages 10 and 11, will help us achieve it.

The Board is recommending a final dividend of 5.145p, up 43.9% on the final dividend in the previous year. This takes the full year dividend to 7.07p, a 28.5% increase on the prior year.

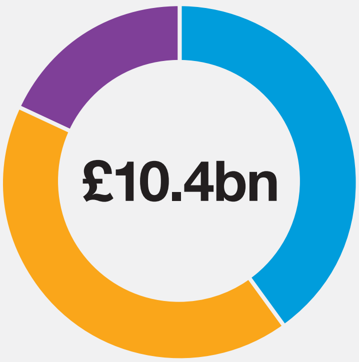
I am delighted to welcome two non-executives to the Board. Pascal Cagni is Vice President and General Manager of Apple Europe, Middle-East, India and Africa, and has been with Apple for 10 years in a variety of roles. His background will be of particular help as we develop our multichannel strategy. Clare Chapman is Director General of Workforce for the NHS and Social Care, where she is responsible for a workforce of more than two million people. She was previously Group HR director of Tesco and her experience in talent management and people development will be invaluable. Pascal and Clare will further enhance our board, which already includes directors with experience gained at Ikea, Carrefour and Cadbury, amongst others.

Finally, I would like to pay heartfelt thanks to our 80,000 staff around the world. It is their hard work and dedication that has made this year such a successful one.

04

Our business and our markets

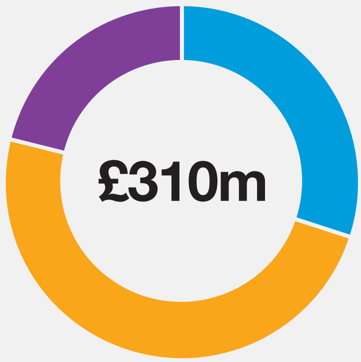
Contribution to Group sales



- **£4.2bn** 40% France
- **£4.3bn** 42% UK & Ireland
- **£1.9bn**** 18% Other international

**JV not consolidated

Gross capital expenditure



- **£93m** 30% France
- **£151m*** 49% UK & Ireland
- **£66m**** 21% Other international

* Includes central allocation

Property (at market value)

- **£1.4bn** 43% France
- **£0.9bn** 27% UK & Ireland
- **£1.0bn**** 30% Other international

France

Country	Households (m)	Market size (£bn)*	Market position	% Market share	GDP growth 2011 estimated (%)§	Market brands	Store numbers	Selling space (000s sq m)	Employees (full time equivalent)
France	**27**	**20**	**1**	**21**	**+2.3**	castorama	**102**	**1,035**	**11,779**
						BRICO DEPOT	**101**	**557**	**5,969**

UK & Ireland

Country	Households (m)	Market size (£bn)*	Market position	% Market share	GDP growth 2011 estimated (%)§	Market brands	Store numbers	Selling space (000s sq m)	Employees (full time equivalent)
UK	**27**	**31**	**1**	**14**	**+2.3**	B&Q	**330†**	**2,480†**	**23,669†**
						SCREWFIX	**162**	**14**	**3,006**
Ireland	**1.5**	**2**	**–**	**5**	**+1.0**				

Other International

Country	Households (m)	Market size (£bn)*	Market position	% Market share	GDP growth 2011 estimated (%)§	Market brands	Store numbers	Selling space (000s sq m)	Employees (full time equivalent)
Poland	**15**	**10**	**1**	**11**	**+4.0**	castorama	**53**	**411**	**8,919**
						BRICO DEPOT	**6**	**28**	**413**
China	**425**	**36**	**1**	**1**	**+9.2**	B&Q 百安居	**41**	**339**	**5,929**
Spain	**16**	**5**	**2**	**4**	**+1.2**	BRICO DEPOT	**17**	**100**	**898**
Russia	**53**	**13**	**3**	**2**	**+4.7**	castorama	**14**	**126**	**2,340**
Turkey	**18**	**6**	**1**	**5**	**+4.8**	koçtaş	**30**	**160**	**2,512**
						Total	**856**	**5,250**	**65,434**

* Source: Kingfisher estimates
§ Source: Credit Suisse
† Including Ireland

A conversation with the executive team

Peter Hogsted
Chief Executive, International

Kevin O'Byrne
Group Finance Director

Ian Cheshire
Group Chief Executive

Euan Sutherland
Chief Executive,
Kingfisher UK & Ireland

Philippe Tible
Chief Executive, France

Having transformed Kingfisher into a stronger business, we are now much better placed to accelerate our development and create a truly world-class leader in home improvement retailing.

Ian Cheshire
Group Chief Executive

Q Delivering Value has worked, so what's the next big idea?

A Yes it has gone well due to a relentless focus on our self-help initiatives rather than any help from our markets, which have all suffered in the global downturn one way or the other. So it's a big thanks to an incredible effort by our 80,000 colleagues. But before I tell you about our next phase of development let me remind you that we still have a very busy year ahead of us to finish the Delivering Value programme.

Having transformed Kingfisher into a stronger business, we are now much better placed to accelerate our development and create a truly world-class leader in home improvement retailing. We operate in an attractive market which is ripe for faster growth but it will take real leadership to unlock it. We intend to be that leader, accelerating away from the pack by becoming the world's expert at making home improvement easier for our customers. By introducing a core common range across Kingfisher for the first time, we will make better use of our

A conversation with the executive team

unrivalled scale to develop innovative new products that make home projects easier and more affordable. This will boost growth in our existing markets and enable us to expand faster and more efficiently into new territories at the right time.

Q Kingfisher has been an international, scale player for years. So what's different now?

A A good question. We have been big for a while but our 'conglomerate' legacy has seen us operate for too long in country silos, re-inventing the wheel wherever we go and not fully capitalising on our scale and diversity. That said, a lot has changed in recent years and we now have a much more unified and aligned leadership team, and a fast-developing new approach to cross-Group working. Internally we call this the 'One Team' culture, a network of colleagues working across countries and businesses. Our unique asset is our international diversity and expertise, and we are now beginning to really leverage it. Today you will see great products selling under our Group-wide own brand names in multi-lingual packaging – the result of buyers networking as one team. This is just the beginning; I am very excited about how much scope we have.

Philippe Tible
CEO, Kingfisher France

Q The French business is clearly outperforming, what's the secret?

A Good retailing is no secret but it's very hard to do consistently well. We have been working very hard for some years now to re-position ourselves as the true leader in France, not just by size for size's sake, but the leader for customers. We have modernised our stores and introduced innovative own brand products designed to make home improvement simpler and easier to do. This is now paying dividends and we are growing ahead of the market, especially at Castorama where these initiatives are further advanced.

Q With 203 stores, is this the end of the road for growth in France?

A Not at all, I can see plenty of opportunity to add more store space in France, whether that's through extending or relocating existing Castorama stores, or adding new Castorama and Brico Dépôt stores in regions where we still have a limited presence. I believe we are only about 80% of the way through our space expansion programme but the last 20% will take quite a long time to deliver organically. So we are keeping a good look-out for opportunities to accelerate.

Euan Sutherland
CEO Kingfisher UK & Ireland

Q Great job on profits, but sales densities are still low. Do we need a booming economy to see LFL sales growth in the UK?

A No we don't, but we've clearly been battling a strong headwind in recent years and our market is smaller today than it was in 2004, the height of the last home improvement boom. B&Q is a great British retail brand but you can never sit still in retail and so we have done a lot over the last few years to keep raising our game. Our stores are more modern, our operating standards are now much sharper and consistent, and we have trained 21,000 colleagues in product knowledge to improve our service in store. We do a great job for our 'everyday DIYer' customer and have really improved our offer for the 'do it for me' customer. This year we introduced a whole new concept, TradePoint, into B&Q stores, which vastly improves our offer for our 'trade professional' customers. We have also recently launched a new customer promise of 'making it easier' to improve your home and this is where I think we can really differentiate ourselves and grow our market share. To this end I recruited Véronique Laury who led the successful product development programme at Castorama in France, to be our new commercial director. I also recruited Katherine Paterson, previously the marketing director of ASDA, to lead our new 'making it easier' marketing campaign. So I think we have a very exciting time ahead of us, building on strong foundations, creating a true market leader.

Q We've heard about common ranging before, why will it work this time round?

A As Ian said earlier, introducing common ranges is a huge growth opportunity for Kingfisher, both for driving sales and margin. I think the new 'One Team' approach is the key to properly harnessing our scale and talent this time round. The really good news is it's no longer just a strategy or a dream, it's happening today in stores. On shelf right now in B&Q are outdoor products under the new group-wide 'Blooma' own brand in multi-lingual packaging. And they are on shelf in France and Poland too! That's a huge breakthrough for Kingfisher and it's only just beginning. One day I want 50% of everything in store to be common to all our businesses.

I think we have a very exciting time ahead of us, building on strong foundations, creating a true market leader

Euan Sutherland

Peter Hogsted
CEO, Kingfisher International

Q Eastern Europe is growing fast, but is it just a flash in the pan?

A Absolutely not, these markets are still in their infancy. There are 86 million homes in our market in Poland, Turkey and Russia, and, as wealth levels grow, a high priority for people is to improve their existing homes, catching up with the more developed markets in western Europe. The markets are under-developed in a retail sense with much of the sales still going to generalists and open air markets. We have opened 41 stores in the past three years but there is scope to more than double our stores and establish a multi-channel approach. So I see many years of good growth to come over the longer term. But these things are never an entirely smooth road, you have to be ready for some speed bumps along the way and build flexibility into your plans.

Q China – stay or leave?

A To be honest I think we need another 12 months before we can know for sure. We now have a terrific local team in place and they have transformed the business from a large loss maker and cash user into one that is capable of making a profit and generating cash. But there is more to be done in China and we will need time to prove our store format is a success with customers to be sure that we have a winning formula. We have learned some important lessons from our experiences and we're determined to get that 'stay or leave' decision right. After all, you don't walk away from a market-leading position in the world's second largest economy, nor commit more shareholder funds lightly.

+41

new stores opened in Poland, Russia and Turkey since 2008

Kevin O'Byrne
Group Finance Director

Q Kingfisher with no debt, is it time to give back cash to shareholders?

A I'm delighted that our efforts right across the businesses have eliminated the £1.6bn of financial net debt that we started this journey with. It's true we have a much stronger balance sheet now which means we have options going forward – a nice place to be relative to the depths of the credit crisis barely two years ago. But it's not true we are debt free. We lease over 600 of our 856 stores and using a long-term property yield this equates to additional finance lease debt of £5.8 billion. Under today's accounting rules these can't be shown on the balance sheet but we do include this liability when thinking about our balance sheet and funding.

Our aim is to retain financial flexibility whilst investing in improving and growing our business for the longer term. We are also keen to share our cash generation with shareholders and that's why we have increased our full year dividend by 29% this year, ahead of our earnings growth. And I would expect us to continue to grow our dividends ahead of earnings for the next few years so that our dividend cover gently reduces from 3 times last year to around 2.7 over the medium term, a level at which we can invest in the business, return cash through dividends and maintain an appropriate balance sheet gearing.

Q Last year you hinted at acquisitions, are you still in the market?

A First and foremost our investment will be targeted at expanding the store and digital channels for our existing businesses. We are planning to increase our organic investment in areas where high returns are already proven. If we see any opportunities to accelerate this by acquiring small parcels of stores at the right price, we will act. As regards anything more meaningful, you can 'never say never', but we set the hurdles very high indeed when it comes to creating value for shareholders via acquisition, so it would need to be a great deal.

£1.6bn

amount of debt eliminated over the past three years

Delivering Value

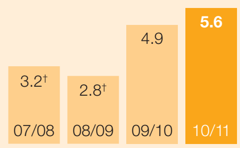
The financial year 2011/12 will be a year of transition as we complete the final milestones for the Delivering Value phase and mobilise the activities that will drive the next phase of our development. A summary of progress to date since 2007/08 for each of the seven key Delivering Value steps is set out below along with detailed milestones for the final year.

KPIs

Driving up B&Q UK & Ireland's profit

Self-help measures have rebuilt B&Q's retail margin to 5.6% despite weak markets. B&Q is on track to achieve a sustainable 7% operating margin

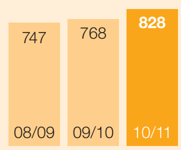
Operating margins (%)



Exploiting our UK Trade opportunity

Sales to the trade have increased significantly. Over 415,000 professional trades are now registered with TradePoint and 2.4 million registered with Screwfix

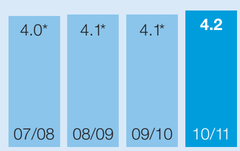
Total trade sales (£m)



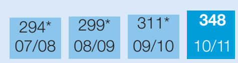
Expanding our total French business

10% new space added and profits up 18% in constant currencies since 2007/08, supported by buying optimisation and more direct sourcing

Sales (£bn)



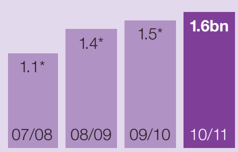
Retail profit (£m)



Rolling out in Eastern Europe

59% space added with sales growth in Poland, Turkey and Russia, profit up 43% in constant currencies since 2007/08

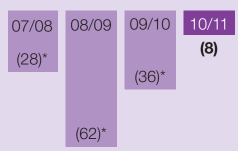
Sales (£bn)‡



Turning around B&Q China

Repositioning plan on track. Annual losses have been reduced with the business now positioned for potential break-even in 2011/12

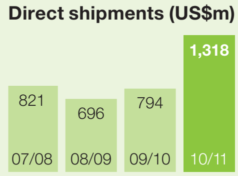
Losses (£m)



Growing Group sourcing

Direct sourcing through the Kingfisher Sourcing Organisation (KSO) is up over 60% since 2007/08 with 90% of this value being channelled through common suppliers

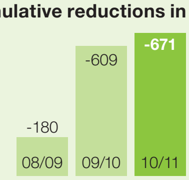
Direct shipments (US$m)



Reducing working capital

Net working capital reduced by over £500 million since 2007/08 excluding around £180 million negative impact of French LME§

Cumulative reductions in working capital (£m)



Before the impacts of the LME legislation in France.

* restated at constant currency. † restated to include Ireland. § legislative changes shortening French payment terms ‡ Poland, Russia, Turkey (100%)

- UK & Ireland
- France
- Other International
- Group

Progress to date (2008-2011)	2011/12 milestones
– 66 full store revamps, 140 kitchen and bathroom area revamps – Stringent store operating standards implemented (Martini) – Self-service checkout rolled out nationally – 21,000 staff achieved retail NVQs or City & Guilds qualifications – 'Reserve and Collect' introduced – Created the successful Cooke & Lewis premium own brand – Gross Margin ahead 300bps, costs percentage to sales held flat	– Open 1 new medium sized store, revamp 37 stores – Roll out new storage range nationally – Create 200 'how to' videos available in-store and on diy.com – 4,000 staff to receive NVQ or City & Guilds qualification training – Direct sourcing shipments to rise by 15% – Open new distribution centre in Swindon (as part of the supply chain efficiency project previously announced)
– TradePoint was successfully added to 124 B&Q stores and a further 194 have a TradePoint 'order & collect' next day service – Opened 69 new Screwfix outlets (taking the total to 162) – Added specialist plumber and electrician counters within 110 Screwfix outlets and launched 'Plumbfix' and 'Electricfix' specialist catalogues	– Add new services for the Trade professional including improved credit and insurance, bulky goods delivery and a smart phone transactional application to allow easier online shopping – Open 20 further Screwfix outlets – Launch specialist websites for both 'Plumbfix' and Electricfix'
– Opened 16 net new stores, 3 relocations and 21 revamps adding 10% new space – Castorama modernisation accelerated, innovative 'Do-it-Smart' advertising and products introduced – Gross Margin improvement of 260bps, supported by buying optimisation benefits	– Open 2 net new stores, 4 relocations and 2 revamps, adding 2% space – Continue upweighted new product launches across both businesses – Re-launch of the Brico Dépôt 'Le Book' pocket-sized catalogue – Extend buying optimisation programme, to include Brico Dépôt Spain – Roll out common incentive schemes to all store staff across both businesses incorporating new operational measures
– Opened 41 net new stores, 17 in Poland, 15 in Turkey and 9 in Russia with total sales up 52%* to £1.6 billion (including Koçtaş JV 100%) – Opened new central distribution facilities in Poland and Turkey to unlock future direct sourcing and distribution benefits	– Open a further 16 new stores, 6 in Poland, 6 in Turkey and 4 in Russia, adding around 17% new space – Direct sourcing shipments in Poland and Turkey to increase by 50% – Open new format smaller 'city store' in Moscow *In constant currencies
– Appointed a new and highly experienced management team – Store portfolio rationalised from 63 to 41 of which 16 stores were downsized and space successfully sub-let – 16 of the remaining stores retro-fitted to offer an improved shopping experience – 30% of ranges have been re-engineered from the previous supplier-led model to a more typical European customer-led retail model with encouraging results. – Introduced direct sourced Group own brands – Central costs reduced by 30%	– Continue the new format trial – Continue the work started in 2009 on re-engineering ranges, including more direct sourced Group own brands – Overall break-even target, subject to a stable Chinese home improvement market *In constant currencies
– Extended the sourcing network to Brazil, Israel, Turkey and Vietnam taking the total network to 10 locations sourcing from 32 countries (25% of direct sourced suppliers being located outside of China) – Created core range catalogues to facilitate more cross-Group common sourcing – Established 10 'superbrands' to replace 150+ local own brands. This is a critical first step in enabling the development and roll out of Group-wide common ranges in multi-lingual packaging	– Create a new Group commercial organisation aligning our sourcing, own brand and innovation capabilities more closely – Finalise common range planning and range review alignment between B&Q UK and Castorama France – Commence roll-out of Group-wide common ranges under the Blooma, Blyss and Verve 'superbrands' – Invest in an innovation and design team to increase product creation capability – Increase volume of direct sourced shipments by almost 15% to US$1.5 billion
– Reduced moving annual average stock by 11 days – Average payment terms on direct sourced product extended by 51 days (to 85 days)	– 'Like for like' working capital to remain constant. Overall balance will increase due to further negative effects of French LME and investment required for new stores – Further extend average payment terms on direct sourced product by another 5 days (to 90 days)

Delivering more value – Creating the leader

Aim – to deliver faster growth and higher returns by working together to become the world's expert at making home improvement easier for customers

The next phase of our development builds on the success of 'Delivering Value' which has repositioned Kingfisher as a strong business in the attractive home improvement market.

We currently operate in eight countries, spanning over 500 million households. Around £120 billion is spent per year on repairing, maintaining and improving these households. Spending in developed markets has tended to reflect underlying consumption patterns whilst in the developing markets rising wealth is fuelling accelerated growth as home owners catch up with developed country standards. As well as growth potential, the home improvement market is also attractive to retailers because of the relatively small number of well known manufacturer brands. This means a specialist home improvement retailer provides a vital role for the consumer by offering a wide product choice and expert advice. They can offer a high proportion of 'own brand' product, achieve economies of buying scale and have a more defensible position against online or generalist operators when compared with other retail segments.

However, the lack of sizeable, global manufacturer brands in our sector has meant there has been relatively limited product innovation in recent years to make home improvement easier and more accessible for the consumer. As a result demand has not been stimulated to its full potential.

This is particularly true in the more developed markets such as the UK and France where householders generally have a list of work needed to be done but their repair, maintenance or improvement jobs are thought to be too complicated or too costly. We believe there is a big opportunity for a real retail leader to emerge to address this opportunity and unlock the latent demand in these markets.

We aim to capitalise on the attractive characteristics of our market and to use our unrivalled international scale and experience to develop products, services and channels for our customers that make their household jobs easier to do. By doing this we will create the leader in our industry and 'accelerate away from the pack', delivering faster, sustainable growth and higher returns. Over the coming years we will focus on three themes:

1. EASIER

"We believe we can stimulate the overall market, grow our like-for-like sales and our market share by becoming the world's expert at making home improvement easier for our customers."

Product

- We will establish for the first time a product innovation function to design new, easier to use products under the banner of our 10 new own 'super-brands'. These products will be exclusive to Kingfisher businesses
- We will use our scale and global sourcing expertise to bring these products first to market and at great value for money
- We will expand our direct sourcing network across the world to find the best sources of quality and affordability

Multi-channel

- We will add new digital channels for the convenience of our customers

Advice

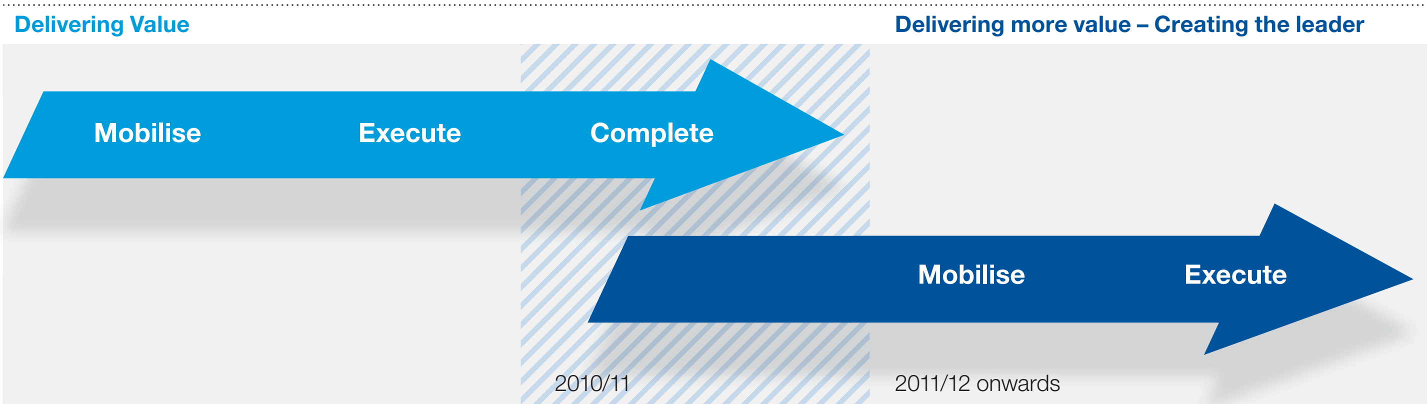
- We will be the best at offering advice and demonstration whether that is in store, online or through social media
- We will de-mystify 'Eco' to make this important trend more accessible

2. COMMON

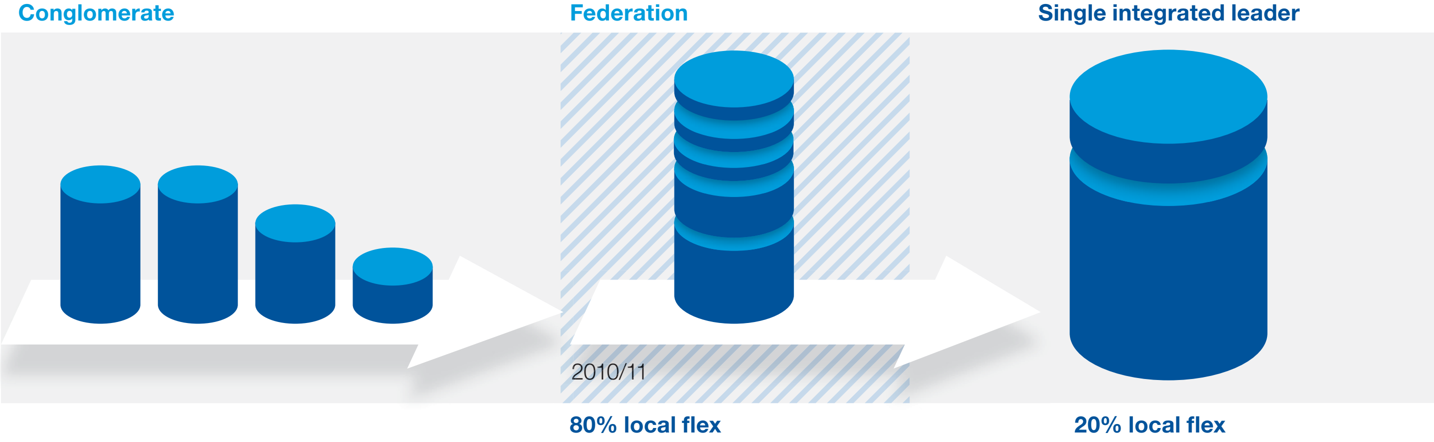
"By having a 50% core common range across all our businesses we will use our scale to accelerate innovation, stimulating overall market demand and growing our like-for-like sales and our market share. Our scale will also make home improvement more affordable for our customers whilst boosting our margins."

This is possible because tastes across our markets are increasingly similar as customers travel more and buy products produced from international sources. We already sell the same categories in our stores, such as building & repair materials and tools, gardening and seasonal products, decoration products, kitchens and bathrooms. However, less than 5% of individual products on sale across Kingfisher's businesses are common to more than

Strategic transition 2011/12



Kingfisher evolution



one business and sourced from a common supplier, reflecting our previous conglomerate organisation. As we progress towards a more integrated organisational approach we will increase the proportion of products that form a core common range to around 50%. Much of this will be our own brands, sourced direct through the global Kingfisher Sourcing Organisation.

Greater commonality will result in greater convergence of our operating models around the Group, enabling operating efficiency and cost productivity gains.

3. EXPAND

"By becoming the best at making home improvement easier and developing a core common range we will be able to accelerate and improve our expansion, thereby growing total sales and market share."

Having strengthened the businesses and established stringent capital disciplines, Kingfisher is now in a better position to successfully accelerate its expansion. There is potential to grow our current store network from 856 to over 1,100 in our existing markets over the long-term, and also establish a multi-channel presence in each one. Over time we would expect participation of sales from the three geographic operating divisions to be broadly equivalent (UK & Ireland, France and Other International).

'Proven' territories
- We will expand faster and deeper into existing markets where returns are proven

'Early phase' territories
- We will continue to develop in China and Russia and determine suitability for eventual expansion against challenging return hurdle rates

New territories
- We will identify and enter new markets with stores and other channels, leveraging our core common range and more common operating model

Organisational development

Successful delivery of the next phase will require us to complete the journey from our origins as a retail conglomerate to a single, unified retailer. Much progress has been made in recent years and the organisation is now ready to complete the final steps in our journey, thereby unlocking the full potential of our unique international talent and scale.

At the same time it is also very important that we retain the value of our local diversity and closeness to the local customer. Rather than adopting a fully centralised model we will retain our existing country management structures whilst in addition creating a series of teams that work across traditional country and business boundaries. A number of these multi-national, multi-operating company teams are already established, are well resourced and empowered to manage key projects, such as common ranging and multi-channel development, under the direction of the Group Executive. Known internally as 'One Team' this new approach will enable us to move from the existing 20:80 (common:local) business model towards an 80:20 model.

Challenging goals

A key element of the success of the Delivering Value programme has been setting clear and challenging medium-term goals linked to share-based incentives. As we start to enter the next phase of Kingfisher's development a revision to the existing Performance Share Plan, covering the three years to January 2014, will be proposed for approval by shareholders at the Annual General Meeting in June 2011.

Under the proposals, share awards will be made for reaching stretching earnings and returns targets. The maximum potential share award will vest as follows:

- Earnings: 50% for achieving a compound average growth rate (CAGR) of 15% in adjusted EPS over the three years. EPS in 2013/14 will need to be 31.2p to achieve maximum vesting
- Returns: 50% for generating a cumulative Kingfisher economic profit target over the three years.

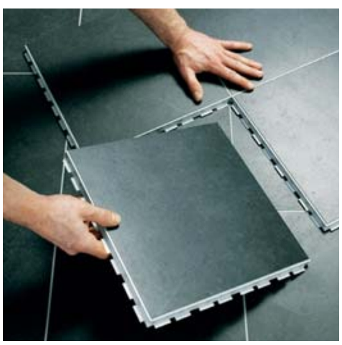
Kingfisher economic profit differs from other reported profit figures because it takes into account a charge for the capital employed in the business. In doing this the calculation treats leases as though they were owned assets within capital employed, capitalising them using long-term property yield methodology. For the purposes of the calculation, reported adjusted post-tax profit is used, but interest and lease costs are added back. A charge for the cost of capital employed is then deducted by applying the Group's lease adjusted WACC to its lease and pension adjusted capital employed.

These share-based incentives will cover the two Executive Directors and the top 50 senior managers with plans to extend elements of this scheme to the next 150 senior managers. Further share incentives for store managers will also be rolled out next year.

Products

Innovation

Kingfisher's customers are increasingly looking for new products, new services and new ways of shopping, all at great prices. We are making it easier for our customers to access new, good value, exclusive products for their homes, as well as innovative services that make their shopping experience as easy as possible, such as in-store DIY classes, online 3D kitchen planning and hourly van hire. We use customer insights to capture new ideas and changing preferences and share them between our businesses in order to remain at the forefront of home improvement innovation. The following pages give examples of innovation in our product ranges, stores and services.



Tiling
As part of its 'C'est Castoche' campaign to make home improvement easier, Castorama France launched a range of 'click-together' tiling which requires no grout. This range, together with its range of ultra thin tiles which can be laid on top of existing tiles, now accounts for 10% of Castorama's tile sales.

Blooma garden furniture
This spring saw the launch of the Blooma own-brand range of seasonal garden products at B&Q UK and Castorama France. This launch is part of Kingfisher's development of common ranges for sale across Europe in multi-lingual packaging. Others to be launched across the Group include Verve garden ranges, Cooke & Lewis kitchens and Form storage products. The 10 exclusive own-brands will replace around 150 own brands currently sold across the Group.

'Paste the wall' wallpaper
Part of B&Q UK's campaign to make home improvement easier for customers is to stock more products that are easier to use. One example is a wider range of 'paste-the-wall' wallpaper which has special backing so it can be hung dry from the roll. Pictured here is the Cocktail wallpaper from the B&Q Colours range. £11.98 a roll.

Responsibly sourced timber
In 2011 B&Q became the first major UK retailer to achieve the goal of buying all timber products from proven responsible sources. From garden furniture to kitchens, nearly 16,000 products at B&Q contain wood – either as whole timber or as an agglomerate. B&Q is committed to only buying products that are traceable to sources that have met legal, social and environmental standards that have been independently verified, or are recycled.

Product innovation
The Kingfisher Sourcing Organisation (KSO) uses its significant worldwide buying strength to bring innovative products to customers at affordable prices. There are now 10 Kingfisher exclusive own-brands, including the seasonal Blooma garden products range, Verve gardening accessories and Blyss heating and cooling products, which come in multi-lingual packaging common to our stores in the UK, France, Poland, Russia and Turkey. This is in addition to the aspirational ranges from well-known designers.

Composite fence panels
This new range of fencing, mixing composite and acrylic panels, was brought into Castorama France stores in 2010. Developed with the support of Kingfisher Sourcing Organisation, its elegance and simple functionality has proved very popular with customers.

Turbo Veg
After a successful trial in 2010 all B&Q UK stores will be selling Turbo Vegetable plants this year. They offer traditional heavy cropping and full flavoured varieties, grafted onto rootstock specially developed to resist pests and diseases, and give the plant extra vigour. This means the plants will yield approximately twice as much as a regular plant. There are 13 varieties of Turbo Veg (£3.98 per plant), including tomatoes, aubergines and peppers.

Limited edition drill
Screwfix launched an exclusive, limited edition black Makita drill, complete with unique numbered certificate for authenticity. Only 5,000 of the stylish 18V Li-ion drill drivers were produced, complete with distinctive white carry case.
Price: £249.99

Nomad lamp
This stylish, portable lamp, which is rechargeable, was launched by Castorama France. Called the Nomad lamp it can be used indoors or outdoors and comes in a choice of eight colours.
Price: €89

Stores and services

You Can Do It classes
B&Q UK is making it easier for customers to undertake home improvement jobs through the expansion of its successful 'You Can Do It' classes. Over 2,500 customers have undertaken a class so far, with more than 20 categories to choose from, including tiling, plumbing and hanging wallpaper. The classes currently operate in six B&Q stores with a further 9 planned to open in spring 2011. Kids' classes are also available to help develop the next generation of DIYers.

Making it easier
A new TV campaign launched before Easter aims to encourage Britain to overcome its DIY fears. The ads highlight some of the most common DIY mishaps and promote the help available from celebrity experts, qualified in-store experts, in-store demos and products designed to make it easier and give the nation the skills and confidence to do more DIY.

Smartphone app
Castorama France has continued to add new features to its iPhone app. These include YouTube videos giving advice on how to do particular home improvement jobs, a social media section which enables customers to share ideas via platforms such as Facebook and Twitter, and a store locator feature. The Casto app has 320,000 downloads so far.

3D kitchen planner
In May 2010 Castorama France launched a three dimensional website which enables customers to design their own kitchen layout, choose their style of kitchen and calculate the costs within minutes. The tool is part of Castorama's plan to make home improvement easier for customers as the planner saves time and makes the visit to the store more efficient.

PDAs
Brico Dépôt France is now using Personal Digital Assistants to enable stores to conduct price checks against the local competition. The PDAs are supported by a central database using local data.

Call, Pay, Collect
In July 2010 Screwfix rolled out its 'Call, Pay, Collect' scheme to all customers. This service enables customers to call the Contact Centre and place an order to collect from their local Trade Counter. During the call, the stock is checked and goods are reserved so that everything is ready to pick up within 15 minutes.

Kirstie, George and Alan Titchmarsh
B&Q UK is now working with Channel 4's Kirstie Allsopp and George Clarke as part of its campaign to make DIY and home improvement easier. Kirstie will be providing tips and advice on home decoration through store appearances and online. George, a qualified architect, will be helping customers maximise the space in their homes. The pair join number one gardener, Alan Titchmarsh, who is already working with B&Q to make gardening easier.

Van hire
Following a successful seven-month trial, B&Q is rolling out an hourly van hire scheme to 137 stores across mainland Britain. The scheme will help customers transport their bulky products home in a way that's quick, easy and cheap, at only £14 per hour, and will complement the existing delivery service.

