Kingfisher

BETTER HOMES, BETTER LIVES

From 'DELIVERING VALUE' to 'CREATING THE LEADER'

Annual Report and Accounts 2011/12

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OUR ONLINE REPORTING

Increasing numbers of our shareholders are choosing to receive their annual report online, which helps us reduce the impact on the environment through lower paper usage. The online version available at www.kingfisher.com, enables you to download a bespoke report to your computer desktop and access supplementary content, such as video interviews with the Group Chief Executive and Group Finance Director, and 'how-to' videos from around the Group businesses.

If you have a smartphone or iPad/tablet, use the QR codes located throughout this printed copy to take you straight to that part of the online report.

For the online report homepage
www.kingfisher.com/AR11-12

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

BUSINESS REVIEW

CHIEF EXECUTIVE'S STATEMENT

Ian Cheshire
Group Chief Executive

In 2008 I announced my aim to deliver a step-change in shareholder value, and our new management team introduced a programme of self-help initiatives known as 'Delivering Value'. This has been a great success during a particularly challenging period for all retailers.

Kingfisher is now a significantly stronger and more sustainable business with a bright future ahead of it.

I'm delighted that the hard work of my 80,000 colleagues around the world has resulted in a substantial increase in the value of our business for shareholders.

Turning to 2011/12 I am pleased we have delivered another year of strong profit growth, our third such year in a row, in what remain challenging times for our customers.

We have much more to do, but I believe Kingfisher is now well on the way to fulfilling its potential as the industry leader in home improvement.

This is an exciting prospect for both our colleagues and our shareholders. Industry leadership will bring with it an outperformance in sales, profit and economic return, making Kingfisher a more valuable business.

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

Sustainability is a key part of Kingfisher's heritage and is a core part of this new strategic programme. We have this year committed to a new challenge: to go beyond neutrality, with a long-term philosophy that we should eventually be able to put more back than we take out in the course of our operations. This commitment is called 'Kingfisher Net Positive'. A summary of our achievements in the past year is set out on page 10 and our full CR Report, published in June, will go into more detail on our progress.

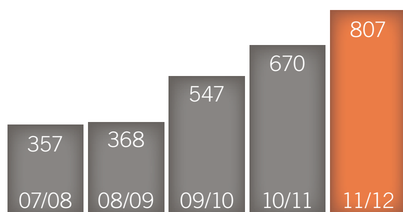
Whilst the immediate economic outlook remains uncertain, we face the future in robust shape and with our successful self-help approach now embedded in the way we do business.

Video interview with Group CEO Ian Cheshire
www.kingfisher.com/AR11-12/IanCheshire

DELIVERING VALUE HIGHLIGHTS 2008-2012

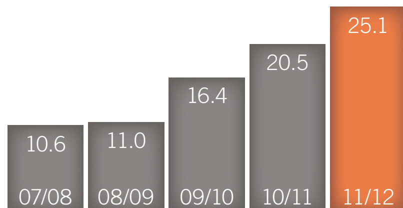
Adjusted pre-tax profit*

£807M
+126%



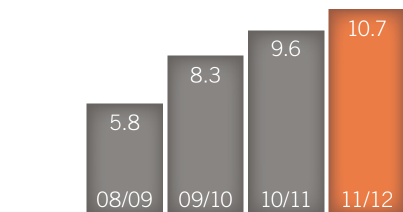
Adjusted basic earnings per share*

25.1P
+137%



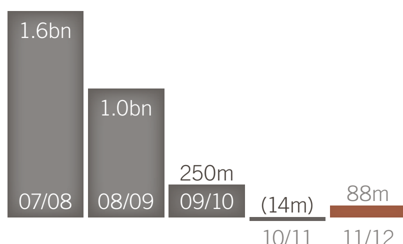
Standard return on capital*

10.7%
+490BPS



Financial net debt (cash)

£88M
-£1.5BN



* For definitions see Financial Review on pages 11 to 17

BUSINESS REVIEW

CHAIRMAN'S STATEMENT

Daniel Bernard
Chairman

I am pleased to report another strong performance by Kingfisher. Adjusted pre-tax profits were up 20.4% to £807 million and the dividend was increased by 25% to 8.84p. The balance sheet also remains strong.

Adjusted pre-tax profit

£807M
+20.4%

Pre-tax profit

£797M
+18.8%

Adjusted basic EPS

25.1P
+22.4%

Basic EPS

27.5P
+31%

Full year dividend

8.84P
+25%

This growth has been achieved whilst adhering to our values as a responsible business. We aim to trade responsibly with respect to our customers, our staff and our shareholders, as well as the environment and the communities in which we operate. We remain members of the FTSE4Good Index and the DowJones Sustainability Indexes.

Kingfisher's growth has also been achieved against an extremely difficult economic backdrop, particularly in the UK and within the Eurozone. With consumers across Europe suffering pressure on their disposable incomes, our management team has concentrated on self-help initiatives to strengthen our business, rather than relying on any market improvement. These initiatives have included managing our costs, cash and stock as well as continued expansion of direct sourcing, development of our common core product range and more innovation in products, services and multi-channel retailing.

I would like to mention a few operational highlights. Retail profit grew in each of our three main operating divisions. In France, both Castorama and Brico Dépôt outperformed a market that was slightly stronger than the UK. In the UK & Ireland, B&Q profit increased by 11% in a home improvement market which remained challenging. It also expanded its business through the acquisition of 29 ex-Focus stores, with 27 already open under the B&Q banner and trading well. Screwfix had an excellent year, opening 53 net new Trade Counters and continuing to establish itself as a leader in multi-channel retailing. Elsewhere, profits grew in Poland and Turkey and our losses in China were significantly reduced.

As you know, 2011/12 marks the end of the four-year Delivering Value phase of our strategic plan. I am pleased that this first stage in our journey has been such a success and I congratulate the management on their performance. To have delivered this growth in such challenging times for economies across Europe is a tribute to the strength in depth we have within the management team here at Kingfisher.

I am confident that the Delivering Value plan has provided the foundations for the next phase of our development, called Creating the Leader. By making home improvement easier for customers, developing a common core product range, and expanding our businesses both in existing markets and new ones, I believe Kingfisher can become the true leader in home improvement retailing. You can read more about this plan on pages 6 to 9.

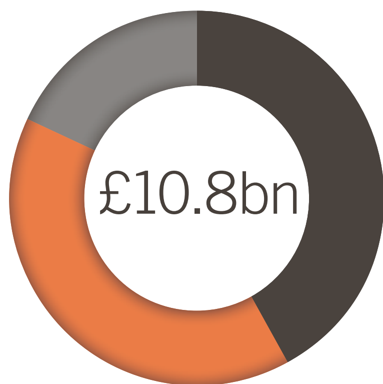
I would like to pay tribute to John Nelson, who retired as Kingfisher's Deputy Chairman in 2011 after nine years on the Board. John's wise counsel was extremely valuable to Kingfisher and the business made good progress during his tenure. We wish him well. I would like to welcome Mark Seligman, who joined the Board as Senior Independent Director in January. Mark is a distinguished investment banker with over 30 years of experience in the City and I'm sure his knowledge will be of great benefit to the Group.

It is important to thank our 80,000 staff whose hard work and enthusiasm has been the driving force behind our performance. Retailing is very much a people business and success is a team effort. We are at a very exciting stage in our journey, and although the economic backdrop is difficult I believe that challenges present opportunities and that Kingfisher is well placed to make the most of them.

BUSINESS REVIEW

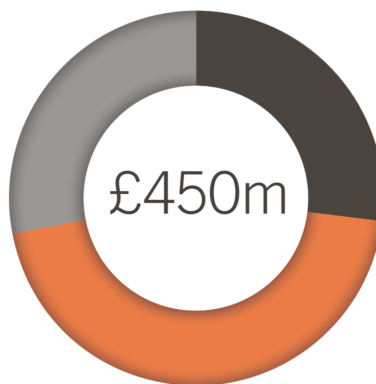
OUR BUSINESS AND OUR MARKETS

Contribution to Group sales



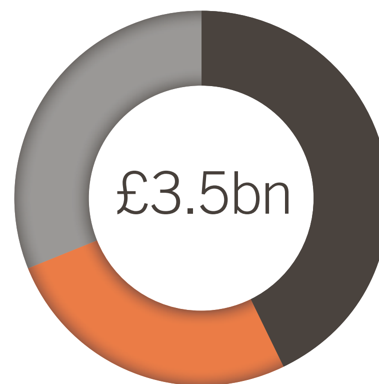
France	£4.5bn	42%
UK & Ireland	£4.3bn	40%
Other international*	£2.0bn	18%

Gross capital expenditure***



France	£118m	26%
UK & Ireland**	£229m	51%
Other international*	£103m	23%

Property (at market value)



France	£1.5bn	43%
UK & Ireland	£0.9bn	26%
Other international*	£1.1bn	31%

* Excludes Turkey ** Includes central allocation *** Includes strategic capex investments

France

Country	Households (m)	Market size (£bn)*	Market position	% Market share	GDP growth 2012 estimated (%)[§]	Market brand	Store numbers	Selling space ('000s sq m)	Employees (full time equivalent)
France	27	18	1	25	+0.5	castorama	103	1,060	11,088
						Brico Dépôt	102	565	6,680

UK & Ireland

Country	Households (m)	Market size (£bn)*	Market position	% Market share	GDP growth 2012 estimated (%)[§]	Market brand	Store numbers	Selling space ('000s sq m)	Employees (full time equivalent)
UK	26	30	1	15	+0.7	B&Q	357[†]	2,577[†]	23,502[†]
						Screwfix	215	16	3,545
Ireland	1.5	2	–	5	+0.3				

Other International

Country	Households (m)	Market size (£bn)*	Market position	% Market share	GDP growth 2012 estimated (%)[§]	Market brand	Store numbers	Selling space ('000s sq m)	Employees (full time equivalent)
Poland	14	10	1	11	+2.8	castorama	60	458	9,791
						Brico Dépôt	7	34	487
China	401	19**	–	2	+8.0	B&Q	40	333	4,897
Spain	17	6	2	4	-1.2	Brico Dépôt	17	100	891
Russia	53	12**	3	3	+3.8	castorama	18	161	2,687
Turkey	15	6	1	6	+2.1	Koçtaş	36	191	3,310
					TOTAL		**955**	**5,495**	**66,878**

* Source: Country surveys and Kingfisher estimates
** Definitions recalculated since 2010/11
§ Source: Credit Suisse
† Including Ireland

BUSINESS REVIEW

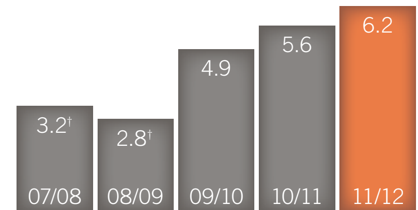
DELIVERING VALUE 2008-12 PERFORMANCE

2012 saw the completion of the Delivering Value programme, which was launched in 2008. The aim was to deliver a step-change in shareholder value through a seven-step plan to improve cash returns from every part of the Group. This plan has been successful and a summary of progress is set out over these pages.

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

Retail profit margin (%)

+6.2%
+300BPS

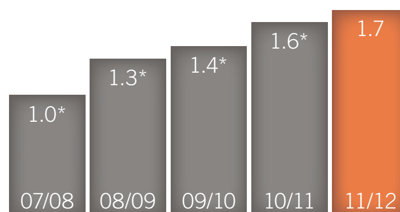


- B&Q retail profit up 83%, despite market decline
- On track to achieve a sustainable 7% margin
- Store estate updated
- Stringent store standards operating successfully
- Over 60% of colleagues achieved retail qualifications (NVQs or City & Guilds)

4. Rolling out in Eastern Europe

Sales (£bn)‡

£1.7BN
+71%

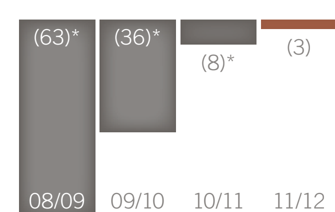


- Sales up 71% to £1.7 billion, retail profit up 62%
- Opened 59 net new stores, +85% net new space
- 25 in Poland, 21 in Turkey and 13 in Russia
- Opened new distribution facilities in Poland and Turkey to unlock future direct sourcing and distribution benefits

5. Turning around B&Q China

Losses (£m)

(£3.0M)
-95%



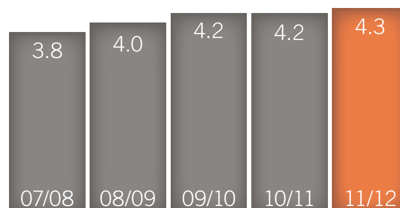
- Losses significantly reduced despite lower sales
- Cash neutral
- Store portfolio rationalised from 63 to 40 stores, 16 downsized
- New, smaller format in development

NON-FINANCIAL KPIS

Engaging our people

Gallup Q12 staff engagement survey (out of 5)

4.3

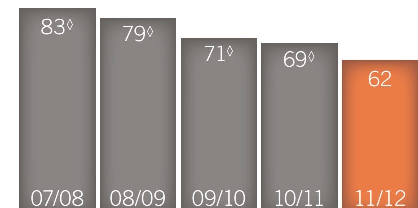


- The Gallup Q12 is Kingfisher's established tool for measuring employee engagement across the Group
- A GrandMean score above 4 out of 5 is 'best in class'

Making our operations more sustainable – climate change

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

62
-25%



- Reduced carbon emissions by 25% since 2007/08
- Awarded Business in the Community's prestigious 'Platinum Plus' standard for leading on sustainability

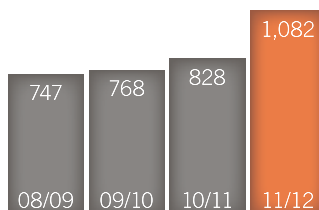
"Kingfisher is now a significantly stronger, higher returning business. We now have a strong platform on which to build the next phase of our strategic journey."

Ian Cheshire
Group Chief Executive

2. Exploiting our UK Trade opportunity

Total trade sales (£m)

£1,082M
+45%



- New trade offer ('TradePoint') added to all B&Q stores
- 800,000 trade professionals registered
- Opened 122 new Screwfix outlets (taking the total to 215)
- Launched 15 minute 'click, collect and go' Screwfix offer

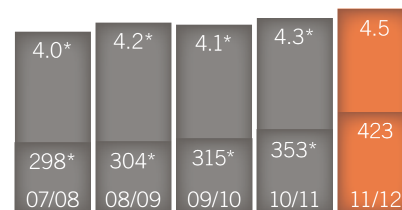
3. Expanding our total French business

Sales (£bn)

£4.5BN
+10%

Retail profit (£m)

+42%

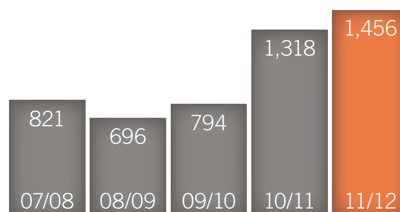


- Retail profit margin up 210bps to 9.5%
- Added 12% net new space
- Castorama modernisation accelerated; 66% of stores now in modern format, up from 42% in 07/08.

6. Growing Group sourcing

Direct shipments (US$m)

US$1,456M
+77%

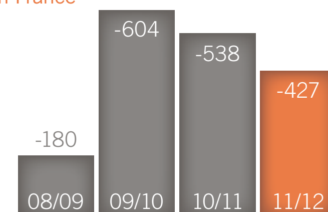


- Direct sourcing shipments up 77%
- Established 11 Group-wide common own brands replacing most of the 150+ local own brands, enabling investment in innovation and prices
- Invested in sourcing, innovation, and brand management design capabilities

7. Reducing working capital

Cumulative reductions in working capital (£m)
Before the impacts of LME legislation in France

-£427M

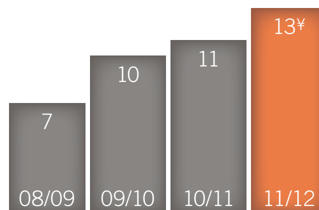


- Reduced working capital by £427 million
- Average payment terms on direct sourced product extended by 56 days to 90 days

Making our operations more sustainable – Eco-product sales

% contribution to total retail sales

13%



† Restated to include Ireland
* Restated at constant currency
‡ Poland, Russia, Turkey (100%)
◊ Data for previous years restated in line with updates to CO_2 emission factors issued by the UK government (DEFRA/DECC)
¥ Kingfisher updated its eco-product definition in 2011/12 to include products with eco-credentials as well as specific eco-product ranges. These account for 20% of Group sales in 2011/12. In order to enable a like-for-like comparison with past years, we have made an estimate of eco-product sales in 2011/12 using our previous definition of an eco-product. This estimate covers our three largest operating companies (B&Q UK, Castorama France and Brico Dépôt France), which account for 94% of our Group eco-product sales.

BUSINESS REVIEW
CREATING THE LEADER

ATTRACTIVE MARKETS

Our aim is 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. Over £100 billion is spent per year on repairing, maintaining and improving these homes. 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.

CREATING THE LEADER

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

Our unique contribution as a business to our customers is that we can harness our international scale, sourcing capability, our heritage as a leader in sustainability and our home improvement experience to bring new, more sustainable and more affordable products to market. By also providing our customers with project advice and new shopping channels to complement our stores we will make it easier for them to adapt their homes to their evolving needs. Our shorthand for describing this new purpose is 'Better Homes, Better Lives' (see figure 1).

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

In March 2011 we set out the key elements of the 'Creating the Leader' phase that will form the cornerstones of our strategy for the coming years. In September 2011 we announced more details on the opportunity and the progress we have made with common ranging.

1: CREATING THE LEADER – A CLEAR SENSE OF PURPOSE

BETTER HOMES, BETTER LIVES

2: CREATING THE LEADER – EIGHT STEPS

EASIER	1. Making it easier for customers to improve their home 2. Giving our customers more ways to shop
COMMON	3. Building innovative common brands 4. Driving efficiency and effectiveness everywhere
EXPAND	5. Growing our presence in existing markets 6. Expanding in new and developing markets
ONE TEAM	7. Developing leaders and connecting people 8. Sustainability: becoming 'Net Positive'

In March 2012 we provided more detail, including the specific eight steps that make up the new medium-term plan, along with their associated key success measures and short-term milestones which are detailed on pages 8 to 9.

These eight steps (see figure 2) are grouped under our four strategic pillars of Easier, Common, Expand and One Team:

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

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 LFL sales and our market share. Our scale will also make home improvement more affordable for our customers whilst boosting our margins.

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.

ONE TEAM – Create a unique networked organisation, stronger than the sum of its parts, whilst harnessing our diversity and closeness to the local customer.

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 (see figure 3). 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.

FINANCIAL BENEFITS

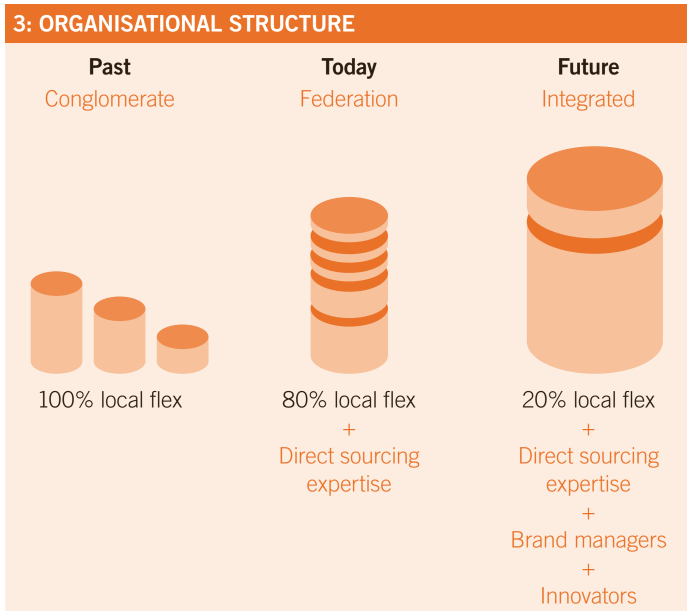
Becoming the best at making home improvement easier for our customers whilst at the same time driving more commonality throughout our business will drive significant financial benefits.

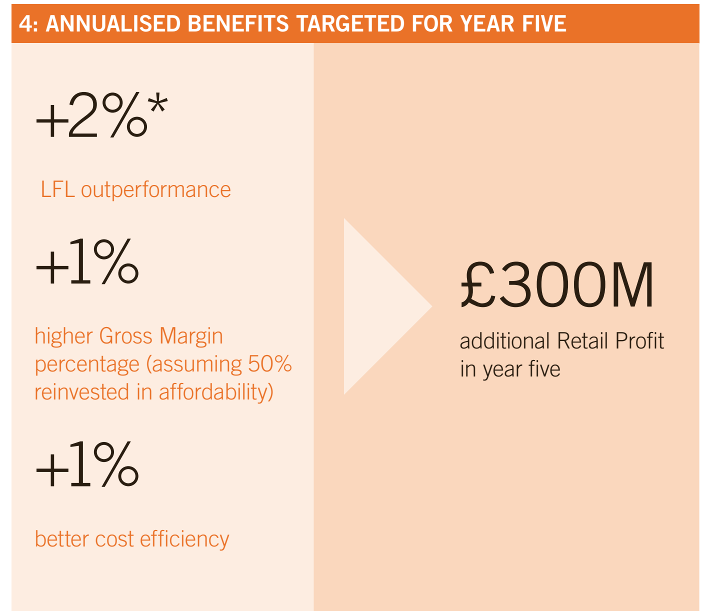
Five years from now we expect to have largely completed the work streams announced in March. Predicting the potential retail profit benefits from this programme today, when we don't know the economic conditions or competitive landscape we will face in five years' time is very difficult. However, whatever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

We anticipate that around two additional percentage points of LFL sales growth*, one additional percentage point of gross margin (after reinvesting some sourcing gains into lower prices) and a one percentage point reduction in the cost to sales ratio will arise from this programme. In total, we estimate that this would create an additional £300 million of annualised retail profit in the fifth year, net of price reinvestment and based on the size of the business and market conditions today (see figure 4).

Further details of the aims, measures and milestones of the 'Creating the Leader' programme can be found on the following pages.

Watch how employees around the Group are working together to develop common product ranges
www.kingfisher.com/AR11-12/commonranges





* Adding profit at the gross margin rate

BUSINESS REVIEW

CREATING THE LEADER

AIMS, MEASURES AND MILESTONES

EASIER

BECOME THE WORLD'S EXPERT AT MAKING HOME IMPROVEMENT EASIER FOR CUSTOMERS, THEREBY GROWING OUR LIKE-FOR-LIKE SALES AND OUR MARKET SHARE

1. MAKING IT EASIER FOR OUR CUSTOMERS TO IMPROVE THEIR HOME

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

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

Measure: LFL sales growth

2. GIVING OUR CUSTOMERS MORE WAYS TO SHOP

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

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

Measure: Unique web users

COMMON

USE OUR SCALE TO ACCELERATE INNOVATION AND MAKE HOME IMPROVEMENT MORE AFFORDABLE FOR OUR CUSTOMERS WHILST BOOSTING OUR PROFITABILITY

3. BUILDING INNOVATIVE COMMON BRANDS

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

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

Measure: 50% of all product sales to be common (vs c2% now), 35% direct sourced (vs 15% now)

4. DRIVING EFFICIENCY AND EFFECTIVENESS EVERYWHERE

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

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

Measure: Retail profit margin

EXPAND

ACCELERATE AND IMPROVE PROFITABLE EXPANSION

5. GROWING OUR PRESENCE IN EXISTING MARKETS

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

2012/13 milestones
- Open 67 stores (UK 50, France 2, Poland 6, Russia 2, Turkey 4, Spain 3)
- Revamp and extend 5 Castorama France stores

Measure: Kingfisher Economic Profit (KEP, see definition on page 14)

6. EXPANDING IN NEW AND DEVELOPING MARKETS

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

2012/13 milestones
- Test a ‘Do It For Me’ store format in China

Measure: Kingfisher Economic Profit (KEP, see definition on page 14)

ONE TEAM

HARNESS OUR TALENT, BECOME A FORCE FOR GOOD

7. DEVELOPING LEADERS AND CONNECTING PEOPLE

Key work streams:
- Kingfisher Academy
- Cross-Group networks

2012/13 milestones
- Launch the Kingfisher Academy

Measure: Engagement scores

8. SUSTAINABILITY: BECOMING ‘NET POSITIVE’

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

2012/13 milestones
- Launch ‘Net Positive’ sustainability plan and associated scorecard

Measure: ‘Net Positive’ scorecard

BUSINESS REVIEW

SUSTAINABILITY: BECOMING NET POSITIVE

Sustainability is a key part of Kingfisher's heritage and we are now building on these strong foundations.

At the start of 2012 we announced a new corporate responsibility plan called 'Kingfisher Net Positive'. It commits us to a new challenge: to go beyond neutrality, to no longer strive to 'do less' but to seek to make a positive contribution to the world's future.

Our philosophy is that we should eventually be able to put more back than we take out – to be 'net positive'. Our strategy sets ambitious targets across the business until 2020 and focuses on four priority areas: timber, energy, innovation and communities. Over the past year our achievements show how this journey is already underway. Our CR Report, to be published in June 2012, will provide more detail on our performance.

TIMBER

In 2010/11 B&Q UK became the first major UK retailer to achieve the aim of purchasing 100% of their timber products from forest sources independently verified as well-managed. B&Q UK continues to be a leader in responsible sourcing and is committed to maintaining that achievement by only selling timber from independently verified legal and sustainable sources. We aim to replicate this success across Kingfisher with a Group-wide target to reach 100% independently verified sustainable timber sourcing by 2020. In 2011/12, our Group-wide responsible sourcing was at 86%. We are also working with our Operating Companies to help them to comply with the new EU Timber Regulation for 2013.

All of our Operating Companies work at country level with domestic timber suppliers to incorporate Forest Stewardship Council (FSC) certified products within the supply chain and to improve availability of certified timber and products. Over the past year, Castorama France was recognised by WWF France as the leading supplier of sustainable timber in France; Brico Dépôt Spain won the Cemex Foundation's 'Sustainable Supply Chain' Award for their work with Kingfisher on responsible timber sourcing; and Koçtaş in Turkey is working with Rainforest Alliance on a strategic plan to improve the supply of certified timber within Turkey. In-store, our Operating Companies are planning campaigns during 2012 to increase customer awareness of the importance of responsible timber sources.

ENERGY

Our energy targets are aimed at significantly reducing our energy consumption as a business by 2020; whilst also helping our customers consume less energy at home without compromising on comfort.

We continue to work closely with the UK government to progress the UK's 'Green Deal'. The initiative, expected to be launched later this year, aims to encourage households to invest in improved energy efficiency, off-set by long-term cost savings on home energy bills. Our approach is to offer advice and simple DIY products to customers, whether retail or trade, alongside professionally installed insulation and energy saving products. To date we have carried out insulation installation trials at 31 B&Q UK stores. Later this year, we plan to offer in-house energy efficiency assessments for customers. We will also be helping smaller tradesmen across the UK to prepare for the demand for energy efficient products.

Our work on the UK's Green Deal will enable us to contribute to discussions on the current European Energy Efficiency Directive, which aims to encourage Member States to become more energy efficient. Castorama France has launched a dedicated web application aimed at helping its customers become more energy efficient.

During 2011/12 we successfully reduced our store energy consumption by 8%, two low-carbon stores were opened by Castorama France and one by B&Q UK, with further low energy stores planned at Brico Dépôt France, Brico Dépôt Spain and Castorama Russia.

Within our supply chain, our main sourcing office in Hong Kong has started work with WWF Hong Kong to encourage our largest suppliers to reduce emissions as part of the WWF Low Carbon Manufacturing Programme (LCMP).

INNOVATION

We aim to be at the forefront of eco-product innovation by 2020. Eco-product sales now account for approximately 13% of Group sales. Eco-products include 'best in class' eco-products, such as B&Q's new 'Clean Spirit' – an eco-alternative to white spirit – and 'eco-compliant' ranges, including certified timber products. Each item is assessed by the sustainability experts BioRegional to ensure it meets our sustainability criteria.

In 2011/12 we launched 11 Group common brands across all of our Operating Companies. This Group brand alignment enables synergies, leverages volumes and helps to control the sourcing of products, which means that we can apply a common approach to embedding sustainability across our brands.

Our research into 'closed loop' products continues, building on B&Q UK's role as a founding corporate partner of the Ellen MacArthur Foundation. Over the past year we have been exploring ways in which materials can be reused to preserve resources and increase their value. This work forms part of the Foundation's vision to create a 'circular economy' where resources are perpetually in use. For example, we are currently undertaking a feasibility study with a local council to recycle disused polypropylene and transform it into containers for grout or adhesives.

COMMUNITIES

We aim to be a good neighbour and our stores and employees are the link to communities, with many already involved in local volunteering. Throughout the Group we aim to help people build skills within the community. Castorama France launched 'Les Troc'heures', a free community skills swapping website that encourages people to share skills, from DIY to dressmaking. In early 2012 the site had 3,500 members and over 1,000 swaps had taken place.

Another leading programme is B&Q UK's 'Job Done!', which provides free teaching resources for young people aged five to 16 to learn practical DIY skills. B&Q also has a partnership with UK Youth and Youth Work Ireland that includes skills training to youth groups around the country.

KINGFISHER NET POSITIVE

Kingfisher's Net Positive plan marks the beginning of the next phase of our leadership in corporate responsibility and is a core part of Kingfisher's Creating the Leader strategic programme. Our full CR Report, published in June, will detail our progress against our strategy and targets. Our ambition is not simply to replace what we use or to be neutral, but to contribute to creating a better future.

BUSINESS REVIEW

FINANCIAL REVIEW

FINANCIAL SUMMARY

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

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

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

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

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

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

OVERVIEW

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

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

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

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

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

2011/12 TRADING REVIEW

FRANCE

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

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

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

Kingfisher France

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

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

BUSINESS REVIEW
FINANCIAL REVIEW CONTINUED

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

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

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

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

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

UK & IRELAND

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

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

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

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

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

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

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

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

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

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

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

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

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

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

OTHER INTERNATIONAL

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

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

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

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

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

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

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

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

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

INTEREST

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

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

* FFVR represents changes in the fair value of financing derivatives, excluding interest accruals, offset by fair value adjustments to the carrying value of borrowings and other hedged items under fair value hedge relationships.

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

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

TAXATION

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

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

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

BUSINESS REVIEW
FINANCIAL REVIEW CONTINUED

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

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

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

TAXATION RISK MANAGEMENT

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

EXCEPTIONAL ITEMS

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

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

EARNINGS PER SHARE

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

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

DIVIDENDS

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

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

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

RETURNS

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

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

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

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

KINGFISHER ECONOMIC PROFIT (KEP)

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

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

GROUP RETURN

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

For Standard ROC, the Group return is calculated as post-tax retail profit less central costs and excluding exceptional items. This return is then divided by a two point average of invested capital (calculated as net assets excluding net debt, pensions and deferred tax on pensions). The strong operating performance combined with improved asset turns has resulted in the Standard ROC performance increasing from 9.6% to 10.7% in 2011/12 compared to the Group's WACC of 8.1%.

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

GEOGRAPHIC DIVISIONAL RETURN

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

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

[1] Excluding goodwill of £2.4billion.

FREE CASH FLOW

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

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

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

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

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

In the current year working capital has increased by £187 million, significantly driven by the LME change in France (legislative changes shortening payment terms) with the balance due to increased imports from the Kingfisher Sourcing Organisation and additional stock in newly opened stores. Stock days have increased in the year from 95 days in 2010/11 to 102 days on a moving average basis. Over the four years of the 'Delivering Value' programme, working capital has reduced by £427 million excluding the impact of LME of £260 million.

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

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

BUSINESS REVIEW
FINANCIAL REVIEW CONTINUED

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

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

CAPITAL EXPENDITURE

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

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

- An annual strategic planning process based on detailed plans for all businesses for the next three years. This process drives the key strategic capital allocation decisions and the output is reviewed by the Board, twice a year;
- A capital approval process through a capital expenditure committee, attended by the Group Chief Executive, Group Finance Director, Group Chief Operating Officer, Group Property Director, and the two Divisional CEOs as required. The committee is delegated to review all projects above £0.75 million and to sign-off the projects between £0.75 million and £15.0 million (including the capitalised value of lease commitments);
- Projects above £15.0 million are approved by the Board although all projects above £0.75 million are also notified to the Board;
- Clear investment criteria including KEP and challenging hurdle rates for IRR (Internal Rate of Return) and DPB (Discounted PayBack);
- An annual post-investment review process to undertake a full review of all projects above £0.75 million which were completed in the last 2 to 4 years. The findings of this exercise are considered by both the capital expenditure committee and the Board and directly influence the Regional and Group Development Strategy and the assumptions for similar project proposals going forward; and
- An annual review of KEP by store is performed which drives plans to improve the returns of weaker stores.

MANAGEMENT OF LIQUIDITY RISK AND FINANCING

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

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

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

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

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

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

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

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

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

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.

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

PROPERTY

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

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

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

PENSIONS

The approach used to prepare the pension valuation is in line with current market practice and international accounting standards, and has been applied consistently. This accounting valuation is very sensitive to a number of assumptions and market rates which are likely to fluctuate in the future. To aid understanding of the impact that changes to the assumptions could have on the reported UK pension surplus, we have included sensitivity analysis as part of the pension disclosure in note 27. Further details of all the key assumptions are also contained within the note.

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

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

BUSINESS REVIEW

RISKS

Given the scale 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. See the Corporate Governance report on pages 27 to 34. The Board considers that the principal risks to achieving its strategic aims are set out below.

EASIER

STRATEGIC AIM	GROUP RISKS	RISK MITIGATION STRATEGIES
1. MAKING IT EASIER FOR OUR CUSTOMERS TO IMPROVE THEIR HOME	• We fail to deliver value and demand through the easier initiatives.	**Deliver value and demand:** Across our key markets we are committed to ensuring that our stores are aligned with our aim to make the customer experience easier through a combination of: • Creating a better physical environment through clearer store navigation, stronger and smarter visual merchandising, and the enhanced use of technology to guide staff through our stores. • Investment in data analytics to provide improved customer insight to enhance our understanding of our customers' needs. • Investment in our pricing strategy to redefine everyday low pricing (EDLP) credentials through price reduction programmes across key buying groups and redesigning promotional principles. • Ensuring customers' needs are satisfied through improved stock availability, an increased emphasis on self-service and availability of financing options. • Making home improvement easier for customers through DIY classes, online 'how-to' videos and social media.
2. GIVING OUR CUSTOMERS MORE WAYS TO SHOP	• We fail to invest in the systems and supply chain platforms necessary to maintain either competitive parity or advantage, amongst online or multi-channel competitors.	**Systems and supply chain:** We will also invest in our supply chains to ensure we can meet our customer demands. This will include the acquisition of higher specification distribution centre solutions in the UK, Poland, Turkey and China, the investment in better business information and forecasting technology (e.g. new warehouse management and forecasting and replenishment systems due in B&Q UK in 2012/13) and the introduction of better and leaner store stock management procedures.

COMMON

STRATEGIC AIM	GROUP RISKS	RISK MITIGATION STRATEGIES
3. BUILDING INNOVATIVE COMMON BRANDS	• We fail to 'unlock' the potential to generate further shareholder value through the optimisation of combined purchasing and commercial synergies, while retaining accountability at the Operating Companies.	**Purchasing and commercial strategies:** Making the most of commercial opportunities through common brands and synergies remains a priority across the organisation. The development of the 11 Group brands is key to delivering the differentiation of product ranges with competitors; stimulating innovation, and increasing scale efficiencies and margin growth. Category plans are being developed across operating companies. Commercial synergies also include sharing supply chain and stock efficiencies. This will be driven by joint buying in selected categories across the UK and French businesses, starting with tiles and flooring in 2012. The Kingfisher Brands Network (KBN) is also looking to drive value through reduced direct import stock holdings, shared European consolidation hubs and shared national transport networks. This investment is, however, dependent on the outcome of a number of trials underway to validate the potential return and benefits from the KBN investment.

COMMON CONTINUED

STRATEGIC AIM	GROUP RISKS	RISK MITIGATION STRATEGIES
4. DRIVING EFFICIENCY AND EFFECTIVENESS EVERYWHERE	• Our continued investment in own brand and sourcing will increase our exposure to reputational damage resulting from significant product or service failures, due to poor quality of design, manufacture or installation.	**Product or service failures:** Clear processes and procedures are in place across our businesses to ensure that the products we sell are compliant with local certification and regulatory requirements. For our own brand products we continue to develop the quality management tool (QMT) platform to ensure that our direct import and own brand products are subject to consistent supplier and product assessment and approval processes.

EXPAND

STRATEGIC AIM	GROUP RISKS	RISK MITIGATION STRATEGIES
5. GROWING OUR PRESENCE IN EXISTING MARKETS	• Uncertainty surrounding the resilience of the global economy and the future of the eurozone continues to impact both consumer confidence and the long-term sustainability and capabilities of our supplier base.	**Global economy:** With continuing volatility and uncertainty across all of the economies in which we operate, particularly within the Eurozone, Group Treasury continue to monitor potential exposures and risks with our operating companies and provide effective risk management solutions. These include: • The provision of supply chain finance programmes to support strategic suppliers. • Support from a strong portfolio of international banking partners that provides flexibility, access to funding and reliable local retail cash and card payment processing services. • Diversification of cash holdings across a number of financial institutions with the strongest short-term credit rating. • An appropriate mix of cash deposits and debt financing that seeks to minimise the impact of foreign exchange currency volatility on the Group P&L. • A hedging policy for imported product that ensures that operating companies have, on average, 50% of the next 12 months' USD requirements secured at any given time. We have assessed a number of alternative scenarios in relation to the volatility and uncertainty within the Eurozone. For each of these scenarios a range of mitigation strategies is being developed covering the impact on the Group, our individual operating companies and suppliers.
6. EXPANDING IN NEW AND DEVELOPING MARKETS	• Retailing is changing due to the growth of online and multi-channel retailers. There is a risk that if we fail to adapt our business model and do not take advantage of the opportunities created by changes in technology then we may be unable to maintain and grow our market position.	**Business model:** The environment in which we trade is changing rapidly and we face challenges in expanding in some markets. We continue to counter the growing competitive threat posed by both pure play internet and multi-channel retailers through our long-term online and multi-channel investment programme across our key markets. For example, the investment in our multi-channel project will provide the necessary infrastructure to develop a compelling internet and multi-channel offering across our businesses that will include the options to deliver enhanced 'click, pay and collect' functionality and improvements to the availability of products ranged online. We will also continue to work on flexible ordering options for customers, the development of online and mobile applications to enhance the customer online experience and the ability to visualise projects across their homes. We will also continue to invest in our existing store portfolio but will seek to minimise its cost base and optimise its sales densities. For example in France we will seek to minimise and challenge lease indexation while, in the UK, B&Q is looking to optimise its property portfolio through the creation of regional hubs supporting destination stores and feeder stores. We will also start a number of trials, throughout 2012, where we will seek to expand in existing territories via new formats, and try low-risk market entry strategies based on the utilisation of current operating company skills and resources.

BUSINESS REVIEW
RISKS CONTINUED

ONE TEAM

STRATEGIC AIM	GROUP RISKS	RISK MITIGATION STRATEGIES
7. DEVELOPING LEADERS AND CONNECTING PEOPLE	• We do not make the necessary investment in our people to ensure that we have the appropriate calibre of staff, skills and experience.	**Investment in people:** Across our businesses we are developing our talent, building our leadership capability and connecting our people through intelligent networks. Specific examples of this include: • The continued investment in development of our senior leaders through the Kingfisher Academy, including the 2020 Leadership Programme and the development of networks across our businesses. • Focused development activities across our store-based colleagues, including the roll out of national apprenticeship schemes across our UK and French businesses and the increased focus on how we support and recognise the role of our customer advisors across the organisation. • Recognition of the importance of ensuring a constant flow of developing talent through structured graduate and management trainee programmes (e.g. City & Guilds accreditation in the UK and the Viva2 and Perspective Programme in France), providing structured and sustainable career development paths supported by new and innovative coherent reward and bonus frameworks.
8. SUSTAINABILITY: BECOMING NET POSITIVE	• Impact on Kingfisher's reputation and brand arising from a major environmental or ethical failure, a significant corporate fraud or material non-compliance with legislative or regulatory requirements resulting in punitive or custodial sentences.	**Reputation:** Group Legal continue to work with operational management to resolve any potential issues arising from new legislation or any suspected breaches of existing legislation or Group policies. We have invested significant resources to ensure that all of our businesses have the necessary resources to manage the legislative or regulatory challenges presented by their respective jurisdictions. We aim to maintain the highest ethical standards across the organisation through improvements to our Code of Conduct, the revamping of the 'whistle blowing' facilities available to both employees and suppliers through the 'Speak Up' service, and the appointment of compliance officers to all of our Operating Companies. Our commitment to sustainability remains a key value for Kingfisher and across the organisation we continue to ensure that we engage with our key environmental partners and stakeholders (including the FSC, WWF, TFT and GNFT). We also see a commitment to sustainability as a key value driver across our businesses and, where practical, integrate sustainable practices into our business models and our property, logistics and distribution networks. We also operate a number of customer initiatives to raise awareness of our work in key areas including timber, energy, innovation and community.

Operational risks
This year we have focused our disclosure on the significant risks the Group faces in relation to the strategic aims. We recognise, however, that the Group faces a number of operational risks on an ongoing basis including, failure to comply with legislative and regulatory changes, IT security, environmental or ethical failure and health and safety failure. These are important risks for the Group and we continue to invest in ensuring we have the right policies and procedures in place to mitigate and monitor each of these. We continue to ensure that any breaches of these policies or any incident that may affect the safety of our employees or customers is dealt with immediately and reported at the appropriate level within the organisation.

GOVERNANCE

BOARD OF DIRECTORS

Daniel Bernard ▲■
Responsibility: Chairman
Current directorships: 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.
Expertise: 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.

Ian Cheshire
Responsibility: Group Chief Executive
Current directorships: Appointed to the Board in June 2000 and as Group Chief Executive in January 2008. He is also a Non-Executive Director of Whitbread plc, lead Non-Executive Member on the Department for Work and Pensions Board, Member of the Corporate Leaders Group on Climate Change, and a Member of the Employers' Forum on Disability President's Group. He also chairs the Ecosystem Markets Task Force.
Expertise: 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.

Kevin O'Byrne
Responsibility: Group Finance Director (Kevin will become Kingfisher Divisional CEO, B&Q following the management changes announced on the 16th February 2012).
Current directorships: Appointed to the Board as Group Finance Director in October 2008. He is also a Non-Executive Director and Chairman of the Audit Committee of Land Securities Group plc.
Expertise: He previously worked for Dixons Retail plc from 2002 to 2008 where he was Group Finance Director. Previously he was European Finance Director at Quaker Oats Limited.

Andrew Bonfield ● ▲■
Responsibility: Non-Executive Director
Current directorships: Appointed to the Board in February 2010. He is Finance Director of National Grid plc.
Expertise: 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.

Pascal Cagni ■
Responsibility: Non-Executive Director
Current directorships: 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 ten years in a variety of roles.
Expertise: 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 online banking arm of Prudential plc from 2002 to 2006 and on the board of Atari, the computer games company.

Clare Chapman ▲■
Responsibility: Non-Executive Director
Current directorships: She is currently Group People Director of BT and is on the Advisory Board of the Judge Institute, the Business School of the University of Cambridge.
Expertise: She was previously the Director General of Workforce for the NHS and Social Care and was also a Non-Executive Director of TUI Travel plc and Chairman of its Remuneration Committee. Her previous experience also 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 to 1999.