JobSorted.com
Launched jointly by B&Q and Screwfix earlier this year, JobSorted.com is the UK's biggest directory providing details of 150,000 local tradesmen. Customers can search for a tradesman, post a job and check out extensive profiles to make an informed decision about who does work in their home.

Gallery merchandising
B&Q China has started to use gallery merchandising in its stores, as it seeks more innovative and inspiring ways to display products for customers. The space-efficient approach is being used in 'shop within shop' areas of the store, such as flooring and tiling, leading to higher sales densities.

Last year was notable for the focus we placed on our leadership population, creating a stronger sense of cross-Group unity and further developing our leadership capabilities.

At the same time we continued to invest in training across all our retail brands, maintaining an emphasis on giving our store employees the expertise required to achieve high levels of customer engagement and loyalty.

Leading as One Team

To maximise the added value from being an international retailer it is vital that our 80,000 employees can work as a single team, where ideas and experience flow freely, successful concepts can be shared and talent can be placed where it makes the biggest difference.

We call this ambition 'One Team'; we also recognise that our senior leadership group is central to us achieving it. In the past year we convened two highly innovative and successful conferences with our top 200 leaders, enabling us to collect their ideas for shaping our future direction. The meetings also saw the forging of stronger cross-Group connections and networks, which are essential to making our One Team aspirations a reality.

Investing in our leadership capability

During the year we launched our first Kingfisher Leadership Programme, which every member of the One Team leadership group will have completed by the end of 2011. We see this initiative as the first step in developing a coherent learning and development offer at Group level, one that will complement the ongoing investments made in this area by our various Group businesses, some examples of which include:

- During the year Castorama France created six new working groups for its Viva training programme, which focuses on some of the 'softer' leadership skills. All members of the Castorama leadership team are scheduled to participate in Viva.
- B&Q UK has developed a leadership programme for all of its senior managers. This programme, called Leading the Way, aims to enhance managers' skills, knowledge and capabilities so they are better placed to drive their own performance and that of their teams. B&Q has also put together a renewed cycle of management development to be implemented during the next three years, aimed at managers in stores and those who lead teams in its head office.
- At Screwfix, all Trade Counter managers began an extensive leadership development programme last year, which will continue throughout 2011. It is designed to provide front line managers with the skills to get the best out of their store teams.

Training to enhance the customer experience

All our businesses are actively engaged in store staff training and see it as key to helping our front-line employees provide the service our customers need and expect. The highlights in the past year included:

- **B&Q China** – training for store staff focused on product knowledge and selling skills, as the primary customer relationship continues to shift from supplier representatives to B&Q China's own staff.
- **Koçtaş** – roll-out of e-learning tools and completion of 530 coaching days given by internal product experts to new store staff and others with specific knowledge needs.
- **Castorama France** – launched a new training scheme called Form'acteur which features an online portal enabling employees to take responsibility for their own personal development. By year-end 70% of employees had completed at least one training event using the new system.
- **B&Q UK** – Building on the strong base of innovative, leading training that B&Q has already developed, two new City & Guilds accredited qualifications were launched during the year. The first is a Diploma in Retail Skills focusing on selling eco products; the second is a Diploma in Retail Management aimed at B&Q's supervisor population. So far more than 21,000 City & Guilds qualifications of various types have been awarded to B&Q employees since the initiative began in 2009.

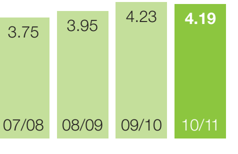
Measurement of employee engagement

The Gallup Q12 survey, first adopted by B&Q UK in 2000, has become our established tool for measuring employee engagement across the Group. In May last year Castorama France opened out the survey to all 12,500 of its employees, with 89.9% choosing to take part. This initial survey produced a GrandMean (the biggest indicator of engagement levels) score of 3.70. When the second survey was held in November this figure rose to 3.87, representing the opinion of 94% of Castorama's employees. These high participation rates are very encouraging for an employee population of this size.

Elsewhere, B&Q UK recorded engagement levels that enabled it to qualify for the Gallup Great Workplace Award for the fifth successive year, while Kingfisher's 'Q12 leadership population' (comprising 1,200 senior employees across the Group) continued to demonstrate high levels of engagement.

Engaging our people

Gallup Q12 staff engagement survey (out of 5)



Apprenticeships
72 year old Terry Robinson from Oxford has recently qualified with an Apprenticeship in Retailing from B&Q. This is the second apprenticeship Terry has earned, having completed the first almost 57 years ago at the age of 15 as a carpenter and joiner. Terry said: "I hope this shows people that age is no barrier to learning."

Group buying programmes

Major growth in direct sourcing

In recent years Kingfisher has worked hard to create an infrastructure through which our Group businesses can source greater volumes of products directly from suppliers. The advantages of such an approach are clear: it gives more control of the sourcing process, reduces time to market and – crucially – enables our businesses to share ranges that offer the greatest value and purchasing appeal to our customers.

Last year saw a genuine step-change in our Group buying performance, with the value of direct shipments reaching $1.3 billion, up 66% on the previous year and significantly ahead of our $1 billion target. Growth was seen across all Group businesses with notably strong results achieved by Brico Dépôt France, which more than doubled its direct shipments, while Castorama Poland achieved an increase of 88%, Castorama France 60% and B&Q UK 49%.

From a product perspective the ranges that saw biggest increases in direct shipments were bathroom and kitchen (94%), electrical products (86%), lighting (100%) and garden tools (72%).

The Kingfisher Sourcing Organisation (KSO) has further enlarged its global footprint, with a new sourcing presence now established in Israel. Elsewhere, the KSO's Vietnamese office, which opened in 2009, continues to extend its reach into South East Asia, while the Warsaw office is sourcing from other eastern European territories including Ukraine, Turkey, Romania and the Czech Republic. Products manufactured outside Poland now generate 45% of the Warsaw team's total buying volumes, which are up 150% year-on-year.

Optimising our supplier base

We recognise that our suppliers hold the key to us achieving our future Group sourcing ambitions. Finding the best manufacturers to meet our exacting standards for quality, innovation, exclusivity and value, then developing strong and mutually beneficial relationships with them, is a prerequisite if we are to make the most of our combined buying scale.

Last year 86% of the $1.3bn we spent on direct shipments was placed with vendors who supply at least two Kingfisher businesses. In addition, while China remains our most important sourcing market we have worked to establish a truly global supplier base: 25% of our direct sourcing vendors are now located outside China across 32 different countries.

Multi-lingual packaging
The new own-brands feature multi-lingual packaging, as shown on this hose reel.

Developing an outstanding portfolio of global Group brands

The more efficiently we can source and market own-brand products to our customers, the greater the benefits we can drive from our Group buying strategy. During the past year a project has been completed to create a streamlined portfolio of 10 exclusive Kingfisher own-brands covering our key product categories. Some are established names; others have been newly-created to meet a particular need.

Each brand is available to all our home improvement formats, with multi-lingual packaging as standard to minimise production lead times. The first common ranges to be delivered under this new strategy were seasonal garden products under the Blooma brand, which went on sale in B&Q UK, Castorama France, Castorama Poland, Castorama Russia and Koçtaş in early 2011.

Taking common ranging to the next level

Our two largest Group businesses, B&Q UK and Castorama France, are now aligning their product sourcing strategies more closely than ever before.

In the seasonal category, a product roadshow was held in Hong Kong in March 2010 where the buying teams worked together on creating more common ranges of barbecues and garden furniture. This resulted in 60% of this season's barbecue range, and 35% of the garden furniture range, being common between B&Q UK and Castorama France. We now place 80% of our total garden leisure purchasing through common suppliers. By working together with our suppliers, our combined scale allows us to achieve better commercial terms as well as enabling us to create better designed products which will help us drive sales. To facilitate more cross-Group common sourcing, we have recently created core range catalogues containing 3,000 best selling direct sourced products. This core range is available across the Group, helping us drive more volume through common products.

Ethical sourcing

Kingfisher continues to work with suppliers to improve labour and environmental conditions throughout its supply chain and monitor compliance with the Kingfisher Code of Conduct for Factory Working Conditions. Over 1,000 supplier/factory ethical assessments were conducted during the year.

The Kingfisher Sourcing Organisation works in collaboration with factories to improve standards through factory action plans, partnership projects and training, such as ethical sourcing workshops for factories in India.

Diall | MAC ALLISTER | PERFORMANCE POWER
verve | blooma | GEOM
blyss | COOKE &LEWIS | form | colours

New own-brand launch
In 2010, Kingfisher unveiled a range of 10 own-brands. They are being rolled out across the Group and replace the previous collection of around 150 own-brands.

Corporate responsibility – Future Homes

Kingfisher's corporate responsibility strategy, which we call Future Homes, has two principal aims. The first is to make sustainable living easier and more affordable for our customers; the second is to embed sustainability into all aspects of our own operations.

1. Sustainable living

We have been working with Forum for the Future, the independent sustainability experts, to develop a new 2020 Future Homes vision which highlights four key priorities where we can make a real and sustainable difference. During the past year we have made significant progress, giving us a strong platform from which to work towards our longer-term goals.

Product innovation

In 2010/11 sales of eco products totalled £1.1 billion – accounting for nearly 11% of total retail sales across the Group. Every item sold in our stores which we highlight as an eco product has been independently assessed by the sustainability experts BioRegional to ensure it meets our rigorous criteria. We have also created Group eco design guidelines to help our buying teams incorporate sustainability principles into their sourcing strategies.

During the year B&Q UK launched the first 'best in class' products. B&Q customers can now choose loft insulation made from recycled plastic or sheep's wool and carpet underlay made of 100% recycled clothing, while in some stores recycled paint products have been made available on a trial basis. Castorama France encourages innovation among suppliers through its annual eco product award, now in its third year.

Energy-efficient homes

Our two largest businesses, B&Q UK and Castorama France, now stock around 10,000 products within their respective eco ranges One Planet Home® and La Maison Éco. During 2010 B&Q UK enhanced its in-store customer support by introducing trained eco advisers across all stores. Castorama France has introduced a new logo, *C'est ÉCO*, to highlight its eco product ranges in stores. Brico Dépôt Spain broke new ground by launching a low-cost solar panel kit priced at €79.

Selling good wood

We exceeded our target to source 75% of timber volume from proven well managed forests or recycled sources. In the UK, B&Q has now achieved 100% responsible timber sourcing, with B&Q offering the largest range of 'good wood' on the market – more than 16,000 products made from or containing sustainable timber. B&Q China has pioneered the introduction of FSC-certified timber in its local market, continuing this work in January 2011 with the launch of a new FSC-certified flooring range.

At Group level Kingfisher has been instrumental in establishing the Timber Retail Coalition (TRC) alongside other major retailers. The TRC aims to support EU legislation to curb illegally harvested timber.

	2009/10	2010/11	Progress
Timber – reported volume from proven well managed forests or recycled sources (%)	77%	81%	+4% points

Local communities

We are committed to supporting local communities everywhere we operate and increased our community investment by 70% during 2010/11. Kingfisher has a number of strategic charity partnerships and our operating companies also support a range of projects. For example, at Koçtaş head office staff mentor local students as part of an employee volunteering programme, while Castorama Russia has developed a partnership with a charity called 'To Children With Love', which provides support for orphaned children.

	2009/10	2010/11	Progress
Total community investment (£)	£0.94m	£1.60m	+70%

See page 32 for further details.

2. Making our operations more sustainable

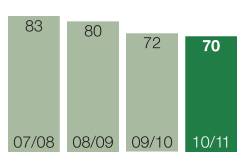
We have reduced our total CO_2 equivalent emissions (from energy and transport) per £m retail sales by 25% since 2006/07, exceeding our target of a 20% reduction. This year, B&Q UK achieved a 9% reduction in CO_2 from electricity, driven by an investment of £2.3 million to improve the energy efficiency of lighting. Kingfisher continues to work with the Carbon Trust to further reduce the carbon footprint of its stores. During 2010/11, we significantly cut total store waste disposed. For example, Brico Dépôt France achieved a significant reduction in waste by setting specific waste targets for every store manager.

	2006/07	2010/11	Progress
Total CO_2 equivalent emissions from energy and transport (tonnes per £m retail sales)	59.6	44.5	-25%

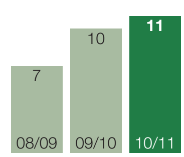
For several years Kingfisher has been included in the FTSE4Good and Dow Jones Sustainability Indices. In 2010 we also gained inclusion into the Carbon Performance Leadership Index (CPLI) compiled by the Carbon Disclosure Project (CDP).

Corporate responsibility key performance indicators (KPIs)

Minimising our impact on the environment



Climate change
CO_2 emissions from store energy (kg CO_2 equivalent per m^2 total sales area).



Eco-product sales
(% contribution to total retail sales)

forum for the future
action for a sustainable world

See Kingfisher's full online CR Report at www.kingfisher.com/cr

Financial review

Financial summary

A summary of the reported financial results for the year ended 29 January 2011 is set out below.

	2010/11 £m	2009/10 £m	Increase/ (decrease)
Sales	**10,450**	10,503	(0.5)%
Adjusted pre-tax profit	**670**	547	22.5%
Profit before taxation after exceptional items	**671**	566	18.6%
Adjusted basic earnings per share	**20.5p**	16.4p	25.0%
Dividends	**7.07p**	5.50p	28.5%

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

	2010/11 £m	2009/10 £m	Increase
Profit before taxation	**671**	566	18.6%
Exceptional items	**6**	(17)	
Profit before exceptional items and taxation	**677**	549	23.3%
Financing fair value remeasurements	**(7)**	(2)	
Adjusted pre-tax profit	**670**	547	22.5%

Profit and EPS including all exceptional items for the year ended 29 January 2011 is set out below:

	2010/11	2009/10	Increase
Profit for the year	**£491m**	£385m	27.5%
Basic EPS	**21.0p**	16.5p	27.3%

Kevin O'Byrne
Group Finance Director

Overview

Total **sales** grew 0.5% on a constant currency basis and declined by 0.5% to £10.4 billion on a reported rate basis. During the year, an additional 21 net new stores were opened taking the store network to 826 (excluding 30 Turkey JV stores). This includes the impact of closing three stores across the Group. On a like-for-like ('LFL') basis, Group sales were down 0.9%.

Retail profit before exceptional items grew by 14.7% to £762 million, and by 11.0% to £756 million including exceptional items.

The net **interest** charge for the year was £27 million, down £30 million on the prior year driven by significantly lower average net debt levels and lower interest rates.

Profit before tax grew by 18.6% to £671 million as a result of improved trading in the year and a reduction in net finance costs. On a more comparable basis, which removes the impact of one-off items and fair value remeasurements, **adjusted pre-tax profit** grew by 22.5% to £670 million.

Profit for the year grew by 27.5% to £491 million. This resulted in the Group recording a **basic EPS** of 21.0p which is up 4.5p (+27.3%) in the year.

2010/11 TRADING REVIEW BY DIVISION
FRANCE

Sales £m	2010/11	2009/10	% Change (Reported)	% Change (Constant)	% LFL Change
France	**4,204**	4,242	(0.9)%	2.9%	1.6%

Retail profit £m	2010/11	2009/10	% Change (Reported)	% Change (Constant)
France	**348**	322	7.8%	12.0%

France includes Castorama and Brico Dépôt.
2010/11: £1 = 1.17 euro (2009/10: 1.13 euro).
All trading commentary below is in constant currencies.

Kingfisher France
Kingfisher France outperformed the market with self-help initiatives driving sales ahead 2.9% to £4.2 billion (+1.6% LFL, +1.8% on a comparable store basis). Across the two businesses, three new stores were opened and seven were revamped, adding around 2% new space.

Retail profit grew 12.0% reflecting the sales growth and higher gross margins (+100 basis points) benefitting from a sharp increase in direct sourcing, continued buying optimisation benefits and fewer promotions year on year.

Castorama total sales grew by 4.6% to £2.3 billion (+3.4% LFL, +3.8% on a comparable store basis). According to Banque de France[1] sales for the market on a comparable store basis were up 1.4%. Castorama's strong outperformance was supported by progress with its store modernisation programme (63% of total selling space now completed), new range introductions and the innovative 'Do-it-Smart' marketing campaign aimed at making home improvement projects easier for customers.

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

Brico Dépôt, which more specifically targets the trade professional, delivered total sales growth of 1.0% to £1.9 billion (-0.5% LFL). Like-for-likes were impacted by around 0.5% by the French national strikes and adverse weather in northern France in H2. The trade market[2] was down 4%.

Self-help initiatives to drive sales and footfall progressed well including an up-weighted programme of range refreshment, more 'arrivages' promotions (rolling programme of one-off special buys) and more frequent product catalogues to reinforce Brico Dépôt's value credentials. New kitchen (+9% LFL) and hand tool (+4% LFL) ranges introduced last year performed well.

1 Banque de France data for Feb 2010 – Jan 2011 including relocated and extended stores.
2 Private building market Jan-Dec 2010 according to UNIBAL.

UK & IRELAND

Sales £m	2010/11	2009/10	% Change (Reported)	% Change (Constant)	% LFL Change
UK & Ireland	**4,333**	4,442	(2.4)%	(2.4)%	(3.0)%

Retail profit £m	2010/11	2009/10	% Change (Reported)	% Change (Constant)
UK & Ireland	**243**	217	11.8%	11.8%

UK & Ireland includes B&Q in the UK & Ireland and Screwfix.
2010/11: £1 = 1.17 euro (2009/10: 1.13 euro).
All trading commentary below is in constant currencies.

Kingfisher UK & Ireland
Total sales were down 2.4% to £4.3 billion (-3.0% LFL) impacted by pre-opening disruption from the national rollout of 'TradePoint' and B&Q UK's tactical decision in Q2 to limit the use of general, store-wide promotions. This approach, whilst impacting LFL sales growth, resulted in higher gross profit[1] year on year which together with other self-help initiatives to drive higher gross margins and lower operating costs, resulted in retail profit up 11.8%.

GFK market data for the UK's leading home improvement retailers[2] was up around 1% across the year whereas the trade[3] market declined.

B&Q UK & Ireland's total sales were down 2.8% (-3.3% LFL) to £3.9 billion. Sales of outdoor products declined around 1% despite mixed weather and following strong growth last year (+6%). Reported sales across all categories of indoor products were down a similar amount reflecting fewer promotions and as anticipated, building sales were also impacted by the roll out of 'TradePoint' into B&Q's large format stores. However, underlying kitchen sales responded well to improved merchandising, new ranges and more targeted promotions across H2 (+7%).

Retail profit grew by 10.4% to £215 million with gross margin percentage increasing strongly by a further 110 basis points (2009/10: +110 basis points) driven by more direct sourcing, further shrinkage reduction and fewer promotions. A strong focus on operating cost efficiencies also continued with costs (SG&A[4]) percentage to sales held broadly flat across the year.

The roll out of the new B&Q 'TradePoint' offer within large stores, announced with the preliminary results in March 2010, was completed on time and to budget in H1. The proposition takes the best of B&Q (extended opening hours, convenient locations, heavy building ranges, showrooms and the rest of the stores' retail products) and adds Screwfix's ranges, systems and logistics expertise to create a merchant environment with extended trade brands and trade only prices. This offer, which is exclusive to the trade professional and unique in the UK, is expected to boost Kingfisher's low share in the professional trade market.

Across H2, an 'order & collect' offer was rolled out into all remaining B&Q stores. This additional offer is based on next day delivery to the tradesman's nearest store as well as giving access to 'TradePoint' catalogue prices on selected lines through any B&Q store checkout. A major review of all B&Q in-store building ranges was also completed to support the 'TradePoint' roll out.

'TradePoint' continues to progress well and annualised trade sales continue to grow and account for 15% of total store sales, up from around 10% pre-'TradePoint', and are expected to increase as the offer becomes better known and trusted by trade professionals. Over 415,000 customers have now registered as 'TradePoint' customers, significantly more than were registered with the previous B&Q Trade Discount Card.

Screwfix limited the impact of a challenging smaller tradesman market with total sales up 1.6% to £479 million compared with the wider trade market which we estimate to have been slightly down. Initiatives that drove market share gains included the continued roll out of trade counters, the addition of 103 specialist trade desks exclusive to plumbers and electricians within existing Screwfix outlets and new ranges (e.g. work wear +39% LFL). Fifteen new outlets were opened during the year, taking the total to 162, now accounting for around 60% of total sales. Retail profit was £28 million, up 24.7% reflecting the sales growth, distribution efficiencies, shrinkage reduction and tight cost control.

1 Sales multiplied by gross margin percentage.
2 This data includes new space added but excludes private retailers e.g. IKEA and smaller independents.
3 Based on the Builders' Merchants Federation data Jan-Dec 2010.
4 Selling, General and Administrative Expenses.

OTHER INTERNATIONAL

Sales £m	2010/11	2009/10	% Change (Reported)	% Change (Constant)	% LFL Change
Other International	**1,913**	1,819	5.2%	1.7%	(1.2)%

Retail profit £m	2010/11	2009/10	% Change (Reported)	% Change (Constant)
Other International	**171**	125	37.3%	34.3%

Other International includes Poland, China, Spain, Russia, Turkey JV and Hornbach in Germany. Joint Venture (Koçtaş JV) and Associate (Hornbach) sales are not consolidated.
2010/11: £1 = 1.17 euro (2009/10: 1.13 euro).
2010/11: £1 = 4.65 Polish zloty (2009/10: 4.86 Polish zloty).
2010/11: £1 = 10.41 Chinese renminbi (2009/10: 10.79 Chinese renminbi).
All trading commentary below is in constant currencies.

Other International total sales increased by 1.7% to £1.9 billion (-1.2% LFL). Retail profit was up 34.3% to £171 million driven by profit growth in Poland, Spain and Turkey and significantly lower losses in China.

During 2010/11, 10 new stores opened, three in Poland, two in Russia, four in Turkey and one in Spain, adding around 6% new space. A further 16 new stores are planned for 2011/12, including six in Poland, four in Russia and six in Turkey, adding around 10% new space.

In **Eastern Europe** sales in **Poland** were up 0.7% (-2.8% LFL) to £1,062 million in a more stable market after a difficult first half (2010/11 H1 -6.0% LFL). New bathroom and garden catalogues and expanded decoration ranges all boosted sales and profits. Retail profit was up 3.1% to £134 million driven by the sales growth and gross margins (+60 basis points) benefitting from sales of higher margin products, shrinkage reduction, buying scale benefits and tight cost control. Sales in **Russia** grew 39.2% to £240 million reflecting new store openings. In **Turkey**, Kingfisher's 50% JV, Koçtaş, retail profit grew strongly due to strong sales growth (+7.3% LFL), more direct sourcing benefitting gross margins and tight cost control.

Elsewhere, in **Spain** profits grew strongly with sales up 16.4% to £225 million, significantly outperforming the market. **Hornbach**, in which Kingfisher has a 21% economic interest, contributed £31 million to retail profit (2009/10: £30 million).

B&Q China sales declined 16.2% to £386 million primarily reflecting 15% less space now trading compared to the prior year. Like-for-likes declined by 2.3%. The 'fix-it' phase of the turnaround plan remains on track with losses reducing as planned to £8 million, down almost 80% on the prior year (2009/10: loss of £36 million).

Interest
As discussed above, net interest has decreased by £30 million in the year. The breakdown is as follows:

	2010/11 £m	2009/10 £m
Cash		
Interest on net debt	**(25)**	(54)
Non-cash		
Interest charge on defined benefit pension scheme	**(7)**	(4)
Other	**(2)**	(1)
Underlying net interest	**(34)**	(59)
Financing fair value remeasurements	**7**	2
Statutory net interest	**(27)**	(57)

Taxation
The effective rate of tax, calculated on profit before exceptional items, prior year tax adjustments and the impact of rate changes is 29% (2009/10: 30%). The overall rate is 27% (2009/10: 32%).

Effective tax rate calculation 2010/11	Profit £m	Tax £m	Effective rate %
Profit before tax and tax thereon	671	180	27
Less: exceptional loss and tax thereon	6	3	
Less: prior year adjustment	–	11	
Total	677	194	29

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

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

Jurisdiction	Statutory tax rate 2011/12	Statutory tax rate 2010/11
UK	26%	28%
France	34.43%	34.43%
Poland	19%	19%
Rest of Europe	0% – 34%	0% – 34%
Asia	16.5% – 25%	16.5% – 25%

Taxation risk management
The Group's tax strategy is to manage its tax affairs efficiently and in a way which enhances shareholder value whilst balancing the tax risk it faces. Tax risks can arise from change in law, differences in interpretation of 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 local management, its Group tax department and appropriate advice from reputable professional firms. Where disputes arise with the tax authorities the Group addresses the areas of dispute promptly in a professional, open and constructive manner.

Exceptional items
The Group has recorded a net exceptional post-tax charge of £3 million in the year (2009/10: gain of £10 million) as follows:

	2010/11 £m (Charge)/gain	2009/10 £m (Charge)/gain
Profit on disposal of properties	**3**	17
UK distribution network restructuring	**(9)**	–
Exceptional items	**(6)**	17
Tax on exceptional items	**3**	(7)
Net exceptional items	**(3)**	10

Earnings per share
Basic earnings per share have increased by 27.3% to 21.0p (2009/10: 16.5p). The increase year on year is as a consequence of improved underlying performance, partially offset by the adverse movement in exceptional items in the year. On a more comparable basis, removing the impact of exceptional items and financing fair value remeasurements, adjusted basic earnings per share have increased by 25% to 20.5p (2009/10: 16.4p).

	2010/11	2009/10
Basic earnings per share	**21.0p**	16.5p
Exceptional items	**0.3p**	(0.7)p
Financing fair value remeasurements (net of tax)	**(0.2)p**	(0.1)p
Impact of prior year items and exceptional items on income tax	**(0.6)p**	0.7p
Adjusted earnings per share	**20.5p**	16.4p

Dividends
Given the strong performance in 2010/11 and confidence in the future prospects provided by self-help initiatives, the Board believes it is now appropriate to start lowering dividend cover from 3.0 times to 2.7 times adjusted earnings over the medium term. At this level the Board believes the dividend will continue to be prudently covered by earnings and free cash flow and remain consistent with the capital needs of the business. Accordingly, the Board has proposed a final dividend of 5.145p, an increase of 43.9%. This gives a full year dividend of 7.07p, an increase of 28.5% (2009/10: 5.5p).

As previously announced, the Group's interim dividend is calculated automatically as 35% of the prior year's total dividend. Based on this, the interim dividend to be paid in November 2011 would be 2.47p per share (2010: 1.925p per share). The final dividend will continue to be proposed each year as part of the full year preliminary announcement in March.

The final dividend for the year ended 29 January 2011 will be paid on 20 June 2011 to shareholders on the register at close of business on 6 May 2011, subject to approval of shareholders at the Annual General Meeting, to be held on 16 June 2011. A dividend reinvestment plan (DRIP) is available to shareholders who would prefer to invest their dividends in the shares of the Company.

The shares will go ex-dividend on 4 May 2011. For those shareholders electing to receive the DRIP the last date for receipt of electing is 27 May 2011.

Return on Capital (ROC)

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

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

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

Group Return

	2010/11	2009/10	Increase
Standard Return on capital (ROC)	**9.6%**	8.3%	+1.3%pps

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

The strong operating performance combined with improved asset turns has resulted in the Standard ROC performance increasing from 8.3% to 9.6% in 2010/11 compared to the Group's weighted average cost of capital (WACC) of 8.1%.

Lease adjusted ROC is based on the same definition except it excludes property lease costs, and Invested Capital is adjusted for lease costs capitalised at the long-term property yield. Lease adjusted ROC has increased from 6.8% to 7.3% in 2010/11, compared to the Group's lease adjusted cost of capital (WACC) of 6.8%.

Geographic divisional return

Kingfisher's underlying ROC by geographic division is set out below. All divisions improved their returns in 2010/11. Return is stated after adjusting for property lease costs and before property profits. Invested capital excludes goodwill but includes capitalised leases:

	Retail sales £bn	Proportion of Group sales %	Invested capital (IC) £bn[1]	Proportion of Group IC %	Returns % (ROC) 2010/11	Returns % (ROC) 2009/10
UK	4.3	42%	6.0	63%	**6.6%**	6.4%
France	4.2	40%	2.0	21%	**13.6%**	12.4%
Other International	1.9	18%	1.5	16%	**11.1%**	9.5%

1 Excluding goodwill of £2.4 billion.

Free cash flow

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

	2010/11 £m	2009/10 £m
Operating profit (before exceptional items)	**704**	606
Other non-cash items[1]	**276**	319
Change in working capital (before exceptional items)	**(141)**	315
Change in pensions and provisions (before exceptional items)	**(57)**	(68)
Operating cash flow	**782**	1,172
Net interest paid[2]	**(19)**	(63)
Tax paid[2]	**(133)**	(151)
Capital expenditure	**(310)**	(256)
Disposal of assets	**87**	59
Free cash flow	**407**	761
Dividends paid	**(129)**	(125)
French tax receipt	**–**	148
Other[3]	**(9)**	(44)
Cash flow movement in net debt/cash	**269**	740
Opening net debt	**(250)**	(1,004)
FX impacts	**(5)**	14
Closing net cash/(debt)	**14**	(250)

1 Includes depreciation and amortisation, share-based compensation charge, pension service cost, share of post-tax results of JVs and associates and profit/loss on retail disposals.
2 Prior year excludes French tax receipt – £120 million tax and £28 million related repayment supplement.
3 Includes dividends received from JVs and associates, issue/purchase of shares and cash utilisation of exceptional provisions.

The Group exceeded its net debt target for the year, reporting year end net cash of £14 million (2009/10: £250 million financial net debt). On a constant currency basis net financial debt has decreased by £1.7 billion over the last three years (£1.6 billion on a reported currency basis).

Free cash flow of £407 million was generated in the year, a movement of £354 million year on year mainly driven by movement in working capital. In the prior year, significant progress was made on our 'Delivering Value' objective to reduce working capital and as a result a one-off benefit of £315 million was recorded. Over the full period of 'Delivering Value' working capital has reduced by over £500 million excluding the impact of LME of around £180 million over the same period. LME is the legislative change shortening payment terms in France, implemented over the three years to 2012.

In the current year working capital has increased by £141 million. The largest single item impacting this is the LME change in France. The balance is due to planned earlier purchase of seasonal stock and additional stock in newly opened stores. Stock days have increased in the period from 92 days in 2009/10 to 95 days on a moving average basis.

With a tight focus on cash over the last three years, the Group has been able to reduce its reliance on external funding, improving our financial flexibility. In 2010/11 the Group repaid £679 million nominal value of gross debt by repaying maturing debt, and by repurchasing significant proportions of our 2014 Eurobonds and US Private Placement debt. In total over the last three years we have repaid gross debt with a value of £1,371 million.

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

Capital expenditure

Gross capital expenditure increased by 21% in the year to £310 million. Of this, £116 million was spent on property (2009/10: £102 million). In the year £194 million was spent on fixtures, fittings and intangibles (2009/10: £154 million). A total of £87 million of proceeds from disposals were received during the year (2009/10: £59 million).

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

- An annual strategic planning process based on detailed plans for all businesses for the next three years. This process drives the key strategic capital allocation decisions and the output is reviewed by the Board, twice a year.
- A capital approval process through a capital expenditure committee, attended by the Group Chief Executive, Group Finance Director, Group Property Director and the three regional CEOs as required. The committee is delegated to 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 also notified to the Board.
- Clear investment criteria with challenging hurdle rates for IRR (Internal Rate of Return) and discounted payback.
- An annual post-investment review process to undertake a full review of all projects above £0.75 million which were completed in the last four years, together with a review of recent performance on all other existing stores. The findings of this exercise are considered by both the Retail Board and the Board and directly influence the Regional and Group Development Strategy and the assumptions for similar project proposals going forward.
- An annual review of return on capital by store is performed which drives plans to improve the returns of weaker stores.

Management of liquidity risk and financing

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

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

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

At the year end, Kingfisher had an undrawn £500 million committed bank facility, which matures in August 2012.

Kingfisher deposits surplus cash with a number of banks with strong credit ratings and with money market funds which have the strongest, AAA, credit rating and offer same day liquidity. A credit limit for each bank or fund is agreed by the Board covering the full value of deposits and a proportion of the value of derivative contracts. The credit risk is reduced further by spreading the investments and derivative contracts across several counterparties. At the year end, Kingfisher had a total of around £500 million of cash deposited with banks and in money market funds. The highest single cash investment was a £86 million money market fund investment.

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

The terms of the US Private Placement note agreement and the committed bank facility require that the ratio of Group operating profit, excluding exceptional items, to net interest payable must be no less than 3:1. The Group is in compliance with this covenant, with the ratio at the year end being 26:1.

The Group has entered into interest rate derivative contracts to convert the fixed rate payable on its bonds and the US Private Placement note to a floating rate of interest. The floating interest rates paid by the Group under its financing arrangements are based on LIBOR and EURIBOR plus a margin. The margins were not changed during the year. Under the terms of the financing agreements, the margins are fixed and are not subject to change in line with credit ratings or financial ratios.

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 24 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 and retain financial flexibility in order to continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a solid investment grade credit rating.

The Group manages its capital by:

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

The Group is subject to certain externally imposed capital requirements as follows:

- Kingfisher Insurance Limited, a wholly owned subsidiary, is subject to minimum capital requirements as a consequence of its insurance activities; and
- 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 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 £3.3 billion at year end (2009/10: £3.0 billion), compared to the net book value of £2.7 billion recorded in the financial statements.

The values are based on valuations performed by external qualified valuers where the key assumption is the estimated yields. The valuation exercise was performed in October 2010 with approximately one third of the portfolio valued by external professional valuers.

Pensions

At the year end, the Group had a deficit of £58 million in relation to defined benefit pension arrangements of which £21 million is in relation to its UK Scheme. In 2009/10 the Group had a deficit of £198 million.