Anders Dahlvig ● ■
Responsibility: Non-Executive Director
Current directorships: Appointed to the Board in December 2009. 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.
Expertise: 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.

Janis Kong ● ▲■
Responsibility: Non-Executive Director
Current directorships: Appointed to the Board in December 2006. She is a Non-Executive Director of Portmeirion Group PLC, Network Rail and VisitBritain, and Chairman of the Board of Trustees of Forum for the Future. She is also a Non-Executive of Copenhagen Airports A/S.
Expertise: 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.

Mark Seligman ● ■
Responsibility: Senior Independent Director
Current directorships: Appointed to the Board in January 2012. He is a Non-Executive Director of BG Group plc, where he is also Chairman of the Audit Committee. He serves as an alternate member of the Panel on Takeovers and Mergers, is Chairman of the Industrial Development Advisory Board, a Member of the Regional Growth Fund advisory panel and Non-Executive Deputy Chairman of G4S, where he is also Chairman of the Audit Committee.
Expertise: He was a senior advisor at Credit Suisse. He began his career at Price Waterhouse and spent over 30 years in the City, including senior roles at SG Warburg, BZW and Credit Suisse First Boston. At Credit Suisse he was Deputy Chairman Europe from 1999 to 2005 and later Chairman UK Investment Banking from 2003 to 2005.

● Audit Committee ▲ Remuneration Committee ■ Nomination Committee
See pages 27 to 34 for further details.

GOVERNANCE

GROUP EXECUTIVE AND SENIOR MANAGEMENT

The Group Executive consists of the Group Chief Executive, Group Finance Director and two divisional Chief Executives, who meet monthly to coordinate the strategic management of the Group. They are supported by the Senior Management team including Operating Company CEOs and Group functional directors.

GROUP EXECUTIVE

Ian Cheshire,
Group Chief Executive.
See biography on page 21.

Kevin O'Byrne,
Group Finance Director (will become Kingfisher Divisional CEO, B&Q*).
See biography on page 21.

Euan Sutherland,
Chief Executive Kingfisher UK & Ireland (will become Group Chief Operating Officer*).

Philippe Tible,
Chief Executive Kingfisher France (will become Kingfisher Divisional CEO, Castorama and Brico Dépôt*).

* Changes to the roles and responsibilities of the Group Executive team were announced on 16 February 2012. The changes will become effective on the appointment of a new Group Finance Director.

SENIOR MANAGEMENT – OPERATING COMPANY CEOS

Guy Colleau,
CEO Castorama France

John Declerck,
CEO Castorama Russia

Loïc Dubois,
CEO B&Q China

Pascal Gil,
CEO Brico Dépôt Spain

Janusz Lella,
CEO Castorama Poland

Alp Özpamukçu,
CEO Koçtaş Turkey

Martyn Phillips,
CEO B&Q UK & Ireland

Alain Souillard,
CEO Brico Dépôt France

Steve Willett,
CEO Group Development

SENIOR MANAGEMENT – GROUP FUNCTIONS

Mike Bell,
Group IT Director

Benedikt Benenati,
Group Internal Communications Director

Nick Folland,
Group Corporate Affairs Director: Net Positive

Evelyn Gleeson,
Group HR Director

Ian Harding,
Group Communications Director

Ian Playford,
Group Property Director

Anthony Sutcliffe,
Group Sourcing Director

Andy Wiggins,
Group Innovation Director

GOVERNANCE
DIRECTORS' REPORT

The directors present their report and audited financial statements for the financial year ended 28 January 2012.

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 retail business.

BUSINESS MODEL
Our business model is to generate value by selling home improvement products and services to customers through our stores, catalogues and online channels. We focus on sourcing high quality, innovative and exclusive products at good prices using our network of sourcing offices around the world. In doing so, we maximise our scale as Europe's largest home improvement retailer and the diversity of our geographical scope. We aim to generate retail profit by keeping costs low, both within our stores and our supply chain, maximising sales per square foot and generating high returns on our cost of capital.

BUSINESS REVIEW
The Business Review, which is set out on pages 1 to 20 provides a comprehensive review of the development, performance and future prospects of the Group's operations for the year ended 28 January 2012. 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 6.37p (2010/11: 5.145p) per ordinary share amounting to £148m (2010/11: £121m) to be paid on 18 June 2012 to members appearing on the Register at the close of business on 4 May 2012. Together with the interim dividend of 2.47p (2010/11: 1.925p) per ordinary share, amounting to £57m (2010/11: £45m), paid on 11 November 2011, the total dividend for the financial year ended 28 January 2012 will be 8.84p (2010/11: 7.07p) per ordinary share, amounting to £205m (2010/11: £166m).

The Kingfisher Employee Benefit Trust has waived all dividends payable by the Company in respect of the ordinary shares held by it. The total dividends waived in the year to 28 January 2012 were in aggregate £1.8m.

DIRECTORS
Full biographical details of the current directors are set out on page 21. John Nelson retired from the Board on 8 September 2011. Mark Seligman joined the Board as Senior Independent Director on 1 January 2012 and will seek appointment by shareholders at the Annual General Meeting on 14 June 2012. In accordance with the principles of the UK Corporate Governance Code, all directors will retire and will be submitted for appointment or re-appointment at the Annual General Meeting in 2012.

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 2011/12 financial year. The Company has also purchased and maintained Directors' and Officers' liability insurance throughout 2011/12. 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 35 to 46. 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 are shown in the Risks section on pages 18 to 20. 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 2011/12. 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 of the Company's website (www.kingfisher.com) and details of employee involvement through participation in share incentive schemes are contained in the Directors' Remuneration Report on pages 35 to 46.

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 10.

GOVERNANCE

DIRECTORS' REPORT

CONTINUED

CHARITABLE DONATIONS

Kingfisher and its subsidiaries made contributions to charity/community projects worth an estimated £1.77m (2010/11: £1.59m) during the financial year ended 28 January 2012 – equivalent to 0.2% of pre-tax profits. This included cash donations (£1.21m) and gifts-in-kind (£0.32m – retail cost). Support was also given through the donation of time by employees (£0.24m).

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 Group made no political donations during the year (2010/11: Nil). As with previous annual approvals, the Group has no intention of changing its current policy and practice of not making political donations. The Board seeks the approval on a precautionary basis to avoid any unintentional breach of the relevant provisions. Shareholder approval will be sought at this year's Annual General Meeting to renew this authority, further details are provided in the Notice of Annual General Meeting.

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 £200 million credit facility dated 8 July 2011 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.

ESSENTIAL CONTRACTS

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. 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.

AUTHORITY TO ALLOT SHARES

At the Annual General Meeting ('AGM') in 2011, shareholders approved a resolution to give the directors authority to allot shares up to an aggregate nominal value of £123,826,267. In addition, shareholders approved a resolution to give the directors authority to allot up to a nominal amount of £247,652,535 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 AGM when resolutions will be proposed to renew these authorities.

AUTHORITY TO PURCHASE OWN SHARES

At the AGM in 2011, shareholders approved a resolution for the Company to make purchases of its own shares to a maximum number of 236,395,602 ordinary shares, being approximately 10% of the issued share capital. This resolution remains valid until the conclusion of this year's AGM on 14 June 2012. As at 21 March 2012, the directors have not used this authority. In order to retain maximum flexibility, a resolution will be proposed at this year's AGM to renew this authority. It is the Company's current intention that shares acquired under this authority would be cancelled.

FINANCIAL INSTRUMENTS

The Group's financial risk management objectives and policies are set out within note 24 to the financial statements on pages 74 to 76. 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.

MAJOR SHAREHOLDERS

As at 15 February 2012, the Company was aware of the following interests in its shares:

	Number of ordinary shares held	% of total voting rights
Templeton Investment Counsel, LLC	197,406,849	8.33%
Thornberg Investment Management Inc	186,101,763	7.86%
Legal & General Investment Management Limited	89,467,698	3.78%

ANNUAL GENERAL MEETING

The 2012 Annual General Meeting of the Company will be held on 14 June 2012 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

Kathryn Hudson
Company Secretary
21 March 2012

GOVERNANCE
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 11.

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 418 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 4 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

Kathryn Hudson
Company Secretary
21 March 2012

GOVERNANCE

CORPORATE GOVERNANCE

Dear Shareholder,

At Kingfisher, we believe that good governance is essential to the long-term success and performance of the Group.

The Board is committed to promoting the highest standards of corporate governance, realising that an effective, challenging and collaborative Board is fundamental to enabling the business to deliver its strategy and shareholders' long-term interests, whilst generating stakeholder confidence that the business is conducting itself in a responsible manner.

This year is the first in which we are required to report on the operations of the Company by reference to the UK Corporate Governance Code. The Board has reviewed the UK Corporate Governance Code and has, where necessary, taken action to ensure its operation reflects the principles of the Code and that the Company complies with its provisions. In accordance with the Listing Rules of the UK Listing Authority, the Board confirms that throughout the year ended 28 January 2012, 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 2010 UK Corporate Governance Code (the 'Code'), save for provision A.4.1 in relation to the Senior Independent Director and Schedule A of the Code regarding the phasing of long-term incentive schemes. Explanation of the two areas of non-compliance with the Code stated above, can be found on page 28 of this report and page 35 of the Directors' Remuneration Report.

This report, together with the Directors' Report on pages 23 to 25, and the Directors' Remuneration Report on pages 35 to 46, provides details of how the Company has applied the principles and complied with the provisions of the UK Corporate Governance Code. A copy of the Code is available at www.frc.org.uk.

In October 2011 the Financial Reporting Council announced that, with effect from 1 October 2012, it would amend the Code to require companies to disclose in their annual reports their policy on diversity, including gender diversity. In announcing the retirement of John Nelson in September 2011, the Board issued a statement on Board composition and its approach to diversity. The statement, which is available on the Company's website (www.kingfisher.com), confirmed that the Board is committed to ensuring that the directors of the Company demonstrate a broad balance of skills, experience, independence, knowledge and diversity, including gender diversity. The Board believes that balanced and diverse Boards are effective and is committed to maximising the benefits of our diverse workforce to deliver real and sustainable benefits for the Group.

Promoting the highest standards of corporate governance is central to my role as Chairman and so I am pleased to endorse this Corporate Governance Report, which I believe demonstrates how the Board and its Committees, through their actions, fulfil their governance responsibilities and embed good governance practices on an ongoing basis.

Daniel Bernard
Chairman
21 March 2012

THE ROLE OF THE BOARD

The Board has ultimate responsibility for the management, direction and performance of the Group and leads and controls the Group's business. The Board is responsible for ensuring appropriate resources are in place to achieve its strategy and deliver sustainable performance. Through delegated authorities to its Committees, the Board directs and reviews the Group's operations within an agreed framework of controls, allowing risk to be assessed and managed within agreed parameters. The Board is accountable to the Company's shareholders for the proper conduct of the business.

The Board's powers are set out in the Company's Articles of Association, which are available to view on its website, and has a formal schedule of matters specifically reserved for its approval. During the year, as part of its annual review process, the matters reserved for the Board were reviewed and where necessary, amended to reflect best practice. The schedule of matters includes the consideration and approval of:

- the Group's overall strategy, five-year plans and annual budgets;
- financial statements and Group dividend policy including recommendation of the final dividend;
- major acquisitions, disposals and capital expenditure;
- major changes to the capital structure including tax and treasury management;
- major changes to accounting policies or practices;
- the Group's corporate governance and compliance arrangements;
- the system of internal control and risk management policy; and
- review of management development strategy.

The Board has delegated authority to primary standing Committees, the Audit, Remuneration and Nomination Committees, to carry out certain tasks as defined in those Committees' terms of reference. Information on the responsibilities of each of the Board's Committees is set out on pages 30 and 32.

Composition of the Board

The Board is made up of a non-executive Chairman, two executive directors and six non-executive directors. 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. During the year, John Nelson retired as Deputy Chairman and Mark Seligman joined the Board as Senior Independent Director. At the Annual General Meeting to be held on 14 June 2012, shareholders will be asked to appoint Mark Seligman and re-appoint his fellow directors. The current directors' biographical details are set out on page 21.

There is a formal, rigorous and transparent procedure for the appointment of new directors to the Board and this is described in the Nomination Committee Report on page 32. The procedure was followed during the selection and appointment of Mark Seligman who joined the Board as Senior Independent Director.

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.

GOVERNANCE

CORPORATE GOVERNANCE

CONTINUED

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 Code and concluded that each remained fully independent of management and free from any relationship that could interfere with the exercise of their independent judgement.

There is a clear division of responsibilities between the Chairman and the Group Chief Executive. As part of its annual review process and following the publication of the Financial Reporting Council's ('FRC') "Guidance on Board Effectiveness", the Board undertook to review the written roles of the Chairman and Group Chief Executive to ensure they remained compliant with, and took account of, best practice developments. The roles were expanded in line with FRC guidance, and are available on the Company's website.

The Chairman is responsible for the overall operation, leadership and governance of the Board, setting the tone and style of Board discussions and creating the conditions for overall Board and individual director effectiveness. He is also responsible for ensuring that all members of the Board develop an understanding of the views of major shareholders, that there is an open dialogue with shareholders and the Chairmen of the Board's primary Committees are available to answer shareholder questions at the Annual General Meeting.

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.

Until his retirement in September 2011, John Nelson acted as the Senior Independent Director ('SID'), supporting the Chairman and was available for approach or representation from significant shareholders who felt they were unable to raise issues with the Chairman, Group Chief Executive or Group Finance Director. Following the departure of Mr Nelson, the Board operated without a SID until the appointment of Mark Seligman. During this period, a search for a suitable candidate who demonstrated the necessary knowledge, understanding and experience to assume the SID role was conducted. As part of this process, the role of the SID was formally set out in writing, following FRC best practice guidelines, and is available on the Company's website. During the period between September 2011 and January 2012, there were no requests from shareholders or other Board directors, for access to the SID.

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 which include 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 in paper or digital format. Should a director be unable to attend a particular meeting, they are provided with all relevant briefing papers and 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 year under review, the Board held a meeting in Paris and conducted visits to stores in the vicinity. In addition to its normal meetings, 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. It is the Board's intention to conduct at least one meeting this year outside the UK in a country in which the Group operates.

At the request of any non-executive director, the Chairman will arrange meetings consisting of only the non-executive directors. During the year, the Chairman and non-executive directors met without the executive directors, there were no matters of concern raised at this meeting. The Chairman maintains regular contact with the Senior Independent Director and met with each of the non-executive directors individually as part of the Board evaluation discussions.

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	5	10/10	–	4/4	5/5
Andrew Bonfield	2	9/10	4/4	4/4	5/5
Pascal Cagni	1	9/10	–	–	5/5
Clare Chapman[1]	1	9/10	–	3/3	4/5
Ian Cheshire	11	10/10	–	–	–
Anders Dahlvig	2	9/10	3/4	–	4/5
Janis Kong[2]	5	10/10	4/4	4/4	5/5
Kevin O'Byrne	3	10/10	–	–	–
Mark Seligman[3]	<1	1/1	1/1	–	–
John Nelson[4]	9	7/7	2/3	3/3	4/4

1 Clare Chapman was appointed to the Remuneration Committee with effect from 16 February 2011 and Chairman of the Committee with effect from 7 September 2011.
2 Janis Kong was appointed to the Audit Committee with effect from 16 February 2011.
3 Mark Seligman was appointed to the Board and the Audit and Nomination Committees with effect from 1 January 2012.
4 John Nelson retired from the Board and Board Committees on 8 September 2011.

Activities during the year
During the year, amongst other things, the Board oversaw the final year of the Group's Delivering Value strategy and was involved in reviewing and defining its Creating the Leader strategy, questioning and developing, where appropriate, management's underlying assumptions for the next stage of the Group's development. The Board reviewed the Group's approach to anti-bribery and corruption in response to the UK Bribery Act and reviewed the processes to ensure the Group had in place at least adequate anti-bribery and corruption policies and procedures. The Board received regular strategic presentations from management and held 'deep dive' discussions with the Group's Operating Company management and considered the Group's risk profile and approach to risk appetite.

Board evaluation
The Board conducts a review of its performance each year. Following the external evaluation of the performance of the Board conducted in 2010/11, the Board agreed to evaluate its effectiveness for the year under review, via an externally facilitated questionnaire and a series of one-to-one interviews with the Chairman. The questionnaire was developed by reference to the topics discussed and recommendations made during the previous evaluation, and were facilitated by an external facilitator, Lintstock. Responses to the questionnaire were collated and the output was used by the Chairman in his individual meetings with directors as part of the evaluation process.

The areas considered by the evaluation were:

- Board composition;
- Board expertise;
- strategic oversight;
- risk management and internal control; and
- succession planning and human resource management.

The results from the evaluation were considered by the Board at its meeting in February 2012. No significant issues were highlighted and the review concluded that the Board was working efficiently and effectively and that the contribution and commitment of each director, and their interaction with each other, was good and that the non-executive directors offered robust challenge where appropriate. As a result of the review, the Board agreed to undertake a review of its annual meeting timetable and to review the cycle for its review of risk management and risk appetite.

In addition to the Board review, 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.

The Board has confirmed that the contribution of each of the directors continues to be effective and that shareholders should be supportive of their appointment or re-appointment. The biographical details of all directors seeking appointment or re-appointment at the 2012 Annual General Meeting are set out on page 21.

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.

Induction, 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.

The induction 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 management of the Group's Operating Companies and other senior management and if required, external training courses at the Group's expense.

In accordance with best practice, the Chairman considers and addresses the development needs of the Board as a whole, if any, and ensures that each director updates their individual skills, knowledge and expertise.

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

The Board also receives reports in circumstances where issues and concerns have been 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.

CONFLICTS OF INTEREST
Each director has a duty under the Companies Act 2006 to avoid a situation where he or she may have a direct or indirect interest that conflicts with the interests of the Company. The Company has robust procedures in place to identify, authorise and manage such conflicts of interest, and these procedures have operated effectively during the year. A register of directors' situational and transactional conflicts is maintained by the Company Secretary and reviewed by the Board on an annual basis. The Board confirmed during the year that there were no situations of which they were aware which would, or potentially could, give rise to conflicts with the interests of the Company other than those that might arise from directors' other appointments, details of which are set out in the directors' biographies set out on page 21.

GOVERNANCE

CORPORATE GOVERNANCE

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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. The Board is satisfied that the terms of reference for each of these Committees satisfy the requirements of the UK Corporate Governance Code and having been reviewed and amended during the year will be reviewed on an ongoing basis.

The minutes of Committee meetings are made available to all directors on a timely basis and at each Board meeting, the chairmen of each of the principal Committees provide the Board with a brief synopsis of the work carried out by the Committee, if any, between Board meetings.

Details of each Committee, including membership, are set out in the following reports:

AUDIT COMMITTEE REPORT

Dear Shareholder,

The Audit Committee is appointed by the Board from its non-executive directors. The Committee provides effective oversight and governance of risk management and financial reporting and provides updates and recommendations to the Board.

During the year, the Committee continued to focus on internal controls, compliance, financial governance and internal audit functions. It continued to maintain its good working relationship with the Group Audit and Risk Management Director, the Group Financial Controller, the Company Secretary and external auditors and developed a standing agenda, linked to the Group's financial calendar, around which to review and monitor the operations of the business, financial reporting and internal audit.

The Committee has received presentations from management of the Group's Operating Companies to improve understanding of their operations, reviewed the Group's adequate procedures in relation to the UK Bribery Act and reviewed the Group-wide independent third-party whistleblowing service and revised whistleblowing policy.

John Nelson retired from the Board and as a member of the Committee in September 2011 and I would like to thank him for his many years of valued contribution. Mark Seligman joined the Committee in January 2012, bringing with him strong investment banking and financial knowledge and experience which will add to the quality and effectiveness of the discussions at meetings.

Committee composition

The Audit Committee comprises four non-executive directors:

- Andrew Bonfield (Chairman)
- Anders Dahlvig
- Janis Kong
- Mark Seligman (appointed 1 January 2012)
- John Nelson (retired 8 September 2011)

All the Committee members are considered independent in accordance with provision B.1.1 of the UK Corporate Governance Code.

Duties

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

- monitor the integrity of the financial statements of the Group;
- review, understand and evaluate the Group's internal financial risk, and other internal controls and their associated systems;
- monitor and review the effectiveness of the Group'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;
- agree the scope of the auditor's annual audit programme and review the output; 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.

The terms of reference were reviewed in the year and amendments to reflect the Committee's activities and best practice were approved by the Board. The terms of reference are available on the Company's website.

Governance

In accordance with the requirements of provision C.3.1 of the UK Corporate Governance Code, Andrew Bonfield is designated as the Committee member with recent and relevant financial experience. All other members of the Audit Committee are deemed to have the necessary ability and experience to understand financial statements. Full details of the members of the Committee are set out on this page and the number and attendance by members at Committee meetings are set out on page 28.

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 is required by its terms of reference to meet at least three times a year. During the year the Committee met four times. The Committee has a standing agenda linked to events in the Group's financial calendar for consideration at each meeting and within the annual audit cycle, to ensure that its work is in line with the requirements of the UK Corporate Governance Code. 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 and the Group Audit and Risk Management Director at which management were not present.

Detailed below is the key work undertaken by the Committee during the year under review and up to the date of this Annual Report.

Activities of the Audit Committee during the year

Governance processes

The Committee conducted a questionnaire based review of its effectiveness during the year. The Committee considered the results of the review in January 2012 and concluded that it provided robust challenge and support to the Board.

Internal Controls and Risk

The Committee received and considered reports during the year from the Group's external auditors, Deloitte LLP, and the Group's internal audit function on the work they had undertaken in reviewing and auditing the Group, in order to assess the quality and effectiveness of the internal control system.

The Committee considered reports on the output from the Group-wide process used to identify, evaluate and mitigate risks and reviewed the annual report on the Group's systems of internal control and its effectiveness, and reported the results of the review to the Board. Further information on the Group's risk management and internal control procedures can be found on page 33.