The approach used to prepare the pension valuation is in line with current market practice and international accounting standards, and has been applied consistently. This uses a number of assumptions which are likely to fluctuate in the future and so may have a significant effect on the accounting valuation of the scheme's assets and liabilities.

The decrease in the deficit was predominantly due to asset returns and changes to the discount rate and mortality assumptions used to value the pension obligation.

The valuation is very sensitive to financial and demographic assumptions. To aid understanding of the impact that changes to the assumptions could have on the pension obligation, we have included sensitivity analysis as part of the pension disclosure in note 27 of the accounts. Further details of all the key assumptions are also contained within the note.

Changes in the mortality assumptions and updated membership data reflect work done as part of the triennial funding valuation of the UK defined benefit scheme undertaken as at 31 March 2010.

In line with the valuations undertaken in 2004 and 2007, the Group chooses to take a longer view when looking at the funding of the pension scheme, and funding levels are set on a 20-30 year horizon with a target of full funding of the scheme on a prudent basis at this point in time. A similar approach has been adopted for this year's valuation, with the aim of keeping the Group's annual contributions to the scheme at a level broadly consistent with previous years.

This has been achieved principally by the introduction of property security held in a partnership, giving the pension scheme recourse to the property assets in the event of Kingfisher's insolvency. The scheme will receive a regular income stream from the partnership that forms part of the annual cash contribution from the Group to the pension scheme under the schedule of contributions.

UK property assets with a market value of £83 million were sold to the partnership and leased back to B&Q plc under standard commercial lease terms. The Group retains control over these properties, including the flexibility to substitute alternatives. The trustee's partnership interest entitles it to the majority of the income of the partnership over the next 20 years. At the end of this term, Kingfisher plc has the option to acquire the trustee's partnership interest.

The assets and activities of the partnership are consolidated within the Group financial statements by virtue of its control over the partnership. Under IFRS, the investment held by the scheme in the partnership does not represent a plan asset for the purposes of the Group's consolidated financial statements. Accordingly, the pension deficit position recorded in the Group financial statements does not reflect the scheme's investment in the partnership. The future payments to be made to the scheme by the partnership will be reflected as pension contributions in the Group financial statements on a cash basis.

The Group will obtain the normal tax deduction for the cash contribution made to the scheme during the current year which will be spread over the next four years.

A further two UK properties with a combined market value of £116 million are likely to be transferred to the partnership during 2011/12, and leased back to B&Q plc. The pension trustee may choose to make a further investment in the partnership at this time.

Risks

Given the scale and diversity of our businesses, the Board of Directors recognises that the nature, scope and potential impact of our key business and strategic risks is subject to constant change. As such, the Board has implemented the necessary framework to ensure that it has sufficient visibility of the Group's key risks and the opportunity to regularly review the adequacy and effectiveness of our mitigating controls and strategies.

The Corporate governance report on pages 35 to 40 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.

Risk	Action
1: Sustainable model for emerging markets. Although the Company has established a strong market share and brand presence in our key emerging markets there is a risk that we do not develop a sustainable business model that will deliver long term opportunities for growth and the desired return on invested capital.	In both Turkey and Poland we benefit from clear market leadership positions supported by strong management teams and robust business models. Our Russian business has seen a step change in leadership capabilities and store investment programme. We continue to focus on ensuring we have the right disciplines, processes and customer offer to deliver a sustainable long-term return. We have delivered the first phase of our turnaround in China and with continued improvements in performance we remain on track to eliminate losses during 2011/12.
2: The fragility of economic recovery continues to undermine consumer confidence and restricts opportunities for growth. Uncertainty surrounding the resilience of the global economy and the ongoing effectiveness of fiscal stimulus and monetary measures continue to impact consumer confidence and present a difficult trading outlook across the retail sector, particularly in terms of delivering opportunities for growth.	The Group is focused on self-help actions to manage in difficult economic environments. Strong self-help measures and cash generation throughout 2010 have contributed to the robust health of our balance sheet and available funding. With the ongoing availability of undrawn bank facilities and the recovery of the bond markets, we are confident that we have sufficient financial flexibility to mitigate the impact of any worsening of the economic climate.
3: We fail to take advantage of our combined buying power synergies and economies of scale. There is a risk that we fail to 'unlock' the potential to generate real shareholder value through the optimisation of combined purchasing and commercial synergies.	2010 has seen a significant increase in our direct sourcing initiatives across the Group and direct sourcing through the Kingfisher Sourcing Organisation now totals US$1.3 billion. A new Group Commercial Board has been set up to deliver a challenging programme to drive an increased alignment of products and ranges across businesses. Key steps within this programme will include: – implementing common and own brand ranges between the UK and France from which the rest of the Group can also select – continued investment in direct sourcing to support the common range and own brand development – a step change in product innovation investment in uniquely developed product, available across the Group
4: Our systems and supply chain infrastructures lack the flexibility and capability to support the delivery of our strategic plans. Our continued investment in delivering new and innovative products and solutions to our customers will continue to place increasing demands on our existing supply chain and systems infrastructure. There is a risk that our infrastructure will lack the necessary scalability, flexibility and resilience to support its successful execution. This is particularly relevant to our operating companies in developing markets which may not yet have the necessary logistics infrastructure and capabilities in place to accommodate our ambitious direct sourcing plans.	We have a programme to ensure that we focus our information technology resources on both maintaining or extending the useful lives of our existing technologies and developing solutions that support revenue generative opportunities and productivity initiatives. Where possible, we are also seeking to eliminate complex or heavily bespoke technologies to reduce our running costs. We continue to invest in our supply chain infrastructures to support our growth plans. In 2010 we made important enhancements to our supply chain capabilities and facilities in Poland, China and Turkey and, in 2011, will be making a significant investment in our distribution facilities in the UK.

Risk	Action
5: We fail to adapt our formats and models to meet ongoing changes in consumer trends, particularly given the impact of developments in the multi-channel sphere. Across our businesses we operate in increasingly sophisticated and changing markets. Our customers are increasingly using the internet more interactively not just to make purchases but also to seek inspiration and ideas for their homes. The ability to offer our customers a full and compelling multi-channel offering in terms of products, ideas, delivery options and innovations is becoming increasingly important and there is a risk that if we fail to capitalise on the continued growth of the internet and invest in multi-channel technologies we will lose market share to both traditional home improvement and new online competitors.	Improving our multi-channel offer forms a core component of how we develop our customer proposition and we are investing to ensure we fully exploit not only our multi-channel capabilities, but also to ensure that we stay at the forefront of how to connect and engage with our customers through social media and 3G technology. We also continue to invest to improve the quality and depth of our knowledge and understanding of customer insights and market trends.
6: Impact of a major health and safety failure affects our reputation and results in harm to our employees, penalties or prosecution. There is a risk that repeated health and safety failures could result in a major incident that is directly attributable to either a systematic or institutionalised failure in our health and safety management systems. This would result in damage to our reputation through adverse publicity, prosecution and censure.	With 80,000 employees and six million customers visiting over 850 stores each week, robust health and safety systems are a priority. The Board is committed to creating and sustaining a safe environment for both our staff and customers and regularly review and challenge health and safety performance, standards and targets across our businesses. Kingfisher's Corporate Centre is also responsible for facilitating the sharing of health and safety best practice between the Group's businesses and the development of minimum Group standards, which in some cases will be stricter than local regulatory requirements. While regulatory requirements vary from country to country, each operating company is required to designate a director with specific responsibility for health and safety. This person 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 local managing director.
7: We do not make the necessary investment in our people to ensure that we have the appropriate calibre of staff, skills and experiences across the Group. Retail is a people business and there is a risk that, given economic pressures, we fail to maintain the necessary investment in our people to ensure that we have the appropriate calibre of staff for specific roles and that skills and experiences are deployed in the best interests of the individual, the operating company and the Group.	We continue to invest in our people across the organisation and are committed to ensuring that our people are given opportunities to develop themselves to the benefit of the organisation and our customers. This is done through a wide range of development opportunities ranging from store-based training programmes, supported by the delivery of nationally accredited and recognised qualifications and apprenticeship schemes, to leadership academy programmes for our senior managers. We have also introduced new elements to our share-based long-term incentive plans across our business, to ensure that senior management rewards are aligned with our targeted performance and earnings growth. We also remain committed to the ongoing assessment and measurement of our people's engagement with the business and engagement surveys are completed across the Group.

Risk	Action
8: The risk of penalties or punitive damages arising from failure to comply with legislative or regulatory requirements. The geographic, political and cultural diversity of the markets in which we operate exposes us to wide ranging and complex legal and regulatory frameworks. There is a danger that we do not understand the risks associated with either existing or proposed changes to legislative requirements across the jurisdictions in which we operate.	Individual operating companies, supported where necessary by the legal and corporate responsibility department, are responsible for ensuring that they have access to sufficient legal and governance resource. Operational management are also responsible for liaising with either local legal resources or the corporate affairs department to resolve any potential issues arising from new legislation or any suspected breaches of existing legislation or Group policies. Where new operating companies are either acquired or created, formal Group-defined governance structures are established from the outset. At a minimum, these provide guidance regarding Board and Audit Committee processes and procedures, the implementation of which are subject to a review by the Legal and Corporate Responsibility Director and the internal audit department.
9: The potential impact to Kingfisher's reputation, arising from a major ethical or environmental failure. As our customers become more knowledgeable about the environmental and social impact of our businesses, we are increasingly being asked to provide both products and product information that support our intent to operate an environmentally sustainable and ethically responsible business. As a result, the risks to our reputation, arising from a major environmental or ethical failure, increase exponentially.	Kingfisher is committed to a long-term investment in promoting ethics, social responsibility and environmental sustainability. Kingfisher's Future Homes strategy sets out a policy and framework for integrating sustainability into the business, and includes specific standards and targets for all operating companies. A Corporate Responsibility (CR) risk assessment tool has been developed to help our operating companies identify and manage CR risks and opportunities. We also engage with key non-governmental organisations and industry forums (e.g. Forum for the Future, FTSE4Good and 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 the Corporate Responsibility section on page 18.
10. We do not implement the measures and disciplines to effectively assess the shareholder value delivered through the Delivering Value programme. The successful execution of the Delivering Value programme is the basis on which we will assess our progress in delivering our key priorities of managing working capital, cash, costs, investment capital and returns to our shareholders. There is a risk that we do not implement effective criteria against which to monitor, manage and report our progress in achieving the programme's aims and objectives.	Appropriate corporate planning processes are in place to ensure that our operating company and divisional strategies are aligned and contribute to the Delivering Value programme.

Board of Directors

Daniel Bernard
Chairman ▲ ■
Joined the Board as Deputy Chairman in May 2006 before being appointed Chairman on 3 June 2009. He is President of Provestis, his own investment company and since January 2010, has been Chairman of MAF Retail Group, Dubai. He has also been Senior Advisor of Towerbrook Capital Partners since October 2010. He is a non-executive director of Alcatel Lucent and Capgemini. He is also President of the HEC Business School Foundation in Paris and a member of the Advisory Board of HEC. 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 was previously a non-executive director of Compagnie de St Gobain until June 2006. Age 65.

Ian Cheshire
Group Chief Executive
Appointed to the Board in June 2000 and as Group Chief Executive in January 2008. He was previously Chief Executive, B&Q UK 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 a non-executive director of Whitbread plc and lead non-executive member on the Department for Work and Pensions Board. He is also a member of the Corporate Leaders Group on Climate Change and a Member of the Employers' Forum on Disability President's Group. Age 51.

Kevin O'Byrne
Group Finance Director
Appointed to the Board as Group Finance Director in October 2008. He previously worked for Dixons Retail plc from 2002 to 2008 where he was Group Finance Director. From 2000 to 2002 he was Chief Financial Officer of Hemscott and between 1995 and 2000 he was European Finance Director at Quaker Oats Limited. He is also a non-executive director and Chairman of the Audit Committee of Land Securities Group plc. Age 46.

John Nelson
Deputy Chairman and Senior Independent Director ● ▲ ■
Appointed to the Board in January 2002 and succeeded Daniel Bernard as Deputy Chairman on 3 June 2009 whilst retaining his role as Senior Independent Director. He is Chairman of European real estate group, Hammerson plc and Senior Advisor 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. He was previously a non-executive director of BT Group plc, Cazenove Group Ltd, JP Morgan Cazenove Holdings and Woolwich plc. Age 63.

Andrew Bonfield
Non-Executive Director ● ■ ▲
Appointed to the Board in February 2010. He is Finance Director of National Grid plc. He was previously Chief Financial Officer of Cadbury plc and prior to that he was Chief Financial Officer of Bristol-Myers Squibb from 2002 to 2007, Finance Director of BG Group plc from 2001 to 2002 and Chief Financial Officer of SmithKline Beecham plc from 1999 to 2000 during an 11 year period with the pharmaceuticals group. Age 48.

Anders Dahlvig
Non-Executive Director ● ■
Appointed to the Board in December 2009. He was previously Chief Executive and President of The IKEA Group from 1999 to 2009, having spent 26 years with the company. Prior to becoming Chief Executive, he was Vice President of IKEA Europe from 1997 to 1999 and Managing Director of IKEA UK from 1993 to 1997. He is a director of Oriflame Cosmetics AB, H&M Hennes & Mauritz AB and Axel Johnson AB; and is Chairman of The New Wave Group and a member of the Advisory Board of Lund University Business School. Age 53.

Janis Kong
Non-Executive Director ▲ ■ ●
Appointed to the Board in December 2006. She is a non-executive director of Portmeirion Group plc, NetworkRail and VisitBritain, and Chairman of the Board of Trustees of Forum for the Future. She was previously a non-executive director of The Royal Bank of Scotland Group plc and, until her retirement in March 2006, was a director of BAA plc and Chairman of Heathrow Airport Ltd for five years as well as being Chairman of Heathrow Express. Prior to that she was Managing Director of Gatwick Airport and has held a number of operational roles within BAA during her 33-year career with the company. Age 60.

Pascal Cagni
Non-Executive Director ■
Appointed to the Board in November 2010. He is currently Vice President and General Manager of Apple Europe, Middle-East, India and Africa, and has been with Apple for 10 years in a variety of positions. His previous experience includes roles at NEC, Compaq and Booz Allen Hamilton. He has also held the position of non-executive director on the board of Egg Banking plc, the on-line banking arm of Prudential plc from 2002 to 2006 and on the board of Atari, the computer games company. Age 49.

Clare Chapman
Non-Executive Director ▲ ■
Appointed to the Board in December 2010. She is currently Director General of Workforce, for the NHS and Social Care, and has been in this position since 2007. Her previous experience includes Group HR director of Tesco plc from 1999-2006 and HR vice president of Pepsi Cola's West and Central European operations from 1994-1999. She is also a non-executive director of TUI Travel plc and Chairman of its Remuneration Committee. Age 51.

● Audit Committee, ▲ Remuneration Committee, ■ Nomination Committee
See pages 35 to 39 for further details

Retail Board

Kingfisher's Retail Board consists of the five members of the Group Executive (CEO, FD and the three regional CEOs), who meet monthly to coordinate the strategic management of the Group. They are joined each quarter by the other senior executives, also listed here, to form the full Retail Board.

01 Ian Cheshire
Group Chief Executive
See biography on page 29.

02 Kevin O'Byrne
Group Finance Director
See biography on page 29.

03 Peter Hogsted
Chief Executive, Kingfisher International
Peter joined Kingfisher in September 2008 after 13 years at IKEA. He was Chief Executive of IKEA UK and Chairman of its operations in Poland, the Czech Republic, Slovakia, Ireland and Hungary. From 1988 to 1995 he worked for Co-op, Denmark.

04 Euan Sutherland
Chief Executive, Kingfisher UK & Ireland
Euan joined Kingfisher in June 2008 from AS Watson UK, owner of Superdrug and Savers, where he was Chief Executive. He has 19 years' experience at companies such as Boots, Mars, Coca-Cola, Matalan and Dixons Retail. He is also responsible for Kingfisher's Group sourcing and supply operations.

05 Philippe Tible
Chief Executive, Kingfisher France
Philippe was appointed to the role in March 2008 after five years as CEO of Castorama France. He previously held senior roles at DIY retailer Leroy Merlin and furniture retailer Conforama.

06 Mike Bell
Group IT Director
Mike is responsible for Kingfisher IT Services and joined in January 2009. He was formerly Chief Information Officer at Somerfield and has held senior roles at United Distillers plc, Forte plc, Premier Farnell plc and Boots plc.

07 Benedikt Benenati
Group Internal Communications Director
Benedikt was appointed in February 2010 to lead the Group's internal communications and employee engagement processes. He joined from Groupe Danone where he was Communications Director and Organisation Development Director.

08 Nick Folland
Legal and Corporate Responsibility Director, Kingfisher plc, B&Q plc
Nick joined Kingfisher in May 2007 and was also appointed to the B&Q Board in July 2009. He was previously Company Secretary and Group Legal Director at EMAP having qualified as a solicitor at Linklaters and Paines.

09 Evelyn Gleeson
Group HR Director
Evelyn joined Kingfisher in April 2010 from BP where she was a senior Human Resources Director in Refining & Marketing for four years. Before BP, Evelyn spent nine years at Mars Incorporated in senior operational HR roles, having started her career in manufacturing operations.

10 Ian Harding
Group Communications Director
Ian is responsible for investor relations and media relations and has worked at Kingfisher for 15 years. He started his career in finance and spent eight years at PricewaterhouseCoopers before joining Kingfisher.

11 Ian Playford
Group Property Director
Ian is responsible for managing Kingfisher's £3.3bn property portfolio. He joined Kingfisher in October 2009 from Parkridge Holdings, a property development and investment group where he was CEO, Western Europe and Russia. Before joining Parkridge, Ian spent five years at King Sturge, the property investment consultants and 12 years at Aviva.

12 Andy Wiggins
Group Innovation Director
Andy is responsible for driving innovation in products and services across the Group and was appointed to this new role in September 2009. He joined Kingfisher as Group Strategy Director in 2006 and then transferred to B&Q as Services Director in 2008. Previously, Andy worked at MFI, Booz Allen Hamilton, Kraft and Coca-Cola.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Directors' report

The directors present their report and audited financial statements for the financial year ended 29 January 2011.

Principal activities
The principal activity of Kingfisher plc and its wholly-owned subsidiaries, joint venture and associates is the delivery of the full range of products and services of an international home improvement business.

Business review
The Business Review, which is set out on pages 1 to 28 provides a comprehensive review of the development, performance and future prospects of the Group's operations for the year ended 29 January 2011. The information set out in the Business Review includes the Group's Key Performance Indicators, a statement on Corporate Responsibility, a Financial Review including financial and capital risk, and a description of the principal risks and uncertainties facing the Group. These sections are incorporated by reference and deemed to form part of this report.

Dividends
The directors recommend a final dividend of 5.145p (2009/10: 3.575p) per ordinary share amounting to £122m (2009/10: £84m) to be paid on 20 June 2011 to members appearing on the Register at the close of business on 6 May 2011. Together with the interim dividend of 1.925p (2009/10: 1.925p) per ordinary share, amounting to £45m (2009/10: £45m), paid on 12 November 2010, the total dividend for the financial year ended 29 January 2011 will be 7.07p (2009/10: 5.50p) per ordinary share, amounting to £167m (2009/10: £129m).

Directors
Full biographical details of the current directors are set out on page 29.

Phil Bentley and Michael Hepher retired from the Board on 17 March 2010 and 17 June 2010, respectively. Andrew Bonfield joined the Board as a non-executive director on 11 February 2010 and was appointed by shareholders to the Board at the Company's last Annual General Meeting. Pascal Cagni and Clare Chapman joined the Board as non-executive directors on 17 November 2010 and 2 December 2010 respectively, and will seek re-appointment by shareholders at the Annual General Meeting on 16 June 2011. In accordance with the principles of the new UK Corporate Governance Code, all directors will retire and will be submitted for re-appointment as directors at the Annual General Meeting in 2011.

Directors' indemnity arrangements
The Company has provided qualifying third-party deeds of indemnity for the benefit of each director and former director who held office during the 2010/11 financial year. The Company has also purchased and maintained Directors' and Officers' liability insurance throughout 2010/11. Neither the indemnities nor the insurance provide cover in the event that the director concerned is proved to have acted fraudulently.

Directors' interests
Details of directors' remuneration, service contracts and interests in the Company's shares and share options are set out in the Directors' Remuneration Report on pages 41 to 53. No director had a material interest at any time during the year in any derivative or financial instrument relating to the Company's shares.

Principal risk identification and management
The principal risks and uncertainties facing the Group have been reviewed by the Board and its Committees, as appropriate, and are shown in the Risks section on pages 26 to 28. The Risks section also provides information on the performance of the Board in actively managing those risks, to allow assessment of how the directors have performed their statutory duty to promote the success of the Company.

Employees
The commitment of the Group's employees is vital to ensure that high standards of customer care and service are maintained throughout the business. The Group is fully committed to treating its employees and customers with dignity and respect, and to valuing diversity. It is Group 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 the Group's performance and ensure that all customer comments are analysed, responded to and acted upon.

Across the Group, women accounted for 40% of total employees and 29% of managers in 2010/11. B&Q UK continued its long-established policy of promoting age diversity, with around a quarter of its employees aged over 50.

The Group's statement on employee development is set out in the People section on page 16 and details of employee involvement through participation in share incentive schemes are contained in the Directors' Remuneration Report on pages 41 to 53.

There are a number of communication channels in place to help employees to develop their knowledge of, and enhance their involvement with, the Group. These channels include engagement surveys, briefing groups, internal magazines and newsletters that report on business performance and objectives, community involvement and other applicable issues. Directors and senior management regularly visit stores and discuss matters of current interest and concern with employees.

Corporate responsibility
Details of the Group's corporate responsibility policy and operations are set out on page 18.

Charitable donations

Kingfisher and its subsidiaries made contributions to charity/community projects worth an estimated £1,598,000 (2009/10: £941,000) during the financial year ended 29 January 2011 – equivalent to 0.2% of pre-tax profits. This included cash donations (£952,000) and gifts-in-kind (£443,000 – retail cost). Support was also given through the donation of time by employees (£203,000).

Political donations

The Board annually seeks and obtains shareholders' approval to enable the Group to make donations or incur expenditure in relation to EU political parties, other political organisations or independent election candidates under section 366 of the Companies Act 2006. The approval given in 2010 restricted such expenditure to an aggregate limit of £75,000 during the period of 12 months following the date of the Annual General Meeting.

The Group has made no political donations during the year (2009/10: Nil). As with previous annual approvals, the Group has no intention of changing its current policy and practice of not making political donations and will not do so without the specific endorsement of shareholders. The Board obtains the approval on a precautionary basis to avoid any possibility of unintentionally breaching the relevant provisions.

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. On average, the Company's suppliers are paid in 45 days.

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, Medium Term Note ('MTN') documentation, private placement debt and employee 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 £500 million credit facility dated 15 March 2005 between, the Company, HSBC Bank plc (as the facility agent) and the banks named therein as lenders, which 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 US$297 million US Private Placement notes, issued pursuant to a note purchase agreement dated 24 May 2006 by the Company to various institutions, which 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; and
- the €200 million MTNs, issued on 23 November 2005 under the Group's €2,500 million MTN programme by the Company to various institutions, which 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) any holder of the MTNs may require the Company to prepay the principal amount of that note together with interest accrued.

The Company does not have agreements with any director or officer that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share incentive schemes may cause options and awards granted under such schemes to vest on a takeover.

There is no information that the Company would be required to disclose about persons with whom it has contractual or other arrangements which are essential to the business of the Company.

Share capital

Details of the Company's issued share capital are set out in note 28 of the consolidated financial statements. All of the Company's issued ordinary shares are fully paid up and rank equally in all respects.

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, copies of which can be obtained from the Company's website or by writing to the Company Secretary. The holders of ordinary shares are entitled to receive the Company's Annual Report and Accounts, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights.

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 Financial Services Authority Listing Rules or the City Code on Takeovers and Mergers.

The Company has a Sponsored Level 1 American Deposit Receipt ('ADR') programme in the United States.

Financial instruments

The Group's financial risk management objectives and policies are set out within note 24 to the financial statements on pages 81 to 83. Note 24 also details the Group's exposure to foreign exchange, interest, credit and liquidity risks. These notes are included by reference and form part of this report.

Authority to purchase own shares

At the Annual General Meeting in 2010, shareholders approved a resolution for the Company to make purchases of its own shares to a maximum number of 236,169,964 ordinary shares, being approximately 10% of the issued share capital. This resolution remains valid until the conclusion of this year's Annual General Meeting on 16 June 2011. As at 23 March 2011, the directors have not used this authority. In order to retain maximum flexibility, a resolution will be proposed at this year's Annual General Meeting to renew this authority. It is the Company's current intention that shares acquired under this authority would be cancelled.

Authority to allot shares

At the Annual General Meeting in 2010, shareholders approved a resolution to give the directors authority to allot shares up to an aggregate nominal value of £123,708,076. In addition, shareholders approved a resolution to give the directors authority to allot up to a nominal amount of £247,416,153 in connection with an offer by way of a rights issue in accordance with ABI guidance. If this additional allotment authority were used, the ABI guidance will be followed. The directors have no present intention to issue ordinary shares, other than pursuant to employee share incentive schemes. These resolutions remain valid until the conclusion of this year's Annual General Meeting when resolutions will be proposed to renew these authorities.

Major shareholders

As at 15 March 2011, the Company was aware of the following interests in its shares:

	Number of ordinary shares held	% of total voting rights
Templeton Group	233,589,091	9.88%
Thornberg Investment Management Inc	171,182,863	7.24%
Legal & General Investment Management Limited	90,889,283	3.84%
Artisan Partners LP	80,420,646	3.40%
BlackRock Advisors Inc (US)	77,540,551	3.28%
APG Asset Management	73,494,476	3.11%

Annual General Meeting

The 2011 Annual General Meeting of the Company will be held on 16 June 2011 at the Hilton London Paddington Hotel, Paddington at 11:00am. A full description of the business to be conducted at the meeting is set out in the separate Notice of Annual General Meeting.

By order of the Board

Nick Folland
Company Secretary
23 March 2011

Directors' statement of responsibility

Going concern
The directors confirm that, after reviewing expenditure commitments, expected cash flows and borrowing facilities, they have a reasonable expectation that Kingfisher plc (the 'Company') and the Kingfisher Group of companies (the 'Group') have adequate resources to continue in operational existence for the next financial year and the foreseeable future. For this reason they continue to adopt the going concern basis in preparing these financial statements. Further details of the Group's liquidity are detailed in the financial review on page 19.

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 (as defined by section 391(2) of the Companies Act 2006) 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 in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Responsibility for preparing financial statements
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

UK company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article four of the IAS Regulation and have elected to prepare the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- follow applicable UK Accounting Standards (except where any departures from this requirement are explained in the notes to the parent Company financial statements); and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements in accordance with IAS1 'Presentation of Financial Statements', the directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement
The directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the business review, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation 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
23 March 2011

The Board is committed to the highest standards of corporate governance and recognises that effective governance is fundamental to enabling the business to deliver its strategy whilst generating shareholder value and safeguarding shareholders' long-term interests.

In accordance with the Listing Rules of the UK Listing Authority, the Board confirms that throughout the year ended 29 January 2011, and as at the date of this Annual Report, the Company has been in compliance with the Code provisions set out in Section 1 of the UK Financial Reporting Council's 2008 Combined Code on Corporate Governance (the 'Combined Code'). This report together with the Directors' Report on pages 31 to 33, and the Directors' Remuneration Report on pages 41 to 53 provides details of how the Company has applied the principles and complied with the provisions of the Combined Code. A copy of the Combined Code is available at www.frc.org.uk.

UK corporate governance code

An updated version of the UK Corporate Governance Code (formerly the Combined Code) was published on 28 May 2010 (the 'New Code'). The New Code will apply to the reporting periods beginning on or after 29 June 2010 and will therefore apply to the Company for the financial year commencing 30 January 2011. A copy of the New Code is available at www.frc.org.uk.

The Board has conducted an initial review of the New Code and has identified a number of principles which it has chosen to adopt voluntarily in advance of its introduction, and those areas which will require further review and/or changes during the next year. The Board has agreed to voluntarily adopt the following principles ahead of the implementation of the New Code:

- all directors will stand for re-appointment at the Company's Annual General Meetings with effect from 2011; and
- the performance of the Board will be externally facilitated at least once every three years, commencing with the review carried out in 2010.

A number of key changes in the New Code have been identified as relevant to the Company. The Board have agreed to conduct a detailed review of all aspects of the revised principles of the New Code and will provide details of this review in the next Annual Report.

The Board

The Board leads and controls the Group's business and its powers are set out in the Company's Articles of Association, which are available at www.kingfisher.com. The Board has final responsibility for the management, direction and performance of the Group and is accountable to the Company's shareholders for the proper conduct of the business.

The Board has a formal schedule of matters specifically reserved for its approval. The schedule is reviewed periodically and includes, but is not limited to, the following matters:

- Group strategy, three-year plans and annual budgets;
- major capital expenditure, acquisitions or divestments;
- major changes to the capital structure including tax and treasury management;
- major changes to accounting policies or practices;
- approval of all financial announcements, the Annual Report and accounts and shareholder communications;
- approval of any interim dividends and recommendation of the final dividend;
- the system of internal control and risk management policy; and
- review of management development strategy.

The Board has delegated authority to standing Audit, Remuneration and Nomination Committees to carry out certain tasks as defined in their written terms of reference. Each Committee reports to, and has its terms of reference approved by, the Board. The minutes of Committee meetings are circulated to, and reviewed by, the Board. Additional information on the responsibilities of each of the Board's Committees is set out on pages 38 and 39.

Board meetings

The Board holds regular scheduled meetings throughout the year. Unscheduled supplementary meetings may also take place as and when necessary. These meetings are structured to allow open discussion. At each meeting the Board receives certain regular reports; an update from the Group Chief Executive, current trading/finance (including liquidity) reports from the Group Finance Director, capital expenditure approvals and reports from the Company Secretary (including governance, legal, insurance and risk, and corporate responsibility updates) and the Group HR Director.

All directors participate in discussing the strategy, trading and financial performance and risk management of the Group. Comprehensive briefing papers are circulated to all directors approximately one week before each meeting. Directors who are unable to attend a particular meeting receive relevant briefing papers, are given the opportunity to discuss any issues with the Chairman or the Group Chief Executive and, where possible, participate by telephone for critical discussions and approvals on specific matters.

The Board generally meets at the Group's Head Office in London and holds at least one meeting each year overseas. During the financial year under review, the Board held meetings in Warsaw, Poland and Toulouse, France. In addition, at least once per year, the Board holds a meeting off site, which focuses on presentations from the UK executive team and includes visits to stores.

Board and committee meeting attendance

The following table shows the number of years each director has served on the Board as at the financial year end and their attendance at the scheduled Board and Committee meetings which they were eligible to attend:

	Tenure in years	Board	Audit Committee	Remuneration Committee	Nomination Committee
Daniel Bernard	4	10/10		9/9	1/1
Andrew Bonfield [1]	1	10/10	5/5	6/6	
Pascal Cagni [2]	<1	2/2			
Clare Chapman [3]	<1	1/1			
Ian Cheshire	10	10/10			
Anders Dahlvig	1	10/10	5/5		
Janis Kong	4	9/10		7/9	1/1
John Nelson	9	10/10	5/5	9/9	1/1
Kevin O'Byrne	2	10/10			
Phil Bentley [4]	n/a	1/2	1/1		1/1
Michael Hepher [5]	n/a	2/3	1/1		0/1

1 Andrew Bonfield was appointed to the Board and a member of the Audit and Nomination Committees with effect from 11 February 2010. He was appointed as Chairman of the Audit Committee with effect from 17 March 2010 and a member of the Remuneration Committee with effect from 17 June 2010.
2 Pascal Cagni was appointed to the Board and a member of the Nomination Committee with effect from 17 November 2010.
3 Clare Chapman was appointed to the Board and a member of the Nomination Committee with effect from 2 December 2010.
4 Phil Bentley retired from the Board and Board Committees on 17 March 2010.
5 Michael Hepher retired from the Board and Board Committees on 17 June 2010.

At the request of any non-executive director, the Chairman will arrange meetings consisting of only the non-executive directors to allow the opportunity for any concerns to be raised. During the year, the Chairman maintained regular contact and met with the Senior Independent Director and other non-executive directors.

Board balance and independence

The Board is made up of two executive directors, six non-executive directors and a non-executive Chairman. The current balance of the Board with its skills, experience and knowledge, together with regular briefings by executives below Board level, ensures that views, perceptions and discussions are not dominated by any specific executive view. The executive and non-executive directors have overall collective responsibility for the direction of the Company. The current directors' biographical details are set out on page 29.

There is a clear division of responsibilities between the Chairman and the Group Chief Executive, which are set out in writing and have been approved by the Board. The Chairman, Daniel Bernard, is responsible for the overall operation, leadership and governance of the Board. He is also responsible for ensuring that all members of the Board develop an understanding of the views of major shareholders and that there is an open dialogue with shareholders. The Group Chief Executive, Ian Cheshire, is responsible for all executive management of the Group's business, consistent with the strategy and commercial objectives agreed by the Board.

The Senior Independent Director, John Nelson, supports the Chairman and is available for approach or representation from significant shareholders who may feel they are unable to raise issues with the Chairman.

During the year, the Board considered the independence of each of the non-executive directors (other than the Chairman, who was deemed independent by the Board at the date of his appointment) against the criteria specified in the Combined Code and concluded that each remained fully independent. The continuing independence of John Nelson, who has served as a non-executive director for nine years, was subject to rigorous review and the Board concluded that he remained independent.

Phil Bentley retired as a non-executive director in March 2010 and Michael Hepher, who served on the Board as non-executive director for 12 years, retired at the conclusion of the 2010 Annual General Meeting.