As part of the Committee's continuing programme to increase its awareness of the Group's operations and to understand the implementation of Operating Company control processes, the Committee met with and received presentations from the senior management of its Operating Companies. In addition, the Committee continued to monitor the progress on the standardisation and improvement of the Group's internal control processes, in a number of key areas including the B&Q China business.

The Group operates a whistleblowing helpline which allows employees within the Group to make disclosures about suspected financial and operational improprieties. Following a review by the Committee, the 'SpeakUp' service, operated by an independent third-party, was relaunched across the Group. A revised policy and processes to support the relaunched SpeakUp service were reviewed by the Committee and considered to be appropriate.

Financial Reporting

The Committee 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 findings, including any control observations relevant to their audit work. The impact on the Group's financial statements of significant corporate governance and accounting standards applicable during the year, were considered and reviewed by the Committee.

Group Internal Audit

The Committee considered and reviewed updates from the internal audit programme at each of its meetings in the year. Reports from the internal audit function to the Committee included updates on the Group's risk management systems, findings from reviews, and reviews of the remit, organisation, annual plan and resources of the internal audit function. The Committee reviewed the effectiveness of the internal audit function. The review was conducted by way of an internal questionnaire with input from the function's key stakeholders within the Group, in addition to the Committee. No significant issues were highlighted by the review.

External Audit

During the year, the Committee agreed the approach and scope of the audit work to be undertaken by the external auditors and undertook an assessment of their qualification, expertise and resources, independence and the effectiveness of the external audit process. It reviewed and agreed the terms of engagement, the fees, and areas of responsibility and the work to be undertaken by the external auditors and agreed the fees payable in respect of the 2011/12 audit work. Details of the amounts paid to the external auditors for their audit services are given in note 7 to the accounts on page 62.

The Committee reviewed and approved the scope of non-audit services provided by the external 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. The Group's policy on the use of external auditors for non-audit work can be found on the Company's website.

The Committee has recommended to the Board that Deloitte LLP be proposed for re-appointment by shareholders as the Company's external auditor at the forthcoming Annual General Meeting. As a result of its work during the year, the Committee has concluded that it acted in accordance with its terms of reference and has ensured the independence and objectivity of the external auditors.

I 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
21 March 2012

GOVERNANCE

CORPORATE GOVERNANCE

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REMUNERATION COMMITTEE REPORT

Full details of the Remuneration Committee composition, role, authority and activities during the year, are set out in the Directors' Remuneration Report on pages 35 to 46. The report will be subject to an advisory vote by shareholders at the Annual General Meeting on 14 June 2012.

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

NOMINATION COMMITTEE REPORT

Committee composition

The Committee comprises the Chairman and all the non-executive directors and meets as required. During the year the Committee met five times. The members of the Nomination Committee are:

- Daniel Bernard (Chairman)
- Andrew Bonfield
- Pascal Cagni
- Clare Chapman
- Anders Dahlvig
- Janis Kong
- Mark Seligman (appointed 1 January 2012)
- John Nelson (retired 8 September 2011)

Duties

The primary purpose of the Nomination Committee is to lead, on behalf of the Board, the process for Board appointments and to make recommendations for maintaining an appropriate balance of diversity and skills on the Board. Under its terms of reference, the Nomination Committee is required to:

- review the structure, size and composition of the Board and make recommendations to the Board, as appropriate;
- identify the balance of skills, knowledge, diversity and experience on the Board and nominate candidates to fill Board vacancies;
- review the time commitment required from the non-executive directors;
- consider succession planning, taking into account the challenges and opportunities facing the Group and the future skills and expertise needed on the Board; and
- review 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.

Governance

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 appointment of Mark Seligman as Senior Independent Director. 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.

Activities during the year

During the year, the Committee reviewed its terms of reference and recommended their amendment to reflect best practice as detailed by the Institute of Chartered Secretaries and Administrators. The revised terms of reference were approved by the Board and are available on the Company's website.

Having satisfied itself that both Clare Chapman and Janis Kong possessed the necessary experience to support the relevant remit, roles and responsibilities of the Remuneration and Audit Committees, the Committee recommended their appointment to the Remuneration Committee and Audit Committee respectively.

The Committee received and reviewed a talent and HR update from the Group HR director, which outlined succession planning and talent pipeline considerations in support of the Group's Creating the Leader strategy.

Having considered the overall balance of skills, knowledge, experience and diversity on the Board, against current and future requirements of the Group, a search and selection process using the executive search associates Russell Reynolds resulted in the appointment of Mark Seligman as Senior Independent Director. Having further satisfied itself that he possessed the necessary knowledge and experience to support the relevant remit, roles and responsibilities of the Committees, the Committee recommended his appointment to the Audit and Nomination Committees.

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

Daniel Bernard
Chairman of the Nomination Committee
21 March 2012

Group Executive Committee

During the year, the Group Executive consisted of the executive directors and the three divisional Chief Executive Officers. As announced in February 2012, a review of the organisational structure of the Group was conducted in preparation for the Creating the Leader strategy. Following the review, it was announced that the CEO of Kingfisher International will be leaving the business and the Group Executive consists of the Group Chief Executive, the Group Finance Director and two divisional Chief Executive Officers. The Group Executive, who are set out on page 22, meets formally ten times a year under the chairmanship of the Group Chief Executive.

The Group Executive is 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 Group Executive is responsible for reviewing and making recommendations to the Board on:

- strategic and business plans of individual businesses;
- monthly Group trading performance;
- individual progress of Operating Companies;
- the Group's capital structure and funding;

- capital expenditure proposals, major acquisitions or disposals of businesses; and the Group's key risks;
- management development and senior executive succession plans; and
- the Group's corporate responsibility programme.

During the year the Group Executive met ten times and amongst other things reviewed:

- development of the Creating the Leader strategy;
- the Group's e-commerce and branding strategies;
- operating budgets and monthly trading performance;
- revisions to the Group's code of conduct and corporate governance manual;
- strategy for embedding sustainability into all Group's behaviours; and
- HR proposals for management development and succession planning.

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 corporate governance matters. All directors have access to the advice and services of the Company Secretary and their appointment and removal is one of the matters reserved to the Board. The Board also have access to the Group Legal Director for legal and compliance advice.

ACCOUNTABILITY, RISK MANAGEMENT AND INTERNAL CONTROL

Internal control

The Board has overall responsibility for the Group's system of internal control, which is designed to safeguard the assets of the Group and ensure the reliability of the financial information for both internal use and external publication and to comply with the Turnbull guidance.

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 UK Corporate Governance Code for the period from 31 January 2011 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 the 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 was required.

The Board has approved a set of policies, procedures and frameworks for effective internal control. The Group has procedures for the delegation of authorities for significant matters to ensure approval is sought at the appropriate level. These procedures are subject to regular review and provide an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. 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 responsibility for designing, operating and monitoring the system and the maintenance of effective control is delegated to the management of each Operating Company. 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 Group Executive 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.

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 those risks 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 provided.

Monitoring

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:

- 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 submitted at each Board meeting;
- Operating Company management report formally to the Audit Committee on a regular basis on the control environment in their business and actions taken to maintain or improve the environment as appropriate; and
- reports and presentations to the Board on certain areas of specialist risk. These include treasury, insurance and pensions.

A formal quarterly certification is provided by the managing director and finance director of each Operating Company stating that appropriate internal controls were in operation and confirming compliance with Group policies and procedures. Any weaknesses are highlighted and the results are reviewed by regional management, the Audit Committee and the Board. The internal audit function monitors and selectively checks the results of this exercise, ensuring that representations made are consistent with the results of its work during the year.

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.

GOVERNANCE

CORPORATE GOVERNANCE
CONTINUED

Risk appetite
During the year, the Board discussed the level of risk the Group is prepared to accept in pursuit of its business strategy. A framework has been developed which considers the financial implications and compliance and safety aspects of the actions being taken in order to achieve its objectives. This framework has been reviewed and approved by the Board and will be reviewed annually going forward.

AUDITORS
Deloitte LLP were appointed as the external auditors to the Group in 2009 following a formal tender. A resolution proposing the re-appointment of Deloitte LLP as external auditors to the Group will be put to shareholders at the 2012 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 (2010/11: £1.4m) for audit and audit-related services and a further £0.5m (2010/11: £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.

As part of his formal induction as Senior Independent Director, Mark Seligman met a number of the Group's significant shareholders to obtain a better understanding of their views.

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's 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 2012, 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 Information Service shortly after the conclusion of the Annual General Meeting.

GOVERNANCE

DIRECTORS' REMUNERATION REPORT

Dear Shareholder,

This is my first letter to shareholders as Chairman of the Remuneration Committee, having taken over from John Nelson in September 2011. I want to start by thanking him for his valuable contribution during his nine years at Kingfisher.

Purpose
The broader Kingfisher purpose is to provide "Better Homes, Better Lives" for our customers. Success in achieving this means delivering value to our shareholders, behaving responsibly in the communities in which the Group operates, making sustainable choices and creating fulfilling and secure roles for our employees.

Ensuring value is a theme which is central to the working of the Remuneration Committee and although this report focuses on the executive directors, we also look more broadly to ensure alignment and fairness between contribution and reward. This means that by improving the business all can benefit. This is also true for employees and, in Kingfisher, performance linked incentives and share-based plans are cascaded throughout the organisation from the leadership team to store-based employees.

Performance in the last four years has been extremely strong and reward reflects this. The Sharesave awards, which vested in 2011/12, are a good example of this; over 2,000 employees benefited from a total estimated gain of c.£7.4m, giving an average profit per person of c.£3.5k.

Highlights

– During 2011/12, the management team again delivered a strong performance against a difficult economic backdrop with Kingfisher reporting adjusted pre-tax profits up 20.4% and an increase in the full year dividend of 25%. As a result of this successful Group performance, the executive directors earned their maximum annual bonus opportunity under the profit element. The overall bonus award as a % of maximum was 93.5% for both the Group Chief Executive and Group Finance Director.

– 2011/12 saw the completion of the Delivering Value plan. Since this year was a key focal point for the business, the performance measurement period for part of the 2008/09 long-term incentive award was aligned to this. When combined with the 2009/10 long-term incentive award made with the more standard three-year vesting period, this led to the value of long-term awards vesting shortly after the 2011/12 financial year end being higher than usual.

– The Committee welcomed a recommendation from management that there be no increases in base salary for the executive directors.

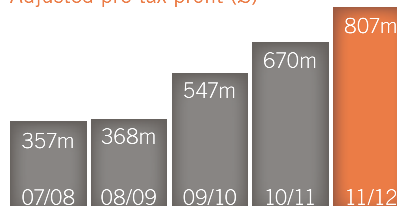
Performance against Delivering Value plan
The four year Delivering Value plan was launched in 2008 following the appointment of Ian Cheshire as Group Chief Executive in January of that year. The aim was to deliver a step-change in shareholder value by focusing on three key priorities: management (including the appointment of a new senior team), capital (better targeted investment and a reduction in debt) and returns (improving cash returns).

At that time the Remuneration Committee decided to incentivise the new management team in a way that better aligned their interests directly with those of longer-term shareholders. The performance measures chosen were relative TSR and EPS.

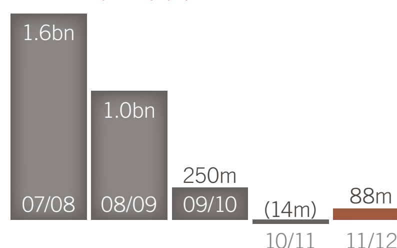
Delivering Value has been very successful with strong performance delivered in a difficult economic environment. Between 2008 and 2012 adjusted pre-tax profits more than doubled, net debt of £1.6bn was almost eliminated and Kingfisher's market value doubled from £3.4bn to over £7bn as at 19 March 2012. These significant achievements are highlighted in the charts below.

This strong performance has meant that awards based on EPS performance vested in full shortly after the financial year end. Half of the 2009/10 awards were based on relative TSR performance and, since the performance measurement period runs to 20 April 2012, the results have not yet been confirmed at the time of writing this report. Full details of performance against the Delivering Value plan and the Group's long-term incentive plans can be found on pages 41 to 44.

Adjusted pre-tax profit (£)



Net debt/(cash) (£)



Creating the Leader
With the Delivering Value plan successfully completed, the Remuneration Committee has set stretching new long-term targets for the management team as part of the 'Creating the Leader' phase of Kingfisher's strategy. As disclosed in last year's report and following shareholder approval at the Annual General Meeting in 2011, the Committee approved awards under the Performance Share Plan based on up to 500% of base salary. This was higher than the normal annual grant of up to 200% to take into account that no further awards will be made under this plan during 2012/13 or 2013/14. It is felt that this creates a better focus on a single performance period, which aligns to the next phase of the Group's strategy, rather than the more commonly used overlapping performance periods.

Board changes
During the year we welcomed Mark Seligman to the Board as Senior Independent Director. Details of his remuneration can be found later in this report.

I will be available at the Annual General Meeting to answer any questions about the work of the Committee and hope you will support the Directors' Remuneration Report at that meeting.

Clare Chapman
Chairman of the Remuneration Committee
21 March 2012

GOVERNANCE

DIRECTORS' REMUNERATION REPORT

CONTINUED

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 UK Corporate Governance Code, and complied with the Financial Services Authority Listing Rules.

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. It also 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 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 28 January 2012.

Chairman	Clare Chapman – appointed a member of the Committee on 16 February 2011 and Chairman from 7 September 2011
	John Nelson – Chairman to 7 September 2011
Committee members	Daniel Bernard
	Andrew Bonfield
	Janis Kong

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 four times. Committee meetings were attended by Ian Cheshire, Group Chief Executive who provided advice that materially assisted the Committee. The Group HR Director and the Head of Group Reward also attended Committee meetings and provided material assistance and advice on remuneration policy. Kevin O'Byrne, Group Finance Director attended by invitation on matters relating to the performance measures and targets for the Group's share-based incentive schemes. The Company Secretary acted as Secretary to the Committee. No member of the Committee had a personal financial interest (other than as a shareholder), conflict of interest arising from cross-directorships, or day-to-day involvement in running the business. No person took part in any discussion about his or her own remuneration. Details of individual attendance at Committee meetings are given in the Corporate Governance section on page 28.

Activities

In 2011/12 the Committee agreed:

- the performance targets for the annual bonus in 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 policy for the operation of the Group's all-employee share schemes and agreed to recommend to shareholders that they adopt new Sharesave rules at the AGM in 2012;
- the award of annual incentives based on the prior year's performance;
- recommended the 2010/11 Directors' Remuneration Report for approval by the directors;
- approved a new set of remuneration principles, practice and framework; and
- agreed an extension of the exercise period for vested nil-cost options from between six and twelve months after vesting to the seven years less one day from the date of grant.

Advisers

The Committee has authority to obtain the advice of external independent remuneration consultants and is solely responsible for their appointment, retention and termination. On 7 September 2011, the Committee appointed FIT Remuneration Consultants LLP as advisors to the Committee. Prior to this, advice had been provided by Hewitt New Bridge Street. In the financial year to 28 January 2012, the following external advisers provided services to the Committee.

Unless otherwise stated, the advisers have no other connection with the Group:

FIT Remuneration Consultants LLP ('FIT')
Advice on the ongoing operation of employee and executive share plans and executive remuneration generally. FIT is a member of the Remuneration Consultants Group (the professional body for executive remuneration consultants) and adheres to its Code of Conduct.

Hewitt New Bridge Street
Advice on the ongoing operation of employee and executive share plans and executive remuneration generally.

Allen & Overy LLP ('A&O')
Legal advice on service and employment contracts and for other employment and remuneration issues. A&O 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 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;
- to ensure executive directors' interests are aligned with shareholders by delivering rewards in shares with compulsory deferral and share ownership guidelines;
- 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 remuneration, as described within this report.

ALIGNMENT OF REMUNERATION FRAMEWORK TO GROUP STRATEGY

CREATING THE LEADER – GROUP STRATEGY		CREATING THE LEADER – SUCCESS MEASURES	
EASIER	1. Making it easier for customers to improve their home 2. Giving our customers more ways to shop	EASIER	• Like-for-like sales growth • Unique web users
COMMON	3. Building innovative common brands 4. Driving efficiency and effectiveness everywhere	COMMON	• % of Group sales direct sourced • % of Group sales that are common • Retail profit margin
EXPAND	5. Growing our presence in existing markets 6. Expanding in new and developing markets	EXPAND	• Kingfisher Economic Profit (KEP)
ONE TEAM	7. Developing leaders and connecting people 8. Sustainability: becoming 'Net Positive'	ONE TEAM	• Group employee engagement scores • 'Net Positive' sustainability scorecard

STRUCTURE OF INCENTIVES 2012/13

Annual bonus	Long-term incentive
PROFIT 30% Year-on-year	FOCUS ON DELIVERY OF SECOND PHASE IN THE GROUP'S DEVELOPMENT 'CREATING THE LEADER' The PSP award made in July 2011 was based on 500% of salary. This single award replaced the 200% annual awards which would have taken place in 2011, 2012 and 2013. This creates focus on a single three year period which matches the Creating the Leader phase and is smaller than the three annual awards would have been.
LIKE-FOR-LIKE SALES 30% With reference to movements in market size to ensure we are rewarding for real improvements in market share.	REWARD BASED ON GROUP PERFORMANCE Divisional performance for the Group Executive is recognised through annual bonus but performance over the long-term is rewarded on profitability and return on investment at Group level. 50% EPS and 50% Kingfisher Economic Profit.
GROUP DIRECT SOURCING 20%	RETENTION AND ALIGNMENT WITH SHAREHOLDERS LTIP – 50% of the higher 2011/12 PSP award will vest after four years during 2015/16 Annual bonus – One-third of the annual bonus award is converted into shares which are deferred for three years.
PERSONAL OBJECTIVES 20% Assessed with reference to demonstrating the One Team behaviours.	
TOTAL 100%	

- Both financial measures set at Group or divisional level depending on primary accountability.
- The profit and sales measure will be based on divisional results for Kevin O'Byrne from Q2 2012/13 onwards, when he has fully transitioned into his divisional role.

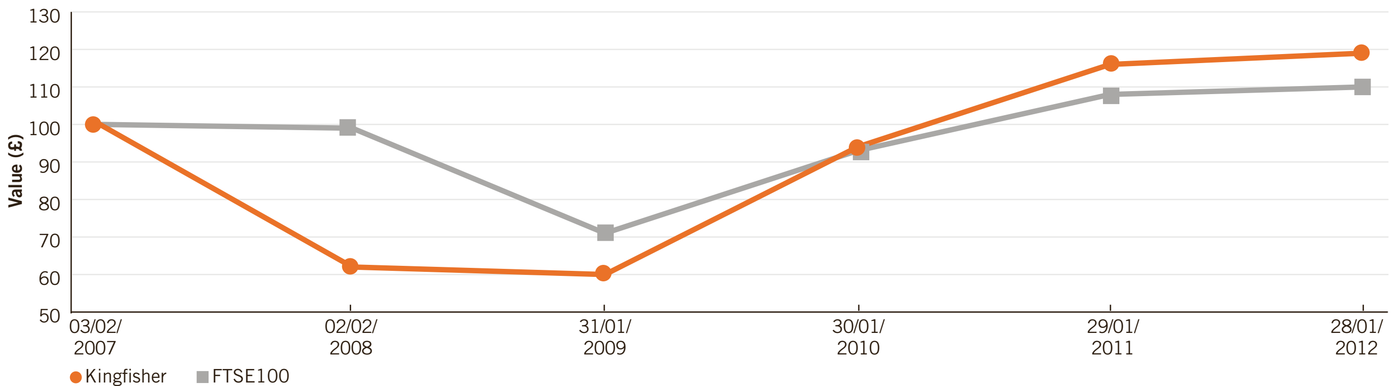
GOVERNANCE

DIRECTORS' REMUNERATION REPORT

CONTINUED

The following graph shows Kingfisher's total shareholder return ('TSR') for the five years to 28 January 2012, which assumes that £100 was invested in Kingfisher on 3 February 2007. The Company chose the FTSE100 Index as an appropriate comparator for this graph as Kingfisher has been a constituent of that index throughout the period.

TOTAL SHAREHOLDER RETURN



Source: Thomson Reuters

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 base salary in respect of Ian Cheshire, and at a monthly rate of 12% of annual base 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.
Other benefits	Car or car allowance and allowance for financial planning.
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 and 30 working days' holiday per year.
Expenses	Reimbursement of reasonably incurred costs in accordance with their duties.
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 were 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 contracts for new directors.

OVERVIEW OF EXECUTIVE DIRECTORS' REMUNERATION

The remuneration packages for the executive directors consists of the key elements set out in the table below. 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.

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.	See section entitled 'Base salary' on page 40.
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.	See section entitled 'Annual bonus' on page 40.
Performance Share Plan	Incentivise executives to achieve superior returns for shareholders. Retention of executives over the performance period of the awards.	Awards of shares with vesting dependent on achieving stretching performance measures. Aligned to shareholder interests and specifically the Group's strategic objectives.	See section entitled 'Performance Share Plan' on page 43.
Pension	Provide competitive retirement benefits.	Company contributes to defined benefit/defined contribution schemes.	See section entitled 'Directors' pension benefits' on page 42.

The charts set out below show the breakdown of remuneration split between remuneration 'at risk' and fixed pay for 'on-target' and 'maximum' performance.

Ian Cheshire

'On-target' performance

Pay at risk
- Long-term incentives 40%
- Annual cash bonus 20%

Fixed pay
- Base salary 30%
- Pension provision and other benefits 10%

'Maximum' performance

Pay at risk
- Long-term incentives 50%
- Annual cash bonus 25%

Fixed pay
- Base salary 19%
- Pension provision and other benefits 6%

Kevin O'Byrne

'On-target' performance

Pay at risk
- Long-term incentives 41%
- Annual cash bonus 21%

Fixed pay
- Base salary 31%
- Pension provision and other benefits 7%

'Maximum' performance

Pay at risk
- Long-term incentives 51%
- Annual cash bonus 25%

Fixed pay
- Base salary 19%
- Pension provision and other benefits 5%

– The long-term incentives include the PSP and the deferred share element of the annual bonus scheme.

– The value of the PSP award is based on the annual PSP policy of 200% of base salary.

GOVERNANCE
DIRECTORS' REMUNERATION REPORT
CONTINUED

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 base salary in cash and 67% in deferred shares, and the maximum vesting under the PSP is normally 200% of salary in deferred forfeitable shares. Accordingly, the maximum awards under the KIS and PSP result in 75% of maximum total remuneration being performance-related.

EXECUTIVE DIRECTORS' REMUNERATION

The remuneration of the executive directors for the 2011/12 financial year is set out in the table below:

£'000	Base salary	Total benefits[1]	Cash bonus	Deferred bonus[2]	Total remuneration 2011/12	Total remuneration 2010/11[3]
Ian Cheshire	816.0	36.4	1,017.3	508.6	2,378.3	2,220.2
Kevin O'Byrne	600.0	27.4	748.0	374.0	1,749.4	1,627.7
Total	1,416.0	63.8	1,765.3	882.6	4,127.7	3,847.9

[1] Benefits comprise medical and life insurances and the provision of financial advice. Ian Cheshire relinquished his company car in September 2011 in favour of a cash payment in lieu of a company car. Kevin O'Byrne receives a cash payment in lieu of a company car.
[2] The deferred bonus will be deferred into the KIS Share Scheme in relation to the financial year ended 28 January 2012 and vest in April 2015. Further details are included in the section entitled KIS Share Scheme.
[3] Total remuneration for 2010/11 has been restated to include the deferred share element of the annual bonus and to exclude pension benefits, details of which are set out in the section entitled 'Directors' pension benefits'.

COMPONENTS OF EXECUTIVE DIRECTORS' REMUNERATION 2011/12

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

Base salary

Executive directors' base 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.

Following review in January 2012 and based on a recommendation from management, it was agreed that the executive directors would not receive an increase in base salary. Kevin O'Byrne last had a base salary increase in June 2010. Ian Cheshire last had a base salary increase in January 2010. The base salaries of the executive directors as at 21 March 2012 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 Annual 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 awards 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. The vesting of the additional shares is 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 are eligible to 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 Share Award, 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 since 2005.

Outcome for the 2011/12 Annual Bonus Scheme

The executive directors' targets for the 2011/12 bonus were based on both corporate and individual objectives as set out below.

Measure	Group operating profit after tax	KPIs	Personal performance
Weighting at maximum bonus	60%	20%	20%

The KPI measures were Group sourcing achievement, cash flow, customer conversion and market share.

The outcomes achieved against each measure are summarised below.

	Ian Cheshire	Kevin O'Byrne
Measure	Actual bonus earned as a % of annual base salary	Actual bonus earned as a % of annual base salary
Profit objectives	120	120
KPI / Personal Performance	67	67
Total	187	187

Further details of the awards under the KIS Cash Scheme and KIS Share Scheme reflecting these outcomes for 2011/12 are set out on page 42.

Performance Measures for the 2012/13 Annual Bonus Scheme

These are set out in the table on page 37.

Performance Share Plan ('PSP')

The PSP remains the primary long-term share incentive plan for senior executives, which allows a maximum annual award not exceeding 200% of base salary or 500% of base salary in exceptional circumstances.

Awards made under the PSP in 2008/09 and 2009/10 which vested during 2011/12 or are due to vest shortly after the 2011/12 financial year-end are summarised below. Further details of awards granted under the PSP are contained in the section entitled 'Performance Share Plan' on page 43.

PSP and Matching Share Awards made during 2008/09 and 2009/10

Group Chief Executive

	Awards made during 2008/09 when the new team was established		2009/10
	PSP Award	Matching Share Award	PSP Award
Award as a % of salary	200%	200%	200%
Award date	01/02/2008	01/02/2008	21/04/2009
Vesting period (years)	3	4	3
Vesting date	01/02/2011	01/02/2012	21/04/2012
Performance condition	TSR	EPS	50% EPS 50% TSR[1]
Measurement period	Month to 01/02/2011	2011/12	2011/12
Current status	Vested and exercised in full in the year.	Vested in full on 01/02/2012	EPS will vest in full on 21/04/2012, TSR TBC[1]
Current share numbers with dividend roll up	–	1,257,444	1,052,697

[1] Measured for the month up to 20/04/2012 and therefore the result had not been confirmed at the time of writing this report.

Group Finance Director

	Awards made during 2008/09 when the new team was established		2009/10
	PSP Awards		
Award as a % of salary	200%	200%	200%
Award date	01/10/2008	01/10/2008	21/04/2009
Vesting period (years)	3	3.5	3
Vesting date	01/10/2011	01/02/2012	21/04/2012
Performance condition	TSR	EPS	50% EPS 50% TSR[1]
Measurement period	Month to 1 Oct 2011	2011/12	2011/12
Current status	Vested in full during 2011/12	Vested in full on 01/02/2012	EPS will vest in full on 21/04/2012, TSR TBC[1]
Current share numbers with dividend roll up	721,503	721,503	756,624

[1] Measured for the month up to 20/04/2012 and therefore the result had not been confirmed at the time of writing.

Awards made under the PSP during 2010/11 and 2011/12 which remain unvested are summarised below:

PSP Awards made during 2010/11 and 2011/12

Group Chief Executive and Group Finance Director

Financial year awarded	2010/11	2011/12
Award as a % of salary	200%	500%
Performance period (years)	3	3
Vesting date(s)	05/05/2013	50% 17/06/2014 50% 17/06/2015
Performance condition	50% EPS: 50% TSR	50% EPS: 50% Kingfisher Economic Profit
Measurement period	EPS: 2012/13 TSR: Month to 5 May 2013	2013/14
Current status	Performance period incomplete	Performance period incomplete

No PSP award will be made during 2012/13 or 2013/14

Other long-term incentive plans

Apart from the Sharesave Scheme and those described above, all other option and incentive arrangements for executive directors have been discontinued, but some vested awards made under these schemes remain exercisable. The details are shown in the section entitled Closed Incentive Plans on page 44.

GOVERNANCE

DIRECTORS' REMUNERATION REPORT

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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 of £129,600 (2010/11: £123,600)) and partly through a defined contribution scheme, for which the Company contribution is 30% of base salary. Kevin O'Byrne only has an entitlement to a defined contribution pension, the Company contribution is 20% of base salary.

The following table shows details required under both Schedule 8 to the Regulations under the Act and the Listing Rules as they apply to Kingfisher for the year ended 28 January 2012. In respect of the Act, 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 29 January 2011 and 28 January 2012; and
- the increase in transfer value between those dates, net of member contributions paid.

			Accrued pension			Transfer value			Pension cost		
	Age	Years in service	Increase in accrued pension £'000 pa	2011/12 £'000 pa	2010/11 £'000 pa	Increase in transfer value £'000 (net of director's contribution)	2011/12 £'000	2010/11 £'000	Increase in accrued pension £'000 pa (net of inflation)	2011/12 £'000	2010/11 £'000
Ian Cheshire[1]	52	13	3	32	28	(39)	519	549	2	16	17

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

The following table shows the employer contributions made to the defined contribution scheme in relation to service during the financial year to 28 January 2012:

	Employer contributions to defined contribution pension scheme		Cash Alternative[1]		Total
£'000	2011/12	2010/11	2011/12	2010/11	
Ian Cheshire	£49	£208	£157	–	£206
Kevin O'Byrne	£37	£119	£83	–	£120

[1] Following pension and tax legislation changes, effective 6 April 2011, the value of pension contributions and defined benefit accrual has been limited to £50k p.a. The Company has offered as an alternative to contributions into the defined contribution pension scheme a cash payment to the executive directors at no additional cost to the Company.

LONG-TERM INCENTIVE PLANS

KIS Share Scheme

Awards of contingent shares, in respect of the financial year ended 28 January 2012, are due to be made in April 2012, vesting in April 2015, to Ian Cheshire and Kevin O'Byrne under the KIS Share Scheme to the value of £508,640 and £374,000, respectively. As the awards will be made after publication of the accounts for the financial year ended 28 January 2012, the detail will be disclosed in next year's Directors' Remuneration Report.

Once the contingent share awards are 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.

			Number of ordinary shares						
Name	Date of Grant	Market value of shares at date of grant (p)	At start of year	Awarded in year	Dividend roll-up shares awarded during year[1]	Exercised in year	At end of year	Vesting date	Lapse date
Ian Cheshire	21/04/2008	126.63	22,545	–	–	22,545[2]	–	21/04/2011	
	21/04/2009	164.63	256,186	–	7,512	–	263,698	21/04/2012	21/04/2016
	06/04/2010	216.81	253,537	–	7,434	–	260,971	06/04/2013	06/04/2017
	06/05/2011	279.60	–	154,975	1,603	–	156,578	06/05/2014	06/05/2018
	06/05/2011[3]	279.60	–	10,917	112	–	11,029	06/05/2014	06/05/2018
Total			532,268	165,892	16,661	22,545	692,276		
Kevin O'Byrne	21/04/2009	164.63	65,459	–	1,919	–	67,378	21/04/2012	21/04/2016
	06/04/2010	216.81	182,229	–	5,344	–	187,573	06/04/2013	06/04/2017
	06/05/2011	279.60	–	111,062	1,149	–	112,211	06/05/2014	06/05/2018
	06/05/2011[3]	279.60	–	10,917	112	–	11,029	06/05/2014	06/05/2018
Total			247,688	121,979	8,524	–	378,191		

[1] The price used to calculate the number of dividend roll-up shares was 273.9p, being the market price on 4 May 2011, and 238.7p, being the market price on 5 October 2011.
[2] The market value of Kingfisher shares on the date of exercise (21 April 2011) was 273.8p per share.
[3] The KIS Share Awards granted over 10,917 shares on 6 May 2011 underpin options granted under the CSOP, further details of which can be found in the section entitled 'Company Share Option Plan'.

Company Share Option Plan ('CSOP')

Included as an element of the KIS Share awards, the executive directors were granted options under the CSOP, an HMRC approved plan. The CSOP is underpinned, in part, by a matching fixed value element of the KIS Share awards granted on the same date in 2011. On exercise, the proceeds of part of the KIS Share award are used to fund the exercise price of the CSOP award, providing tax and NIC advantages for participants and potential NIC savings for Kingfisher at no additional cost for the Group. The total value of the KIS Share award is not changed.

		Number of ordinary shares						
Name	Date of Grant	At start of year	Granted during year	Exercised during year	At end of year	Option Price (p)[1]	Vesting date	Lapse date
Ian Cheshire	06/05/2011	–	10,917	–	10,917	274.8	06/05/2014	06/11/2014
Kevin O'Byrne	06/05/2011	–	10,917	–	10,917	274.8	06/05/2014	06/11/2014

[1] The option price per share was calculated by reference to the average closing mid-market price of Kingfisher shares on three dealing days immediately before the date of grant.

Performance Share Plan ('PSP')

The PSP remains the primary long-term share incentive plan for senior executives, which allows a maximum annual award not exceeding 200% of base salary or 500% of base salary in exceptional circumstances.

Shares delivered on the vesting of an award receive additional dividend 'roll-up' shares 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 Performance Share Plan are normally purchased in the market by the Kingfisher Employee Benefit Trust.

			Number of ordinary shares							
Name	Date of Grant	Market value of shares at date of grant (p)	At start of year	Awarded in year	Dividend roll-up shares awarded during year[1]	Exercised during year[2]	At end of year	Vesting period		Lapse date
Ian Cheshire	01/02/2008[3]	143.60	1,221,619	–	–	1,221,619	–	01/02/2011		01/02/2015
	21/04/2009[4]	164.63	1,022,706	–	29,991	–	1,052,697	21/04/2012		21/04/2016
	05/05/2010[5]	246.02	679,002	–	19,912	–	698,914	05/05/2013		05/05/2017
	17/06/2011[6]	264.60	–	1,502,043	15,542	–	1,517,585	17/06/2014	17/06/2015	17/06/2018
Total			2,923,327	1,502,043	65,445	1,221,619	3,269,196			
Kevin O'Byrne	01/10/2008[4]	126.60	700,948	–	20,555	–	721,503	01/10/2011		01/10/2015
	01/10/2008[4]	126.60	700,948	–	20,555	–	721,503	01/02/2012		01/10/2015
	21/04/2009[4]	164.63	735,068	–	21,556	–	756,624	21/04/2012		21/04/2016
	05/05/2010[5]	246.02	488,032	–	14,311	–	502,343	05/05/2013		05/05/2017
	17/06/2011[6]	264.60	–	1,104,443	11,428	–	1,115,871	17/06/2014	17/06/2015	17/06/2018
Total			2,624,996	1,104,443	88,405	–	3,817,844			

[1] The price used to calculate the dividend roll-up shares was 273.9p, being the market price on 4 May 2011, and 238.7p, being the market price on 5 October 2011.
[2] The market value of Kingfisher shares on the date of exercise (4 April 2011) was 258.5p per share.
[3] Following the calculation of the achievement of the performance conditions attaching to the award, 100% of the award became exercisable.
[4] Vesting of the awards are based 50% on EPS and 50% on TSR conditions. 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.
[5] Vesting of the awards are based 50% on EPS and 50% on TSR conditions. 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 vesting in full of that part of the award. 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.
[6] Vesting of the awards are based 50% on EPS and 50% on Kingfisher Economic Profit ('KEP'). The EPS condition requires EPS at the end of the three-year performance period to be at least 25.8p for 15% of that part to vest and 31.2p for vesting in full of that part of the award. The KEP condition requires the aggregate KEP over the three-year performance period to be at least £229m for 15% of that part to vest and £386m for vesting in full of that part of the award. KEP is defined as the (Group post-tax retail profit less central costs, excluding exceptional items and property lease costs) – (two point average of Group capital employed, including capitalised property leases and adjusted for pensions, multiplied by the Group's lease adjusted WACC). 50% of the vested shares will be released to participants in 2014 with the remaining 50% of the shares released in 2015.

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DIRECTORS' REMUNERATION REPORT
CONTINUED

Award of Matching Shares to Ian Cheshire

As part of the terms of his appointment as Group Chief Executive in 2008, a one-off award was made to Ian Cheshire pursuant to Listing Rule 9.4.2. Ian Cheshire purchased 266,667 shares in the Company and in turn received a Matching Award of 200% of base salary (broadly a 4:1 match), the vesting of the Matching Award was subject to performance conditions relating to growth in EPS over the vesting period. The Matching Award vested in full shortly after the financial year end as EPS over the performance period exceeded the target for the maximum vesting of 19.6p.

			No of ordinary shares				
Name	Date of Grant	Market value of shares at date of grant	At start of year	Dividend roll-up shares awarded during year[1]	At end of year	Vesting date	Lapse date
Ian Cheshire	01/02/2008	143.6p	1,221,619	35,825	1,257,444	01/02/2012	01/02/2015

[1] The price used to calculate the dividend roll-up shares was 273.9p, being the market price on 4 May 2011, and 238.7p being the market price on 5 October 2011.

Sharesave Scheme

A Sharesave 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.

		No of ordinary shares						
Name	Date of Grant	At start of year	Granted during year	Exercised during year	At end of year	Option price (p)	Date from which exercisable	Lapse date
Ian Cheshire	29/10/2008	8,807	–	8,807[1]	–	109.0	01/12/2011	
	26/10/2011	–	4,522	–	4,522	199.0	01/12/2014	01/06/2015
Total		8,807	4,522	8,807	4,522			
Kevin O'Byrne	03/11/2009	5,263	–	–	5,263	172.4	01/12/2012	01/06/2013

[1] The market value of Kingfisher shares on the date of exercise (2 December 2011) was 263.5p.

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:

		No of ordinary shares					
	Date of Grant	At start of year	Exercised during year[1]	At end of year	Option price (p)	Date from which exercisable	Lapse Date
Ian Cheshire	26/09/2001	126,231	126,231	–	209.93	26/09/2004	26/09/2011
	09/04/2002	91,350[2]	–	91,350	290.08	09/04/2005	09/04/2012
	08/10/2002	164,144	–	164,144	194.95	08/10/2005	08/10/2012
	17/04/2003	134,538	–	134,538	237.85	17/04/2006	17/04/2013
Totals		516,263	126,231	390,032			

[1] The market value of Kingfisher shares on the date of exercise (16 September 2011) was 253.5p per share.
[2] A Phantom Option over 91,350 shares was granted to Ian Cheshire in addition to this option at the same option 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.

Dilution limits

Kingfisher's share plans contain limits that set out the quantum of newly issued shares that may be used to satisfy awards granted under those plans. These limits are in line with the current Association of British Insurers ('ABI') guidance on headroom limits which 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. The Company has always operated within these limits.

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 their experience and knowledge, which can be of benefit to the Group. Subject to the Committee's agreement, any fees may be retained by the individual. Kevin O'Byrne is a non-executive director and Chairman of the Audit Committee of Land Securities Group plc; he is paid £60,000 and £17,500 respectively for fulfilling these roles and retains these fees.

Ian Cheshire is a non-executive director and Chairman of the Remuneration Committee of Whitbread plc; he is paid £55,000 and £15,000 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 waives his fee for this role.

CHAIRMAN AND NON-EXECUTIVE DIRECTORS' 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 €461,250 per annum with effect from February 2011. Since May 2006 his fee has been 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 Chairman's remuneration is reviewed by the Remuneration Committee.

Letters of engagement
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.

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 February each year.

The non-executive directors do not participate in any of the Company's performance related pay programmes.

Non-executive remuneration

Current Directors	Date of appointment	Expiry of current term	Total length of service at 28 January 2012	Fee 2011/12 £'000	Fee 2010/11 £'000
Daniel Bernard[1]	24/05/2006	03/06/2012	5 years 8 months	399.9	384.6
Andrew Bonfield	11/02/2010	10/02/2013	1 year 11 months	73.8	68.0
Pascal Cagni	17/11/2010	16/11/2013	1 year 2 months	56.4	11.2
Clare Chapman[2]	02/12/2010	01/12/2013	1 year 1 month	32.3	8.9
Anders Dahlvig	16/12/2009	15/12/2012	2 year 1 month	56.4	55.0
Janis Kong	08/12/2006	07/12/2012	5 years 1 month	56.4	55.0
Mark Seligman	01/01/2012	31/12/2014	1 month	6.1	–

Former Director	Date of appointment	Date of Resignation	Total length of service on date of resignation	Fee 2011/12 £'000	Fee 2010/11 £'000
John Nelson[3]	11/01/2002	08/09/2011	9 years 8 months	68.3	110.0
Total Remuneration				749.6	692.7

1 Daniel Bernard's fee is paid in Euros, the fee is converted to Sterling for the purpose of this table at the average exchange rate over the course of the relevant year.
2 Clare Chapman was appointed on 2 December 2010. Ms Chapman waived her fee for the period December 2010 to July 2011. Acknowledging Ms Chapman's choice to waive her fees, Kingfisher made a donation to charity. The fees for the period August to January 2012 were paid to Ms Chapman.
3 John Nelson received a composite fee for membership of the Board, and in respect of his roles as Deputy Chairman, Senior Independent Director and Chairman of the Remuneration Committee.

GOVERNANCE

DIRECTORS' REMUNERATION REPORT

CONTINUED

Directors' interests

The beneficial interests of the directors who held office at 28 January 2012 in the ordinary shares of Kingfisher plc are shown below:

	Ordinary shares 28 January 2012	Ordinary shares 29 January 2011
Daniel Bernard	113,629	113,629
Andrew Bonfield	10,000	10,000
Pascal Cagni	–	–
Clare Chapman	–	–
Ian Cheshire	1,126,423	509,794
Anders Dahlvig	75,000	75,000
Janis Kong	24,000	24,000
Kevin O'Byrne	136,168	133,577
Mark Seligman	–	–

Shareholding Policy for Executive Directors

Executive directors are required to build a significant shareholding in Kingfisher before the fifth anniversary of the date of their appointment. This is defined as a minimum of 200% of base salary by January 2013 for Ian Cheshire and 100% of base salary by October 2013 for Kevin O'Byrne. In view of the recently introduced longer exercise window for vested nil-cost options and awards, this measure will also include the net value of any unexercised but vested awards held under the PSP and KIS Share Scheme which have no forfeiture conditions attached. As at the date of this report, the executive directors have exceeded this requirement.

In the period 31 January 2011 to 27 January 2012, the highest and lowest market price for Kingfisher shares was 287.1p and 217.0p respectively. The market price at close of business on Friday, 27 January 2012 was 255.8p.

There were no changes in the interests of the directors between 28 January 2012 and 21 March 2012.

As potential beneficiaries under the Kingfisher Employee Benefit Trust, (the 'Trust') Ian Cheshire and Kevin O'Byrne are deemed to have an interest in the Company's ordinary shares held by the Trust. The Trust held 46m ordinary shares at 28 January 2012. There have been no further changes in the above interests between 28 January 2012 and 21 March 2012.

There are no other non-beneficial interests.

In the independent auditors' report on page 86, 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' pension benefits', 'KIS Share Scheme', 'Company Share Option Plan', 'Performance Share Plan', 'Award of Matching Shares to Ian Cheshire', 'Sharesave Scheme', 'Closed incentive plans', 'Non-executive remuneration' and 'Directors' interests' on pages 40 to 46.