Board appointments

There is a formal, rigorous and transparent procedure for the appointment of new directors to the Board and this is described in the section on the Nomination Committee on page 38. The procedure was followed during the selection and appointment of Andrew Bonfield, Pascal Cagni and Clare Chapman who joined the Board as non-executive directors on 11 February 2010, 17 November 2010 and 2 December 2010 respectively. The terms and conditions of appointment of each of the non-executive directors are available for inspection at the Company's registered office and will also be available for inspection at the Annual General Meeting for at least 15 minutes before the meeting until its conclusion.

Information and professional development
All new directors appointed to the Board receive an induction pack in addition to a comprehensive induction programme tailored to their experience, background and particular areas of focus, which is designed to develop their knowledge and understanding of the Group's operations and culture. In particular, the programme includes:

- individual one-to-one meetings with the Chairman, the Group Chief Executive, the Group Finance Director and other directors;
- site visits to the Group's stores and those of its competitors;
- meetings with operating company management and other senior management; and
- external training courses at the Group's expense, if required.

Subsequent training in specific aspects of the Group's businesses are provided to directors, when requested, or regularly as part of site visits. Directors are briefed on issues arising at Board and Committee meetings and have full and timely access to relevant information ahead of each meeting.

The Board also receives regular reports addressing issues and concerns raised by the Company's institutional shareholders. This process allows the directors to develop the necessary understanding of the views of these shareholders and also enables the Board to judge whether investors have a sufficient understanding of the Group's objectives.

As well as planned development and briefings, directors are also expected to take responsibility for identifying their own individual needs and to take necessary steps to ensure that they are adequately informed about the Group and their responsibilities as a director. The Board is confident that all its members have the knowledge, ability and experience to perform the functions required of a director of a listed company.

There is also an agreed procedure whereby directors may take independent professional advice at the Group's expense in the furtherance of their duties.

Board performance evaluation
The evaluation of the performance of the Board during the financial year was undertaken by an external facilitator. Following a review of proposals from three external facilitators, the Board appointed ICSA Board Evaluation to facilitate a review of its performance.

The ICSA facilitator met with each director on an individual basis to obtain their views on five aspects of the Board's performance and to ascertain whether their needs and expectations were being met. The evaluator ensured that pre-defined constituent elements of each topic were covered in the discussions and a qualitative score was assigned by each director. The five topics were as follows:

- board role and responsibilities;
- oversight;
- board composition;
- working together; and
- outcome and achievements.

The results of the evaluation were considered by the Board at its meeting in February 2011 and the meeting considered and noted the recommendations to be included in the Board's overall objectives for the following year.

The report concluded that, as a whole, the Board was functioning well, that the contribution and commitment of each director, and their interaction with each other, was good and that the non-executives as a group offered robust challenge where appropriate.

The Board has confirmed that the contribution of each of the directors continues to be effective and that shareholders should be supportive of their re-appointment. The biographical details of all directors seeking re-appointment at the 2011 Annual General Meeting are set out on page 29.

The Board will continue to review its procedures, effectiveness and development in the year ahead and the Chairman will use the output of the most recent Board evaluation in his individual meetings with directors during the year.

In addition, the Group Chief Executive carried out a performance review of the Group Finance Director. The non-executive directors, led by the Senior Independent Director, conducted the performance review of the Chairman in respect of the financial year.

Conflicts of interest
The Company has robust procedures in place to identify, authorise and manage conflicts of interest, and these procedures have operated effectively during the year. A register of directors' conflicts is maintained by the Company Secretary and reviewed by the Board on an annual basis. The Board is aware of the other commitments of its directors and any changes to these commitments are reported to the Board.

Committees

The Board has delegated authority to its Committees to carry out certain tasks as defined in each Committee's respective terms of reference. The written terms of reference in respect of the Audit, Remuneration and Nomination Committees are available on the Company's website and copies are available upon application to the Company Secretary at the Company's registered office.

Minutes of Committee meetings are made available to all directors on a timely basis and the chairmen of the principal Committees provide updates to the Board at subsequent Board meetings. The Board is satisfied that the terms of reference for each of these Committees satisfy the requirements of the Combined Code and are reviewed on an ongoing basis. Details of each Committee, including membership, are set out in the following reports:

Audit Committee

The members of the Audit Committee are:

- Andrew Bonfield (Chairman with effect from 17 March 2010)
- Anders Dahlvig
- Janis Kong (appointed 16 February 2011)
- John Nelson

Andrew Bonfield was appointed as Chairman of the Audit Committee on 17 March 2010 replacing Phil Bentley who retired on the same date. In accordance with the requirements of the Combined Code, Andrew Bonfield is designated as the Committee member with recent and relevant financial experience. The Audit Committee is comprised of members having the necessary ability and experience to understand financial statements.

Under its terms of reference, the Audit Committee is required, amongst other things to:

- monitor the integrity of the financial statements of the Company;
- review, understand and evaluate the Company's internal financial risk, and other internal controls and their associated systems;
- monitor and review the effectiveness of the Company's internal audit function on an annual basis;
- oversee the relationship with the external auditors, making recommendations to the Board in relation to their appointment, remuneration and terms of engagement; and
- monitor and review the external auditor's independence, objectivity and effectiveness and to approve the policy on the engagement of the external auditor to supply non-audit services.

Where appropriate, the Audit Committee meets separately with the external auditors and the Group Audit and Risk Management Director without management being present. Further details on the work of the Audit Committee can be found under Auditors and the Audit Committee Report on pages 40 and 54 respectively.

Remuneration Committee

A report detailing the work of the Remuneration Committee during the year is set out on pages 41 to 53.

Nomination Committee

The members of the Nomination Committee are:

- Daniel Bernard (Chairman)
- Andrew Bonfield (appointed 11 February 2010)
- Pascal Cagni (appointed 17 November 2010)
- Clare Chapman (appointed 2 December 2010)
- Anders Dahlvig
- Janis Kong
- John Nelson

The primary purpose of the Nomination Committee is to lead the process for Board appointments and to make recommendations for maintaining an appropriate balance of skills on the Board. In particular, the Nomination Committee:

- reviews the structure, size and composition of the Board and makes recommendations to the Board, as appropriate;
- identifies the balance of skills, knowledge and experience on the Board and nominates candidates to fill Board vacancies;
- reviews the time required from the non-executive directors;
- considers succession planning, taking into account the challenges and opportunities facing the Group and the future skills and expertise needed on the Board; and
- reviews the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.

The Nomination Committee meets periodically when required and external advisers may be invited to attend. Following a rigorous search and selection process carried out with the assistance of specialist recruitment consultants, the Nomination Committee considered the proposed appointments of Andrew Bonfield, Pascal Cagni and Clare Chapman as additional non-executive directors. In making its appointment recommendations to the Board, the Nomination Committee reviewed the overall balance of skills, knowledge, experience and diversity on the Board against current and future requirements of the Company. The Board believes that its current composition represents a strong, well balanced Board with specialists in retail, technology, finance and human resources.

Retail Board
The Retail Board consists of the five members of the Group Executive (the executive directors and three divisional chief executives) and certain other Group functional heads. The Group Executive, whose biographical details are set out on page 30, meets formally up to 12 times a year under the chairmanship of the Group Chief Executive. The remaining members of the Retail Board, whose biographical details are also set out on page 30, participate in at least four meetings per year and other meetings upon invitation.

The Group Executive, supported by the Retail Board, are primarily responsible for the day-to-day management of the Group's businesses and the overall financial performance of the Group against its strategic plans and budget.

The Retail Board are responsible for reviewing and making recommendations to the Board on:

- strategic, and business plans of individual businesses;
- monthly Group trading performance;
- the individual progress of operating companies;
- the Group's capital structure and funding;
- capital expenditure proposals, major acquisitions or disposals of businesses;
- the Group's key risks;
- management development and senior executive succession plans; and
- the Group's corporate responsibility programme.

Company Secretary
The Company Secretary acts as Secretary to the Board and its Committees and, with the consent of the Board, may delegate responsibility for the administration of the Committees to other suitably qualified staff. The Company Secretary is also responsible for ensuring that the correct Board procedures are followed and advises the Board on legal and corporate governance matters. All directors have access to the advice and services of the Company Secretary and his appointment and removal is one of the matters reserved to the Board.

Accountability, risk management and internal control
The Board considers risk assessment, identification of mitigating actions and internal control to be fundamental to achieving the Group's strategic corporate objectives. The Board of directors has overall responsibility for the Group's system of internal control and risk management.

Risk management
The Group's enterprise-wide risk management and reporting process helps Group management to identify, assess, prioritise and mitigate risk. Management at each operating company has responsibility for the identification and evaluation of the significant risks applicable to their business and any mitigating actions to be taken. The Retail Board reviews, identifies and evaluates the risks that are significant at a Group level as well as the mitigating actions against those risks. These are then considered by the Board. 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.

Internal control
The Board of directors has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The responsibility for designing, operating and monitoring the system and the maintenance of effective control is delegated to the management of each operating company. 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 Board has approved a set of policies, procedures and frameworks for effective internal control that implement the Turnbull Guidance, 'Internal Control: Revised Guidance for Directors on the Combined Code', for the year under review and to the date of approval of this Annual Report. These procedures are subject to regular review and provide an ongoing process for identifying, evaluating and managing the significant risks faced by the Group.

There are clear processes for controlling and monitoring the system of internal control and reporting any significant control failings or weaknesses together with details of corrective action. These include:

- a formal quarterly confirmation provided by the managing director and finance director of each operating company certifying the operation of their control systems and highlighting any weaknesses, the results of which are reviewed by regional management, the Audit Committee and the Board;
- an annual planning process and regular financial reporting, comparing results with plan and the previous year on a monthly and cumulative basis;
- written reports from the Group Chief Executive and Group Finance Director are submitted at each Board meeting;
- operating company management report formally to the Audit Committee regularly on the control environment in their business and actions taken to maintain or improve the environment as appropriate; and
- reports and presentations are received by the Board on certain areas of specialist risk. These include treasury, insurance and pensions.

The internal audit function follows a planned programme of reviews that are aligned to the Group's risks. The function:

- works with the operating companies to develop, improve and embed risk management tools and processes into their business operations;
- reports directly to the Audit Committee and has the authority to review any relevant part of the Group;
- oversees the operation of the individual operating businesses' audit committees; and
- provides the Audit Committee and the Board with objective assurance on the control environment across the Group.

Any controls and procedures, no matter how well designed and operated, can provide only reasonable and not absolute assurance of achieving the desired control objectives. Management is required to apply judgement in evaluating the risks facing the Group in achieving its objectives, in determining the risks that are considered acceptable to bear, in assessing the likelihood of the risks concerned materialising, in identifying the Group's ability to reduce the incidence and impact on the business of risks that do materialise and in ensuring the costs of operating particular controls are proportionate to the benefit.

The Board confirms that it has reviewed the effectiveness of the internal control system, including financial, operational and compliance controls and risk management in accordance with the Combined Code for the period from 31 January 2010 to the date of approval of this Annual Report.

If significant losses were to be incurred during the year as a result of a failure of controls, a detailed report would be provided to the Audit Committee and Board. The Board confirms that no significant weaknesses were identified in relation to the review carried out during the year and therefore no remedial action is required.

Auditors
Deloitte LLP were appointed as the external auditors to the Group in 2009. A resolution proposing the re-appointment of Deloitte LLP as external auditors to the Group will be put to the 2011 Annual General Meeting.

Each of the Group's businesses is consulted on the effectiveness and independence of the external auditors annually. In addition, the external 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, and with the final decisions on these issues. The Audit Committee is satisfied with the effectiveness and independence of the external auditors.

In addition to their statutory duties, the services of Deloitte LLP are also engaged where, as a result of its position as external auditor, it either must, or is best placed to, perform the work in question. This is primarily work in relation to matters such as shareholder circulars, Group borrowings, tax advice, regulatory filings and certain business acquisitions and disposals. Other work is awarded on the basis of competitive tendering.

The Group has a policy on the use of its external auditors for non-audit work and this is regularly reviewed. The external auditors are precluded from engaging in non-audit services that would compromise their independence or violate any laws or regulations affecting their appointment as external auditors. The approval of the Chairman of the Audit Committee is required prior to awarding contracts for non-audit services to the external auditors, where in excess of specified amounts. The external auditors report to the Audit Committee annually on their independence from the Company. Periodic rotation of key audit partners is also required.

During the year, Deloitte LLP charged the Group £1.4m (2009/10: £1.3m) for audit and audit-related services and a further £0.3m (2009/10: £0.3m) for non-audit services during the year.

Relations with shareholders
The Company is committed to communicating its strategy and activities clearly to its shareholders and, to that end, maintains an active dialogue with investors through a planned programme of investor relations activities. The investor relations programme includes:

- formal presentations of full-year and interim results;
- conference calls to discuss quarterly trading statements;
- regular meetings between institutional investors and senior management to ensure that the investor community receives a balanced and complete view of the Group's performance and the issues faced by the Group;
- hosting investors' and analysts' sessions at which senior management from relevant operating companies deliver presentations which provide an overview of their individual businesses;
- responding to enquiries from shareholders through the Company's investor relations team;
- regular meetings with institutional investors and analysts by the Group Chief Executive and Group Finance Director to discuss business performance; and
- a section dedicated to shareholders on the Company's website.

The Chairman, the Senior Independent Director and the chairmen of the Board's Committees are available to meet major investors on request. The Senior Independent Director has a specific responsibility to be available to shareholders who have concerns, and for whom contact with the Chairman, Group Chief Executive or Group Finance Director has either failed to resolve their concerns, or for whom such contact is inappropriate.

Annual General Meeting
The principal means of communication with private investors is by electronic communications and through the Annual General Meeting, an occasion attended by all the Company's directors and at which all shareholders present are given the opportunity to question the Chairman and the directors as well as the chairmen of the Board Committees. After the Annual General Meeting, shareholders have the opportunity to meet informally with directors.

A summary business presentation is given at the Annual General Meeting before the Chairman deals with the formal business of the meeting. At the Annual General Meeting in June 2011, the Chairman will use his discretion to call for a poll on all resolutions. The results of the votes in relation to all resolutions will be disclosed to those in attendance at the meeting, published on the Company's website and announced via the regulatory new service shortly after the conclusion of the Annual General Meeting.

Directors' remuneration report

This report has been prepared on behalf of the Board by the Remuneration Committee (the 'Committee') and has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the 'Regulations') issued under the Companies Act 2006 (the 'Act') and describes how the Board has applied the principles relating to directors' remuneration set out in the Combined Code, and complied with the Financial Services Authority Listing Rules.

This report sets out the policy for the year just ended, the forthcoming year, and subject to ongoing review by the Committee, subsequent years. A resolution will be put to the shareholders at the Annual General Meeting on 16 June 2011 asking them to approve this report.

Highlights

- Since the appointment of Ian Cheshire as Group Chief Executive in January 2008, the Group has performed strongly and made great progress, resulting in Earnings Per Share ('EPS') growth of 93% and similar share price growth. Part of Ian Cheshire's LTIP award made upon appointment, vested in full after the end of the financial year, following the measurement of the Company's Total Shareholder Return ('TSR') performance versus the FTSE 100 in that period, and reflects the recovery of the Group during his tenure. A graph on page 52 illustrates this performance, and shows the Company's TSR for the three years to 29 January 2011, plotting the value of £100 invested in Kingfisher plc over the last three years compared to the performance of the FTSE100 Index over the same period, placing Kingfisher in the top four performing stocks of the FTSE100 Index in the period. For the purposes of calculating the TSR, the base return index was averaged over each weekday in the one month period from 1 January 2008 to 31 January 2008. The end return was averaged over each weekday in the one month period from 1 January 2011 to 31 January 2011.

- Previously the Committee reported that the executive directors' salaries would be reviewed in January of each year. The Committee reviewed the Group Chief Executive's basic salary and concluded it should remain unchanged at £816,000. The Committee approved an increase for the Group Finance Director in June 2010 of 2.4% to £600,000 in recognition of his contribution to the business. No further increase was awarded in January 2011 and the next review is due in January 2012.

- The Committee reviewed the financial performance measures for the 2010/11 annual bonus award. Despite the continuing challenging global economic climate, the Group produced excellent results in terms of cashflow such that the financial outcomes exceeded the financial targets that had been set. Significant progress also continued with regard to the non-financial measures. Accordingly, both the Group Chief Executive and the Group Finance Director received near maximum bonuses. A third of these bonuses are awarded in the form of deferred shares, which will vest after a three-year holding period contingent on continued employment, and these levels of bonus are commensurate with the level of bonus paid elsewhere in the Group.

- The Committee reviewed the Kingfisher executive remuneration structure for 2011/12, and concluded that three changes are appropriate: (a) the weighting of financial measures under the annual bonus has increased to 60% with the non-financial measures reducing to 40%; (b) executives should receive a single award under the Performance Share Plan ('PSP') of up to 500% of salary in 2011 (instead of three awards of 200% in 2011, 2012 and 2013) with no further awards to continuing executives until 2014, the awards being subject to stretching financial targets as set out on page 44 of this report and with 50% of any shares which vest being released after three years and 50% after four years. This structure for the awards is felt to be an important incentive to complete the Group's recovery programme over that period. A resolution seeking shareholder approval for an amendment to the rules of the PSP to facilitate this award is included in the Notice of the forthcoming Annual General Meeting; (c) consistent with developments in best practice guidelines the Group's various incentive plans have been amended to give the Committee the ability to claw-back any sums paid to participants in certain circumstances.

- The Company welcomed Andrew Bonfield, Pascal Cagni and Clare Chapman to the Board on 11 February 2010, 17 November 2010 and 2 December 2010 respectively. Details of their terms of appointment and their remuneration can be found later in this report.

Directors' remuneration report

The Remuneration Committee

Role and responsibilities

The Committee's primary purpose is to make recommendations to the Board on the Group's framework or broad policy for executive remuneration and its costs. The Board has delegated responsibility to the Committee for determining the remuneration, benefits and contractual arrangements of the Chairman, executive directors, certain senior executives and the Company Secretary, and for overseeing the Group's share-based incentive schemes and bonus schemes. The remuneration of non-executive directors is determined by the Chairman and executive members of the Board.

The Committee recommends and monitors the structure and levels of remuneration of senior managers throughout the Group and for executive directors, ensures that contractual terms on termination, and any payments made are fair to the individual and the Group, ensuring that failure is not rewarded and that the departing manager's duty to mitigate is fully recognised.

The Committee is committed to the principles of accountability and transparency, and to ensuring remuneration arrangements demonstrate a clear link between reward and performance. Operating under delegated authority from and reporting to the Board, its activities are governed by terms of reference which are available from the Company Secretary and can be found on the Company's website www.kingfisher.com.

Membership

The Committee comprised the following independent non-executive directors during the financial year to 29 January 2011.

Chairman	John Nelson
Committee members	Daniel Bernard Andrew Bonfield (appointed 17 June 2010) Janis Kong Michael Hepher (retired 17 June 2010)

Meetings

The Committee is required by its terms of reference to meet at least twice a year, and has a standing calendar of items within its remit. During the year the Committee met nine times. Committee meetings are attended by the Group Chief Executive (other than when his own remuneration is being discussed) who provides advice that is of material assistance to the Committee. The Group HR Director (from her appointment on 6 April 2010) and the Head of Group Reward also attend Committee meetings and provide material assistance and advice on remuneration policy, and the Group Finance Director attends by invitation on matters relating to the performance measures and targets for the Group's share-based incentive schemes. The Company Secretary generally acts as Secretary to the Committee. No member of the Committee has any personal financial interest (other than as a shareholder), conflicts of interests arising from cross-directorships, or day-to-day involvement in running the business. No person plays a part in any discussion about his or her own remuneration. Details of individual attendance are given in the Corporate Governance section.

Activities

In 2010/11 the Committee agreed:

- the performance targets for the financial year and progress against those targets;
- the operation of the long-term incentive plans and policy for executive share scheme awards, including the level of individual grants, performance conditions and measurement and validation of the out-turn of prior year awards;
- the review of basic salaries of the Group Executive;
- the policy for the operation of the all-employee share schemes;
- the award of annual incentives based on the prior year's performance;

and in particular the Committee:

- recommended the 2009/10 Directors' Remuneration Report for approval by the directors;
- following approval by shareholders at the last Annual General Meeting, adopted the rules of the Share Incentive Plan (SIP);
- approved the non-financial KPI measures used to determine part of the Group's annual Kingfisher Incentive Scheme ('KIS') bonus plan for 2010/11;
- approved the establishment of a Company Share Option Plan following HMRC approval; and
- reviewed executive pension policy in the light of legislative changes.

Advisers

The Committee also has authority to obtain the advice of external independent remuneration consultants and is solely responsible for their appointment, retention and termination, and for approval of the basis of their fees and other terms. In the financial year to 29 January 2011, the following external advisers provided services to the Committee. Unless otherwise stated, the advisers have no other connection with the Group:

Hewitt New Bridge Street ('HNBS')
Advice on the ongoing operation of employee and executive share plans and executive remuneration generally.
Allen & Overy LLP
Legal advice on service and employment contracts and for other employment and remuneration issues in relation to the executive directors. (Allen & Overy LLP also provide advice to the Group on other legal matters.)
Towers Watson
Advice on the wider review of remuneration policy and benchmarking on the market competitiveness of remuneration for executives in the UK and overseas. (Towers Watson also provide advice to the Group on pensions and related matters.)

Remuneration policy

The Group's remuneration strategy is to attract, retain and motivate executives of the highest quality, incentivising them to deliver exceptional performance aligned with the interests of the Company's shareholders and to deliver the Group's business plan. The remuneration strategy continues to ensure that a significant element of executives' remuneration remains 'at risk'.

The key principles of the Group's remuneration policy are to:

- provide executives with a remuneration package that recognises the experience of the individual concerned and the role fulfilled;
- ensure performance-related remuneration constitutes a substantial proportion of the remuneration package;
- encourage a high-performance culture by offering substantial reward only for exceptional performance;
- be competitive in the market in which the Group competes;
- be fair and transparent; and
- ensure remuneration arrangements apply consistently throughout the Group.

The Committee intends to continue this policy and is satisfied that there is an appropriate balance between the fixed and variable elements of pay, as described within this report.

Summary of key elements of executive directors' remuneration

Element of remuneration package	Objective	Policy	Operation
Base salary	To help recruit and retain executives. To reflect an individual's role, experience and contribution to the Group.	Reviewed annually in January each year. Benchmarked against suitable comparator companies.	Salaries are reviewed against personal performance and Group financial targets and take into account salary increases within the Group. Salary is supplemented with normal benefits available to senior managers including car allowance and medical insurance.
Annual bonus	Incentivise executives to achieve/exceed annual financial, strategic and personal objectives.	Maximum award payable for stretching targets. Two-thirds of bonus payable in cash. One-third of bonus payable in deferred shares to be held for three years before vesting.	0-200% of annual salary and reflects performance against stretching financial and personal targets. Includes the provision for claw-back of the deferred bonus element.
Performance Share Plan	Incentivise executives to achieve superior returns for shareholders. Retention of executives over the performance period of the awards.	The primary long-term incentive plan for executives. Awards of conditional shares with vesting dependent on stretching performance measures. (Note: shareholder approval being sought for revision of the scheme rules in 2011/12). Aligned to shareholder interests.	Currently awards made annually of up to 200% of executives' base salary, with vesting after three years based on achievement against targets. The 2011 awards of 500% of annual salary (instead of three awards of 200% in 2011, 2012 and 2013) will be subject to stretching performance targets measuring the three financial years to January 2014 but only 50% of any shares earned will vest then with the balance remaining contingent on continued employment for a further year. No further award will be made until 2014.
Pension	Reward sustained contribution. Provide competitive retirement benefits.	Company contributes to defined benefit/defined contribution schemes.	Group Chief Executive: A member of the defined benefit arrangement in respect of a notional earnings cap (currently £123,600) and also receives a Company contribution of 30% of salary above that cap into a defined contribution arrangement. Group Finance Director: Receives a Company contribution of 20% of salary into a defined contribution arrangement.
Share ownership guidelines	To align interests of executives and shareholders.	The Group Chief Executive is required to build and maintain a shareholding with a value equivalent to 200% of base salary. The Group Finance Director is required to build and maintain a shareholding with a value equivalent to 100% of base salary.	Executives are expected to build a shareholding through the vesting of shares under the Group's share-based incentive schemes. Until the requisite holding is achieved, executives are prohibited from selling shares obtained through the Group's incentive plans (except to satisfy tax and NIC liabilities).

Alignment with shareholder interests
The Committee proactively consults with its largest shareholders and their representative bodies regarding its remuneration policy to ensure that their views are understood and duly taken into account in its deliberations, particularly in relation to changes in Kingfisher share-based incentive scheme arrangements and wider trends in executive remuneration. The interests of shareholders are also considered when structuring remuneration packages. Annual bonus objectives focus on a mixture of financial and non-financial measures to ensure the operational success of the Group, whilst sustained performance is rewarded through incentive measures designed to improve shareholder returns. Short-term rewards are further aligned with shareholders' interests through the compulsory deferral of one-third of annual bonuses into share awards under the Kingfisher Incentive Share Scheme (the 'KIS'). Long-term rewards are similarly aligned with shareholders' interests by the requirement that executives hold a specified percentage of their annual salary in shares of the Company, and that they may not sell shares vesting under these plans until a minimum shareholding has been achieved.

Alignment with Group strategy
The executive directors were incentivised to deliver milestones addressing the Group's strategic plans for 'Delivering Value' to:

- drive up B&Q UK's profit;
- exploit our UK Trade opportunity;
- expand our total French business;
- roll out in Eastern Europe;
- turn around B&Q China;
- grow Group sourcing; and
- reduce working capital.

Please see pages 8 and 9 of this report for further information on progress made in achieving the Group's 'Delivering Value' strategy.

Planned future changes
The structure for remuneration for executives for the year 2011/12 was debated by the Committee and remains broadly similar to previous years. However, whereby in 2010/11 50% of the annual bonus was measured against financial targets and 50% against non-financial targets, for the 2011/12 financial year, the split between financial and non-financial measures will be re-balanced so that 60% of the bonus is payable against financial objectives and 40% against non-financial objectives. There is no change to the level of maximum bonus opportunity of 200% of annual salary. Given the achievements on reducing debt and generating cash, the financial target for 2011/12 will focus on profit.

The Committee is recommending a change to the structure of the long-term incentive scheme and has recommended proposals for changes to the Performance Share Plan ('PSP') awards to be made in 2011. The revised PSP would grant certain executives an award of 500% of their annual base salary with shares vesting subject to suitably stretching earnings per share ('EPS') and Kingfisher Economic Profit ('KEP') targets over the three financial years to January 2014. 50% of any vesting shares would be released to participants in 2014 with the remaining shares held over for release in 2015. This award would replace the 200% annual award with no further awards made under the PSP to those executives participating in the 2011 award until 2014. This is to enable recipients to receive a single award in 2011 in lieu of awards which would otherwise have been made in 2011, 2012 and 2013. This is felt to be both appropriate to incentivise the completion of the recovery programme and in the interests of shareholders (as the single award is smaller than the sum of the individual awards would have been). The awards will be subject to two separate performance targets:

Earnings Per Share ('EPS')
50% of the shares subject to an award will be subject to an EPS condition against the following targets:

Compound annual growth in EPS	Percentage of this part of the award that will vest
Below 8%	0%
8% (Threshold)	15%
10%	50%
15% (Maximum)	100%

The definition of EPS remains unchanged from prior awards and compares the Company's EPS for the final financial year in the performance period (i.e. the year to January 2014) to the EPS for the year to January 2011 (20.5p).

Kingfisher Economic Profit ('KEP')
50% of the shares subject to an award will be subject to a KEP target with the following targets:

Aggregate KEP over the performance period	Percentage of this part of the award that will vest
Below £229m	0%
£229m (Threshold)	15%
£257m	50%
£386m (Maximum)	100%

KEP is defined as consolidated EBIT, lease adjusted – (Capital employed, including capitalised leases, adjusted from pensions x WACC). The exchange rates assumed at the outset will be fixed for the period as will the Company's cost of capital of 6.8%. These targets compare with a KEP for the year to January 2011 of £68.4m. Subsequent Annual Reports will disclose the Company's performance to date against the KEP targets.

The Committee considers these targets to be the most appropriate measures over the next three years, to incentivise the Group's highly respected management team to focus on and deliver against the completion of the Group's recovery programme which requires each of; top-line growth, keen cost control and efficient use of shareholders' capital. The structure of these awards will extend to the senior executive team across the Group (approximately 50 individuals) although the two targets will be re-expressed as divisional ones where relevant. The Committee considers it important to operate a coherent arrangement across the entire leadership team. Senior executives below Board level received a similar one-off award in 2008 on the launch of the recovery programme under Ian Cheshire's leadership, and the Committee believes that was an important contributor to the significant growth in shareholder value over the last three years and that it is appropriate to repeat such an approach as the Company moves into the second phase of that strategy.

In addition, the Committee has recently amended the rules of the PSP, consistent with best practice guidelines, to include provision for claw-back in certain circumstances.

The making of these awards is conditional on shareholders approving the amendment to the rules of the PSP to increase the individual limit at the Annual General Meeting.

During the year, the Committee debated the impact of changes in UK pension legislation reducing the annual allowance for pension contributions. From April 2011, when an executive's pension contributions breach the annual allowance in a tax year, the Company pension contribution will be converted to a cash supplement.

Executive directors' appointments terms & remuneration

Executive directors' service contracts

Provision	Policy
Contract dates	Ian Cheshire: 28 January 2008. Kevin O'Byrne: 1 November 2008.
Notice period	12 months' notice by either the director or the Company.
Termination payment	Payment in lieu of notice on a phased basis at a monthly rate of 15% of annual salary in respect of Ian Cheshire, and at a monthly rate of 12% of annual salary in respect of Kevin O'Byrne, for a maximum of 12 months from the termination date[1].
Mitigation	Lower amounts are payable if the director commences lower-paid employment during the 12-month period following cessation of employment, and payments cease immediately when employment providing the same or higher value remuneration is started.
Remuneration	As described in this report.
Non-cash benefits	The Company provides a range of additional benefits, including medical insurance, life assurance cover equal to four times base salary, a subsidised staff canteen, a staff discount card, 30 equivalent working days' holiday per year and a company car or cash allowance.
Expenses	Reimbursement of reasonably incurred costs in accordance with their duties.
Sickness or injury	In line with senior management terms i.e. 100% basic salary for 26 weeks, and 75% thereafter (without benefits).
Non-compete	During employment and for 12 months after leaving.

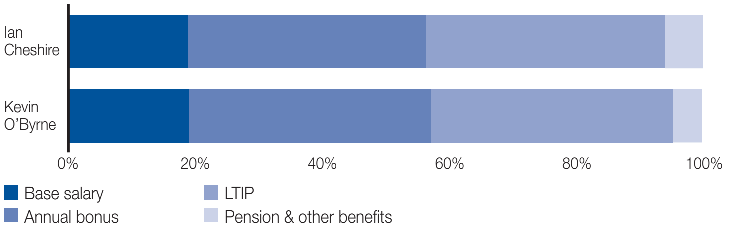
1 The terms of the phased payments clauses appearing in the service contracts of Ian Cheshire and Kevin O'Byrne are in keeping with the governance guidelines at the time the contracts were made. The Committee will keep its policy under review when appointing new directors and will carefully consider the prevailing governance guidelines when structuring a contract for new directors.

Overview of executive directors' remuneration

The remuneration package for executive directors consists of the following elements: base salary, annual bonus including the deferred share award under the Kingfisher Incentive Scheme (KIS), the long-term incentive under the PSP, the Sharesave Option Scheme for all-employees (ShareSave), pension contributions and non-cash benefits. The Committee considers that the total remuneration package links corporate and individual performance with an appropriate balance between short and long-term elements, and fixed and variable components.

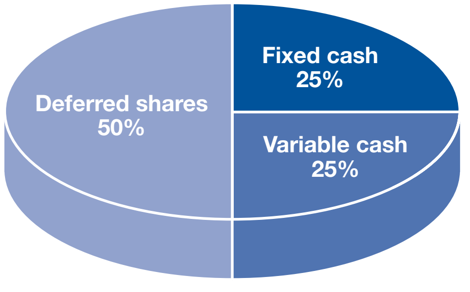
Table 1 below shows the breakdown of the remuneration package into its main constituent elements and assumes maximum payment of annual bonus and maximum vesting of PSP deferred share awards, the Company's long-term incentive plan.

Table 1

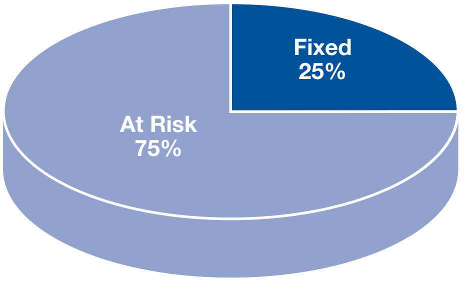


The first chart below gives the proportions of fixed cash, variable cash and deferred shares which make up the executive directors' salary, bonus and long-term incentive opportunity according to achievement of objectives at stretch. Fixed cash comprises base salary, whilst variable cash is the 67% of annual bonus paid in cash, and the share element includes the 33% of bonus deferred into shares, and the PSP. The second chart shows the proportions of base salary, cash and deferred bonus and PSP and indicates the total remuneration 'at risk'.

Remuneration elements split between cash and deferred shares at stretch



Fixed and 'at risk' elements of remuneration at stretch



Note: the fixed elements in the charts above include pensions and benefits. For the purposes of the above, the historic practice of awarding 200% of base salary annually under the PSP is assumed.