For and on behalf of the Committee

Clare Chapman
Chairman of the Remuneration Committee
21 March 2012

ACCOUNTS

CONSOLIDATED INCOME STATEMENT YEAR ENDED 28 JANUARY 2012

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

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

ACCOUNTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED 28 JANUARY 2012

£ millions	Notes	2011/12	2010/11
Profit for the year		**639**	491
Actuarial gains on post employment benefits	27	**20**	128
Currency translation differences			
Group		**(128)**	32
Joint ventures and associates		**(10)**	–
Cash flow hedges			
Fair value gains		**10**	5
Losses/(gains) transferred to inventories		**8**	(14)
Tax on other comprehensive income		**(9)**	(33)
Other comprehensive income for the year		**(109)**	118
Total comprehensive income for the year		**530**	609
Attributable to:			
Equity shareholders of the Company		**530**	611
Non-controlling interests		**–**	(2)
		530	609

ACCOUNTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY YEAR ENDED 28 JANUARY 2012

£ 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 30 January 2011		371	2,194	(42)	2,390	539	5,452	8	5,460
Profit for the year		–	–	–	640	–	640	(1)	639
Actuarial gains on post employment benefits	27	–	–	–	20	–	20	–	20
Currency translation differences									
Group		–	–	–	–	(129)	(129)	1	(128)
Joint ventures and associates		–	–	–	–	(10)	(10)	–	(10)
Cash flow hedges									
Fair value gains		–	–	–	–	10	10	–	10
Losses transferred to inventories		–	–	–	–	8	8	–	8
Tax on other comprehensive income		–	–	–	(4)	(5)	(9)	–	(9)
Other comprehensive income for the year		–	–	–	16	(126)	(110)	1	(109)
Total comprehensive income for the year		–	–	–	656	(126)	530	–	530
Share-based compensation		–	–	–	32	–	32	–	32
New shares issued under share schemes		1	5	–	–	–	6	–	6
Own shares issued under share schemes		–	–	25	(23)	–	2	–	2
Own shares purchased		–	–	(117)	–	–	(117)	–	(117)
Dividends		–	–	–	(178)	–	(178)	–	(178)
Purchase of non-controlling interests		–	–	–	(8)	–	(8)	–	(8)
At 28 January 2012		372	2,199	(134)	2,869	413	5,719	8	5,727
At 31 January 2010		371	2,191	(54)	1,921	516	4,945	10	4,955
Profit for the year		–	–	–	494	–	494	(3)	491
Actuarial gains on post employment benefits	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
New shares issued under share schemes		–	3	–	–	–	3	–	3
Own shares issued under share schemes		–	–	12	(11)	–	1	–	1
Dividends		–	–	–	(129)	–	(129)	–	(129)
At 29 January 2011		371	2,194	(42)	2,390	539	5,452	8	5,460

ACCOUNTS

CONSOLIDATED BALANCE SHEET AT 28 JANUARY 2012

£ millions	Notes	2011/12	2010/11
Non-current assets			
Goodwill	12	**2,397**	2,395
Other intangible assets	13	**123**	86
Property, plant and equipment	14	**3,667**	3,632
Investment property	15	**55**	32
Investments in joint ventures and associates	17	**271**	259
Post employment benefits	27	**25**	–
Deferred tax assets	25	**23**	27
Derivatives	23	**66**	62
Other receivables	19	**17**	15
		6,644	6,508
Current assets			
Inventories	18	**1,844**	1,791
Trade and other receivables	19	**531**	513
Derivatives	23	**26**	15
Current tax assets		**1**	45
Cash and cash equivalents	20	**587**	731
		2,989	3,095
Total assets		**9,633**	9,603
Current liabilities			
Trade and other payables	21	**(2,356)**	(2,519)
Borrowings	22	**(367)**	(196)
Derivatives	23	**(6)**	(11)
Current tax liabilities		**(305)**	(372)
Provisions	26	**(16)**	(27)
		(3,050)	(3,125)
Non-current liabilities			
Other payables	21	**(121)**	(76)
Borrowings	22	**(375)**	(577)
Derivatives	23	**(8)**	(17)
Deferred tax liabilities	25	**(269)**	(238)
Provisions	26	**(43)**	(52)
Post employment benefits	27	**(40)**	(58)
		(856)	(1,018)
Total liabilities		**(3,906)**	(4,143)
Net assets	4	**5,727**	5,460
Equity			
Share capital	28	**372**	371
Share premium		**2,199**	2,194
Own shares held		**(134)**	(42)
Retained earnings		**2,869**	2,390
Other reserves	29	**413**	539
Total attributable to equity shareholders of the Company		**5,719**	5,452
Non-controlling interests		**8**	8
Total equity		**5,727**	5,460

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

Ian Cheshire
Group Chief Executive

Kevin O'Byrne
Group Finance Director

ACCOUNTS

CONSOLIDATED CASH FLOW STATEMENT YEAR ENDED 28 JANUARY 2012

£ millions	Notes	2011/12	2010/11
Operating activities			
Cash generated by operations	31	**827**	763
Income tax paid		**(148)**	(133)
Net cash flows from operating activities		**679**	630
Investing activities			
Purchase of businesses		**(2)**	–
Purchase of property, plant and equipment, investment property and intangible assets	4	**(450)**	(310)
Disposal of property, plant and equipment, investment property and intangible assets		**9**	87
Interest received		**19**	19
Dividends received from joint ventures and associates		**10**	6
Net cash flows from investing activities		**(414)**	(198)
Financing activities			
Interest paid		**(22)**	(33)
Interest element of finance lease rental payments		**(5)**	(5)
Repayment of bank loans		**(10)**	(57)
Repayment of Medium Term Notes and other fixed term debt		**(30)**	(696)
(Payment)/receipt on financing derivatives		**(5)**	6
Capital element of finance lease rental payments		**(16)**	(12)
New shares issued under share schemes		**6**	3
Own shares issued under share schemes		**2**	1
Own shares purchased		**(117)**	–
Purchase of non-controlling interests		**(8)**	–
Dividends paid to equity shareholders of the Company		**(178)**	(129)
Net cash flows from financing activities		**(383)**	(922)
Net decrease in cash and cash equivalents and bank overdrafts		**(118)**	(490)
Cash and cash equivalents and bank overdrafts at beginning of year		**636**	1,135
Exchange differences		**(33)**	(9)
Cash and cash equivalents and bank overdrafts at end of year	32	**485**	636

ACCOUNTS

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 20.

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 21 March 2012.

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 28 January 2012 ('the year'). The comparative financial year is the 52 weeks ended 29 January 2011 ('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 28 January 2012. Refer to the Directors' statement of responsibility on page 26.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS') and those parts of the Companies Act 2006 applicable to companies reporting under IFRS and therefore the consolidated financial statements comply with Article 4 of the EU IAS legislation.

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

The following amendments and interpretations, which are mandatory for the first time for the financial year ended 28 January 2012, are either not currently relevant or material for the Group:

- IAS 24 (revised), 'Related party disclosures';
- IAS 32 (amendment), 'Classification of rights issues';
- Improvements to IFRSs 2010; and
- IFRIC 14 (amendment), 'Prepayments of a minimum funding requirement'.

At the date of authorisation of these financial statements, the following new standards, amendments and interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 1 (amended), 'Severe hyperinflation and removal of fixed dates for first-time adopters' (effective from 1 July 2011);
- IFRS 7 (amended), 'Disclosures – Transfers of financial assets' (effective from 1 July 2011);
- IFRS 9, 'Financial instruments' (effective from 1 January 2015);
- IFRS 10, 'Consolidated financial statements' (effective from 1 January 2013);
- IFRS 11, 'Joint arrangements' (effective from 1 January 2013);
- IFRS 12, 'Disclosure of interests in other entities' (effective from 1 January 2013);
- IFRS 13, 'Fair value measurement' (effective from 1 January 2013);
- IAS 1 (amended), 'Presentation of items of other comprehensive income' (effective from 1 July 2012);
- IAS 12 (amended), 'Deferred tax: Recovery of underlying assets' (effective from 1 January 2012);
- IAS 19 (revised), 'Employee benefits' (effective from 1 January 2013);
- IAS 27 (revised), 'Separate financial statements' (effective from 1 January 2013);
- IAS 28 (revised), 'Investments in associates and joint ventures' (effective from 1 January 2013); and
- IFRIC 20, 'Stripping costs in the production phase of a surface mine' (effective from 1 January 2013).

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except as follows:

- IFRS 9 will impact both the measurement and disclosures of financial instruments;
- IFRS 13 clarifies the measurement of fair value for certain assets and liabilities as well as the associated disclosures; and
- IAS 19 (revised) will principally impact the measurement and presentation of defined benefit pension expense/income and the disclosures for benefit plans. The most significant change is expected to be the replacement of interest cost and expected return on scheme assets with a single net finance cost or return determined by applying the same discount rate used to measure the defined benefit obligations to the net defined benefit liability or asset. The impact on net assets is not expected to be material, but the impact on reported income will depend on market interest rates, rates of return and the mix of scheme assets at the time of adoption.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

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. Prior to 31 January 2010, losses exceeding the non-controlling interest in the equity of a subsidiary were required to be attributed to the parent; the resulting deficit balances were not restated following amendment to IAS 27, 'Consolidated and separate financial statements'.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interests 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.

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

2 PRINCIPAL ACCOUNTING POLICIES CONTINUED

(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.

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:

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

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 ten 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 3 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.

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

2 PRINCIPAL ACCOUNTING POLICIES CONTINUED

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.

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 original maturities 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, with any ineffective portion being 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 directly 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 immediately 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2 PRINCIPAL ACCOUNTING POLICIES CONTINUED

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 and there are many transactions for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement may therefore be required in determining the provision for income taxes in each territory. 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. These adjustments in respect of prior years are recorded in the income statement or directly in equity as appropriate. 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. To help the reader understand the impact of changes in the key assumptions, a sensitivity analysis is provided in note 27.

4 SEGMENTAL ANALYSIS

Income statement

2011/12

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

2010/11

£ millions	UK & Ireland	France	Other International: Poland	Other International: Other	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

Balance sheet

2011/12

£ millions	UK & Ireland	France	Other International: Poland	Other International: Other	Total
Segment assets	**1,403**	**1,309**	**505**	**596**	**3,813**
Central liabilities					**(395)**
Goodwill					**2,397**
Net debt					**(88)**
Net assets					**5,727**

2010/11

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4 SEGMENTAL ANALYSIS CONTINUED

Other segmental information

						2011/12
			Other International			
£ millions	UK & Ireland	France	Poland	Other	Central	Total
Capital expenditure	**225**	**118**	**55**	**48**	**4**	**450**
Depreciation and amortisation	**122**	**77**	**12**	**25**	**1**	**237**
Impairment losses	**2**	**1**	**–**	**4**	**–**	**7**
Non-current assets[1]	**3,344**	**1,923**	**524**	**438**	**13**	**6,242**

						2010/11
			Other International			
£ millions	UK & Ireland	France	Poland	Other	Central	Total
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

[1] Non-current assets exclude investments in joint ventures and associates, post employment benefits, 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	2011/12	2010/11
Included within selling and distribution expenses		
UK stores acquisition integration	**(11)**	–
UK restructuring	**2**	(9)
	(9)	(9)
Included within other income		
(Loss)/profit on disposal of properties	**(3)**	3
	(3)	3
Exceptional items before tax	**(12)**	(6)
Tax on exceptional items	**7**	3
Exceptional items	**(5)**	(3)

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

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

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

6 NET FINANCE COSTS

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

Medium Term Notes and other fixed term debt interest includes net interest income accrued on derivatives of £15m (2010/11: £31m income) and amortisation of issue costs of borrowings of £1m (2010/11: £2m).

Capitalised interest relates to the centrally held borrowing pool and is calculated by applying a capitalisation rate of 2.0% (2010/11: 1.8%) to expenditure on qualifying assets.

Financing fair value remeasurements comprise a net gain on derivatives, excluding accrued interest, of £6m (2010/11: £41m gain), offset by a net loss from fair value adjustments to the carrying value of borrowings and cash of £4m (2010/11: £34m loss).

7 PROFIT BEFORE TAXATION

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

£ millions	2011/12	2010/11
Sales	10,831	10,450
Other income	30	37
Finance income	21	19
Revenue	10,882	10,506

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

£ millions	2011/12	2010/11
Operating lease rentals		
Minimum lease payments	448	436
Sublease income	(20)	(24)
	428	412
Rental income received on investment property	(5)	(4)
Amortisation of other intangible assets[1]	24	26
Depreciation of property, plant and equipment and investment property		
Owned assets	205	201
Under finance leases	8	11
Impairment of property, plant and equipment and investment property	7	14
Loss/(profit) on disposal		
Land and buildings and investment property	3	(3)
Fixtures, fittings and equipment	3	7
Other intangible assets	1	–
Inventories: write down to net realisable value	14	10
Trade and other receivables: write down of bad and doubtful debts	4	8

[1] Of the amortisation of other intangible assets charge, £3m (2010/11: £4m) and £21m (2010/11: £22m) are included in selling and distribution expenses and administrative expenses respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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7 PROFIT BEFORE TAXATION CONTINUED

Auditors' remuneration

£ millions	2011/12	2010/11
Fees payable for the audit of the Company and consolidated financial statements	0.2	0.2
Fees payable to the Company's auditor and their associates for other services to the Group:		
The audit of the Company's subsidiaries pursuant to legislation	1.2	1.2
Audit fees	**1.4**	**1.4**
Audit-related assurance services	0.1	0.1
Other taxation advisory services	0.1	0.1
Other assurance services	0.1	0.1
Other services	0.2	–
Non-audit fees	0.5	0.3
Auditors' remuneration	**1.9**	**1.7**

Details of the Group's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity was safeguarded are set out in the Audit Committee Report on page 31. No services were provided pursuant to contingent fee arrangements.

8 EMPLOYEES AND DIRECTORS

£ millions	2011/12	2010/11
Wages and salaries	1,268	1,208
Social security costs	258	238
Post employment benefits		
Defined contribution	8	6
Defined benefit	29	27
Share-based compensation	32	21
Employee benefit expenses	**1,595**	**1,500**

Number thousands	2011/12	2010/11
Stores	72	74
Administration	5	4
Average number of persons employed	**77**	**78**

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

Remuneration of key management personnel

£ millions	2011/12	2010/11
Short term employee benefits	8.4	7.9
Post employment benefits	1.0	0.8
Share-based compensation	8.4	5.4
	17.8	14.1

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 35 to 46. Other than as set out in the Directors' Remuneration Report, there have been no transactions with key management during the year (2010/11: £nil).

9 INCOME TAX EXPENSE

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

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 26%. The differences are explained below:

£ millions	2011/12	2010/11
Profit before taxation	**797**	671
Profit multiplied by the standard rate of corporation tax in the UK of 26% (2010/11: 28%)	**207**	188
Share of post-tax results of joint ventures and associates	**(8)**	(9)
Expenses not deductible for tax purposes	**12**	10
Temporary differences:		
– Net gains on property	**(6)**	(6)
– Losses not recognised	**3**	5
Foreign tax rate differences	**14**	3
Adjustments in respect of prior years	**(59)**	(10)
Adjustments in respect of changes in tax rates	**(5)**	(1)
Income tax expense	**158**	180

The effective rate of tax on profit before exceptional items and excluding tax adjustments in respect of prior years and changes in tax rates is 28% (2010/11: 29%). Tax on exceptional items for the year is a credit of £7m, £5m of which relates to prior year items. In 2010/11 tax on exceptional items was a credit of £3m, all of which related to current year items. The effective tax rate calculation is set out in the Financial Review on page 13.

In addition to the amounts charged to the income statement, tax of £9m has been charged directly to equity (2010/11: £33m charge), of which a £33m credit (2010/11: £5m credit) is included in current tax and a £42m charge (2010/11: £38m charge) is included in deferred tax.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9 INCOME TAX EXPENSE CONTINUED

Impact of changes in tax rates

In 2010 the UK Government announced their intention to progressively reduce the rate of corporation tax suffered on business profits over a four year period. The anticipated 1% reduction taking effect from 1 April 2011 was subsequently increased to 2% resulting in a statutory rate of 26% from that date. These accounts also reflect the enacted reduction to 25% that was due to have effect from 1 April 2012.

In addition, on 29 December 2011, the French government enacted a temporary two year 5% surcharge to the corporate tax liabilities of French companies, or groups of companies, whose combined turnover exceed €250m. The surcharge applies in full to companies with a balance sheet date on or after 31 December 2011 and as a result the change applies to Kingfisher retrospectively in the current period.

The combined effect of the above newly enacted rates in the UK and France has been to reduce the net deferred tax liability by £8m, comprising a credit of £5m to the income statement and a credit of £3m directly to equity.

On 21 March 2012 it was announced that from 1 April 2012 the UK statutory rate will be reduced further to 24%. Subsequently, two additional 1% annual reductions are expected resulting in a statutory rate of 22% by 1 April 2014. Since these further changes had not been substantively enacted at the balance sheet date, they are not included in these financial statements. The effect of these further decreases in the UK rate would be to reduce the net deferred tax liability as reported at 28 January 2012 by £12m.

10 EARNINGS PER SHARE

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

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

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

11 DIVIDENDS

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

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

12 GOODWILL

£ millions	
Cost	
At 30 January 2011	2,512
Additions	2
Exchange differences	7
At 28 January 2012	2,521
Impairment	
At 30 January 2011	(117)
Exchange differences	(7)
At 28 January 2012	(124)
Net carrying amount	
At 28 January 2012	2,397
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

During the year the Group acquired National Energy Services Limited in the UK, resulting in additions to goodwill of £2m.

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 28 January 2012					
Cost	1,798	518	81	124	2,521
Impairment	–	–	–	(124)	(124)
Net carrying amount	1,798	518	81	–	2,397
At 29 January 2011					
Cost	1,796	518	81	117	2,512
Impairment	–	–	–	(117)	(117)
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, France and Poland. The key assumptions used for value-in-use calculations are set out below:

Assumptions

- The cash flow projections are based on approved financial budgets and strategic plans covering a three 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 three year period are calculated using a growth rate of 1.9% (2010/11: 1.9%) which does not exceed the long term average growth rate for retail businesses operating in the same countries as the CGUs.
- 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.

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12 GOODWILL CONTINUED

UK
– The risk-adjusted discount rate of 10.5% (2010/11: 11.2%) is pre-tax and reflects the specific risks inherent in the UK market.

France
– The risk-adjusted discount rate of 13.3% (2010/11: 11.4%) is pre-tax and reflects the specific risks inherent in the French market.

Poland
– The risk-adjusted discount rate of 14.7% (2010/11: 12.7%) is pre-tax and reflects the specific risks inherent in the Polish market.

The Board do not consider that a reasonably possible change in the assumptions used in the value-in-use calculations would lead to the recoverable amounts of goodwill in each of UK, France and Poland being below the respective carrying amounts of goodwill.

13 OTHER INTANGIBLE ASSETS

£ millions	Computer software	Other	Total
Cost			
At 30 January 2011	**293**	**13**	**306**
Additions	**61**	**–**	**61**
Disposals	**(10)**	**(4)**	**(14)**
Exchange differences	**(1)**	**–**	**(1)**
At 28 January 2012	**343**	**9**	**352**
Amortisation			
At 30 January 2011	**(213)**	**(7)**	**(220)**
Charge for the year	**(23)**	**(1)**	**(24)**
Disposals	**9**	**4**	**13**
Exchange differences	**1**	**1**	**2**
At 28 January 2012	**(226)**	**(3)**	**(229)**
Net carrying amount			
At 28 January 2012	**117**	**6**	**123**
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

None of the Group's other intangible assets have indefinite useful lives.

14 PROPERTY, PLANT AND EQUIPMENT

£ millions	Land and buildings	Fixtures, fittings and equipment	Total
Cost			
At 30 January 2011	2,989	2,246	5,235
Additions	167	206	373
Disposals	(13)	(50)	(63)
Transfers to investment property	(25)	–	(25)
Exchange differences	(69)	(27)	(96)
At 28 January 2012	3,049	2,375	5,424
Depreciation			
At 30 January 2011	(309)	(1,294)	(1,603)
Charge for the year	(43)	(169)	(212)
Impairment losses	(4)	(3)	(7)
Disposals	8	45	53
Exchange differences	3	9	12
At 28 January 2012	(345)	(1,412)	(1,757)
Net carrying amount			
At 28 January 2012	2,704	963	3,667
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
Assets in the course of construction included above at net carrying amount			
At 28 January 2012	49	64	113
At 29 January 2011	134	51	185
Assets held under finance leases included above at net carrying amount			
At 28 January 2012	20	29	49
At 29 January 2011	24	24	48

The amount of borrowing costs capitalised in property, plant and equipment in the year has been £1m (2010/11: £1m). The cumulative total of borrowing costs included at the balance sheet date, net of depreciation, is £26m (2010/11: £25m).

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

14 PROPERTY, PLANT AND EQUIPMENT CONTINUED

Land and buildings are analysed as follows:

				2011/12	2010/11
£ millions	Freehold	Long leasehold	Short leasehold	Total	Total
Cost	**2,358**	**122**	**569**	**3,049**	2,989
Depreciation	**(126)**	**(4)**	**(215)**	**(345)**	(309)
Net carrying amount	**2,232**	**118**	**354**	**2,704**	2,680

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 28 January 2012 are £315m and £78m (2010/11: £264m and £54m) respectively.

The Group does not revalue properties within its financial statements. A valuation exercise is performed for internal purposes annually in November 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 £3.4 billion (2010/11: £3.3bn). The key assumption used in calculating this is the estimated yields.

15 INVESTMENT PROPERTY

£ millions	
Cost	
At 30 January 2011	**44**
Additions	**9**
Disposals	**(9)**
Transfers from property, plant and equipment	**25**
Exchange differences	**(2)**
At 28 January 2012	**67**
Depreciation	
At 30 January 2011	**(12)**
Charge for the year	**(1)**
Exchange differences	**1**
At 28 January 2012	**(12)**
Net carrying amount	
At 28 January 2012	**55**
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

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 £90m (2010/11: £71m).

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 30 January 2011	**259**
Share of post-tax results	**32**
Dividends	**(10)**
Exchange differences	**(10)**
At 28 January 2012	**271**
At 31 January 2010	234
Share of post-tax results	31
Dividends	(6)
At 29 January 2011	259

No goodwill is included in the carrying amount of investments in joint ventures and associates (2010/11: £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, 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 28 January 2012 was £178m (2010/11: £175m).