The Committee believes that the targets set for the different elements of performance-related remuneration are both appropriate and stretching in the context of the business environment and the challenges with which the Group is faced. The performance-related remuneration constitutes a substantial proportion of the remuneration package, and is 'at risk', being subject to achievement of performance hurdles, deferral periods during which the individual must remain employed, and fluctuations in the market price of shares. The maximum bonus payable under the KIS is made up of 133% of salary in cash and 67% in deferred forfeitable shares, and the maximum vesting under the PSP is currently 200% of salary in deferred forfeitable shares. Accordingly, the maximum awards under the KIS and PSP result in 75% of total remuneration being performance-related.

Components of executive directors' remuneration 2010/11

Details of each individual element of the remuneration package are given below.

Base salary

Executive salaries are reviewed with effect from January each year and are generally set to be competitive, taking into account the prevailing market and economic conditions, affordability, the level of increases awarded to employees generally and the individual's contribution.

In June 2010 the basic salary of Kevin O'Byrne was increased by 2.4% to £600,000. Ian Cheshire proposed that his salary was not reviewed in January 2011 and no further review was applied to Kevin O'Byrne. The base salaries of the executive directors as at 23 March 2011 were £816,000 for Ian Cheshire and £600,000 for Kevin O'Byrne.

Annual bonus

The annual bonus is earned by the achievement of performance targets set by the Committee at the start of each financial year and is delivered under the KIS.

The KIS comprises the Kingfisher Cash Incentive Scheme 2003 ('KIS Cash Scheme') and the Kingfisher Incentive Share Scheme 2003 ('KIS Share Scheme'). Senior executives may receive a performance-related cash bonus under the KIS Cash Scheme, and a contingent share award under the KIS Share Scheme, in the proportions of 67% of the bonuses earned being payable in cash, and 33% in deferred shares. The vesting of the deferred shares are subject to a three-year holding period, with the shares being subject to forfeiture should the executive leave the Group during the holding period as a result of voluntary resignation or dismissal for cause. Participants granted deferred shares under the KIS Share Scheme are entitled to receive a dividend equivalent payment in the form of additional deferred shares, which is equal to the value of dividends that would have been earned over the holding period. These additional shares are conditional upon the original deferred shares vesting. The award of deferred shares is subject to a claw back provision, whereby unvested deferred shares previously granted under the KIS Share Scheme may lapse if the Committee decides the grant of deferred shares was not justified.

Included as an element of a KIS award, individuals now receive a grant under the Company Share Option Plan (CSOP) an HMRC approved plan, which provides tax and NIC advantages for participants and potential NIC savings for Kingfisher at no additional cost for the Group. The CSOP is underpinned by a matching fixed value element of the KIS, however, the value of the total award remains unchanged.

The maximum bonus is considered in the light of market practice for companies of a similar size and industry sector. The maximum bonus payable is 200% of base salary, which remains unchanged from last year.

The executive directors' targets for the 2010/11 bonus were based on both corporate and individual objectives and were structured equally between financial and non-financial measures as in the previous year as set out below.

Measure	Group operating cash flow	Personal performance	KPIs
Weighting at maximum bonus	50%	20%	30%

The non-financial measures included KPIs of Group sourcing achievement; employee engagement and market share; plus a personal performance element.

The outcomes achieved against each measure are summarised below.

	Ian Cheshire	Kevin O'Byrne
Measure	Actual bonus earned as a % of of annual base salary	Actual bonus earned as a % of annual base salary
Financial objectives	100	100
Non-financial objectives	67.6	67.6
Total	167.6	167.6

Further details of the awards under the KIS Cash Scheme and KIS Share Scheme reflecting these outcomes for 2010/11 are set out on page 49.

Performance Share Plan ('PSP')

The PSP remains the primary long-term share incentive plan for the top senior executives, which allows a maximum annual award not exceeding 200% of base salary or 300% of base salary in exceptional circumstances. The PSP currently runs over a period of three years and has performance hurdles requiring Kingfisher's Total Shareholder Return ('TSR') to exceed median level of TSR measured against the FTSE 100, and adjusted Earnings Per Share ('EPS'). Relative TSR was considered as a valid benchmark as it measures the performance of executives in terms of delivery of shareholder return against that of other businesses. The Committee chose the FTSE 100 as the comparator group because of the general lack of directly quoted home improvement businesses against which to compare the Company's TSR specifically. HNBS independently carries out the relevant TSR calculations for the Committee. This relative measure is coupled with EPS as a driver for absolute performance.

The TSR and EPS performance targets for all PSP awards in 2010/11 are set out in the notes to the PSP awards table on page 50.

Shares delivered on the vesting of an award 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 the PSP are normally purchased in the market by the Kingfisher Employee Benefit Trust. As described earlier in this report, the Committee has reviewed the appropriateness of the quantum and performance measures under the PSP during the year and subject to shareholder approval at the Annual General meeting on 16 June 2011, awards in 2011/12 will be made on the basis set out on page 44.

Other long-term incentive plans

Apart from the Sharesave Option Scheme and those described above, all other option and incentive arrangements for executive directors 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 page 51.

Pension provision

Ian Cheshire is a member of the main defined benefit arrangement, the Kingfisher Pension Scheme, and subject to the scheme cap (currently £123,600). Following his appointment as Group Chief Executive, Ian Cheshire also receives a 30% Company contribution, on his base salary above the pension cap, into defined contribution arrangements. Kevin O'Byrne commenced employment after the defined benefit section had closed to new members and thus is a member of the defined contribution arrangements and receives a Company contribution of 20% of base salary.

Other benefits

Each executive director is entitled to a car or car allowance, an allowance for financial planning, medical insurance, life insurance equivalent to four times salary, a subsidised staff canteen, a staff discount card and 30 equivalent working days' holiday per year.

Outside appointments for executive directors

Subject to the rules governing conflicts of interest, the Company encourages its executive directors to hold non-executive roles outside the Group as it recognises that such roles can broaden experience and knowledge which can benefit the Group. Subject to the Committee's agreement, any fees may be retained by the individual. Kevin O'Byrne is a non-executive director of Land Securities Group plc, and acts as Chairman of their Audit Committee; he is paid £60,000 and £17,500 respectively for fulfilling these roles and retains these fees. In January 2011, Ian Cheshire became a non-executive director of Whitbread plc and was appointed Chairman of their Remuneration Committee; he is paid £55,000 and £10,000 respectively for fulfilling these roles and retains these fees. In January 2011, Ian Cheshire was invited to act as the lead non-executive member of the Department for Work and Pensions Board. He waived his right to the fees payable for this role.

Share ownership guidelines

The Group Chief Executive and Group Finance Director are required to build a shareholding in the Company. The table below details the minimum shareholding required and the date by which that shareholding must be acquired. Shares which have not yet vested under any share-based incentive plans are not taken into account in applying this test.

Executive	Minimum shareholding	Date by which minimum shareholding must be achieved	Shareholding as at 28 January 2011 (29 January 2010)	% of basic salary as at 28 January 2011 (29 January 2010)[1]
Ian Cheshire	200%	28 January 2013	509,794 (410,792)	160% (131%)
Kevin O'Byrne	100%	1 October 2013	133,577 (112,994)	57% (50%)

1 Based on closing share price on 28 January 2011 of 255.6p and basic salaries of directors at the relevant dates.

Executive directors' remuneration

The remuneration paid to the executive directors for the 2010/11 financial year is set out in the table below:

£000	Base salary	Total benefits[1]	Cash bonus[2]	Total remuneration 2010/11	Total remuneration 2009/10
Ian Cheshire	816.0	244.4	911.7	1,972.1	2,112.8
Kevin O'Byrne	595.5	145.6	670.4[3]	1,411.5	1,489.9
Total	1,411.5	390.0	1,582.1	3,383.6	3,602.7

1 Total benefits include a contribution to defined contribution pension arrangements for both Ian Cheshire and Kevin O'Byrne. Non-cash benefits comprise medical and life insurances and the provision of financial advice. Ian Cheshire receives a company car and a cash payment as he has not taken the full entitlement of his allowance for his car. Kevin O'Byrne receives a cash payment in lieu of a company car.
2 The contingent shares award under the KIS Share Scheme in relation to the financial year ended 29 January 2011 are set out above the table of KIS Share awards.
3 The annual base salary of Kevin O'Byrne as at 29 January 2011 was £600,000 and the bonus calculation for 2010/11 has been based on this salary.

Tabular information relating to directors' interests in shares and executive directors' pension arrangements

Directors' interests in shares of Kingfisher plc

The directors who held office at 29 January 2011 had the following interests in the shares of the Company:

	Ordinary shares 29 January 2011	Ordinary shares 30 January 2010
Daniel Bernard	113,629	111,897
Andrew Bonfield	10,000	–
Pascal Cagni	–	–
Clare Chapman	–	–
Ian Cheshire	509,794	410,792
Anders Dahlvig	75,000	75,000
Janis Kong	24,000	24,000
John Nelson	43,750	43,750
Kevin O'Byrne	133,577	112,994

There were no changes in the interests of the directors between 29 January 2011 and 23 March 2011.

KIS Share awards

Awards of contingent shares, in respect of the financial year ended 29 January 2011, are due to be made in April 2011, vesting in April 2014, to Ian Cheshire and Kevin O'Byrne under the KIS Share Scheme to the value of £455,872 and £335,200, respectively, at the average mid-market price over the three dealing days prior to the date of grant in April 2011. As the awards will be made after publication of the accounts for the financial year ended 29 January 2011, the detail will be disclosed in next year's Annual Report.

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.

Name	Number of contingent shares at start of year	Number of contingent shares awarded in year	Price per share	Dividend roll-up shares[1]	Number of contingent shares exercised in year	Number of contingent shares at end of year	Vesting date	Lapse date
Ian Cheshire	54,395	–	277.75p		(54,395)[2]	–	11/04/2010	11/10/2010
	22,027	–	126.63p	518	–	22,545	21/04/2011	21/10/2011
	250,285	–	164.63p	5,901	–	256,186	21/04/2012	21/10/2012
	–	247,697	216.81p	5,840	–	253,537	06/04/2013	06/10/2013
Total	326,707	247,697		12,259	(54,395)	532,268		
Kevin O'Byrne	63,952	–	164.63p	1,507	–	65,459	21/04/2012	21/10/2012
	–	178,032	216.81p	4,197	–	182,229	06/04/2013	06/10/2013
Total	63,952	178,032		5,704	–	247,688		
Totals	390,659	425,729		17,963	(54,395)	779,956		

1 The price used to calculate the number of dividend roll-up shares was 237.95p, being the market price on 5 May 2010, and 228.35p, being the market price on 6 October 2010.
2 The vesting date for this award was accelerated to 25 March 2010 at the discretion of the Committee following satisfaction of performance criteria. The market price on exercise for Ian Cheshire was 225.01p on 26 March 2010. In line with the Group's share ownership guidelines, Ian Cheshire sold sufficient shares to meet his tax liabilities, i.e. 22,359 shares were sold and he retained 32,036 shares.

Performance Share awards

Name	Number of performance shares at start of year	Number of performance shares awarded in year	Date of grant	Price per share when awarded	Dividend roll-up shares[1]	Number of performance shares exercised during year	Number of performance shares lapsed during year	Number of performance shares at end of year	Vesting date	Lapse date
Ian Cheshire	108,449	–	11/04/2007	277.00p	–	(48,368)[2,3,4]	(60,081)	–	11/04/2010[2]	11/10/2010
	173,732	–	01/10/2007	178.10p	2,810	(78,737)[2,5]	(97,805)	–	01/10/2010	01/04/2011
	1,193,477[6]	–	01/02/2008	143.60p	28,142	–	–	1,221,619	01/02/2011	01/08/2011
	999,146[7]	–	21/04/2009	164.63p	23,560	–	–	1,022,706	21/04/2012	21/10/2012
	–	663,360[8]	05/05/2010	246.02p	15,642	–	–	679,002	05/05/2013	05/11/2013
Total	2,474,804	663,360			70,154	(127,105)	(157,886)	2,923,327		
Kevin O'Byrne	684,801[7]	–	01/10/2008	126.60p	16,147	–	–	700,948	01/10/2011	01/04/2012
	684,801[7]	–	01/10/2008	126.60p	16,147	–	–	700,948	01/02/2012	01/08/2012
	718,135[7]	–	21/04/2009	164.63p	16,933	–	–	735,068	21/04/2012	21/10/2012
	–	476,790[8]	05/05/2010	246.02p	11,242	–	–	488,032	05/05/2013	05/11/2013
Total	2,087,737	476,790			60,469	–	–	2,624,996		
Totals	4,562,541	1,140,150			130,623	(127,105)	(157,886)	5,548,323		

1 The price used to calculate the dividend roll-up shares was 237.95p, being the market price on 5 May 2010, and 228.35p, being the market price on 6 October 2010.
2 The vesting date for this award was accelerated to 25 March 2010 at the discretion of the Committee.
3 Subject to the performance condition having been partially met, 44.6% of these awards became exercisable. The remaining shares lapsed on the vesting date.
4 The market price on exercise for Ian Cheshire was 225.01p on 26 March 2010. In line with the Group's share ownership guidelines, Ian Cheshire sold sufficient shares to meet his tax liabilities, i.e. 19,882 shares were sold and he retained 28,486 shares.
5 The market price on exercise for Ian Cheshire was 234.50p on 1 October 2010. In line with the Group's share ownership guidelines, Ian Cheshire sold sufficient shares to meet his tax liabilities, i.e. 40,257 shares were sold and he retained 38,480 shares.
6 Award subject to TSR performance targets only. TSR conditions require the Group's TSR to be at least median plus 1% for 15.625% to vest and upper quintile plus 1% for it all to vest. Intermediate performance vests on a sliding scale basis between these points.
7 Award is subject to EPS and TSR conditions (50% of the shares to each). The EPS condition requires EPS at the end of the three-year performance period to be at least 15.9p for 15.625% of that part to vest and 19.6p for all of it to vest. The TSR condition requires the Group's TSR to be at least median plus 1% for 15.625% to vest and upper quintile plus 1% for it all to vest. In both cases, intermediate performance vests on a sliding scale basis.
8 Award is subject to EPS and TSR conditions (50% of the shares to each). The EPS condition requires EPS at the end of the three-year performance period to be at least 20p for 15.625% of that part to vest and 23p for all of it to vest. The TSR condition requires the Group's TSR to be at least median plus 1% for 15.625% to vest and upper quintile plus 1% for it all to vest. In both cases, intermediate performance vests on a sliding scale basis.

Award of Matching Shares to Ian Cheshire on 1 February 2008

Type of award[1,2]	At start of year	Dividend roll-up shares[4]	At end of year	Market price of shares when award made	Qualifying conditions	Vesting date[3]	Lapse date
Matching Shares granted pursuant to Listing Rule 9.4.2	1,193,477	28,142	1,221,619	143.6p	EPS	01/02/2012	01/08/2012

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, he purchased 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 appointment.
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 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.
4 The price used to calculate the dividend roll-up shares was 237.95p, being the market price on 5 May 2010, and 228.35p being the market price on 6 October 2010.

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, 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	Date from which exercisable	Lapse date
Ian Cheshire	8,807				8,807	109.00	01/12/2011	01/06/2012
Kevin O'Byrne	5,263				5,263	172.40	01/12/2012	01/06/2013
Totals	14,070				14,070			

Closed incentive plans

Executive share options

There are outstanding awards under the Executive Share Option Scheme that may become exercisable or vest at the end of their respective deferral periods. This plan is now closed and no further awards will be made. The full details of the plan can be found in previous Annual Reports. The performance conditions for all awards under this plan have now been met. The last grants under the Executive Share Option Scheme were made on 17 April 2003. The outstanding awards are as follows:

				Number of options			
	At start of year	Exercised during year	Lapsed during year	At end of year	Option price (pence)	Date from which exercisable	Lapse date
Ian Cheshire	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	17/04/2013
Totals	660,600	–	(144,337)	516,263			

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.

In the period 1 February 2010 to 28 January 2011, the highest and lowest market price for Kingfisher shares was 271.3p and 198.5p respectively. The market price at close of business on 28 January 2011 was 255.6p.

Dilution limits

Kingfisher share plans comply with recommended guidelines on dilution limits and the Company has always operated within these limits. The current Association of British Insurers ('ABI') guidance on headroom limits provide that overall dilution under all plans should not exceed 10% over a ten year period in relation to the Company's issued share capital, with a further limitation of 5% in any ten year period on executive plans. Assuming none of the extant options lapse and will be exercised and having included all exercised options, the Company has utilised 4.53% of the 10% in ten years and 3.67% of the 5% in ten years in accordance with the ABI guidance on dilution limits.

Directors' pension benefits

Ian Cheshire has an entitlement to part of his pension benefits through the Kingfisher defined benefit pension scheme (subject to the scheme cap) and partly through defined contribution schemes. Kevin O'Byrne only has an entitlement to a defined contribution pension.

The following table shows details required under both Schedule 8 to the Accounting Regulations under the Companies Act 2006 and the Listing Rules as they apply to Kingfisher for the year ended 29 January 2011. In respect of the Companies Act 2006, the details shown represent for the defined benefit section:

- accrued pension benefits at the relevant dates;
- the increase in the amount of accrued pension during this year;
- the transfer value amounts as at 31 January 2010 and 29 January 2011; and
- the increase in transfer value between those dates, net of member contributions paid.

The table below relates only to benefits accrued in the Final Salary section, and excludes any Money Purchase section or AVC benefits.

			Accrued pension			Transfer value			Pension cost		
	Age	Years of service	Increase in accrued pension £000 pa	2010/11 £000 pa	2009/10 £000 pa	Increase in transfer value £000 (net of director's contributions)	2010/11 £000	2009/10 £000	Increase in accrued pension £000 pa (net of inflation)	2010/11 £000	2009/10 £000
Ian Cheshire[1]	51	12	2	28	26	103	549	437	2	17	28

1 Accrued pensions and transfer values include employer contributions (by way of bonus surrender) made in March 2004 of £15,000.
2 The above relates only to benefits accrued in the Final Salary section, and also excludes any Money Purchase section or AVC benefits.

The following table shows the employer contributions made to the defined contribution schemes in relation to service during the financial year to 29 January 2011:

	Employer contributions 2010/11	Employer contributions 2009/10
Ian Cheshire	£207,720	£203,220
Kevin O'Byrne	£119,100	£115,000

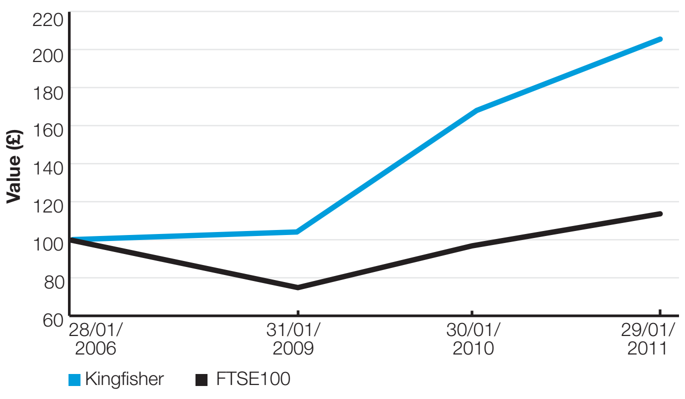
Total Shareholder Return

The first graph below shows the progress of the Company since the appointment of Ian Cheshire in January 2008. The graph illustrates the Company's TSR for the three years to 29 January 2011, plotting the value of £100 invested in Kingfisher plc shares over the last three financial years compared to the performance of the FTSE100 Index over the same period.

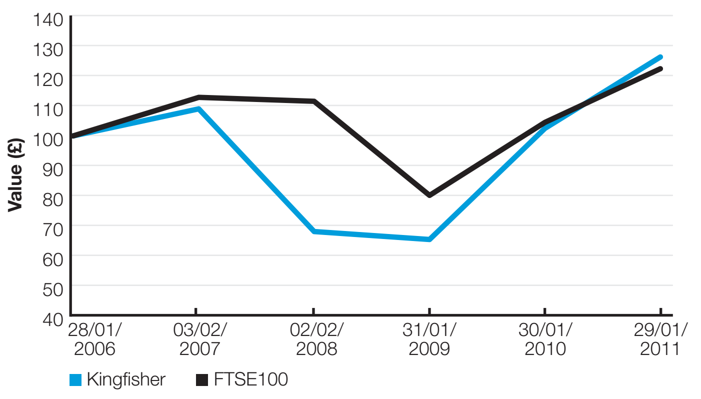
The Company's TSR for the five years to 29 January 2011 is shown in the second graph below, which plots the value of £100 invested in Kingfisher plc shares over the last five financial years. The other line on the graph shows the performance of the FTSE100 Index over the same period.

The Company chose the FTSE100 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 – 3 years



Total shareholder return – 5 years



Chairman's & non-executive directors' appointment, terms and fees

Chairman

Daniel Bernard was appointed Chairman on 3 June 2009, for an initial fixed three-year term, unless terminated earlier in accordance with the Company's Articles of Association, or by either party giving the other not less than six months' prior written notice. His appointment is documented in a letter of appointment and he is required to devote no fewer than two to three days a week to his duties as Chairman. His appointment as Chairman will automatically terminate if he ceases to be a director of the Company. His fee, determined by reference to his time commitment and relevant benchmark data, was set at €450,000 per annum, and is paid to a service company, Provestis, which also receives a monthly contribution of €5,000 towards the cost of running an office in Paris. The fee payable to the Chairman was increased from 1 February 2011 from €450,000 p.a. to €461,250 p.a. an increase of 2.5%.

Service contracts

Non-executive directors are appointed under letters of engagement. Appointments have historically been for an initial period of three years and invitations to act for subsequent three-year terms are subject to a review of performance, and taking account of the need to progressively refresh the Board.

The appointment may be terminated by either party giving the other not less than three months' prior written notice, unless terminated earlier in accordance with the Company's Articles of Association, and the Company has no obligation to pay compensation when their appointment terminates.

Non-executive directors are subject to re-appointment by shareholders at the Annual General Meeting following their appointment, and subsequently at intervals of no more than three years. In advance of the implementation of the UK Corporate Governance Code, the Company has voluntarily adopted the requirement for all directors to submit themselves for re-appointment at each Annual General Meeting, accordingly, all directors will be offering themselves for re-appointment at the Company's Annual General Meeting to be held on 16 June 2011.

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. The Board will also review information on fees paid to non-executive directors in similar companies and will review fees for non-executive directors in January each year.

All fees payable to non-executive directors were increased by 2.5% with effect from 1 February 2011. The fee for a non-executive director increased from £55,000 p.a. to £56,375 p.a.; the fee payable to the Chairman of the Audit Committee increased from £17,000 p.a. to £17,425 p.a.; the fee payable to the Chairman of the Remuneration Committee increased from £10,000 to £10,250; and the fee payable to the Deputy Chairman increased from £45,000 p.a. to £46,125 p.a.

Non-executive remuneration

	Date of appointment	Expiry of current term	Total length of service at 29 January 2011 or, if earlier, on retirement	Remuneration 2010/11	Remuneration 2009/10
Daniel Bernard[1]	24/05/2006	03/06/2012	4 years 8 months	384.6	329.5
Phil Bentley[2]	04/10/2002	–	7 years 5 months	9.4	68.3
Andrew Bonfield[3]	11/02/2010	10/02/2013	11 months	68.0	–
Pascal Cagni[4]	17/11/2010	16/11/2013	2 months	11.2	–
Clare Chapman[5]	02/12/2010	01/12/2013	1 month	8.9	–
Anders Dahlvig	16/12/2009	15/12/2012	1 year 1 month	55.0	6.6
Michael Hepher[6]	01/09/1997	–	12 years 9 months	20.9	53.3
Janis Kong	08/12/2006	07/12/2012	4 years 1 month	55.0	53.3
John Nelson[7]	11/01/2002	10/01/2011	9 years	110.0	98.0
Total remuneration				723.0	609.0

1 Daniel Bernard receives his fees in Euros, which are converted into Sterling for the purpose of this table at the average exchange rate over the course of the relevant year.
2 Phil Bentley retired on 17 March 2010.
3 Andrew Bonfield was appointed on 11 February 2010.
4 Pascal Cagni was appointed on 17 November 2010.
5 Clare Chapman was appointed on 2 December 2010 and donates her remuneration to a charitable cause of her choice.
6 Michael Hepher retired on 17 June 2010.
7 John Nelson receives a composite fee for membership of the Board, and in respect of his roles as Senior Independent Director, Chairman of the Remuneration Committee and Deputy Chairman.

In the independent auditors' report on page 92, Deloitte LLP refer to the parts of the Directors' remuneration report that are subject to audit. These comprise the following sections in this report: the disclosures under headings 'Executive directors' remuneration', 'Directors' interests in shares of Kingfisher plc', 'KIS Share awards', 'Performance Share awards', Sharesave Option Scheme', 'Closed incentive plans', 'Directors' pension benefits' and 'Non-executive remuneration' on pages 49 to 53.

For and on behalf of the Committee

John Nelson
Chairman of the Remuneration Committee
23 March 2011

Audit Committee report

The Audit Committee (the 'Committee') is appointed by the Board from the non-executive directors. The terms of reference are regularly reviewed by the Committee and any amendments are referred to the Board for approval. These are available at www.kingfisher.com.

Andrew Bonfield replaced Phil Bentley as Chairman of the Committee in March 2010. Full details of the members of the Committee are set out on page 38. Details of those members with recent and relevant financial experience, together with the number and attendance by members at Committee meetings are set on pages 29 and 36 respectively.

All members of the Committee receive appropriate induction, which is in addition to the induction which all new directors receive. The induction programme covers an overview of the business, its financial dynamics and risks. New Committee members also obtain access to the Group's operations and staff and all members of the Committee undertake ongoing training as required.

The Committee has an agenda linked to events in the Group's financial calendar. 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, Group Audit and Risk Management Director, Group Financial Controller and the external auditors. Private meetings were also held with the external and internal auditors at which management were not present.

The Committee maintains a formal calendar of items for consideration at each meeting and within the annual audit cycle to ensure that its work is in line with the requirements of the Combined Code. A summary of the role of the Committee is set out on page 38. During the year and up to the date of this Annual Report the Committee has:

- reviewed the Committee's terms of reference and its effectiveness. The review concluded that no significant amendments to the terms of reference were required;
- agreed the terms of engagement, the fees, areas of responsibility and scope of the audit work to be undertaken by the external auditors. Details of the amounts paid to the external auditors are given in note 7 to the accounts;
- undertook an assessment of the qualification, expertise and resources, and independence of the external auditors and the effectiveness of the audit process;
- considered the Internal Audit function's reports on the Group's risk management system, findings from reviews, and the remit, organisation, annual plan and resources of the internal audit function;
- undertaken a review of the effectiveness of the internal audit function;
- monitored progress on the programme announced during 2008/09 to standardise and improve the control processes in a number of key areas including B&Q China business and IT systems;
- received reports from the external auditors on their findings including any control observations relevant to their audit work;
- reviewed the annual and interim financial statements. In doing so the Committee reviewed significant accounting policies, financial reporting issues and judgements (including those disclosed in note 3 to the financial statements), together with the reports received from the external auditors on their audits;
- considered reports on the output from the Group-wide process used to identify, evaluate and mitigate risks;
- reviewed and approved the scope of non-audit services provided by the auditors to ensure that there was no impairment of independence and objectivity, and subsequently monitored the non-audit work performed to ensure it was within policy guidelines;
- reviewed the potential impact on the Group's financial statements of significant corporate governance and accounting statements;
- received presentations from the senior management of all operating companies;
- reviewed the policy and process enabling employees within the Group to make disclosures about suspected financial and operational improprieties; and
- reviewed an annual report on the Group's systems of internal control and its effectiveness, and reported the results of the review to the Board.

The Committee has recommended to the Board that Deloitte LLP be re-appointed as the Company's auditor.

As a result of its work during the year, the Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence and objectivity of the external auditors.

The Chairman of the Committee will be available at the Annual General Meeting to answer any questions about the work of the Committee.

For and on behalf of the Committee

Andrew Bonfield
Chairman of the Audit Committee
23 March 2011

Consolidated income statement

Year ended 29 January 2011

£ millions	Notes	2010/11 Before exceptional items	2010/11 Exceptional items (note 5)	2010/11 Total	2009/10 Before exceptional items	2009/10 Exceptional items (note 5)	2009/10 Total
Continuing operations:							
Sales	4	**10,450**	**–**	**10,450**	10,503	–	10,503
Cost of sales		**(6,545)**	**–**	**(6,545)**	(6,706)	–	(6,706)
Gross profit		**3,905**	**–**	**3,905**	3,797	–	3,797
Selling and distribution expenses		**(2,739)**	**(9)**	**(2,748)**	(2,712)	–	(2,712)
Administrative expenses		**(527)**	**–**	**(527)**	(536)	–	(536)
Other income		**34**	**3**	**37**	31	17	48
Share of post-tax results of joint ventures and associates	17	**31**	**–**	**31**	26	–	26
Operating profit		**704**	**(6)**	**698**	606	17	623
Analysed as:							
Retail profit	4	**762**	**(6)**	**756**	664	17	681
Central costs		**(41)**	**–**	**(41)**	(41)	–	(41)
Share of interest and tax of joint ventures and associates		**(17)**	**–**	**(17)**	(17)	–	(17)
Finance costs		**(46)**	**–**	**(46)**	(76)	–	(76)
Finance income		**19**	**–**	**19**	19	–	19
Net finance costs	6	**(27)**	**–**	**(27)**	(57)	–	(57)
Profit before taxation	7	**677**	**(6)**	**671**	549	17	566
Income tax expense	9	**(183)**	**3**	**(180)**	(174)	(7)	(181)
Profit for the year		**494**	**(3)**	**491**	375	10	385
Attributable to:							
Equity shareholders of the Company				**494**			388
Non-controlling interests				**(3)**			(3)
				491			385
Earnings per share	10						
Basic				**21.0p**			16.5p
Diluted				**20.7p**			16.4p
Adjusted basic				**20.5p**			16.4p
Adjusted diluted				**20.2p**			16.3p

The proposed final dividend for the year ended 29 January 2011, subject to approval by shareholders at the Annual General Meeting, is 5.145p per share.

Consolidated statement of comprehensive income

Year ended 29 January 2011

£ millions	Notes	2010/11	2009/10
Profit for the year		**491**	385
Actuarial gains/(losses) on post employment benefits	27	**128**	(165)
Currency translation differences			
Group		**32**	15
Joint ventures and associates		**–**	(6)
Cash flow hedges			
Fair value gains/(losses)		**5**	(13)
Gains transferred to inventories		**(14)**	(5)
Tax on other comprehensive income		**(33)**	55
Other comprehensive income for the year		**118**	(119)
Total comprehensive income for the year		**609**	266
Attributable to:			
Equity shareholders of the Company		**611**	271
Non-controlling interests		**(2)**	(5)
		609	266

Consolidated statement of changes in equity

Year ended 29 January 2011

£ millions	Notes	Share capital	Share premium	Own shares held	Retained earnings	Other reserves (note 29)	Total	Non-controlling interests	Total equity
		Attributable to equity shareholders of the Company							
At 31 January 2010		**371**	**2,191**	**(54)**	**1,921**	**516**	**4,945**	**10**	**4,955**
Profit for the year		**–**	**–**	**–**	**494**	**–**	**494**	**(3)**	**491**
Actuarial gains on post employment benefits	27	–	–	–	128	–	128	–	128
Currency translation differences									
Group		–	–	–	–	31	31	1	32
Cash flow hedges									
Fair value gains		–	–	–	–	5	5	–	5
Gains transferred to inventories		–	–	–	–	(14)	(14)	–	(14)
Tax on other comprehensive income		–	–	–	(34)	1	(33)	–	(33)
Other comprehensive income for the year		**–**	**–**	**–**	**94**	**23**	**117**	**1**	**118**
Total comprehensive income for the year		**–**	**–**	**–**	**588**	**23**	**611**	**(2)**	**609**
Share-based compensation		–	–	–	21	–	21	–	21
Shares issued under share schemes		–	3	–	–	–	3	–	3
Own shares disposed		–	–	12	(11)	–	1	–	1
Dividends		–	–	–	(129)	–	(129)	–	(129)
At 29 January 2011		**371**	**2,194**	**(42)**	**2,390**	**539**	**5,452**	**8**	**5,460**

£ millions	Notes	Share capital	Share premium	Own shares held	Retained earnings	Other reserves (note 29)	Total	Non-controlling interests	Total equity
At 1 February 2009		371	2,188	(57)	1,768	513	4,783	15	4,798
Profit for the year		–	–	–	388	–	388	(3)	385
Actuarial losses on post employment benefits	27	–	–	–	(165)	–	(165)	–	(165)
Currency translation differences									
Group		–	–	–	–	17	17	(2)	15
Joint ventures and associates		–	–	–	–	(6)	(6)	–	(6)
Cash flow hedges									
Fair value losses		–	–	–	–	(13)	(13)	–	(13)
Gains transferred to inventories		–	–	–	–	(5)	(5)	–	(5)
Tax on other comprehensive income		–	–	–	45	10	55	–	55
Other comprehensive income for the year		–	–	–	(120)	3	(117)	(2)	(119)
Total comprehensive income for the year		–	–	–	268	3	271	(5)	266
Share-based compensation		–	–	–	20	–	20	–	20
Shares issued under share schemes		–	3	–	–	–	3	–	3
Own shares purchased		–	–	(7)	–	–	(7)	–	(7)
Own shares disposed		–	–	10	(10)	–	–	–	–
Dividends		–	–	–	(125)	–	(125)	–	(125)
At 30 January 2010		371	2,191	(54)	1,921	516	4,945	10	4,955

Consolidated balance sheet

At 29 January 2011

£ millions	Notes	2010/11	2009/10
Non-current assets			
Goodwill	12	**2,395**	2,395
Other intangible assets	13	**86**	70
Property, plant and equipment	14	**3,632**	3,612
Investment property	15	**32**	24
Investments in joint ventures and associates	17	**259**	234
Deferred tax assets	25	**27**	27
Derivatives	23	**62**	81
Other receivables	19	**15**	22
		6,508	6,465
Current assets			
Inventories	18	**1,791**	1,545
Trade and other receivables	19	**513**	494
Derivatives	23	**15**	24
Current tax assets		**45**	58
Cash and cash equivalents	20	**731**	1,260
		3,095	3,381
Total assets		**9,603**	9,846
Current liabilities			
Trade and other payables	21	**(2,519)**	(2,374)
Borrowings	22	**(196)**	(647)
Derivatives	23	**(11)**	(25)
Current tax liabilities		**(372)**	(348)
Provisions	26	**(27)**	(36)
		(3,125)	(3,430)
Non-current liabilities			
Other payables	21	**(76)**	(74)
Borrowings	22	**(577)**	(883)
Derivatives	23	**(17)**	(47)
Deferred tax liabilities	25	**(238)**	(197)
Provisions	26	**(52)**	(62)
Post employment benefits	27	**(58)**	(198)
		(1,018)	(1,461)
Total liabilities		**(4,143)**	(4,891)
Net assets	4	**5,460**	4,955
Equity			
Share capital	28	**371**	371
Share premium		**2,194**	2,191
Own shares held		**(42)**	(54)
Retained earnings		**2,390**	1,921
Other reserves	29	**539**	516
Total attributable to equity shareholders of the Company		**5,452**	4,945
Non-controlling interests		**8**	10
Total equity		**5,460**	4,955

The financial statements were approved by the Board of Directors on 23 March 2011 and signed on its behalf by:

Ian Cheshire
Group Chief Executive

Kevin O'Byrne
Group Finance Director

Consolidated cash flow statement

Year ended 29 January 2011

£ millions	Notes	2010/11	2009/10
Operating activities			
Cash generated by operations	31	**763**	1,130
Income tax paid		**(133)**	(151)
French tax receipt	9	**–**	148
Net cash flows from operating activities		**630**	1,127
Investing activities			
Purchase of property, plant and equipment, investment property and intangible assets	4	**(310)**	(256)
Disposal of property, plant and equipment, investment property and intangible assets		**87**	59
Interest received		**19**	14
Dividends received from joint ventures and associates		**6**	5
Net cash flows from investing activities		**(198)**	(178)
Financing activities			
Interest paid		**(33)**	(72)
Interest element of finance lease rental payments		**(5)**	(5)
Repayment of bank loans		**(57)**	(130)
Repayment of Medium Term Notes and other fixed term debt		**(696)**	(500)
Receipt on financing derivatives		**6**	78
Capital element of finance lease rental payments		**(12)**	(14)
Issue of share capital under share schemes		**3**	–
Purchase of own shares		**–**	(7)
Disposal of own shares		**1**	–
Dividends paid to equity shareholders of the Company		**(129)**	(125)
Net cash flows from financing activities		**(922)**	(775)
Net (decrease)/increase in cash and cash equivalents and bank overdrafts		**(490)**	174
Cash and cash equivalents and bank overdrafts at beginning of year		**1,135**	994
Exchange differences		**(9)**	(33)
Cash and cash equivalents and bank overdrafts at end of year	32	**636**	1,135

Notes to the consolidated financial statements

1 General information

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

Kingfisher plc is a Company incorporated in the United Kingdom. The nature of the Group's operations and its principal activities are set out in the Business review on pages 1 to 28.

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

The Company is listed on the London Stock Exchange.

These consolidated financial statements have been approved for issue by the Board of Directors on 23 March 2011.

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, its subsidiaries, joint ventures and associates are made up to the nearest Saturday to 31 January each year, except as disclosed in note 17 and in note 4 of the Company's separate financial statements. The current financial year is the 52 weeks ended 29 January 2011 ('the year'). The comparative financial year is the 52 weeks ended 30 January 2010 ('the prior year').

The directors of Kingfisher plc, having made appropriate enquiries, consider that adequate resources exist for the Group to continue in operational existence for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements for the year ended 29 January 2011. Refer to the Directors' statement of responsibility on page 34.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, IFRIC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The following new standards and amendments, which are mandatory for the first time for the financial year ended 29 January 2011, are relevant for the Group:

IAS 27 (amendment)	Consolidated and separate financial statements – Non-controlling interests (effective from 1 July 2009)	Requires the effects of all transactions with non-controlling (minority) interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The amended standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in profit or loss. The impact of this on the results presented has not been significant.
IFRS 3 (amendment)	Business combinations (effective from 1 July 2009)	Harmonises business combination accounting with US GAAP. The amended standard will continue to apply the acquisition method to business combinations, but with certain significant changes. All payments to purchase a business will be recorded at fair value at the acquisition date, with some contingent payments subsequently remeasured at fair value through income. Goodwill and non-controlling (minority) interests may be calculated on a gross or net basis. All transaction costs will be expensed. The impact of this on the results presented has not been significant.

The following amendments to standards and interpretations, which are mandatory for the first time for the financial year ended 29 January 2011, are either not currently relevant or material for the Group:
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement – Eligible hedged items';
- Improvements to IFRSs 2009;
- IFRS 1 (revised November 2008), 'First-time adoption of IFRS';
- IFRS 2 (amendment), 'Share-based payments – Group cash-settled payment transactions';
- IFRIC 17, 'Distributions of non-cash assets to owners'; and
- IFRIC 18, 'Transfers of assets from customers'.

At the date of authorisation of these financial statements, the following new standard, which is expected to be relevant to the Group's results, was issued but not yet effective:

IFRS 9	Financial instruments (effective from 1 January 2013)	Introduces new requirements for classifying and measuring financial assets. This includes the removal of available-for-sale financial assets and held-to-maturity investments, and the introduction of a new category of financial assets at fair value through other comprehensive income. For certain liabilities held at fair value, gains recognised on reduction in the fair value of these liabilities are to be recognised through other comprehensive income rather than in profit and loss. This is still subject to endorsement by the European Union, but is currently expected to be applied in the Group's 2013/14 financial statements.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the use of valuations for certain financial instruments, share-based payments and post employment benefits. A summary of the Group's principal accounting policies is set out below.

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

Use of non-GAAP measures

Kingfisher believes that retail profit, adjusted pre-tax profit, effective tax rate, adjusted post-tax profit and adjusted earnings per share provide additional useful information on underlying trends to shareholders. These and other non-GAAP measures such as net debt/cash are used by Kingfisher for internal performance analysis and incentive compensation arrangements for employees. The terms 'retail profit', 'exceptional items', 'adjusted', 'effective tax rate' and 'net debt/cash' are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, GAAP measures.

Retail profit is defined as continuing operating profit before central costs (principally the costs of the Group's head office), exceptional items, amortisation of acquisition intangibles and the Group's share of interest and tax of joint ventures and associates.

The separate reporting of non-recurring exceptional items, which are presented as exceptional within their relevant income statement category, helps provide an indication of the Group's underlying business performance. The principal items which are included as exceptional items are:

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

The term 'adjusted' refers to the relevant measure being reported for continuing operations excluding exceptional items, financing fair value remeasurements, amortisation of acquisition intangibles, related tax items and prior year tax items. Financing fair value remeasurements represent changes in the fair value of financing derivatives, excluding interest accruals, offset by fair value adjustments to the carrying amount of borrowings and other hedged items under fair value hedge relationships. Financing derivatives are those that relate to underlying items of a financing nature.

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

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

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

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

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

(ii) Joint ventures and associates

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

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

2 Principal accounting policies continued

c. Foreign currencies

(i) Presentation and functional currencies

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

(ii) Transactions and balances

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

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

(iii) Group companies

The balance sheets of overseas 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 disposal.

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

Principal rates of exchange against Sterling:

	2010/11		2009/10	
	Average rate	Year end rate	Average rate	Year end rate
Euro	**1.17**	**1.16**	1.13	1.15
US Dollar	**1.54**	**1.59**	1.58	1.61
Polish Zloty	**4.65**	**4.52**	4.86	4.69
Chinese Renminbi	**10.41**	**10.45**	10.79	11.01

d. Revenue recognition

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

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

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

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

e. Rebates

Rebates received from suppliers mainly comprise volume related rebates on the purchase of inventories.

Volume related rebates are recognised based on actual purchases in the period as a proportion of total purchases forecast over the rebate period where it is probable the rebates will be received and the amounts can be estimated reliably.

Rebates relating to inventories purchased but still held at the balance sheet date are deducted from the carrying value so that the cost of inventories is recorded net of applicable rebates. Such rebates are credited to the income statement when the goods are sold.

f. Dividends

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

g. Intangible assets

(i) Goodwill

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

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

(ii) Computer software

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 seven 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.

h. Property, plant and equipment

(i) Cost

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

(ii) Depreciation

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

Freehold land	–	not depreciated
Freehold and long leasehold buildings	–	over remaining useful life down to residual value
Short leasehold land and buildings	–	over remaining period of the lease
Fixtures and fittings	–	between 4 and 20 years
Computers and electronic equipment	–	between 2 and 5 years
Motor cars	–	4 years
Commercial vehicles	–	between 3 and 10 years

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

(iii) Impairment

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 ('value-in-use') of the relevant cash generating unit or fair value less costs to sell if higher. The discount rate applied is based upon the Group's weighted average cost of capital with appropriate adjustments for the risks associated with the relevant cash generating unit. Any impairment in value is charged to the income statement in the period in which it occurs.

(iv) Disposal

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

(v) Subsequent costs

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

i. Leased assets

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

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

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

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

j. Investment property

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

k. Capitalisation of borrowing costs

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

l. Inventories

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

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

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

m. Employee benefits

(i) Post employment benefits

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

The asset or liability recognised in the balance sheet in respect of defined benefit pension schemes is the fair value of scheme assets less the present value of the defined benefit obligation at the balance sheet date, 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 credited or charged to the statement of comprehensive income as they arise.

Past service costs are recognised immediately in the income statement, unless the changes to the pension scheme 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.

2 Principal accounting policies continued

For defined contribution schemes, the Group pays contributions to privately administered pension schemes 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.

(ii) Share-based compensation

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

n. Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the income statement because it excludes items of income or expense which are taxable or deductible in other years or which are never taxable or deductible.

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

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

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

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

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

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

o. Provisions

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

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

p. Financial instruments

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

(i) Cash and cash equivalents

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

(ii) Borrowings

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

(iii) Other investments

Other investments include bank deposits, government bonds and other short term investments with an original maturity of more than three months.

(iv) Trade receivables

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

(v) Trade payables

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

(vi) Derivatives and hedge accounting

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

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

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

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

Cash flow hedges
Changes in the effective portion of the fair value of derivatives that are designated as hedges of future cash flows are recognised directly in equity, 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 foreign 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.

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.

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

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

Property, plant and equipment 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 as the higher of fair value less costs to sell and value-in-use, calculated on the basis of management's assumptions and estimates.

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

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

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 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. Refer to notes 9 and 25 for further information.

Restructuring provisions
The Group carries a number of provisions in relation to historical and ongoing restructuring programmes. The most significant part of the provisions is the cost to exit stores and property contracts. The ultimate costs and timing of cash flows are dependent on exiting the property lease contracts on the closed stores and subletting surplus space. Refer to note 26 for further information.

Post employment benefits
The present value of the defined benefit liabilities recognised on the balance sheet is dependent on a number of assumptions including interest rates of high quality corporate bonds, inflation and mortality rates. The net interest charge or return is dependent on both the interest rates of high quality corporate bonds and the assumed investment returns on scheme assets. The assumptions are based on the conditions at the time and changes in these assumptions can lead to significant movements in the estimated obligations. The key assumptions, including a sensitivity analysis, are given in note 27.

4 Segmental analysis

Income statement

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

£ millions	UK & Ireland	France	Other International Poland	Other International Other	2009/10 Total
Sales	4,442	4,242	1,012	807	10,503
Retail profit	217	322	125	–	664
Exceptional items					17
Central costs					(41)
Share of interest and tax of joint ventures and associates					(17)
Operating profit					623
Net finance costs					(57)
Profit before taxation					566

Balance sheet

£ millions	UK & Ireland	France	Other International Poland	Other International Other	Total
					2010/11
Segment assets	**1,172**	**1,233**	**512**	**560**	**3,477**
Central liabilities					**(426)**
Goodwill					**2,395**
Net cash					**14**
Net assets					**5,460**

£ millions	UK & Ireland	France	Other International Poland	Other International Other	Total
					2009/10
Segment assets	997	1,187	463	562	3,209
Central liabilities					(399)
Goodwill					2,395
Net debt					(250)
Net assets					4,955

Other segmental information

£ millions	UK & Ireland	France	Other International Poland	Other International Other	Central	Total
						2010/11
Capital expenditure	**149**	**93**	**32**	**34**	**2**	**310**
Depreciation and amortisation	**124**	**75**	**11**	**26**	**2**	**238**
Impairment losses	**–**	**5**	**1**	**8**	**–**	**14**
Non-current assets[1]	**3,252**	**1,925**	**527**	**425**	**16**	**6,145**

£ millions	UK & Ireland	France	Other International Poland	Other International Other	Central	Total
						2009/10
Capital expenditure	97	85	28	44	2	256
Depreciation and amortisation	142	80	11	25	2	260
Impairment losses	–	2	–	–	2	4
Non-current assets[1]	3,248	1,927	489	425	12	6,101

[1] Non-current assets exclude investments in joint ventures and associates, deferred tax assets, derivatives and other receivables.

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

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

Central costs principally comprise the costs of the Group's head office. Central liabilities comprise unallocated head office and other central items including pensions, interest and tax.

5 Exceptional items

£ millions	2010/11	2009/10
Included within selling and distribution expenses		
UK restructuring	**(9)**	–
	(9)	–
Included within other income		
Profit on disposal of properties	**3**	17
	3	17
Exceptional items before tax	**(6)**	17
Tax on exceptional items	**3**	(7)
Exceptional items	**(3)**	10

The UK restructuring charge of £9m reflects plans announced by the Group to consolidate its distribution network in the UK through the construction of a new regional distribution centre in the south of England and the closure of other sites. The provision covers primarily future costs of redundancies and dilapidations on the sites to be exited.

The Group has recorded an exceptional profit of £3m on the disposal of properties (2009/10: £17m profit).

6 Net finance costs

£ millions	2010/11	2009/10
Bank overdrafts and bank loans	**(18)**	(25)
Medium Term Notes and other fixed term debt	**(21)**	(43)
Financing fair value remeasurements	**7**	2
Finance leases	**(5)**	(5)
Unwinding of discount on provisions	**(3)**	(4)
Expected net interest charge on defined benefit pension schemes	**(7)**	(4)
Capitalised interest	**1**	3
Finance costs	**(46)**	(76)
Cash and cash equivalents and current other investments	**19**	19
Finance income	**19**	19
Net finance costs	**(27)**	(57)

Medium Term Notes and other fixed term debt interest includes net interest income accrued on derivatives of £31m (2009/10: £38m income) and amortisation of issue costs of borrowings of £2m (2009/10: £3m).

Capitalised interest relates to the centrally held borrowing pool and is calculated by applying a capitalisation rate of 1.8% (2009/10: 2.6%) to expenditure on qualifying assets.

Financing fair value remeasurements comprise a net gain on derivatives, excluding accrued interest, of £41m (2009/10: £28m loss), offset by a net loss from fair value adjustments to the carrying value of borrowings and cash of £34m (2009/10: £30m gain).

7 Profit before taxation

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

£ millions	2010/11	2009/10
Sales	**10,450**	10,503
Other income	**37**	48
Finance income	**19**	19
Revenue	**10,506**	10,570

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

£ millions	2010/11	2009/10
Operating lease rentals[1]		
Minimum lease payments	**436**	419
Sublease income	**(24)**	(17)
	412	402
Rental income received on investment property	**(4)**	(4)
Repairs and maintenance	**96**	93
Amortisation of other intangible assets[2]	**26**	34
Depreciation of property, plant and equipment and investment property		
Owned assets	**201**	216
Under finance leases	**11**	10
Impairment of property, plant and equipment and investment property	**14**	4
(Profit)/loss on disposal		
Land and buildings and investment property	**(3)**	(17)
Fixtures, fittings and equipment	**7**	13
Other intangible assets	**–**	3
Inventories: write down to net realisable value[3]	**10**	99
Trade and other receivables: write down of bad and doubtful debts	**8**	6

1 Of the operating lease rental charge, £27m relates to plant and equipment (2009/10: £31m).
2 Of the amortisation of other intangible assets charge, £4m (2009/10: £6m) and £22m (2009/10: £28m) are included in selling and distribution expenses and administrative expenses respectively.
3 There have been no reversals of write downs of inventories in the year (2009/10: £nil).

Auditors' remuneration

£ millions	2010/11 Deloitte	2009/10 Deloitte	2009/10 PwC
Fees payable for the audit of the Company and consolidated financial statements	**0.3**	0.3	–
Fees payable for the audit of the Company's subsidiaries pursuant to legislation	**1.1**	1.0	–
Audit fees	**1.4**	1.3	–
Other services supplied pursuant to legislation	**0.1**	–	0.1
Tax advisory services	**0.1**	–	0.2
All other services	**0.1**	–	0.1
Auditors' remuneration	**1.7**	1.3	0.4

In the prior year, Deloitte succeeded PwC to become the Group's auditors. The auditors' remuneration given above relates to the respective periods that each firm acted as auditors of the Group. The remuneration earned by Deloitte during 2009/10 but prior to their appointment as auditors totalled £0.3m, which primarily related to tax advisory services, litigation support and pensions advice.

8 Employees and directors

£ millions	2010/11	2009/10
Wages and salaries	**1,208**	1,178
Social security costs	**238**	229
Post employment benefits		
Defined contribution	**6**	4
Defined benefit	**27**	22
Share-based compensation	**21**	20
Employee benefit expenses	**1,500**	1,453

Number thousands	2010/11	2009/10
Stores	**74**	76
Administration	**4**	4
Average number of persons employed	**78**	80

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

Remuneration of key management personnel

£ millions	2010/11	2009/10
Short term employee benefits	**7.9**	8.1
Post employment benefits	**0.8**	0.9
Share-based compensation	**5.4**	4.1
	14.1	13.1

Key management consists of the Kingfisher plc Board and the Chief Executives of Kingfisher UK, Kingfisher France and Kingfisher International.

Further detail with respect to the Directors' remuneration is set out in the Directors' remuneration report on pages 41 to 53. Other than as set out in the Directors' remuneration report, there have been no transactions with key management during the year (2009/10: £nil).

9 Income tax expense

£ millions	2010/11	2009/10
UK corporation tax		
Current tax on profits for the year	**73**	66
Adjustments in respect of prior years	**(10)**	(7)
	63	59
Overseas tax		
Current tax on profits for the year	**118**	104
Adjustments in respect of prior years	**(5)**	(1)
	113	103
Deferred tax		
Current year	**–**	4
Adjustments in respect of prior years	**5**	15
Adjustments in respect of changes in tax rates	**(1)**	–
	4	19
Income tax expense	**180**	181

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 28%. The differences are explained below:

£ millions	2010/11	2009/10
Profit before taxation	**671**	566
Profit multiplied by the standard rate of corporation tax in the UK of 28% (2009/10: 28%)	**188**	158
Share of post-tax results of joint ventures and associates	**(9)**	(7)
Expenses not deductible for tax purposes	**10**	17
Temporary differences:		
– Net gains on property	**(6)**	(5)
– Losses not recognised	**5**	7
Foreign tax rate differences	**3**	4
Adjustments in respect of prior years and changes in tax rates	**(11)**	7
Income tax expense	**180**	181

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 29% (2009/10: 30%). Tax on exceptional items for the year is a credit of £3m, all of which relates to current year items. In 2009/10 tax on exceptional items was a charge of £7m, all of which related to current year items. The effective tax rate calculation is set out in the Financial review on page 22.

In addition to the amounts charged to the income statement, tax of £33m has been charged directly to equity (2009/10: £55m credit), of which a £5m credit (2009/10: £12m credit) is included in current tax and a £38m charge (2009/10: £43m credit) is included in deferred tax.

The revised comparatives in the income tax expense table above reflect a reassessment of balances expected to be settled on behalf of UK and overseas operating companies.

Kingfisher paid €138m tax to the French tax authorities in the year ended 31 January 2004 as a consequence of the Kesa Electricals demerger and recorded this as an exceptional tax charge. Kingfisher appealed against this tax liability and the tribunal found in favour of Kingfisher in June 2009. As a result, on 7 September 2009 the Group received €169m (£148m) from the French tax authorities, representing a refund of the €138m and €31m of repayment supplement. The French tax authorities have appealed against this decision and the appeal court hearing date is awaited. No income has therefore been recognised in respect of this receipt.

10 Earnings per share

	2010/11 Earnings £ millions	2010/11 Weighted average number of shares millions	2010/11 Earnings per share pence	2009/10 Earnings £ millions	2009/10 Weighted average number of shares millions	2009/10 Earnings per share pence
Basic earnings per share	**494**	**2,349**	**21.0**	388	2,347	16.5
Dilutive share options		**38**	**(0.3)**		22	(0.1)
Diluted earnings per share	**494**	**2,387**	**20.7**	388	2,369	16.4
Basic earnings per share	**494**	**2,349**	**21.0**	388	2,347	16.5
Exceptional items	**6**		**0.3**	(17)		(0.7)
Tax on exceptional and prior year items	**(14)**		**(0.6)**	14		0.7
Financing fair value remeasurements	**(7)**		**(0.3)**	(2)		(0.1)
Tax on financing fair value remeasurements	**2**		**0.1**	1		–
Adjusted basic earnings per share	**481**	**2,349**	**20.5**	384	2,347	16.4
Diluted earnings per share	**494**	**2,387**	**20.7**	388	2,369	16.4
Exceptional items	**6**		**0.3**	(17)		(0.7)
Tax on exceptional and prior year items	**(14)**		**(0.6)**	14		0.7
Financing fair value remeasurements	**(7)**		**(0.3)**	(2)		(0.1)
Tax on financing fair value remeasurements	**2**		**0.1**	1		–
Adjusted diluted earnings per share	**481**	**2,387**	**20.2**	384	2,369	16.3

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

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

11 Dividends

£ millions	2010/11	2009/10
Dividends to equity shareholders of the Company		
Final dividend for the year ended 30 January 2010 of 3.575p per share (31 January 2009: 3.4p per share)	**84**	80
Interim dividend for the year ended 29 January 2011 of 1.925p per share (30 January 2010: 1.925p per share)	**45**	45
	129	125

The proposed final dividend for the year ended 29 January 2011 of 5.145p per share is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

12 Goodwill

£ millions	
Cost	
At 31 January 2010	**2,507**
Exchange differences	**5**
At 29 January 2011	**2,512**
Impairment	
At 31 January 2010	**(112)**
Exchange differences	**(5)**
At 29 January 2011	**(117)**
Net carrying amount	
At 29 January 2011	**2,395**
Cost	
At 1 February 2009	2,520
Exchange differences	(13)
At 30 January 2010	2,507
Impairment	
At 1 February 2009	(124)
Exchange differences	12
At 30 January 2010	(112)
Net carrying amount	
At 30 January 2010	2,395

Impairment tests for goodwill

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

£ millions	UK	France	Poland	China	Total
At 29 January 2011					
Cost	**1,796**	**518**	**81**	**117**	**2,512**
Impairment	**–**	**–**	**–**	**(117)**	**(117)**
Net carrying amount	**1,796**	**518**	**81**	**–**	**2,395**
At 30 January 2010					
Cost	1,796	518	81	112	2,507
Impairment	–	–	–	(112)	(112)
Net carrying amount	1,796	518	81	–	2,395

The recoverable amounts of these groups of CGUs have been determined based on value-in-use calculations. The groups of 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:

Assumptions

- The cash flow projections are based on financial budgets and strategic plans approved by the Board covering a five year period. These are based on both past performance and expectations for future market development.
- Key drivers in the plans are like-for-like ('LFL') sales, margin and operating profit percentage. LFL sales are based on the Group's market expectations and the CGUs' market shares.
- Cash flows beyond this five year period are calculated using a growth rate of 1.9% (2009/10: 1.9%) which does not exceed the long term average growth rate for retail businesses operating in the same countries as the CGUs.
- Working capital movements are included in the model, building in anticipated movements due to the level of trading and including reductions across the Group as part of the Delivering Value programme over the first three years.
- The weighted average cost of capital, used to discount future cash flows, is calculated using a combination of the cost of debt and the cost of equity balanced according to the Group's level of financial gearing. A risk adjustment is then made for the country in which the CGU operates.

UK

- The risk-adjusted discount rate of 11.2% (2009/10: 11.3%) is pre-tax and reflects the specific risks inherent in the UK market. The Board do not consider that a reasonably possible change would lead to the recoverable amount being below the carrying amount of goodwill.

France

- The risk-adjusted discount rate of 11.4% (2009/10: 11.6%) is pre-tax and reflects the specific risks inherent in the French market. The Board do not consider that a reasonably possible change would lead to the recoverable amount being below the carrying amount of goodwill.

Poland

- The risk-adjusted discount rate of 12.7% (2009/10: 13.2%) is pre-tax and reflects the specific risks inherent in the Polish market. The Board do not consider that a reasonably possible change would lead to the recoverable amount being below the carrying amount of goodwill.

13 Other intangible assets

£ millions	Computer software	Other	Total
Cost			
At 31 January 2010	**251**	**13**	**264**
Additions	**42**	**–**	**42**
Disposals	**(1)**	**–**	**(1)**
Exchange differences	**1**	**–**	**1**
At 29 January 2011	**293**	**13**	**306**
Amortisation			
At 31 January 2010	**(188)**	**(6)**	**(194)**
Charge for the year	**(25)**	**(1)**	**(26)**
Disposals	**1**	**–**	**1**
Exchange differences	**(1)**	**–**	**(1)**
At 29 January 2011	**(213)**	**(7)**	**(220)**
Net carrying amount			
At 29 January 2011	**80**	**6**	**86**
Cost			
At 1 February 2009	225	14	239
Additions	36	–	36
Disposals	(7)	–	(7)
Exchange differences	(3)	(1)	(4)
At 30 January 2010	251	13	264
Amortisation			
At 1 February 2009	(162)	(4)	(166)
Charge for the year	(32)	(2)	(34)
Disposals	4	–	4
Exchange differences	2	–	2
At 30 January 2010	(188)	(6)	(194)
Net carrying amount			
At 30 January 2010	63	7	70

None of the Group's other intangible assets have 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 31 January 2010	**2,936**	**2,104**	**5,040**
Additions	**111**	**201**	**312**
Disposals	**(86)**	**(68)**	**(154)**
Exchange differences	**28**	**9**	**37**
At 29 January 2011	**2,989**	**2,246**	**5,235**
Depreciation			
At 31 January 2010	**(263)**	**(1,165)**	**(1,428)**
Charge for the year	**(39)**	**(172)**	**(211)**
Impairment losses	**(10)**	**(4)**	**(14)**
Disposals	**10**	**53**	**63**
Exchange differences	**(7)**	**(6)**	**(13)**
At 29 January 2011	**(309)**	**(1,294)**	**(1,603)**
Net carrying amount			
At 29 January 2011	**2,680**	**952**	**3,632**
Cost			
At 1 February 2009	2,902	2,117	5,019
Additions	95	126	221
Disposals	(36)	(111)	(147)
Exchange differences	(25)	(28)	(53)
At 30 January 2010	2,936	2,104	5,040
Depreciation			
At 1 February 2009	(226)	(1,094)	(1,320)
Charge for the year	(41)	(185)	(226)
Impairment losses	(3)	(1)	(4)
Disposals	3	98	101
Exchange differences	4	17	21
At 30 January 2010	(263)	(1,165)	(1,428)
Net carrying amount			
At 30 January 2010	2,673	939	3,612
Assets in the course of construction included above at net carrying amount			
At 29 January 2011	**134**	**51**	**185**
At 30 January 2010	109	25	134
Assets held under finance leases included above at net carrying amount			
At 29 January 2011	**24**	**24**	**48**
At 30 January 2010	27	19	46

The amount of borrowing costs capitalised in property, plant and equipment in the year has been £1m (2009/10: £3m). The cumulative total of borrowing costs included at the balance sheet date, net of depreciation, is £25m (2009/10: £24m).

Land and buildings are analysed as follows:

£ millions	Freehold	Long leasehold	Short leasehold	2010/11 Total	2009/10 Total
Cost	**2,333**	**123**	**533**	**2,989**	2,936
Depreciation	**(116)**	**(4)**	**(189)**	**(309)**	(263)
Net carrying amount	**2,217**	**119**	**344**	**2,680**	2,673

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

Included in land and buildings is leasehold land that is in effect a prepayment for the use of land and is accordingly being amortised on a straight line basis over the estimated useful life of the assets. The cost and depreciation of leasehold land included in land and buildings at 29 January 2011 are £264m and £54m (2009/10: £331m and £56m) 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 exercise the value of property is £3.3 billion (2009/10: £3.0bn). The key assumption used in calculating this is the estimated yields.

15 Investment property

£ millions	
Cost	
At 31 January 2010	**34**
Additions	**7**
Exchange differences	**3**
At 29 January 2011	**44**
Depreciation	
At 31 January 2010	**(10)**
Charge for the year	**(1)**
Exchange differences	**(1)**
At 29 January 2011	**(12)**
Net carrying amount	
At 29 January 2011	**32**
Cost	
At 1 February 2009	33
Additions	1
Disposals	(2)
Exchange differences	2
At 30 January 2010	34
Depreciation	
At 1 February 2009	(9)
Exchange differences	(1)
At 30 January 2010	(10)
Net carrying amount	
At 30 January 2010	24

A property valuation exercise is performed for internal purposes annually as described in note 14. Based on this exercise the fair value of investment property is £71m (2009/10: £52m).

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.

17 Investments in joint ventures and associates

£ millions	
At 31 January 2010	**234**
Share of post-tax results	**31**
Dividends	**(6)**
At 29 January 2011	**259**

At 1 February 2009	219
Share of post-tax results	26
Dividends	(5)
Exchange differences	(6)
At 30 January 2010	234

No goodwill is included in the carrying amount of investments in joint ventures and associates (2009/10: £nil).

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.[1]	Turkey	50%	Ordinary	Retailing
Principal associates				
Hornbach Holding A.G.[2]	Germany	21%	Ordinary & preference	Retailing
Crealfi S.A.	France	49%	Ordinary	Finance

[1] 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.

[2] This company prepares its financial statements to 28 February (or 29 February in a leap year). In order to avoid undue delay in the presentation of the Group financial statements, the Group records its share of post-tax results for the year ended 30 November. The value of the Group's investment based on published price quotations at 29 January 2011 was £175m.

Aggregate amounts relating to joint ventures and associates:

£ millions	2010/11 Joint ventures	2010/11 Associates	2010/11 Total	2009/10 Joint ventures	2009/10 Associates	2009/10 Total
Non-current assets	**29**	**277**	**306**	26	240	266
Current assets	**54**	**297**	**351**	52	283	335
Current liabilities	**(49)**	**(212)**	**(261)**	(42)	(176)	(218)
Non-current liabilities	**(2)**	**(135)**	**(137)**	(9)	(140)	(149)
Share of net assets	**32**	**227**	**259**	27	207	234
Sales	**165**	**569**	**734**	132	562	694
Operating expenses	**(151)**	**(535)**	**(686)**	(122)	(529)	(651)
Operating profit	**14**	**34**	**48**	10	33	43
Net finance costs	**(1)**	**(5)**	**(6)**	(2)	(8)	(10)
Profit before taxation	**13**	**29**	**42**	8	25	33
Income tax expense	**(3)**	**(8)**	**(11)**	(1)	(6)	(7)
Share of post-tax results	**10**	**21**	**31**	7	19	26

18 Inventories

£ millions	2010/11	2009/10
Finished goods for resale	**1,791**	1,545

The cost of inventories recognised as an expense and included in cost of sales for the year ended 29 January 2011 is £6,089m (2009/10: £6,293m).

19 Trade and other receivables

£ millions	2010/11	2009/10
Non-current		
Prepayments	**13**	18
Property receivables	**2**	2
Other receivables	**–**	2
	15	22
Current		
Trade receivables	**72**	69
Provision for bad and doubtful debts	**(16)**	(15)
Net trade receivables	**56**	54
Property receivables	**2**	2
Prepayments	**137**	124
Other receivables	**318**	314
	513	494
Trade and other receivables	**528**	516

Other receivables principally comprise rebates due from suppliers.

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

20 Cash and cash equivalents

£ millions	2010/11	2009/10
Cash at bank and in hand	**274**	222
Short term deposits	**457**	1,038
	731	1,260

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

21 Trade and other payables

£ millions	2010/11	2009/10
Current		
Trade payables	**1,366**	1,323
Other taxation and social security	**218**	207
Deferred income	**187**	178
Accruals and other payables	**748**	666
	2,519	2,374
Non-current		
Accruals and other payables	**76**	74
Trade and other payables	**2,595**	2,448

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

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

22 Borrowings

£ millions	2010/11	2009/10
Current		
Bank overdrafts	**95**	125
Bank loans	**89**	136
Medium Term Notes and other fixed term debt	**–**	374
Finance leases	**12**	12
	196	647
Non-current		
Bank loans	**15**	18
Medium Term Notes and other fixed term debt	**504**	812
Finance leases	**58**	53
	577	883
Borrowings	**773**	1,530

Bank overdrafts and loans

Bank overdrafts are repayable on demand and current bank loans mature within the next 12 months. Bank overdrafts are arranged at floating rates of interest. Current bank loans include Chinese Renminbi loans drawn under committed and uncommitted facilities expiring in July 2013 and July 2011 respectively. These loans bear interest based on the People's Bank of China reference rate and are fixed for periods of up to six months. At the year end the effective borrowing rate on the drawn amounts was 4.8%. Other current bank loans are arranged at floating rates of interest.