Aggregate amounts relating to joint ventures and associates:

			2011/12			2010/11
£ millions	Joint ventures	Associates	Total	Joint ventures	Associates	Total
Non-current assets	**29**	**249**	**278**	29	277	306
Current assets	**59**	**296**	**355**	54	297	351
Current liabilities	**(54)**	**(195)**	**(249)**	(49)	(212)	(261)
Non-current liabilities	**(2)**	**(111)**	**(113)**	(2)	(135)	(137)
Share of net assets	**32**	**239**	**271**	32	227	259
Sales	**166**	**608**	**774**	165	569	734
Operating expenses	**(152)**	**(570)**	**(722)**	(151)	(535)	(686)
Operating profit	**14**	**38**	**52**	14	34	48
Net finance costs	**(2)**	**(7)**	**(9)**	(1)	(5)	(6)
Profit before taxation	**12**	**31**	**43**	13	29	42
Income tax expense	**(2)**	**(9)**	**(11)**	(3)	(8)	(11)
Share of post-tax results	**10**	**22**	**32**	10	21	31

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18 INVENTORIES

£ millions	2011/12	2010/11
Finished goods for resale	**1,844**	1,791

The cost of inventories recognised as an expense and included in cost of sales for the year ended 28 January 2012 is £6,304m (2010/11: £6,089m).

19 TRADE AND OTHER RECEIVABLES

£ millions	2011/12	2010/11
Non-current		
Prepayments	**13**	13
Property receivables	**2**	2
Other receivables	**2**	–
	17	15
Current		
Trade receivables	**61**	72
Provision for bad and doubtful debts	**(12)**	(16)
Net trade receivables	**49**	56
Property receivables	**3**	2
Prepayments	**141**	137
Other receivables	**338**	318
	531	513
Trade and other receivables	**548**	528

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	2011/12	2010/11
Cash at bank and in hand	**271**	274
Short term deposits	**316**	457
	587	731

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	2011/12	2010/11
Current		
Trade payables	**1,256**	1,366
Other taxation and social security	**229**	218
Deferred income	**153**	187
Accruals and other payables	**718**	748
	2,356	2,519
Non-current		
Accruals and other payables	**121**	76
Trade and other payables	**2,477**	2,595

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	2011/12	2010/11
Current		
Bank overdrafts	**102**	95
Bank loans	**82**	89
Medium Term Notes and other fixed term debt	**172**	–
Finance leases	**11**	12
	367	196
Non-current		
Bank loans	**16**	15
Medium Term Notes and other fixed term debt	**306**	504
Finance leases	**53**	58
	375	577
Borrowings	**742**	773

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 2013 and 2012 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 6.2%. Other current bank loans are arranged at floating rates of interest.

Non-current bank loans have an average maturity of three years (2010/11: two years) and are arranged at fixed rates of interest with an effective interest rate of 3.6% (2010/11: 4.3%).

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22 BORROWINGS CONTINUED

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	2011/12 Carrying amount	2010/11 Carrying amount
Euro MTN	€200m	23/11/12[1]	4.13%	4.3%	172	178
US Dollar USPP	$50m	24/05/13[2]	6.14%	6.1%	34	35
Sterling MTN	£73m	15/12/14[3]	5.63%	5.8%	80	110
US Dollar USPP	$68m	24/05/16[2]	6.30%	6.3%	51	49
US Dollar USPP	$179m	24/05/18[2]	6.40%	6.4%	141	132
					478	504

1 Swapped to floating rate Euro based on 3 month EURIBOR plus a margin using an interest rate swap.
2 $297m swapped to floating rate Sterling based on 6 month LIBOR plus a margin using a cross-currency interest rate swap.
3 Swapped to floating rate Euro based on 3 month EURIBOR plus a margin using a cross-currency interest rate swap. £28m 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 28 January 2012, the cumulative effect of interest rate fair value adjustments is to increase the Group's MTNs and USPP carrying amounts by £49m (2010/11: £44m increase).

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 28 January 2012.

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 (2010/11: seven years) and for fixtures and equipment is two years (2010/11: 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	2011/12 Present value of payments	2011/12 Minimum payments	2010/11 Present value of payments	2010/11 Minimum payments
Less than one year	11	14	12	16
One to five years	29	39	30	42
More than five years	24	35	28	41
Total	64	88	70	99
Less amounts representing finance charges		(24)		(29)
Present value of minimum lease payments		64		70

The interest rates inherent in the finance leases are fixed at the contract date for the lease term. The weighted average effective interest rate on the Group's finance leases is 8.4% (2010/11: 8.4%).

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	2011/12 Carrying amount	2011/12 Fair value	2010/11 Carrying amount	2010/11 Fair value
Bank loans	**16**	**16**	15	15
Medium Term Notes and other fixed term debt	**306**	**314**	504	511
Finance leases	**53**	**84**	58	75
	375	**414**	577	601

Assets worth RMB 1.6bn (£158m) secure a bank facility in China, which matures in July 2013 (2010/11: RMB 1.2bn).

23 DERIVATIVES

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

£ millions	2011/12	2010/11
Fair value hedges	**64**	58
Cash flow hedges	**9**	(8)
Net investment hedges	**–**	(9)
Non-designated hedges	**5**	8
	78	49
Non-current assets	**66**	62
Current assets	**26**	15
Current liabilities	**(6)**	(11)
Non-current liabilities	**(8)**	(17)
	78	49

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 28 January 2012 net derivative assets included in net debt amount to £67m (2010/11: £56m net derivative assets).

Fair value hedges
Fair value hedges comprise interest rate swap contracts that convert fixed rate debt issued under the Group's Medium Term Note programme and the US Private Placement to floating rate liabilities, along with certain cross-currency swaps. At 28 January 2012 the Sterling equivalent amount of such contracts is £516m (2010/11: £537m). 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 £28m.

Cash flow hedges
Forward foreign exchange contracts hedge currency exposures of forecast inventory purchases. At 28 January 2012 the Sterling equivalent amount of such contracts is £376m (2010/11: £279m). The associated fair value gains and losses will be transferred to inventories when the purchases occur during the next 12 months. Losses of £8m (2010/11: £14m 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 28 January 2012 the Sterling equivalent amount of such contracts is £nil (2010/11: £48m).

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 28 January 2012 the Sterling equivalent amount of such contracts is £715m (2010/11: £1,038m). 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.

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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. In particular, the Group generates a substantial part of its profit from the Eurozone, and as such is exposed to continuing uncertainty over the future of the Euro and the resultant market volatility. The Group has undertaken a risk assessment and is developing a series of risk mitigation strategies, to supplement existing hedging activity detailed below, to assist in insulating itself against future Eurozone instability.

Balance sheet Euro translation exposure is currently 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 28 January 2012									
Net debt before fair value adjustments and financing derivatives	**(134)**	**7**	**(183)**	**290**	**(189)**	**2**	**90**	**11**	**(106)**
Fair value adjustments to net debt	**(8)**	**–**	**(3)**	**–**	**(38)**	**–**	**–**	**–**	**(49)**
Financing derivatives	**81**	**(892)**	**171**	**(97)**	**293**	**262**	**–**	**249**	**67**
Net debt	**(61)**	**(885)**	**(15)**	**193**	**66**	**264**	**90**	**260**	**(88)**
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

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	2011/12 Net finance costs Income/ (costs)	2010/11 Net finance costs Income/ (costs)
Effect of 1% rise in interest rates on net finance costs		
Sterling	(9)	(12)
Euro	2	6
US Dollar	3	2
Polish Zloty	2	2
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.

£ millions	2011/12 Derivative cash flow hedges Increase/ (decrease)	2010/11 Derivative cash flow hedges Increase/ (decrease)
Effect of 10% appreciation in foreign exchange rates on derivative cash flow hedges		
US Dollar against Sterling	17	14
US Dollar against Euro	15	14

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 and 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 28 January 2012 and 29 January 2011 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.

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24 FINANCIAL RISK MANAGEMENT CONTINUED

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 28 January 2012							
Bank overdrafts	**(102)**	**–**	**–**	**–**	**–**	**–**	**(102)**
Bank loans	**(85)**	**(6)**	**(4)**	**(2)**	**(4)**	**–**	**(101)**
Medium Term Notes and other fixed term debt	**(191)**	**(47)**	**(87)**	**(10)**	**(52)**	**(125)**	**(512)**
Finance leases	**(14)**	**(13)**	**(11)**	**(9)**	**(6)**	**(35)**	**(88)**
Derivatives – receipts	**23**	**47**	**87**	**10**	**52**	**125**	**344**
Derivatives – payments	**(7)**	**(31)**	**(90)**	**(3)**	**(39)**	**(101)**	**(271)**
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 28 January 2012 the Group has an undrawn revolving facility of £200m which matures in August 2016. The £200m facility contains a covenant requiring that, as at the end of each annual and semi-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 28 January 2012.

Credit risk

The Group deposits surplus cash with a number of banks with the strongest short term credit ratings and with money market funds which have AAA credit ratings 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 28 January 2012, the highest cash deposit with a single counterparty was £63m (2010/11: £86m).

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 28 January 2012, trade and other receivables that are past due but not provided against amount to £62m (2010/11: £34m), of which £3m (2010/11: £3m) are over 120 days past due.

Refer also to note 35 for details on guarantees provided by the Group.

Capital risk

Capital risk management disclosures are provided in the Financial review on page 17.

25 DEFERRED TAX

£ millions	2011/12	2010/11
Deferred tax assets	23	27
Deferred tax liabilities	(269)	(238)
	(246)	(211)

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 30 January 2011	(98)	(161)	27	2	11	8	(211)
(Charge)/credit to income statement	(22)	16	8	6	(4)	1	5
Charge to equity	–	–	–	–	(36)	(6)	(42)
Exchange differences	5	1	(2)	(1)	(1)	–	2
At 28 January 2012	(115)	(144)	33	7	(30)	3	(246)
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 the balance sheet date, the Group has unused tax losses of £246m (2010/11: £268m) available for offset against future profits. A deferred tax asset has been recognised in respect of £23m (2010/11: £4m) of such losses. No deferred tax asset has been recognised in respect of the remaining £223m (2010/11: £264m) due to the unpredictability of future profit streams. Included in unrecognised tax losses are tax losses arising in China of £210m (2010/11: £213m) which can only be carried forward for up to five years. Other unrecognised 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 £114m (2010/11: £99m).

26 PROVISIONS

£ millions	Onerous property contracts	Restructuring	Total
At 30 January 2011	26	53	79
Credit to income statement	(2)	(2)	(4)
Utilised in the year	(5)	(15)	(20)
Unwinding of discount	2	2	4
At 28 January 2012	21	38	59
Current liabilities	4	12	16
Non-current liabilities	17	26	43
	21	38	59

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.

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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	2011/12	2010/11
Charge to operating profit	8	6

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.

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.

The UK scheme was closed to new entrants in 2004. In February 2012 the Group announced a proposal to close the UK final salary scheme to future benefit accrual with effect from 30 June 2012 and entered into a 60 day consultation period with active members of the scheme. At the same time the Group unveiled a plan to offer an enhanced defined contribution scheme to all its UK employees. It is anticipated that any reduction in cash contributions from closing the defined benefit scheme would be offset by higher employee participation in, and employer contributions to, the enhanced defined contribution scheme.

UK scheme interest in property partnership

On 30 June 2011 the Group entered into the second phase of an arrangement with the UK scheme Trustee to address an element of the scheme deficit and provide greater security to the Pension Trustee. This followed the first phase that had been entered into in January 2011.

In the prior year, 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 an investment of £78m made by the scheme Trustee in January 2011, which has been followed by a further investment of £106m in June 2011. These investments followed Group contributions of the same amounts into the scheme. Under IAS 19, 'Employee benefits', the investments held by the scheme in Kingfisher SLP do not represent plan assets for the purposes of the Group's consolidated financial statements. Accordingly the pension deficit position does not reflect these investments. 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 market values of £83m and £119m were transferred, in January 2011 and June 2011 respectively, 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. The payments to the scheme by Kingfisher SLP over this term are 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

	2011/12			2010/11		
£ millions	UK	Other	Total	UK	Other	Total
Amounts charged to operating profit						
Current service cost	24	5	29	23	4	27
Amounts charged/(credited) to net finance costs						
Interest on defined benefit obligations	90	3	93	90	2	92
Expected return on pension scheme assets	(94)	(1)	(95)	(84)	(1)	(85)
Net interest (return)/charge	(4)	2	(2)	6	1	7
Total charged to income statement	20	7	27	29	5	34

Of the charge to operating profit, £22m (2010/11: £21m) and £7m (2010/11: £6m) 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 2011/12	Other 2011/12	Total 2011/12	UK 2010/11	Other 2010/11	Total 2010/11
Present value of defined benefit obligations	**(1,902)**	**(60)**	**(1,962)**	(1,646)	(57)	(1,703)
Fair value of scheme assets	**1,927**	**20**	**1,947**	1,625	20	1,645
Surplus/(deficit) in scheme	**25**	**(40)**	**(15)**	(21)	(37)	(58)

The amount of the defined benefit obligation at 28 January 2012 which relates to funded defined benefit schemes is £1,962m (2010/11: £1,703m).

Movements in the surplus or deficit are as follows:

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

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

£ millions	UK 2011/12	Other 2011/12	Total 2011/12	UK 2010/11	Other 2010/11	Total 2010/11
Present value of defined benefit obligations at beginning of year	**(1,646)**	**(57)**	**(1,703)**	(1,666)	(50)	(1,716)
Current service cost	**(24)**	**(5)**	**(29)**	(23)	(4)	(27)
Interest on defined benefit obligations	**(90)**	**(3)**	**(93)**	(90)	(2)	(92)
Actuarial (losses)/gains	**(197)**	**2**	**(195)**	80	(6)	74
Contributions paid by employees	**(7)**	**–**	**(7)**	(8)	–	(8)
Benefits paid	**62**	**1**	**63**	61	4	65
Exchange differences	**–**	**2**	**2**	–	1	1
Present value of defined benefit obligations at end of year	**(1,902)**	**(60)**	**(1,962)**	(1,646)	(57)	(1,703)

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

£ millions	UK 2011/12	Other 2011/12	Total 2011/12	UK 2010/11	Other 2010/11	Total 2010/11
Fair value of scheme assets at beginning of year	**1,625**	**20**	**1,645**	1,495	23	1,518
Expected return on pension scheme assets	**94**	**1**	**95**	84	1	85
Actuarial gains on pension scheme assets	**215**	**–**	**215**	54	–	54
Contributions paid by employer	**48**	**1**	**49**	45	1	46
Contributions paid by employees	**7**	**–**	**7**	8	–	8
Benefits paid	**(62)**	**(1)**	**(63)**	(61)	(4)	(65)
Exchange differences	**–**	**(1)**	**(1)**	–	(1)	(1)
Fair value of scheme assets at end of year	**1,927**	**20**	**1,947**	1,625	20	1,645

The fair value of scheme assets is analysed as follows:

£ millions	UK 2011/12	Other 2011/12	Total 2011/12	% of total 2011/12	UK 2010/11	Other 2010/11	Total 2010/11	% of total 2010/11
Equities	**486**	**–**	**486**	**25%**	498	–	498	30%
Bonds	**1,298**	**–**	**1,298**	**67%**	959	–	959	59%
Property	**87**	**–**	**87**	**4%**	84	–	84	5%
Other	**56**	**20**	**76**	**4%**	84	20	104	6%
Total fair value of scheme assets	**1,927**	**20**	**1,947**	**100%**	1,625	20	1,645	100%

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27 POST EMPLOYMENT BENEFITS CONTINUED

The actual returns on pension scheme assets are as follows:

			2011/12			2010/11
£ millions	UK	Other	Total	UK	Other	Total
Actual return on pension scheme assets	**309**	**1**	**310**	138	1	139

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, before any impact of the proposed closure to future benefit accrual of the UK final salary scheme, is £49m. Should the final salary scheme close to future benefit accrual, these contributions would reduce accordingly.

Amounts for the current and previous four years

£ millions	2011/12	2010/11	2009/10	2008/09	2007/08
Present value of defined benefit obligations	**(1,962)**	(1,703)	(1,716)	(1,437)	(1,395)
Fair value of scheme assets	**1,947**	1,645	1,518	1,363	1,472
(Deficit)/surplus in scheme	**(15)**	(58)	(198)	(74)	77
Changes in assumptions underlying present value of defined benefit obligations	**(195)**	40	(226)	21	116
Percentage of defined benefit obligations	***10%***	*(2%)*	*13%*	*(1%)*	*(8%)*
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	**215**	54	61	(211)	(57)
Percentage of scheme assets	***11%***	*3%*	*4%*	*(15%)*	*(4%)*
Total gains/(losses) recognised in the statement of comprehensive income in the year	**20**	128	(165)	(191)	47
Cumulative losses recognised in the statement of comprehensive income	**(191)**	(211)			

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.

		2011/12		2010/11
Annual % rate	UK	Other	UK	Other
Discount rate	**4.5**	**4.6**	5.6	4.4
Salary escalation	**3.8**	**2.0 to 6.7**	4.3	2.0 to 6.7
Rate of pension increases	**3.0**	**–**	3.5	–
Price inflation	**3.0**	**2.0**	3.5	2.0

		2011/12		2010/11
% rate of return	UK	Other	UK	Other
Equities	**7.6**	**–**	8.5	–
Bonds	**3.4**	**–**	4.8	–
Property	**5.8**	**–**	6.9	–
Other	**2.6**	**3.5**	3.7	3.5
Overall expected rate of return	**4.5**	**3.5**	6.0	3.5

For the UK scheme, the mortality assumptions used in the actuarial valuations have been selected with regard to the characteristics and experience of the membership of the scheme from 2007 to 2010. The 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	2011/12	2010/11
Age to which current pensioners are expected to live (60 now)		
– Male	**86.4**	86.4
– Female	**87.1**	87.1
Age to which future pensioners are expected to live (60 in 15 years' time)		
– Male	**87.1**	87.1
– Female	**88.7**	88.7

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

Assumption	Change in assumption	Impact on defined benefit obligation
Discount rate	Increase/decrease by 0.1%	Decrease/increase by £36m
Salary escalation	Increase/decrease by 0.1%	Increase/decrease by £3m
Rate of pension increases	Increase/decrease by 0.1%	Increase/decrease by £24m
Price inflation	Increase/decrease by 0.1%	Increase/decrease by £36m
Mortality	Increase in life expectancy by one year	Increase by £57m

28 SHARE CAPITAL

	Number of ordinary shares millions	Ordinary share capital £ millions
At 30 January 2011	**2,364**	**371**
New shares issued under share schemes	**5**	**1**
At 28 January 2012	**2,369**	**372**
At 31 January 2010	2,362	371
New shares issued under share schemes	2	–
At 29 January 2011	2,364	371

29 OTHER RESERVES

£ millions	Cash flow hedge reserve	Translation reserve	Other	Total
At 30 January 2011	**(5)**	**385**	**159**	**539**
Currency translation differences				
Group	**–**	**(129)**	**–**	**(129)**
Joint ventures and associates	**–**	**(10)**	**–**	**(10)**
Cash flow hedges				
Fair value gains	**10**	**–**	**–**	**10**
Losses transferred to inventories	**8**	**–**	**–**	**8**
Tax on other comprehensive income	**(6)**	**1**	**–**	**(5)**
Other comprehensive income for the year	**12**	**(138)**	**–**	**(126)**
At 28 January 2012	**7**	**247**	**159**	**413**
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

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.

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30 SHARE-BASED PAYMENTS

	2011/12		2010/11	
	Options Number	Weighted average exercise price £	Options Number	Weighted average exercise price £
Outstanding at beginning of year	**77,771,222**	**0.42**	69,176,509	0.54
Granted during the year[1, 2]	**29,570,764**	**0.28**	22,327,629	0.20
Forfeited during the year	**(6,352,907)**	**0.83**	(7,768,309)	0.41
Exercised during the year	**(11,741,638)**	**0.56**	(5,087,464)	0.70
Expired during the year	**–**	**–**	(877,143)	2.14
Outstanding at end of year	**89,247,441**	**0.33**	77,771,222	0.42
Exercisable at end of year	**3,639,445**	**1.60**	3,108,255	2.15

1 The charge to the income statement for the years ended 28 January 2012 and 29 January 2011 in respect of share-based payments includes the first year's charge of the 2012 and 2011 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 Management Incentive Share Scheme 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 £2.55 (2010/11: £2.30). 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 3.6 years (2010/11: 2.1 years).

The Group recognised a total expense of £32m in the year ended 28 January 2012 (2010/11: £21m) 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	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
	12/04/11	2.60	–	3.5	40.9%	2.7%	1.8%	2.60
	06/05/11	2.80	–	3.5	40.6%	2.5%	1.4%	2.80
Performance Share Plan	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	–	2.5 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 3.0	–	–	–	2.47
	12/04/11	2.60	–	2.6	–	–	–	2.60
	17/06/11	2.65	–	3.5 to 4.5	–	–	–	2.65
	21/10/11	2.63	–	2.1 to 4.2	–	–	–	2.63
Kingfisher Retention Share Scheme	21/04/08	1.28	–	1.5 to 4.5	–	–	–	1.28
Store Management Incentive Share Scheme	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	27/10/05	2.01	1.76	5.5	35.0%	5.3%	4.4%	0.52
	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
	26/10/11	2.64	1.99	3.5	39.1%	2.9%	0.9%	0.54
	26/10/11	2.64	1.99	5.5	37.6%	2.9%	1.4%	0.42
Executive Share Option 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.

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31 CASH GENERATED BY OPERATIONS

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

32 NET DEBT

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

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

33 ACQUISITIONS

During the year the Group acquired non-controlling interests in three of its B&Q China subsidiaries for a cash consideration of £8m. In addition the Group acquired National Energy Services Limited in the UK for £2m.

34 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:

£ millions	2011/12	2010/11
Less than one year	**434**	411
One to five years	**1,555**	1,491
More than five years	**2,867**	2,975
	4,856	4,877

The total of future minimum operating sublease receipts expected to be received is £240m (2010/11: £102m).