Non-current bank loans have an average maturity of two years (2009/10: two years) and are arranged at fixed rates of interest with an effective interest rate of 4.3% (2009/10: 6.1%).

There has been a reduction in the level of bank loans in China during the year.

Medium Term Notes and other fixed term debt

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

£ millions	Principal outstanding	Maturity date	Coupon	Effective interest rate	2010/11 Carrying amount	2009/10 Carrying amount
Sterling MTN	–	23/03/10[1]	6.88%	7.0%	**–**	85
Euro MTN	–	21/10/10[2]	4.50%	4.6%	**–**	289
Euro MTN	€200m	23/11/12[3]	4.13%	4.3%	**178**	217
US Dollar USPP	$50m	24/05/13[4]	6.14%	6.1%	**35**	144
Sterling MTN	£101m	15/12/14[5]	5.63%	5.8%	**110**	270
US Dollar USPP	$68m	24/05/16[4]	6.30%	6.3%	**49**	57
US Dollar USPP	$179m	24/05/18[4]	6.40%	6.4%	**132**	124
					504	1,186

1 Swapped to floating rate Sterling based on 3 month LIBOR plus a margin using an interest rate swap. £85m was repaid at maturity in March 2010.
2 €200m swapped to floating rate Euro based on 3 month EURIBOR plus a margin using an interest rate swap. €329m was repaid at maturity in October 2010.
3 Swapped to floating rate Euro based on 3 month EURIBOR plus a margin using an interest rate swap. €43m was repurchased in the year.
4 $297m swapped to floating rate Sterling based on 6 month LIBOR plus a margin using a cross-currency interest rate swap. $170m was repurchased in the year.
5 Swapped to floating rate Euro based on 3 month EURIBOR plus a margin using a cross-currency interest rate swap. £149m was repurchased in the year.

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

The carrying amounts of the MTNs and USPP have been impacted both by exchange rate movements and fair value adjustments for interest rate risk. At 29 January 2011, the cumulative effect of interest rate fair value adjustments is to increase the Group's MTNs and USPP carrying amounts by £44m (2009/10: £70m).

The USPP contains a covenant requiring that, as at the end of each semi-annual and annual financial reporting period, the ratio of operating profit to net interest payable, excluding exceptional items, should not be less than 3 to 1 for the preceding 12 month period. The Group has complied with this covenant for the year ended 29 January 2011.

Finance leases

The Group leases certain of its buildings and fixtures and equipment under finance leases. The average lease term maturity for buildings is seven years (2009/10: seven years) and for fixtures and equipment is two years (2009/10: two years). Certain building leases include a clause to enable upward revision of the rental charge to prevailing market conditions.

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

£ millions	2010/11 Present value of payments	2010/11 Minimum payments	2009/10 Present value of payments	2009/10 Minimum payments
Less than one year	**12**	**16**	12	16
One to five years	**30**	**42**	27	36
More than five years	**28**	**41**	26	43
Total	**70**	**99**	65	95
Less amounts representing finance charges		**(29)**		(30)
Present value of minimum lease payments		**70**		65

The interest rates inherent in the finance leases are fixed at the contract date for the lease term. The weighted average effective interest rate on the Group's finance leases is 8.4% (2009/10: 8.2%).

22 Borrowings continued

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

£ millions	2010/11 Carrying amount	2010/11 Fair value	2009/10 Carrying amount	2009/10 Fair value
Bank loans	**15**	**15**	18	17
Medium Term Notes and other fixed term debt	**504**	**511**	812	820
Finance leases	**58**	**75**	53	75
	577	**601**	883	912

Assets worth RMB 1.2bn (£115m) secure a bank facility in China, which matures in July 2013 (2009/10: RMB 1.2bn).

23 Derivatives

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

£ millions	2010/11	2009/10
Fair value hedges	**58**	116
Cash flow hedges	**(8)**	2
Net investment hedges	**(9)**	(28)
Non-designated hedges	**8**	(57)
	49	33
Non-current assets	**62**	81
Current assets	**15**	24
Current liabilities	**(11)**	(25)
Non-current liabilities	**(17)**	(47)
	49	33

The fair values are calculated by discounting future cash flows arising from the instruments and adjusting for credit risk. These fair value measurements are all made using observable market rates of interest, foreign exchange and credit risk and are therefore classified as 'level 2' in the IFRS 7, 'Financial instruments: Disclosures', fair value hierarchy. At 29 January 2011 net derivative assets included in net debt/cash amount to £56m (2009/10: £20m net derivative assets).

Fair value hedges

Fair value hedges comprise interest rate swap contracts that convert fixed rate debt issued under the Group's MTN programme and the US Private Placement to floating rate liabilities, along with certain cross-currency swaps. At 29 January 2011 the Sterling equivalent amount of such contracts is £537m (2009/10: £984m). During the year, interest rate swaps have been cancelled as a result of repayments or repurchases of underlying debt. The Sterling equivalent amount of those cancellations (at year end exchange rates) was £551m.

Cash flow hedges

Forward foreign exchange contracts hedge currency exposures of forecast inventory purchases. At 29 January 2011 the Sterling equivalent amount of such contracts is £279m (2009/10: £264m). The associated fair value gains and losses will be transferred to inventories when the purchases occur during the next 12 months. Gains of £14m (2009/10: £5m gains) have been transferred to inventories for contracts which matured during the year.

Net investment hedges

Cross-currency interest rate swaps hedge currency exposures of overseas investments. At 29 January 2011 the Sterling equivalent amount of such contracts is £48m (2009/10: £138m).

Non-designated hedges

The Group has entered into certain derivatives to provide a hedge against fluctuations in the income statement arising from balance sheet positions. At 29 January 2011 the Sterling equivalent amount of such contracts is £1,038m (2009/10: £1,100m). These have not been accounted for as hedges, since the fair value movements of the derivatives in the income statement offset the retranslation of the balance sheet positions. These include short term foreign exchange contracts.

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

24 Financial risk management

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

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

Interest rate risk

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

Currency risk

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

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

	Sterling		Euro		US Dollar		Other		
£ millions	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Total
At 29 January 2011									
Net cash before fair value adjustments and financing derivatives	**(162)**	**38**	**(193)**	**442**	**(187)**	**2**	**50**	**12**	**2**
Fair value adjustments to net cash	**(10)**	**–**	**(5)**	**–**	**(29)**	**–**	**–**	**–**	**(44)**
Financing derivatives	**259**	**(1,257)**	**178**	**187**	**216**	**226**	**–**	**247**	**56**
Net cash	**87**	**(1,219)**	**(20)**	**629**	**–**	**228**	**50**	**259**	**14**
At 30 January 2010									
Net debt before fair value adjustments and financing derivatives	(371)	357	(541)	536	(289)	32	57	19	(200)
Fair value adjustments to net debt	(22)	–	(11)	–	(37)	–	–	–	(70)
Financing derivatives	353	(1,249)	394	(31)	327	129	–	97	20
Net debt	(40)	(892)	(158)	505	1	161	57	116	(250)

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

£ millions	2010/11 Net finance costs Income/(costs)	2009/10 Net finance costs Income/(costs)
Effect of 1% rise in interest rates on net finance costs		
Sterling	**(12)**	(9)
Euro	**6**	5
US Dollar	**2**	2
Polish Zloty	**2**	1
Chinese Renminbi	**–**	–

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

24 Financial risk management continued

£ millions	2010/11 Derivative cash flow hedges Increase/ (decrease)	2009/10 Derivative cash flow hedges Increase/ (decrease)
Effect of 10% appreciation in foreign exchange rates on derivative cash flow hedges		
US Dollar against Sterling	**14**	15
US Dollar against Euro	**14**	9

The impact of changes in foreign exchange rates on cash flow hedges results from retranslation of forward purchases of US Dollars used to hedge forecast US Dollar purchases of inventories. The associated fair value gains and losses are deferred in equity until the purchases occur. See note 23 for further details. The retranslation of foreign currency borrowings and derivatives designated as hedges of net investments in foreign operations is reported in equity, but offset by the retranslation of the hedged net investments.

The sensitivity analysis excludes the impact of movements in market variables on the carrying amount of trade and other payables and receivables, due to the low associated sensitivity, and are before the effect of tax. It has been prepared on the basis that the Group's debt, hedging activities, hedge accounting designations, and foreign currency proportion of debt and derivative contracts remain constant, reflecting the positions at 29 January 2011 and 30 January 2010 respectively. As a consequence, the analysis relates to the position at those dates and is not necessarily representative of the years then ended. In preparing the sensitivity analysis it is assumed that all hedges are fully effective.

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

Liquidity risk

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

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

£ millions	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
At 29 January 2011							
Bank overdrafts	**(95)**	**–**	**–**	**–**	**–**	**–**	**(95)**
Bank loans	**(91)**	**(2)**	**(7)**	**(4)**	**(3)**	**–**	**(107)**
Medium Term Notes and other fixed term debt	**(25)**	**(198)**	**(48)**	**(116)**	**(10)**	**(175)**	**(572)**
Finance leases	**(16)**	**(12)**	**(11)**	**(10)**	**(9)**	**(41)**	**(99)**
Derivatives – receipts	**25**	**25**	**48**	**116**	**10**	**175**	**399**
Derivatives – payments	**(8)**	**(12)**	**(41)**	**(193)**	**(6)**	**(169)**	**(429)**
At 30 January 2010							
Bank overdrafts	(125)	–	–	–	–	–	(125)
Bank loans	(136)	(3)	(3)	(7)	(5)	–	(154)
Medium Term Notes and other fixed term debt	(430)	(41)	(251)	(156)	(274)	(191)	(1,343)
Finance leases	(16)	(12)	(9)	(8)	(7)	(43)	(95)
Derivatives – receipts	55	41	41	156	274	191	758
Derivatives – payments	(15)	(24)	(30)	(150)	(329)	(183)	(731)

At 29 January 2011 the Group has an undrawn revolving facility of £500m which matures in August 2012. The £500m facility contains a covenant requiring that, as at the end of each annual financial reporting period, the ratio of operating profit to net interest payable, excluding exceptional items, should not be less than 3 to 1 for the preceding 12 month period. The Group has complied with this covenant for the year ended 29 January 2011.

Credit risk

The Group deposits surplus cash with a number of banks with strong credit ratings and with money market funds which have the strongest, AAA, credit rating and offer same day liquidity. A credit limit for each counterparty is agreed by the Board covering the full value of deposits and a proportion of the value of derivative contracts. The credit risk is reduced further by spreading the investments and derivative contracts across several counterparties. At 29 January 2011, the highest cash deposit with a single counterparty was £86m (2009/10: £101m).

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

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

At 29 January 2011, trade and other receivables that are past due but not provided against amount to £34m (2009/10: £29m), of which £3m (2009/10: £4m) are over 120 days past due.

Refer also to note 34 for details on guarantees provided by the Group.

Capital risk

Capital risk management disclosures are provided in the Financial review on page 24.

25 Deferred tax

£ millions	2010/11	2009/10
Deferred tax assets	**27**	27
Deferred tax liabilities	**(238)**	(197)
	(211)	(170)

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

£ millions	Accelerated tax depreciation	Gains on property	Provisions	Tax losses	Post employment benefits	Other	Total
At 31 January 2010	**(76)**	**(178)**	**20**	**1**	**57**	**6**	**(170)**
(Charge)/credit to income statement	**(22)**	**16**	**6**	**2**	**(6)**	**–**	**(4)**
(Charge)/credit to equity	**–**	**–**	**–**	**–**	**(41)**	**3**	**(38)**
Exchange differences	**–**	**1**	**1**	**(1)**	**1**	**(1)**	**1**
At 29 January 2011	**(98)**	**(161)**	**27**	**2**	**11**	**8**	**(211)**
At 1 February 2009	(66)	(187)	26	5	23	(1)	(200)
(Charge)/credit to income statement	(11)	4	(3)	(5)	(4)	–	(19)
Credit to equity	–	–	–	–	38	5	43
Exchange differences	1	5	(3)	1	–	2	6
At 30 January 2010	(76)	(178)	20	1	57	6	(170)

At the balance sheet date, the Group has unused tax losses of £268m (2009/10: £316m) available for offset against future profits. A deferred tax asset has been recognised in respect of £4m (2009/10: £7m) of such losses. No deferred tax asset has been recognised in respect of the remaining £264m (2009/10: £309m) due to the unpredictability of future profit streams. Included in unrecognised tax losses are tax losses arising in China of £213m (2009/10: £245m) which can only be carried forward in the next one to five years and tax losses arising in Spain of £21m (2009/10: £27m) 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 £99m (2009/10: £91m).

26 Provisions

£ millions	Onerous property contracts	Restructuring	Total
At 31 January 2010	36	62	98
Charge to income statement	–	9	9
Utilised in the year	(11)	(19)	(30)
Unwinding of discount	2	1	3
Exchange differences	(1)	–	(1)
At 29 January 2011	26	53	79
Current liabilities	5	22	27
Non-current liabilities	21	31	52
	26	53	79

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

Restructuring provisions include the estimated costs of the UK and China restructuring programmes. The provisions have been discounted to reflect the time value of money and the risks associated with the specific liabilities.

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

27 Post employment benefits

The Group operates a variety of post employment benefit arrangements covering both funded and unfunded defined benefit schemes and funded defined contribution schemes. The most significant are the funded, final salary defined benefit and defined contribution schemes for the Group's UK employees. Various defined benefit and defined contribution schemes are operated in France and Poland, where they are retirement indemnity in nature, and in China. The overseas schemes are not material in relation to the Group as a whole.

Defined contribution schemes

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

£ millions	2010/11	2009/10
Charge to operating profit	6	4

Defined benefit schemes

The Group's principal defined benefit pension scheme is in the UK. The assets of this scheme are held separately from the Group in trustee-administered funds. The Trustees are required to act in the best interests of the scheme's beneficiaries.

The UK scheme was closed to new entrants in 2004. A full actuarial valuation of the scheme is carried out every three years by an independent actuary for the scheme Trustee and the last full valuation was carried out as at 31 March 2010. The Company monitors the scheme funding level on a regular basis and will review with the scheme Trustee at future valuations the continued appropriateness of the repayment schedule currently in place.

UK scheme interest in property partnership

On 28 January 2011 the Group entered into an arrangement with the scheme Trustee to address an element of the current scheme deficit.

The Group established a partnership, Kingfisher Scottish Limited Partnership ('Kingfisher SLP'). The partnership interests are held by the Group and by the scheme, the latter resulting from a £78m investment made by the scheme Trustee. This investment followed a Group contribution of the same amount into the scheme. Under IAS 19, 'Employee benefits', the investment held by the scheme in Kingfisher SLP does not represent a plan asset for the purposes of the Group's consolidated financial statements. Accordingly the pension deficit position does not reflect the £78m investment. The Group has control over the partnership and therefore it is consolidated in these Group financial statements. Accordingly, advantage has been taken of the exemptions provided by Regulation 7 of the Partnerships (Accounts) Regulations 2008 from the requirements for preparation, delivery and publication of the partnership's accounts.

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

Income statement

£ millions	UK 2010/11	Other 2010/11	Total 2010/11	UK 2009/10	Other 2009/10	Total 2009/10
Amounts charged to operating profit						
Current service cost	**23**	**4**	**27**	19	3	22
Amounts charged/(credited) to net finance costs						
Interest on defined benefit obligations	**90**	**2**	**92**	88	3	91
Expected return on pension scheme assets	**(84)**	**(1)**	**(85)**	(87)	–	(87)
Net interest charge	**6**	**1**	**7**	1	3	4
Total charged to income statement	**29**	**5**	**34**	20	6	26

Of the charge to operating profit, £21m (2009/10: £19m) and £6m (2009/10: £3m) are included in selling and distribution expenses and administrative expenses respectively. Actuarial gains and losses have been reported in the statement of comprehensive income.

Balance sheet

£ millions	UK 2010/11	Other 2010/11	Total 2010/11	UK 2009/10	Other 2009/10	Total 2009/10
Present value of defined benefit obligations	**(1,646)**	**(57)**	**(1,703)**	(1,666)	(50)	(1,716)
Fair value of scheme assets	**1,625**	**20**	**1,645**	1,495	23	1,518
Deficit in scheme	**(21)**	**(37)**	**(58)**	(171)	(27)	(198)

The amount of the defined benefit obligation at 29 January 2011 which relates to funded defined benefit schemes is £1,703m (2009/10: £1,716m).

Movements in the surplus or deficit are as follows:

£ millions	UK 2010/11	Other 2010/11	Total 2010/11	UK 2009/10	Other 2009/10	Total 2009/10
Deficit in scheme at beginning of year	**(171)**	**(27)**	**(198)**	(40)	(34)	(74)
Current service cost	**(23)**	**(4)**	**(27)**	(19)	(3)	(22)
Interest on defined benefit obligations	**(90)**	**(2)**	**(92)**	(88)	(3)	(91)
Expected return on pension scheme assets	**84**	**1**	**85**	87	–	87
Actuarial gains/(losses)	**134**	**(6)**	**128**	(160)	(5)	(165)
Contributions paid by employer	**45**	**1**	**46**	49	17	66
Exchange differences	**–**	**–**	**–**	–	1	1
Deficit in scheme at end of year	**(21)**	**(37)**	**(58)**	(171)	(27)	(198)

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

£ millions	UK 2010/11	Other 2010/11	Total 2010/11	UK 2009/10	Other 2009/10	Total 2009/10
Present value of defined benefit obligations at beginning of year	**(1,666)**	**(50)**	**(1,716)**	(1,388)	(49)	(1,437)
Current service cost	**(23)**	**(4)**	**(27)**	(19)	(3)	(22)
Interest on defined benefit obligations	**(90)**	**(2)**	**(92)**	(88)	(3)	(91)
Actuarial gains/(losses)	**80**	**(6)**	**74**	(223)	(3)	(226)
Contributions paid by employees	**(8)**	**–**	**(8)**	(8)	–	(8)
Benefits paid	**61**	**4**	**65**	60	7	67
Exchange differences	**–**	**1**	**1**	–	1	1
Present value of defined benefit obligations at end of year	**(1,646)**	**(57)**	**(1,703)**	(1,666)	(50)	(1,716)

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

£ millions	UK 2010/11	Other 2010/11	Total 2010/11	UK 2009/10	Other 2009/10	Total 2009/10
Fair value of scheme assets at beginning of year	**1,495**	**23**	**1,518**	1,348	15	1,363
Expected return on pension scheme assets	**84**	**1**	**85**	87	–	87
Actuarial gains/(losses) on pension scheme assets	**54**	**–**	**54**	63	(2)	61
Contributions paid by employer	**45**	**1**	**46**	49	17	66
Contributions paid by employees	**8**	**–**	**8**	8	–	8
Benefits paid	**(61)**	**(4)**	**(65)**	(60)	(7)	(67)
Exchange differences	**–**	**(1)**	**(1)**	–	–	–
Fair value of scheme assets at end of year	**1,625**	**20**	**1,645**	1,495	23	1,518

27 Post employment benefits continued

The fair value of scheme assets is analysed as follows:

£ millions	2010/11 UK	2010/11 Other	2010/11 Total	2010/11 % of total	2009/10 UK	2009/10 Other	2009/10 Total	2009/10 % of total
Equities	**498**	**–**	**498**	**30%**	502	–	502	33%
Bonds	**959**	**–**	**959**	**59%**	890	–	890	59%
Property	**84**	**–**	**84**	**5%**	78	–	78	5%
Other	**84**	**20**	**104**	**6%**	25	23	48	3%
Total fair value of scheme assets	**1,625**	**20**	**1,645**	**100%**	1,495	23	1,518	100%

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

Actual returns and history of actuarial gains and losses

The actual returns on pension scheme assets are as follows:

£ millions	2010/11 UK	2010/11 Other	2010/11 Total	2009/10 UK	2009/10 Other	2009/10 Total
Actual return/(loss) on pension scheme assets	**138**	**1**	**139**	150	(2)	148

The history of actuarial gains and losses is as follows:

£ millions	2010/11	2009/10	2008/09	2007/08	2006/07
Present value of defined benefit obligations	**(1,703)**	(1,716)	(1,437)	(1,395)	(1,432)
Fair value of scheme assets	**1,645**	1,518	1,363	1,472	1,377
(Deficit)/surplus in scheme	**(58)**	(198)	(74)	77	(55)
Changes in assumptions underlying present value of defined benefit obligations	**40**	(226)	21	116	91
Percentage of defined benefit obligations	***(2%)***	*13%*	*(1%)*	*(8%)*	*(6%)*
Experience gains/(losses) arising on defined benefit obligations	**34**	–	(1)	(12)	–
Percentage of defined benefit obligations	***(2%)***	–	–	*1%*	–
Actual return less expected return on pension scheme assets	**54**	61	(211)	(57)	4
Percentage of scheme assets	***3%***	*4%*	*(15%)*	*(4%)*	–
Total gains/(losses) recognised in the statement of comprehensive income in the year	**128**	(165)	(191)	47	95
Cumulative losses recognised in the statement of comprehensive income	**(211)**	(339)			

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 £49m.

Principal actuarial valuation assumptions

The assumptions used in calculating the costs and obligations of the Group's defined benefit pension schemes are set by the Directors after consultation with independent professionally qualified actuaries. The assumptions are based on the conditions at the time and changes in these assumptions can lead to significant movements in the estimated obligations, as illustrated in the sensitivity analysis.

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

Annual % rate	2010/11 UK	2010/11 Other	2009/10 UK	2009/10 Other
Discount rate	**5.6**	**4.4**	5.5	5.3
Salary escalation	**4.3**	**2.0 to 6.7**	4.2	2.0 to 6.6
Rate of pension increases	**3.5**	**–**	3.4	–
Price inflation	**3.5**	**2.0**	3.4	2.0

% rate of return	2010/11 UK	2010/11 Other	2009/10 UK	2009/10 Other
Equities	**8.5**	**–**	7.9	–
Bonds	**4.8**	**–**	4.7	–
Property	**6.9**	**–**	6.4	–
Other	**3.7**	**3.5**	4.2	3.5
Overall expected rate of return	**6.0**	**3.5**	5.9	3.5

For the UK scheme, the mortality assumptions used in the actuarial valuations have been selected with regard to the characteristics and experience of the membership of the scheme from 2007 to 2010. The base mortality assumptions have been derived by adjusting standard mortality tables (SAPS tables) projected forward to 2010 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 average of the standard series and long cohort improvements, subject to a minimum of 1% pa. These improvements take into account trends observed within the scheme over the past decade and general population trends.

The assumptions for life expectancy of UK scheme members are as follows:

Years	2010/11	2009/10
Age to which current pensioners are expected to live (60 now)		
– Male	**86.4**	87.2
– Female	**87.1**	85.9
Age to which future pensioners are expected to live (60 in 15 years' time)		
– Male	**87.1**	88.8
– Female	**88.7**	87.1

The following sensitivity analysis for the UK scheme shows the estimated impact on obligations resulting from changes to key actuarial assumptions, whilst holding all other assumptions constant.

Assumption	Change in assumption	Impact on defined benefit obligation
Discount rate	Increase/decrease by 0.1%	Decrease/increase by £31m
Salary escalation	Increase/decrease by 0.1%	Increase/decrease by £3m
Rate of pension increases	Increase/decrease by 0.1%	Increase/decrease by £20m
Price inflation	Increase/decrease by 0.1%	Increase/decrease by £31m
Mortality	Increase in life expectancy by one year	Increase by £45m

28 Share capital

	Number of ordinary shares millions	Ordinary share capital £ millions
At 31 January 2010	**2,362**	**371**
Shares issued under share schemes	**2**	**–**
At 29 January 2011	**2,364**	**371**
At 1 February 2009	2,361	371
Shares issued under share schemes	1	–
At 30 January 2010	2,362	371

The total number of authorised ordinary shares is 3,023m shares (2009/10: 3,023m shares) with a nominal value of 15⁵⁄₇p per share. All issued shares are fully paid and represent a single class of ordinary shares.

29 Other reserves

£ millions	Cash flow hedge reserve	Translation reserve	Other	Total
At 31 January 2010	**1**	**356**	**159**	**516**
Currency translation differences				
Group	**–**	**31**	**–**	**31**
Cash flow hedges				
Fair value gains	**5**	**–**	**–**	**5**
Gains transferred to inventories	**(14)**	**–**	**–**	**(14)**
Tax on other comprehensive income	**3**	**(2)**	**–**	**1**
Other comprehensive income for the year	**(6)**	**29**	**–**	**23**
At 29 January 2011	**(5)**	**385**	**159**	**539**
At 1 February 2009	14	340	159	513
Currency translation differences				
Group	–	17	–	17
Joint ventures and associates	–	(6)	–	(6)
Cash flow hedges				
Fair value losses	(13)	–	–	(13)
Gains transferred to inventories	(5)	–	–	(5)
Tax on other comprehensive income	5	5	–	10
Other comprehensive income for the year	(13)	16	–	3
At 30 January 2010	1	356	159	516

The 'other' category of reserve represents the premium on the issue of convertible loan stock in 1993 and the merger reserve relating to the acquisition of Darty.

30 Share-based payments

	2010/11		2009/10	
	Options Number	Weighted average exercise price £	Options Number	Weighted average exercise price £
Outstanding at beginning of year	**69,176,509**	**0.54**	59,956,785	0.62
Granted during the year[1,2]	**22,327,629**	**0.20**	25,897,945	0.36
Forfeited during the year	**(7,768,309)**	**0.41**	(11,169,219)	0.40
Exercised during the year	**(5,087,464)**	**0.70**	(3,279,783)	0.45
Expired during the year	**(877,143)**	**2.14**	(2,229,219)	1.54
Outstanding at end of year	**77,771,222**	**0.42**	69,176,509	0.54
Exercisable at end of year	**3,108,255**	**2.15**	4,703,958	2.35

1 The charge to the income statement for the years ended 29 January 2011 and 30 January 2010 in respect of share-based payments includes the first year's charge of the 2011 and 2010 Kingfisher Incentive Share Scheme ('KISS') grants respectively, based on the cash bonus for the year. Since grants under the KISS are made following the year end to which the first year of charge relates, it is not possible to give the number of options granted until after the year end.
2 The weighted average exercise price for options granted during the year represents a blend of nil price KISS, Performance Share Plan and Store Manager Incentive Plan options and discounted ShareSave options (see below).

Information on the share schemes is given in note 13 of the Company's separate financial statements.

Options have been exercised on a regular basis throughout the year. On that basis, the weighted average share price during the year, rather than at the date of exercise, is £2.30 (2009/10: £1.96). The options outstanding at the end of the year have exercise prices ranging from nil to £2.38 and a weighted average remaining contractual life of 2.1 years (2009/10: 2.6 years).

The Group recognised a total expense of £21m in the year (2009/10: £20m) relating to equity-settled share-based payment transactions.

Under IFRS 2, 'Share-based payment', the Group recognises a charge for share options granted after 7 November 2002. Option numbers and other disclosures above are for those options granted after this date. A full list of outstanding options is given in note 13 of the Company's separate financial statements.

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

	Date of grant	Share price at grant £	Exercise price £	Expected life years	Expected volatility %	Dividend yield %	Risk free rate %	Fair value £
Kingfisher Incentive Share Scheme	10/04/06	2.31	–	3.5	–	4.6%	–	2.01
	10/04/06	2.31	–	3.5	19.8%	4.6%	–	0.77
	11/04/07	2.77	–	3.5	–	–	–	2.77
	21/04/08	1.28	–	3.5	–	–	–	1.28
	21/04/09	1.63	–	3.5	–	–	–	1.63
	06/04/10	2.24	–	3.5	–	–	–	2.24
	05/05/10	2.33	–	3.5	45.0%	2.4%	1.7%	2.33
Performance Share Plan	28/06/06	2.29	–	3.5	19.8%	–	4.9%	1.04
	24/10/06	2.65	–	3.5	19.6%	–	5.0%	1.36
	11/04/07	2.77	–	3.5	20.2%	–	–	1.68
	01/10/07	1.83	–	3.5	22.4%	–	–	0.26
	01/02/08	1.51	–	3.5	28.2%	–	–	0.92
	01/02/08	1.51	–	4.5	–	–	–	1.51
	21/04/08	1.28	–	4.5	–	–	–	1.28
	24/07/08	1.24	–	4.5	–	–	–	1.24
	01/10/08	1.35	–	3.5	35.9%	–	–	0.79
	01/10/08	1.35	–	4.0	–	–	–	1.35
	21/04/09	1.63	–	4.5	44.9%	–	2.2%	1.17
	21/04/09	1.63	–	4.5	–	–	–	1.63
	30/10/09	2.24	–	3.5	–	–	–	2.24
	05/05/10	2.33	–	2.46 to 3.5	–	–	–	2.33
	05/05/10	2.33	–	3.5	46.7%	–	1.5%	1.30
	21/10/10	2.47	–	2.0 to 3.04	–	–	–	2.47
Kingfisher Retention Plan	21/04/08	1.28	–	1.5 to 4.5	–	–	–	1.28
Store Manager Incentive Plan	21/04/09	1.63	–	2.5	–	3.3%	–	1.52
	21/04/09	1.63	–	3.0 to 3.5	–	3.3%	–	1.48
	30/10/09	2.24	–	2.5	–	2.4%	–	2.11
UK and International ShareSave	22/10/04	3.08	2.45	5.5	35.0%	3.3%	4.6%	1.08
	27/10/05	2.01	1.76	3.5	35.0%	5.3%	4.3%	0.49
	27/10/05	2.01	1.76	5.5	35.0%	5.3%	4.4%	0.52
	26/10/06	2.65	1.97	3.5	19.9%	4.0%	4.0%	0.75
	26/10/06	2.65	1.97	5.5	28.1%	4.0%	4.0%	0.86
	01/11/07	1.90	1.55	3.5	23.6%	5.6%	5.0%	0.42
	01/11/07	1.90	1.55	5.5	25.5%	5.6%	5.0%	0.44
	29/10/08	1.09	1.09	3.5	36.3%	4.9%	3.4%	0.23
	29/10/08	1.09	1.09	5.5	30.8%	4.9%	3.8%	0.22
	03/11/09	2.24	1.72	3.5	43.6%	2.4%	2.2%	0.51
	03/11/09	2.24	1.72	5.5	36.4%	2.4%	2.9%	0.38
	28/10/10	2.39	1.87	3.5	44.3%	2.3%	1.1%	0.53
	28/10/10	2.39	1.87	5.5	37.3%	2.3%	1.9%	0.39
Executive Share Scheme	17/04/03	2.44	2.38	6.0	35.0%	4.0%	4.2%	0.64

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

31 Cash generated by operations

£ millions	2010/11	2009/10
Operating profit	**698**	623
Share of post-tax results of joint ventures and associates	**(31)**	(26)
Depreciation and amortisation	**238**	260
Impairment losses	**14**	4
Loss/(profit) on disposal of property, plant and equipment, investment property and intangible assets	**4**	(1)
Share-based compensation charge	**21**	20
(Increase)/decrease in inventories	**(238)**	234
Increase in trade and other receivables	**(10)**	(18)
Increase in trade and other payables	**107**	102
Movement in provisions	**(21)**	(24)
Movement in post employment benefits	**(19)**	(44)
Cash generated by operations	**763**	1,130

32 Net cash/(debt)

£ millions	2010/11	2009/10
Cash and cash equivalents	**731**	1,260
Bank overdrafts	**(95)**	(125)
Cash and cash equivalents and bank overdrafts	**636**	1,135
Bank loans	**(104)**	(154)
Medium Term Notes and other fixed term debt	**(504)**	(1,186)
Financing derivatives	**56**	20
Finance leases	**(70)**	(65)
Net cash/(debt)	**14**	(250)

£ millions	2010/11	2009/10
Net debt at beginning of year	**(250)**	(1,004)
Net (decrease)/increase in cash and cash equivalents and bank overdrafts	**(490)**	174
Repayment of bank loans	**57**	130
Repayment of Medium Term Notes and other fixed term debt	**696**	500
Receipt on financing derivatives	**(6)**	(78)
Capital element of finance lease rental payments	**12**	14
Cash flow movement in net debt	**269**	740
Exchange differences and other non-cash movements	**(5)**	14
Net cash/(debt) at end of year	**14**	(250)

33 Commitments

Operating lease commitments

The Group leases various retail stores, offices, warehouses and plant and equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. Lease arrangements under which rental payments are contingent upon sales, other performance or usage are not significant for the Group.

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

	2010/11		2009/10	
£ millions	Land and buildings	Plant and equipment	Land and buildings	Plant and equipment
Less than one year	**390**	**21**	402	22
One to five years	**1,458**	**33**	1,509	32
More than five years	**2,973**	**2**	3,206	1
	4,821	**56**	5,117	55

The total of future minimum operating sublease receipts expected to be received is £102m (2009/10: £111m).

Capital commitments

Capital commitments contracted but not provided for by the Group amount to £83m (2009/10: £56m).

34 Contingent liabilities

Kingfisher plc has an obligation to provide a bank guarantee for £50m (2009/10: £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.

A guarantee of £57m (€66m) denominated in Euros has been provided to the Italian tax authorities in respect of a tax credit. This has been covered by a guarantee for the term of the contingent liability.

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 29 January 2011 is £34m (2009/10: £36m).

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

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 are shown below:

	2010/11		2009/10	
£ millions	Income/ (expense)	Receivable/ (payable)	Income/ (expense)	Receivable/ (payable)
Transactions with Koçtaş Yapi Marketleri Ticaret A.S. in which the Group holds a 50% interest				
Commission and other income	**1.0**	**0.8**	0.6	0.3
Transactions with Hornbach Holding A.G. in which the Group holds a 21% interest				
Commission and other income	**3.6**	**0.4**	2.8	0.3
Other expenses	**(0.2)**	**–**	(0.2)	–
Transactions with Crealfi S.A. in which the Group holds a 49% interest				
Provision of employee services	**0.1**	**–**	0.1	–
Commission and other income	**6.7**	**1.6**	7.1	1.3
Transactions with Kingfisher Pension Scheme				
Provision of administrative services	**1.4**	**0.1**	1.5	0.1

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 bad and doubtful debts in respect of the amounts owed by related parties.

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

Independent auditors' report to the members of Kingfisher plc

We have audited the Group financial statements of Kingfisher plc for the year ended 29 January 2011 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of changes in equity, the Consolidated balance sheet, the Consolidated cash flow statement and the related notes 1 to 35. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 29 January 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, contained within the Directors' responsibilities statement in relation to going concern;
- the part of the Corporate governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter

We have reported separately on the Parent Company financial statements of Kingfisher plc for the year ended 29 January 2011.

Panos Kakoullis (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
23 March 2011

Company balance sheet

At 29 January 2011

£ millions	Notes	2010/11	2009/10
Fixed assets			
Tangible fixed assets	3	**–**	1
Investments	4	**6,770**	6,765
		6,770	6,766
Current assets			
Debtors due within one year	5	**2,890**	2,576
Debtors due after more than one year	5	**69**	88
Cash at bank and in hand		**446**	927
		3,405	3,591
Current liabilities			
Creditors: amounts falling due within one year	6	**(5,143)**	(4,848)
Net current liabilities		**(1,738)**	(1,257)
Total assets less current liabilities		**5,032**	5,509
Non-current liabilities			
Creditors: amounts falling due after more than one year	7	**(521)**	(859)
Provisions for liabilities	8	**(6)**	(7)
		(527)	(866)
Net assets excluding net pension asset/(liability)		**4,505**	4,643
Net pension asset/(liability)	9	**2**	(5)
Net assets		**4,507**	4,638
Capital and reserves			
Called up share capital	10	**371**	371
Share premium account	11	**2,194**	2,191
Other reserves	11	**711**	711
Profit and loss account	11	**1,231**	1,365
Equity shareholders' funds	12	**4,507**	4,638

The financial statements were approved by the Board of Directors on 23 March 2011 and signed on its behalf by:

Ian Cheshire
Group Chief Executive

Kevin O'Byrne
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 directors of Kingfisher plc, having made appropriate enquiries, consider that adequate resources exist for the Company to continue in operational existence for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing the financial statements for the year ended 29 January 2011. Refer to the Directors' statement of responsibility on page 34.

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 2006.

The Company's financial statements are included in the consolidated financial statements of Kingfisher plc. As permitted by section 408 of the Companies Act 2006, 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 wholly owned 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.

a. Foreign currencies

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

Principal rate of exchange against Sterling:

Euro	2010/11	2009/10
Year end rate	**1.16**	1.15

b. Tangible fixed assets

Tangible fixed assets are carried in the balance sheet at cost less accumulated depreciation and any provisions for impairment. Depreciation is provided to reflect a straight line reduction from cost to estimated residual value over the estimated useful life of the asset as follows:

Fixtures and fittings	– between 4 and 20 years
Computers and electronic equipment	– between 2 and 5 years
Motor cars	– 4 years

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.

c. Investments

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

d. 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.

e. Employee benefits

(i) Pensions

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

(ii) Share-based compensation

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

(iii) 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.

f. Deferred tax

Provision is made for deferred tax using the incremental provision approach and is measured on an undiscounted 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.

g. 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.

1 Principal accounting policies continued

h. Financial instruments

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

(i) Borrowings

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

(ii) Trade creditors

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

(iii) Derivatives and hedge accounting

Where hedge accounting is not applied, or to the extent to which it is not effective, changes in the fair value of derivatives are recognised in the 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 at the start of the hedge relationship. The Company designates certain derivatives as a hedge of the fair value of an asset or liability ('fair value hedge').

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry being recorded in the 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.

2 Profit and loss account disclosures

The Company's audit fee is £0.2m (2009/10: £0.2m). Fees payable to Deloitte and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

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

Employees

£ millions	2010/11	2009/10
Wages and salaries	**22**	18
Social security costs	**4**	3
Pensions		
Defined contribution	**1**	1
Defined benefit	**1**	1
Share-based compensation	**5**	5
Employee benefit expenses	**33**	28

Number	2010/11	2009/10
Average number of persons employed		
Administration	**142**	117

Directors' remuneration and details of share option exercises are disclosed in the Directors' remuneration report on pages 41 to 53. Total Directors' remuneration for the year is £4.1m (2009/10: £4.4m).

3 Tangible fixed assets

£ millions	Land and buildings	Fixtures, fittings and equipment	Total
Cost			
At 31 January 2010	**–**	**4**	**4**
Additions	**83**	**–**	**83**
Disposals	**(83)**	**–**	**(83)**
At 29 January 2011	**–**	**4**	**4**
Depreciation			
At 31 January 2010	**–**	**(3)**	**(3)**
Charge for the year	**–**	**(1)**	**(1)**
At 29 January 2011	**–**	**(4)**	**(4)**
Net carrying amount			
At 29 January 2011	**–**	**–**	**–**
At 30 January 2010	–	1	1

On 28 January 2011, as part of an arrangement with the pension scheme Trustee described in note 27 of the consolidated financial statements, the Company acquired properties with a market value of £83m from B&Q Properties Limited, which it subsequently sold to Kingfisher Scottish Limited Partnership.

Notes to the Company financial statements

4 Investments

£ millions	Investments in Group undertakings
At 31 January 2010	**6,765**
Additions	**5**
At 29 January 2011	**6,770**

On 28 January 2011, as part of an arrangement with the pension scheme Trustee described in note 27 of the consolidated financial statements, the Company invested £5m in Kingfisher Scottish Limited Partnership.

The Directors consider that to give the full particulars of all subsidiary undertakings would lead to a statement of excessive length. In accordance with Section 410(2)(a) of the Companies Act 2006, the information below relates to those Group undertakings at the financial 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. Details of all subsidiary undertakings will be annexed to the next Annual Return of Kingfisher plc to be filed at Companies House.

	Country of incorporation and operation	% interest held and voting rights	Class of share owned	Main activity
B&Q plc [1]	Great Britain	100%	Ordinary & special[2]	Retailing
B&Q Properties Limited	Great Britain	100%	Ordinary	Property investment
Halcyon Finance Ltd [3]	Great Britain	100%	Ordinary	Finance
Screwfix Direct Limited	Great Britain	100%	Ordinary	Retailing
Sheldon Holdings Limited [3]	Great Britain	100%	Ordinary	Holding company
Zeus Land Investments Limited	Great Britain	100%	Ordinary	Holding company
B&Q Ireland Limited	Ireland	100%	Ordinary	Retailing
Brico Dépôt S.A.S.[4]	France	100%	Ordinary	Retailing
Castorama Dubois Investissements S.C.A.[1,4]	France	100%	Ordinary	Holding company
Castorama France S.A.S.[4]	France	100%	Ordinary	Retailing
Eurodépôt Immobilier S.A.S.[4]	France	100%	Ordinary	Property investment
Immobilière Castorama S.A.S.[4]	France	100%	Ordinary	Property investment
Kingfisher France S.A.S.[4]	France	100%	Ordinary	Holding company
B&Q Asia Holdings Ltd [5]	Hong Kong	100%	Ordinary	Holding company
Kingfisher Asia Limited	Hong Kong	100%	Ordinary	Sourcing
B&Q (China) B.V. [5]	Netherlands	100%	Ordinary	Holding company
Castorama Polska Sp.z.o.o.[4]	Poland	100%	Ordinary	Retailing
Castorama RUS LLC [6]	Russia	100%	Ordinary	Retailing
Euro Depot España S.A.U.[4]	Spain	100%	Ordinary	Retailing

1 The Castorama and B&Q group is 100% owned, of which 45% is held directly by Kingfisher plc.
2 The special shares in B&Q plc are owned 100% by Kingfisher plc and are non-voting.
3 Held directly by Kingfisher plc.
4 Owing to local conditions, these companies prepare their financial statements to 31 January.
5 Holding companies for the Group's Chinese retailing operations, which have a 31 December year end.
6 Owing to local conditions, this company prepares its financial statements to 31 December.

5 Debtors

£ millions	2010/11	2009/10
Amounts falling due within one year		
Owed by Group undertakings	**2,862**	2,526
Corporation tax	**11**	30
Derivatives	**15**	19
Other debtors	**2**	1
	2,890	2,576
Amounts falling due after more than one year		
Derivatives	**62**	80
Deferred tax assets	**7**	8
	69	88

6 Creditors: amounts falling due within one year

£ millions	2010/11	2009/10
Bank overdrafts and loans	–	4
Medium Term Notes and other fixed term debt	–	374
Derivatives	1	18
Owed to Group undertakings	5,095	4,399
Accruals and other payables	47	53
	5,143	4,848

7 Creditors: amounts falling due after more than one year

£ millions	2010/11	2009/10
Borrowings		
Medium Term Notes and other fixed term debt	504	812
	504	812
Derivatives	17	47
	521	859

Borrowings fall due for repayment as follows:		
One to two years	178	–
Two to five years	145	631
More than five years	181	181
	504	812

8 Provisions for liabilities

£ millions	Onerous property contracts
At 31 January 2010	7
Utilised in the year	(1)
At 29 January 2011	6

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

9 Net pension asset/(liability)

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

Defined contribution scheme

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

£ millions	2010/11	2009/10
Charge to operating profit	1	1

Defined benefit scheme

Kingfisher plc is one of a number of Group companies that participate in the Kingfisher Pension Scheme, and therefore the Company has accounted for its share of the scheme assets and liabilities. The valuation of the scheme has been based on the most recent actuarial valuation as at 31 March 2010 and has been updated to 29 January 2011.

On 28 January 2011 the Company entered into an arrangement with the scheme Trustee to address an element of the scheme deficit. Further details on this arrangement are given in note 27 of the consolidated financial statements. As part of this arrangement, the Company made a contribution of £78m to the scheme and subsequently recharged the other participating Group entities based on their share of pensionable payroll. This net cash contribution made by the Company resulted in an increase of £2m in the Company's share of the scheme's assets.

9 Net pension asset/(liability) continued

Profit and loss account

£ millions	2010/11	2009/10
Amounts charged to operating profit		
Current service cost	**1**	1
Amounts charged/(credited) to net finance costs		
Interest on defined benefit obligation	**2**	3
Expected return on pension scheme assets	**(2)**	(3)
Net interest return	**–**	–
Total charged to profit and loss account	**1**	1

Balance sheet

£ millions	2010/11	2009/10
Present value of defined benefit obligation	**(45)**	(49)
Fair value of scheme assets	**47**	44
Net pension asset/(liability)	**2**	(5)

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

£ millions	2010/11	2009/10
Present value of defined benefit obligation at beginning of year	**(49)**	(41)
Current service cost	**(1)**	(1)
Interest on defined benefit obligation	**(2)**	(3)
Actuarial gains/(losses)	**4**	(6)
Benefits paid	**3**	2
Present value of defined benefit obligation at end of year	**(45)**	(49)

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

£ millions	2010/11	2009/10
Fair value of scheme assets at beginning of year	**44**	40
Expected return on pension scheme assets	**2**	3
Actuarial gains	**–**	1
Contributions paid by employer	**4**	2
Benefits paid	**(3)**	(2)
Fair value of scheme assets at end of year	**47**	44

The fair value of scheme assets is analysed as follows:

	2010/11		2009/10	
	£ millions	% of total	£ millions	% of total
Equities	**14**	**30%**	15	34%
Bonds	**27**	**57%**	26	59%
Property	**2**	**4%**	2	5%
Other	**4**	**9%**	1	2%
Total fair value of scheme assets	**47**	**100%**	44	100%

The pension scheme does not hold any assets other than those disclosed above.

Actual returns and history of actuarial gains and losses

The actual returns on pension scheme assets are as follows:

£ millions	2010/11	2009/10
Actual return on pension scheme assets	**2**	4

The history of actuarial gains and losses is as follows:

£ millions	2010/11	2009/10	2008/09	2007/08	2006/07
Present value of defined benefit obligation	**(45)**	(49)	(41)	(41)	(46)
Fair value of scheme assets	**47**	44	40	44	45
Net pension asset/(liability) before deferred tax	**2**	(5)	(1)	3	(1)
Changes in assumptions underlying present value of defined benefit obligation	**2**	(6)	1	3	(3)
Percentage of defined benefit obligation	***(4%)***	*12%*	*(2%)*	*(7%)*	*7%*
Experience gains arising on defined benefit obligations	**2**	–	–	–	–
Percentage of defined benefit obligations	***(4%)***	–	–	–	–
Actual return less expected return on pension scheme assets	**–**	1	(7)	(2)	5
Percentage of scheme assets	**–**	*2%*	*(18%)*	*(5%)*	*11%*
Total gains/(losses) recognised in the profit and loss reserve in the year	**4**	(5)	(6)	1	2
Cumulative losses recognised in the profit and loss reserve	**(14)**	(18)			

The estimated amount of contributions expected to be paid to the pension scheme by the Company during the next financial year is £2m.

Principal actuarial valuation assumptions

The assumptions used in calculating the costs and obligations of the defined benefit pension schemes are set by the Directors after consultation with independent professionally qualified actuaries. The assumptions are based on the conditions at the time and changes in these assumptions can lead to significant movements in the estimated obligation.

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

Annual % rate	2010/11	2009/10
Discount rate	**5.6**	5.5
Salary escalation	**4.3**	4.2
Rate of pension increases	**3.5**	3.4
Price inflation	**3.5**	3.4

% rate of return	2010/11	2009/10
Equities	**8.5**	7.9
Bonds	**4.8**	4.7
Property	**6.9**	6.4
Other	**3.7**	4.2
Overall expected rate of return	**6.0**	5.9

For the UK scheme, the mortality assumptions used in the actuarial valuations have been selected with regard to the characteristics and experience of the membership of the scheme from 2007 to 2010. The base mortality assumptions have been derived by adjusting standard mortality tables (SAPS tables) projected forward to 2010 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 average of the standard series and long cohort improvements, subject to a minimum of 1% pa. These improvements take into account trends observed within the scheme over the past decade and general population trends.

The assumptions for life expectancy of the scheme members are as follows:

Years	2010/11	2009/10
Age to which current pensioners are expected to live (60 now)		
– Male	**86.4**	87.2
– Female	**87.1**	85.9
Age to which future pensioners are expected to live (60 in 15 years' time)		
– Male	**87.1**	88.8
– Female	**88.7**	87.1

Notes to the Company financial statements

10 Called up share capital

	Number of ordinary shares millions	Ordinary share capital £ millions
At 31 January 2010	**2,362**	**371**
Shares issued under share schemes	**2**	**–**
At 29 January 2011	**2,364**	**371**

The total number of authorised ordinary shares is 3,023m shares (2009/10: 3,023m shares) with a nominal value of 15$\frac{5}{7}$p per share. All issued shares are fully paid and represent a single class of ordinary shares.

11 Reserves

£ millions	Share premium account	Other reserves	Profit and loss account	Total
At 31 January 2010	**2,191**	**711**	**1,365**	**4,267**
Loss for the year	**–**	**–**	**(20)**	**(20)**
Actuarial gains on defined benefit pension scheme	**–**	**–**	**4**	**4**
Tax on items recognised directly in equity shareholders' funds	**–**	**–**	**(1)**	**(1)**
Share-based compensation	**–**	**–**	**5**	**5**
Shares issued under share schemes	**3**	**–**	**–**	**3**
Own shares disposed	**–**	**–**	**7**	**7**
Dividends	**–**	**–**	**(129)**	**(129)**
At 29 January 2011	**2,194**	**711**	**1,231**	**4,136**

The other reserves represent the premium on the issue of convertible loan stock in 1993 and the merger reserve relating to the acquisition of Darty.

The value of own shares deducted from the profit and loss reserve at 29 January 2011 is £42m (2009/10: £54m).

12 Reconciliation of movement in equity shareholders' funds

£ millions	2010/11	2009/10
(Loss)/profit for the year	**(20)**	464
Dividends	**(129)**	(125)
	(149)	339
Actuarial gains/(losses) on defined benefit pension scheme	**4**	(5)
Tax on items recognised directly in equity shareholders' funds	**(1)**	1
Share-based compensation	**5**	5
Shares issued under share schemes	**3**	3
Own shares purchased	**–**	(7)
Own shares disposed	**7**	2
Net (decrease)/increase in equity shareholders' funds	**(131)**	338
Equity shareholders' funds at beginning of year	**4,638**	4,300
Equity shareholders' funds at end of year	**4,507**	4,638

13 Share options

Options to subscribe under the various schemes for ordinary shares of 15⁵⁄₇p, including those held by the executive Directors disclosed in the Directors' remuneration report on pages 41 to 53, are shown below:

	Date of grant	Exercisable from	Exercise price £	2010/11 Options Number	2009/10 Options Number
Kingfisher Incentive Share Scheme	11/04/07	11/04/10	–	**–**	1,401,842
	21/04/08	21/04/11	–	**2,237,612**	2,717,585
	21/04/09	21/04/12	–	**2,749,334**	3,299,353
	06/04/10	06/04/13	–	**2,492,904**	–
	05/05/10	05/05/13	–	**6,199,727**	–
				13,679,577	7,418,780
Restricted Special Awards	30/04/07	30/04/10	–	**–**	12,962
	01/05/07	01/05/10	–	**–**	36,463
	18/06/07	18/06/10	–	**–**	6,191
	20/11/08	01/04/12	–	**20,000**	20,000
	01/04/09	01/04/12	–	**70,000**	70,000
	01/06/09	09/05/10	–	**–**	8,368
	01/06/09	09/05/11	–	**4,463**	4,463
	10/08/09	04/07/11	–	**7,929**	7,929
	23/11/09	01/04/11	–	**–**	14,127
	23/11/09	01/04/12	–	**–**	14,427
	06/04/10	21/04/11	–	**42,190**	–
	06/04/10	21/04/12	–	**65,835**	–
	06/04/10	21/04/13	–	**19,762**	–
	30/04/10	21/04/11	–	**12,065**	–
	30/04/10	21/04/12	–	**12,065**	–
	24/08/10	24/08/13	–	**23,095**	–
	10/01/11	21/04/12	–	**4,192**	–
	18/01/11	09/06/13	–	**6,815**	–
				288,411	194,930
Performance Share Plan	11/04/07	11/04/10	–	**–**	833,815
	01/10/07	01/10/10	–	**106,226**	1,469,187
	01/02/08	01/02/11	–	**1,271,132**	1,193,477
	01/02/08	01/02/12	–	**1,271,132**	1,193,477
	21/04/08	21/04/12	–	**9,437,283**	10,961,747
	24/07/08	24/07/12	–	**1,419,213**	1,328,997
	01/10/08	01/10/11	–	**1,401,896**	1,369,602
	01/10/08	01/10/12	–	**1,346,220**	1,314,763
	21/04/09	21/04/12	–	**3,785,833**	3,695,056
	30/10/09	21/04/12	–	**671,317**	655,859
	30/10/09	21/04/13	–	**281,469**	274,986
	05/05/10	05/05/13	–	**9,154,859**	–
	21/10/10	21/04/12	–	**50,778**	–
	21/10/10	05/05/13	–	**67,800**	–
				30,265,158	24,290,966

13 Share options continued

	Date of grant	Exercisable from	Exercise price £	2010/11 Options Number	2009/10 Options Number
Kingfisher Retention Plan	21/04/08	21/04/11	–	**892,500**	1,055,000
	21/04/08	21/04/12	–	**1,700,000**	2,015,000
				2,592,500	3,070,000
Store Manager Incentive Plan	21/04/09	21/04/11	–	**1,732,667**	2,047,500
	21/04/09	21/04/12	–	**6,579,941**	7,427,250
	30/10/09	21/04/12	–	**1,208,840**	1,208,840
				9,521,448	10,683,590
UK and International ShareSave	22/10/04	01/12/09	2.45	**–**	526,620
	27/10/05	01/12/10	1.76	**170,453**	600,783
	26/10/06	01/12/09	1.97	**–**	405,455
	26/10/06	01/12/11	1.97	**636,289**	662,929
	01/11/07	01/12/10	1.55	**420,335**	1,782,137
	01/11/07	01/12/12	1.55	**1,008,945**	1,020,667
	29/10/08	01/12/11	1.09	**5,560,311**	5,749,294
	29/10/08	01/12/13	1.09	**3,773,705**	3,859,139
	03/11/09	01/12/12	1.72	**3,496,313**	3,534,320
	03/11/09	01/12/14	1.72	**1,600,509**	1,605,016
	28/10/10	01/12/13	1.87	**1,598,554**	–
	28/10/10	01/12/15	1.87	**747,473**	–
				19,012,887	19,746,360
Executive, International Executive and Phantom Share Options	17/04/00	17/04/04	3.93	**–**	892,027
	25/09/00	25/09/04	3.57	**–**	416,232
	26/09/01	26/09/04	2.10	**413,247**	526,941
	26/09/01	26/09/05	2.07	**471,031**	471,031
	09/04/02	09/04/05	2.90	**1,271,925**	1,635,731
	09/04/02	09/04/06	2.86	**701,976**	701,976
	08/10/02	08/10/05	1.95	**962,923**	1,307,525
	08/10/02	08/10/06	1.95	**587,119**	789,059
	17/04/03	17/04/06	2.38	**1,710,578**	2,508,231
	17/04/03	17/04/07	2.38	**700,663**	1,263,652
				6,819,462	10,512,405
Total				**82,179,443**	75,917,031

The Kingfisher Incentive Share Scheme ('KISS') and Performance Share Plan are described as part of the Directors' remuneration report on pages 41 to 53. Restricted Special Awards are granted as one-off compensatory awards granted under the rules of the KISS. They are nil cost options, as with the KISS, but do not accrue dividends until after they are exercised. Vesting dates may vary according to individual grants.

Certain employees, excluding Directors, have been granted contingent share awards under the Kingfisher Retention Plan.

The Store Manager Incentive Plan provided provisional awards to store managers in 2009 that will vest in April 2011 and April 2012. There are performance conditions based on store standards and an award will lapse if these are not maintained throughout the performance period. These awards do not accrue dividends during the vesting period.

Under the UK ShareSave scheme, eligible UK employees have been invited to enter into HMRC approved savings contracts for a period of three or five years, whereby shares may be acquired with 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 scheme, which operates along the lines of the UK ShareSave scheme, includes eligible employees in certain overseas locations.

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 shares in the Company.

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

Under FRS 20, 'Share-based payment', the Company recognises a charge for share options granted after 7 November 2002. The Company has not repeated the disclosures required by FRS 20 as these are already included in note 30 of the Kingfisher plc consolidated financial statements.

The Employee Share Ownership Plan Trust ('ESOP')

The ESOP is funded by an interest free loan from the Company of £45m (2009/10: £51m) to enable it to acquire shares in Kingfisher plc. The shares are used to satisfy options awarded under the KISS, Performance Share Plan, Kingfisher Retention Plan, Store Manager Incentive Plan, International ShareSave, Executive, International Executive and Phantom Share Options schemes.

The ESOP's shareholding at 29 January 2011 is 12 million shares (2009/10: 15 million shares) with a nominal value of £2m (2009/10: £2m) and a market value of £30m (2009/10: £32m). 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 (2009/10: £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.

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 29 January 2011 is £4m (2009/10: £4m).

15 Related party transactions

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

£ millions	2010/11 Income/ (expense)	2010/11 Receivable/ (payable)	2009/10 Income/ (expense)	2009/10 Receivable/ (payable)
Transactions with Koçtaş Yapi Marketleri Ticaret A.S. in which the Group holds a 50% interest				
Commission and other income	**0.3**	**0.3**	0.3	0.2
Transactions with Hornbach Holding A.G. in which the Group holds a 21% interest				
Other expenses	**(0.2)**	**–**	(0.2)	–
Transactions with Kingfisher Pension Scheme				
Provision of administrative services	**1.4**	**0.1**	1.5	0.1

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 bad and doubtful debts in respect of the amounts owed by related parties.

Directors' remuneration and details of share option exercises are disclosed in the Directors' remuneration report on pages 41 to 53.

Independent auditors' report to the members of Kingfisher plc

We have audited the Parent Company financial statements of Kingfisher plc for the year ended 29 January 2011 which comprise the Parent Company balance sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Parent Company's affairs as at 29 January 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the Parent Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Kingfisher plc for the year ended 29 January 2011 and on the information in the Directors' remuneration report that is described as having been audited.

Panos Kakoullis (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
23 March 2011

Group five year financial summary

£ millions	2006/07[1,2] 53 weeks	2007/08[1,2] 52 weeks	2008/09 52 weeks	2009/10 52 weeks	2010/11 52 weeks
Income statement					
Sales	8,364	9,050	10,026	10,503	**10,450**
Retail profit	473	469	503	664	**762**
Central costs	(39)	(40)	(41)	(41)	**(41)**
Share of interest and tax of joint ventures and associates	(13)	(5)	(16)	(17)	**(17)**
Operating profit before exceptional items	421	424	446	606	**704**
Net finance costs before financing fair value remeasurements	(55)	(67)	(78)	(59)	**(34)**
Adjusted pre-tax profit	366	357	368	547	**670**
Exceptional items	49	4	(273)	17	**(6)**
Financing fair value remeasurements	5	5	(5)	2	**7**
Profit before taxation	420	366	90	566	**671**
Income tax expense	(102)	(114)	(88)	(181)	**(180)**
Profit from continuing operations	318	252	2	385	**491**
Balance sheet					
Goodwill and other intangible assets	2,641	2,617	2,469	2,465	**2,481**
Property, plant and equipment and investment property	3,240	3,727	3,723	3,636	**3,664**
Investments in joint ventures and associates	185	204	219	234	**259**
Net current liabilities[3]	(51)	(23)	(278)	(648)	**(576)**
Post employment benefits	(55)	77	(74)	(198)	**(58)**
Other net non-current liabilities[3]	(245)	(319)	(257)	(284)	**(324)**
Capital employed	5,715	6,283	5,802	5,205	**5,446**
Equity shareholders' funds	4,414	4,713	4,783	4,945	**5,452**
Non-controlling interests	7	11	15	10	**8**
Net debt/(cash)	1,294	1,559	1,004	250	**(14)**
Capital employed	5,715	6,283	5,802	5,205	**5,446**
KPIs					
Like-for-like sales growth	0.8%	2.8%	(4.1%)	(1.5%)	**(0.9%)**
Effective tax rate	32%	31%	31%	30%	**29%**
Basic earnings per share (pence)	13.6	10.9	0.2	16.5	**21.0**
Adjusted basic earnings per share (pence)	10.6	10.6	11.0	16.4	**20.5**
Dividend per share (pence)	10.65	7.25	5.325	5.5	**7.07**
Gross capital expenditure[4]	436	513	390	256	**310**

1 Income statement, like-for-like sales growth, effective tax rate, basic and adjusted earnings per share and gross capital expenditure restated for discontinuance of Castorama Italy in 2008/09.
2 Like-for-like sales growth in 2006/07 calculated by comparing 53 weeks against the equivalent 53 weeks of the prior year. 2007/08 growth calculated by comparing 52 weeks against the equivalent 52 weeks of the prior year. This only impacted UK operations with all other operations reporting on a calendar basis. The effect of the 53rd week on 2006/07 results was an increase of £79m in reported sales, but with no significant impact on operating profit.
3 Net current liabilities and other net non-current liabilities reported above exclude any components of net debt/(cash).
4 Excluding business acquisitions.

Annual General Meeting
The Annual General Meeting of Kingfisher plc will be held on Thursday, 16 June 2011 at 11.00am at the Paddington London Hilton Hotel, 146 Praed Street, London W2 1EE.

Financial Calendar
The proposed financial calendar is as follows:

First quarter results	2 June 2011
Pre-close first half trading	21 July 2011
Interim results to 30 July 2011	15 September 2011
Third quarter results	1 December 2011
Fourth quarter results	February 2012
Preliminary results to 28 January 2012	March 2012

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

Shareholder enquiries
Any queries that shareholders have regarding their shareholdings, such as a change of name or address, transfer of shares, lost share certificates or dividend cheques, may be referred to the Registrar using the contact details above. A Shareholder Helpline is available on UK business days between 8.30am to 5.00pm and contains an automated self-service functionality which is available 24 hours a day.

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

- **Telephone share dealing:** Commission is 1%, subject to a minimum charge of £25, stamp duty at 0.5% is payable on purchases. The service is available from 8.00am to 4.30pm Monday to Friday excluding bank holidays. Telephone: 0870 703 0084.
- **Internet share dealing:** Commission is 0.5%, subject to a minimum charge of £15, stamp duty at 0.5% is payable on purchases. The service is available to place orders out of market hours.

Simply log onto http://www.investorcentre.co.uk.

Terms and conditions of both of these services can be obtained by calling 0870 702 0129.

Unauthorised brokers (boiler room scams)
Kingfisher plc is legally obliged to make its share register available to the general public. Consequently some shareholders may receive unsolicited mail, including correspondence from unauthorised investment companies.

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

Share price history

	Pence per ordinary share *		Dollars per ADR **	
Financial year	High	Low	High	Low
2010/11	272.90	196.50	8.16	5.93
2009/10	247.20	118.00	8.24	3.15
2008/09	153.60	91.80	5.45	3.53
2007/08	284.00	115.30	11.45	4.49
2006/07	273.00	218.75	10.70	7.95

* Based on the daily closing price of Kingfisher plc shares on the London Stock Exchange
** Based on the daily closing price of Kingfisher plc ADR's in the Over-the-Counter (OTC) market

Analysis of shareholders and shareholdings as at 29 January 2011

Classification of holder	Holdings	%	Shares	%
Individuals	24,543	91.38%	38,651,783	1.65%
Bank or Nominees	2,092	7.79%	2,294,925,575	97.08%
Investment Trust	25	0.09%	1,140,659	0.05%
Insurance Company	13	0.05%	82,065	0.00%
Other Company	158	0.59%	24,642,161	1.04%
Pension Trust	7	0.03%	28,858	0.00%
Other Corporate Body	20	0.07%	4,371,956	0.18%
Total	26,858	100.00%	2,363,843,057	100.00%

Size of holding	Shareholders	%	Shares	%
1–500	11,903	44.32	2,526,172	0.11
501–1,000	5,168	19.24	3,844,834	0.16
1,001–5,000	7,339	27.33	15,891,972	0.67
5,001–10,000	1,062	3.95	7,502,270	0.32
10,001–100,000	793	2.95	22,594,983	0.96
100,001–500,000	269	1.00	65,222,016	2.76
500,001–999,999,999	324	1.21	2,246,260,810	95.02
Total	26,858	100.00	2,363,843,057	100.00

Dividend
The interim dividend for the financial year ended 29 January 2011 of 1.925p per share was paid on 12 November 2010. The table below provides the payment information for the final dividend of 5.145p per share, subject to shareholder approval at the Annual General Meeting on 16 June 2011:

Ex-dividend date	4 May 2011
Record date	6 May 2011
Final date for return of DRIP mandate forms/currency elections	27 May 2011
Euro exchange rate notification	31 May 2011
Payment date and DRIP purchase	20 June 2011

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

- **Cheque** cash dividends will automatically be paid to shareholders by cheque, which will be sent by post to the shareholder's registered address.
- **BACS** cash dividends can be paid by mandate directly to a UK bank or building society account through the BACS system. This method of payment reduces the risk of your cheque being intercepted or lost in the post. Shareholders wishing to receive their dividends in this way can update their mandate instructions at www.investorcentre.co.uk or should complete a dividend mandate form and return it to the Registrars;

- **Dividend Reinvestment Plan (DRIP)** the Company also offers shareholders a DRIP, whereby shareholders can use their cash dividend to buy further shares in the Company. Shareholders can apply online at www.investorcentre.co.uk or complete a mandate form and return it to the address shown above; and
- **Global Payments Service** this service provided by the Registrar enables shareholders to have dividend payments paid directly into their bank account in their chosen local currency. To view terms and register, please visit www.computershare.com/uk/investor/GPS.

American Depository Receipt (ADR)

The Company has a Sponsored Level 1 ADR programme in the United States. Each ADR represents two Kingfisher shares.

Electronic communication

At the 2008 Annual General Meeting the Company obtained shareholder approval to adopt the changes in law regarding electronic communications, allowing the Company to use the Kingfisher plc website as the main method of communication with shareholders, unless they have elected to continue receiving hard copy statutory documentation. Shareholders who have not elected to receive shareholder documentation in electronic form, can sign up by visiting www.investorcentre.co.uk/ecomms and registering their details. When you register for e-communications, shareholders will be sent an email each time the Company publishes statutory documents, providing a link to the information.

Electing for e-communications does not mean shareholders can no longer obtain hard copy documents. Should shareholders require a hard copy version of any of the Company's statutory documentation, they should contact the Registrar at the address stated under the section headed 'Registrar'.

Document viewing

Shareholders will have the opportunity to view certain documentation as outlined in the Notice of Annual General Meeting from at least 15 minutes prior to the meeting, until its conclusion.

The Memorandum and Articles of Association of the Company and other documentation referred to in this Annual Report can be viewed at the registered office during normal business hours.

Company Secretary and Registered Office

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Registered in England and Wales
Registered Number 01664812

Forward-looking statements

Certain statements included in this Annual Report and Accounts are forward-looking and are therefore subject to risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied because they relate to future events. These forward-looking statements include, but are not limited to, statements relating to the Company's expectations around its three key priorities of Management, Capital and Returns and the associated seven steps to Delivering Value objectives.

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

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

Consequently, our actual future financial condition, performance and results could differ materially from the plans, goals and expectations set out in our forward-looking statements. The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

FTSE4Good

Dow Jones Sustainability Indexes
Member 2010/11

Kingfisher is included in two socially responsible indices, the FTSE4Good and Dow Jones Sustainability Indexes.

For more information please visit www.kingfisher.com

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