Capital commitments

Capital commitments contracted but not provided for by the Group amount to £139m (2010/11: £83m).

35 CONTINGENT LIABILITIES

Kingfisher plc has an obligation to provide a bank guarantee for £50m (2010/11: £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.

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 28 January 2012 is £42m (2010/11: £34m). Of these guarantees, only £10m (2010/11: £10m) would crystallise due to possible future events not wholly within the Group's control.

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.

36 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:

	2011/12		2010/11	
£ 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	**0.9**	**1.0**	1.0	0.8
Transactions with Hornbach Holding A.G. in which the Group holds a 21% interest				
Commission and other income	**3.8**	**0.3**	3.6	0.4
Other expenses	**(0.3)**	**–**	(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	**7.0**	**1.5**	6.7	1.6
Transactions with Kingfisher Pension Scheme				
Provision of administrative services	**1.1**	**–**	1.4	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.

Other transactions with the Kingfisher Pension Scheme are detailed in note 27.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KINGFISHER PLC

We have audited the Group financial statements of Kingfisher plc for the year ended 28 January 2012 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 36. 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 28 January 2012 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 UK Corporate Governance 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 28 January 2012.

Panos Kakoullis
Senior Statutory Auditor

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
21 March 2012

ACCOUNTS

COMPANY BALANCE SHEET AT 28 JANUARY 2012

£ millions	Notes	2011/12	2010/11
Fixed assets			
Tangible fixed assets	3	–	–
Investments	4	**6,941**	6,770
		6,941	6,770
Current assets			
Debtors due within one year	5	**3,088**	2,890
Debtors due after more than one year	5	**75**	69
Cash at bank and in hand		**278**	446
		3,441	3,405
Current liabilities			
Creditors: amounts falling due within one year	6	**(5,318)**	(5,143)
Net current liabilities		**(1,877)**	(1,738)
Total assets less current liabilities		**5,064**	5,032
Non-current liabilities			
Creditors: amounts falling due after more than one year	7	**(315)**	(521)
Provisions for liabilities	8	**(6)**	(6)
		(321)	(527)
Net assets excluding net pension asset		**4,743**	4,505
Net pension asset	9	**6**	2
Net assets		**4,749**	4,507
Capital and reserves			
Called up share capital	10	**372**	371
Share premium account	11	**2,199**	2,194
Other reserves	11	**711**	711
Profit and loss account	11	**1,467**	1,231
Equity shareholders' funds	12	**4,749**	4,507

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

Ian Cheshire
Group Chief Executive

Kevin O'Byrne
Group Finance Director

ACCOUNTS

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 28 January 2012. Refer to the Directors' statement of responsibility on page 26.

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	2011/12	2010/11
Year end rate	**1.19**	1.16

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 3 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.

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.

ACCOUNTS

NOTES TO THE COMPANY FINANCIAL STATEMENTS

CONTINUED

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

(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 disclosed in note 7 of the Kingfisher plc consolidated financial statements. Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the Group financial statements disclose such fees on a consolidated basis. Details of the Company's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity was safeguarded are set out in the Audit Committee Report on page 31.

Dividend disclosures are provided in note 11 of the Kingfisher plc consolidated financial statements.

£ millions	2011/12	2010/11
Wages and salaries	**24**	22
Social security costs	**5**	4
Pensions		
Defined contribution	**1**	1
Defined benefit	**1**	1
Share-based compensation	**9**	5
Employee benefit expenses	**40**	33

Number	2011/12	2010/11
Average number of persons employed		
Administration	**170**	142

Directors' remuneration and details of share option exercises are disclosed in the Directors' Remuneration Report on pages 35 to 46. Total Directors' remuneration for the year is £4.4m (2010/11: £4.1m).

3 TANGIBLE FIXED ASSETS

£ millions	Land and buildings	Fixtures, fittings and equipment	Total
Cost			
At 30 January 2011	–	4	4
Additions	119	–	119
Disposals	(119)	–	(119)
At 28 January 2012	–	4	4
Depreciation			
At 30 January 2011	–	(4)	(4)
At 28 January 2012	–	(4)	(4)
Net carrying amount			
At 28 January 2012	–	–	–
At 29 January 2011	–	–	–

During the year, as part of the second phase 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 £119m from B&Q Properties Limited, which it subsequently sold to Kingfisher Scottish Limited Partnership.

4 INVESTMENTS

£ millions	Investments in Group undertakings
At 30 January 2011	6,770
Additions	173
Impairment losses	(2)
At 28 January 2012	6,941

Additions to investments in Group undertakings represent £160m (2010/11: £nil) of capital injections into a number of subsidiary undertakings as part of Group restructuring activities undertaken.

During the year, as part of the second phase of an arrangement with the pension scheme Trustee described in note 27 of the consolidated financial statements, the Company invested £13m in Kingfisher Properties Investments Ltd.

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.

ACCOUNTS

NOTES TO THE COMPANY FINANCIAL STATEMENTS

CONTINUED

4 INVESTMENTS CONTINUED

	Country of incorporation and operation	% interest held and voting rights	Class of share owned	Main activity
B&Q plc	Great Britain	100%	Ordinary & special[1]	Retailing
B&Q Properties Limited	Great Britain	100%	Ordinary	Property investment
Halcyon Finance Ltd[2]	Great Britain	100%	Ordinary	Finance
Kingfisher Information Technology Services (UK) Limited[2]	Great Britain	100%	Ordinary	IT services
Screwfix Direct Limited	Great Britain	100%	Ordinary	Retailing
Sheldon Holdings Limited[2]	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.[3]	France	100%	Ordinary	Retailing
Castorama Dubois Investissements S.C.A.[3,4]	France	100%	Ordinary	Holding company
Castorama France S.A.S.[3]	France	100%	Ordinary	Retailing
Eurodépôt Immobilier S.A.S.[3]	France	100%	Ordinary	Property investment
Immobilière Castorama S.A.S.[3]	France	100%	Ordinary	Property investment
Kingfisher France S.A.S.[3]	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
Castim Sp.z.o.o.[3]	Poland	100%	Ordinary	Property investment
Castorama Polska Sp.z.o.o.[3]	Poland	100%	Ordinary	Retailing
Castorama RUS LLC[6]	Russia	100%	Ordinary	Retailing
Euro Dépôt España S.A.U.[3]	Spain	100%	Ordinary	Retailing

1 The special shares in B&Q plc are owned 100% by Kingfisher plc and are non-voting.
2 Held directly by Kingfisher plc.
3 Owing to local conditions, these companies prepare their financial statements to 31 January.
4 Castorama Dubois Investissements S.C.A. is 100% owned, of which 45% is held directly by Kingfisher plc.
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	2011/12	2010/11
Amounts falling due within one year		
Owed by Group undertakings	**3,014**	2,862
Corporation tax	**64**	11
Derivatives	**8**	15
Other debtors	**2**	2
	3,088	2,890
Amounts falling due after more than one year		
Derivatives	**65**	62
Deferred tax assets	**10**	7
	75	69

6 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

£ millions	2011/12	2010/11
Medium Term Notes and other fixed term debt	**172**	–
Derivatives	**1**	1
Owed to Group undertakings	**5,097**	5,095
Accruals and other payables	**48**	47
	5,318	5,143

7 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

£ millions	2011/12	2010/11
Borrowings		
Medium Term Notes and other fixed term debt	**306**	504
	306	504
Derivatives	**9**	17
	315	521
Borrowings fall due for repayment as follows:		
One to two years	**34**	178
Two to five years	**131**	145
More than five years	**141**	181
	306	504

8 PROVISIONS FOR LIABILITIES

£ millions	Onerous property contracts
At 30 January 2011	**6**
At 28 January 2012	**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.

ACCOUNTS

NOTES TO THE COMPANY FINANCIAL STATEMENTS

CONTINUED

9 NET PENSION ASSET

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	2011/12	2010/11
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 28 January 2012.

On 30 June 2011 the Company entered into the second phase of 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 £106m to the scheme and subsequently recharged the other participating Group entities based on their share of pensionable payroll, resulting in a net cash contribution of £3m.

The scheme was closed to new entrants in 2004. In February 2012 the Company announced a proposal to close the final salary scheme to future benefit accrual with effect from 30 June 2012 and entered into a 60 day consultation period with active members of the scheme. At the same time the Company unveiled a plan to offer an enhanced defined contribution scheme to all employees. It is anticipated that any reduction in cash contributions from closing the defined benefit scheme would be offset by higher employee participation in, and employer contributions to, the enhanced defined contribution scheme.

Profit and loss account

£ millions	2011/12	2010/11
Amounts charged to operating profit		
Current service cost	1	1
Amounts charged/(credited) to net finance costs		
Interest on defined benefit obligation	3	2
Expected return on pension scheme assets	(3)	(2)
Net interest return	–	–
Total charged to profit and loss account	1	1

Balance sheet

£ millions	2011/12	2010/11
Present value of defined benefit obligation	(55)	(45)
Fair value of scheme assets	62	47
Net pension asset before deferred tax	7	2
Related deferred tax liability	(1)	–
Net pension asset	6	2

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

£ millions	2011/12	2010/11
Present value of defined benefit obligation at beginning of year	(45)	(49)
Current service cost	(1)	(1)
Interest on defined benefit obligation	(3)	(2)
Actuarial (losses)/gains	(8)	4
Benefits paid	2	3
Present value of defined benefit obligation at end of year	(55)	(45)

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

£ millions	2011/12	2010/11
Fair value of scheme assets at beginning of year	**47**	44
Expected return on pension scheme assets	**3**	2
Actuarial gains	**9**	–
Contributions paid by employer	**5**	4
Benefits paid	**(2)**	(3)
Fair value of scheme assets at end of year	**62**	47

The fair value of scheme assets is analysed as follows:

	2011/12		2010/11	
	£ millions	% of total	£ millions	% of total
Equities	**14**	**23%**	14	30%
Bonds	**38**	**61%**	27	57%
Property	**3**	**5%**	2	4%
Other	**7**	**11%**	4	9%
Total fair value of scheme assets	**62**	**100%**	47	100%

The actual returns on pension scheme assets are as follows:

£ millions	2011/12	2010/11
Actual return on pension scheme assets	**12**	2

The estimated amount of contributions expected to be paid to the pension scheme by the Company during the next financial year is £1m.

Amounts for current and previous four years

£ millions	2011/12	2010/11	2009/10	2008/09	2007/08
Present value of defined benefit obligation	**(55)**	(45)	(49)	(41)	(41)
Fair value of scheme assets	**62**	47	44	40	44
Net pension asset/(liability) before deferred tax	**7**	2	(5)	(1)	3
Changes in assumptions underlying present value of defined benefit obligation	**(8)**	2	(6)	1	3
Percentage of defined benefit obligation	***15%***	*(4%)*	*12%*	*(2%)*	*(7%)*
Experience gains arising on defined benefit obligations	**–**	2	–	–	–
Percentage of defined benefit obligation	**–**	*(4%)*	–	–	–
Actual return less expected return on pension scheme assets	**9**	–	1	(7)	(2)
Percentage of scheme assets	***15%***	–	*2%*	*(18%)*	*(5%)*
Total gains/(losses) recognised in the profit and loss reserve in the year	**1**	4	(5)	(6)	1
Cumulative losses recognised in the profit and loss reserve	**(13)**	(14)			

ACCOUNTS

NOTES TO THE COMPANY FINANCIAL STATEMENTS

CONTINUED

9 NET PENSION ASSET CONTINUED

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	2011/12	2010/11
Discount rate	**4.5**	5.6
Salary escalation	**3.8**	4.3
Rate of pension increases	**3.0**	3.5
Price inflation	**3.0**	3.5

% rate of return	2011/12	2010/11
Equities	**7.6**	8.5
Bonds	**3.4**	4.8
Property	**5.8**	6.9
Other	**4.9**	3.7
Overall expected rate of return	**4.6**	6.0

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

10 CALLED UP SHARE CAPITAL

	Number of ordinary shares millions	Ordinary share capital £ millions
At 30 January 2011	**2,364**	**371**
New shares issued under share schemes	**5**	**1**
At 28 January 2012	**2,369**	**372**

11 RESERVES

£ millions	Share premium account	Other reserves	Profit and loss account	Total
At 30 January 2011	2,194	711	1,231	4,136
Profit for the year	–	–	510	510
Actuarial gains on defined benefit pension scheme	–	–	1	1
Share-based compensation	–	–	9	9
New shares issued under share schemes	5	–	–	5
Own shares issued under share schemes	–	–	11	11
Own shares purchased	–	–	(117)	(117)
Dividends	–	–	(178)	(178)
At 28 January 2012	2,199	711	1,467	4,377

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 28 January 2012 is £134m (2010/11: £42m).

12 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

£ millions	2011/12	2010/11
Profit/(loss) for the year	510	(20)
Dividends	(178)	(129)
	332	(149)
Actuarial gains on defined benefit pension scheme	1	4
Tax on items recognised directly in equity shareholders' funds	–	(1)
Share-based compensation	9	5
New shares issued under share schemes	6	3
Own shares issued under share schemes	11	7
Own shares purchased	(117)	–
Net increase/(decrease) in equity shareholders' funds	242	(131)
Equity shareholders' funds at beginning of year	4,507	4,638
Equity shareholders' funds at end of year	4,749	4,507

ACCOUNTS

NOTES TO THE COMPANY FINANCIAL STATEMENTS

CONTINUED

13 SHARE OPTIONS

Options to subscribe under the various schemes for ordinary shares of $15^{5}/_{7}$p, including those held by the executive Directors disclosed in the Directors' Remuneration Report on pages 35 to 46, are shown below:

	Date of grant	Exercisable from	Exercise price £	2011/12 Options Number	2010/11 Options Number
Kingfisher Incentive Share Scheme	21/04/08	21/04/11	–	**–**	2,237,612
	21/04/09	21/04/12	–	**2,620,537**	2,749,334
	06/04/10	06/04/13	–	**2,472,705**	2,492,904
	05/05/10	05/05/13	–	**5,841,849**	6,199,727
	12/04/11	12/04/14	–	**4,237,554**	–
	06/05/11	06/05/14	–	**722,680**	–
				15,895,325	13,679,577
Restricted Awards	20/11/08	01/04/12	–	**20,000**	20,000
	01/04/09	01/04/12	–	**70,000**	70,000
	01/06/09	09/05/11	–	**–**	4,463
	10/08/09	04/07/11	–	**–**	7,929
	06/04/10	21/04/11	–	**42,190**	42,190
	06/04/10	21/04/12	–	**65,835**	65,835
	06/04/10	21/04/13	–	**19,762**	19,762
	30/04/10	21/04/11	–	**–**	12,065
	30/04/10	21/04/12	–	**12,065**	12,065
	24/08/10	24/08/13	–	**23,095**	23,095
	10/01/11	21/04/12	–	**–**	4,192
	18/01/11	09/06/13	–	**6,815**	6,815
	21/02/11	01/06/12	–	**12,533**	–
	21/02/11	01/06/13	–	**21,268**	–
	21/02/11	01/06/14	–	**4,557**	–
	21/02/11	01/06/15	–	**1,709**	–
	26/04/11	21/04/12	–	**49,308**	–
	03/01/12	31/05/12	–	**17,308**	–
	03/01/12	31/05/13	–	**6,344**	–
	03/01/12	31/05/14	–	**10,300**	–
				383,089	288,411
Performance Share Plan	01/10/07	01/10/10	–	**–**	106,226
	01/02/08	01/02/11	–	**–**	1,271,132
	01/02/08	01/02/12	–	**1,257,267**	1,271,132
	21/04/08	21/04/12	–	**8,870,842**	9,437,283
	24/07/08	24/07/12	–	**1,460,627**	1,419,213
	01/10/08	01/10/11	–	**721,402**	700,948
	01/10/08	01/02/12	–	**721,402**	700,948
	01/10/08	01/10/12	–	**1,382,616**	1,346,220
	21/04/09	21/04/12	–	**3,900,823**	3,785,833
	30/10/09	21/04/12	–	**623,860**	671,317
	30/10/09	21/04/13	–	**289,681**	281,469
	05/05/10	05/05/13	–	**9,143,902**	9,154,859
	21/10/10	21/04/12	–	**52,258**	50,778
	21/10/10	05/05/13	–	**69,776**	67,800
	12/04/11	05/05/13	–	**160,208**	–
	17/06/11	17/06/14	–	**9,075,581**	–
	17/06/11	17/06/15	–	**9,075,677**	–
	21/10/11	05/05/13	–	**59,297**	–
	21/10/11	17/06/14	–	**159,021**	–
	21/10/11	17/06/15	–	**159,021**	–
				47,183,261	30,265,158

	Date of grant	Exercisable from	Exercise price £	2011/12 Options Number	2010/11 Options Number
Kingfisher Retention Share Scheme	21/04/08	21/04/11	–	–	892,500
	21/04/08	21/04/12	–	**1,530,000**	1,700,000
				1,530,000	2,592,500
Store Management Incentive Share Scheme	21/04/09	21/04/11	–	–	1,732,667
	21/04/09	21/04/12	–	**6,093,077**	6,579,941
	30/10/09	21/04/12	–	**1,187,642**	1,208,840
				7,280,719	9,521,448
UK and International Sharesave	27/10/05	01/12/10	1.76	–	170,453
	26/10/06	01/12/11	1.97	**198,143**	636,289
	01/11/07	01/12/10	1.55	–	420,335
	01/11/07	01/12/12	1.55	**865,966**	1,008,945
	29/10/08	01/12/11	1.09	**712,663**	5,560,311
	29/10/08	01/12/13	1.09	**3,292,782**	3,773,705
	03/11/09	01/12/12	1.72	**2,579,091**	3,496,313
	03/11/09	01/12/14	1.72	**1,192,388**	1,600,509
	28/10/10	01/12/13	1.87	**1,460,422**	1,598,554
	28/10/10	01/12/15	1.87	**694,101**	747,473
	26/10/11	01/12/14	1.99	**3,370,553**	–
	26/10/11	01/12/16	1.99	**643,891**	–
				15,010,000	19,012,887
Executive, International Executive and Phantom Share Option Schemes	26/09/01	26/09/04	2.10	–	413,247
	26/09/01	26/09/05	2.07	–	471,031
	09/04/02	09/04/05	2.90	**1,194,689**	1,271,925
	09/04/02	09/04/06	2.86	**701,976**	701,976
	08/10/02	08/10/05	1.95	**763,347**	962,923
	08/10/02	08/10/06	1.95	**521,309**	587,119
	17/04/03	17/04/06	2.38	**1,365,947**	1,710,578
	17/04/03	17/04/07	2.38	**599,100**	700,663
				5,146,368	6,819,462
Total				**92,428,762**	82,179,443

The Kingfisher Incentive Share Scheme ('KISS') and Performance Share Plan are described as part of the Directors' Remuneration Report on pages 35 to 46. Restricted 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 Share Scheme.

The Store Management Incentive Share Scheme provided provisional awards to store managers in 2009 with vesting dates of 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 similar lines to 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.

ACCOUNTS

NOTES TO THE COMPANY FINANCIAL STATEMENTS

CONTINUED

13 SHARE OPTIONS CONTINUED

The Employee Share Ownership Plan Trust ('ESOP')

The ESOP is funded by an interest free loan from the Company of £148m (2010/11: £45m) 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 Share Scheme, Store Management Incentive Share Scheme. Executive, International Executive and Phantom Share Option Schemes.

The ESOP's shareholding at 28 January 2012 is 46 million shares (2010/11: 12 million shares) with a nominal value of £7m (2010/11: £2m) and a market value of £119m (2010/11: £30m). 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 (2010/11: £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 Company has arranged for certain bank guarantees to be provided to third parties in the ordinary course of business. The total amount outstanding at 28 January 2012 was £4m (2010/11: £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	2011/12 Income/ (expense)	2011/12 Receivable/ (payable)	2010/11 Income/ (expense)	2010/11 Receivable/ (payable)
Transactions with wş Yapi Marketleri Ticaret A.S. in which the Group holds a 50% interest				
Commission and other income	0.4	0.4	0.3	0.3
Transactions with Hornbach Holding A.G. in which the Group holds a 21% interest				
Commission and other income	0.1	–	–	–
Other expenses	(0.3)	–	(0.2)	–
Transactions with Kingfisher Pension Scheme:				
Provision of administrative services	1.1	–	1.4	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 35 to 46.

Other transactions with the Kingfisher Pension Scheme are detailed in note 9.

ACCOUNTS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KINGFISHER PLC

We have audited the Company financial statements of Kingfisher plc for the year ended 28 January 2012 which comprise the 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 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 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 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 Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 January 2012;
- 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 MATTERS 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 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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 28 January 2012 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 Auditor
London, United Kingdom
21 March 2012

ACCOUNTS

GROUP FIVE YEAR FINANCIAL SUMMARY

£ millions	2007/08[1] 52 weeks	2008/09 52 weeks	2009/10 52 weeks	2010/11 52 weeks	2011/12 52 weeks
Income statement					
Sales	9,050	10,026	10,503	10,450	**10,831**
Retail profit	469	503	664	762	**882**
Central costs	(40)	(41)	(41)	(41)	**(43)**
Share of interest and tax of joint ventures and associates	(5)	(16)	(17)	(17)	**(20)**
Operating profit before exceptional items	424	446	606	704	**819**
Net finance costs before financing fair value remeasurements	(67)	(78)	(59)	(34)	**(12)**
Adjusted pre-tax profit	357	368	547	670	**807**
Exceptional items	4	(273)	17	(6)	**(12)**
Financing fair value remeasurements	5	(5)	2	7	**2**
Profit before taxation	366	90	566	671	**797**
Income tax expense	(114)	(88)	(181)	(180)	**(158)**
Profit from continuing operations	252	2	385	491	**639**
Balance sheet					
Goodwill and other intangible assets	2,617	2,469	2,465	2,481	**2,520**
Property, plant and equipment and investment property	3,727	3,723	3,636	3,664	**3,722**
Investments in joint ventures and associates	204	219	234	259	**271**
Net current liabilities[2]	(23)	(278)	(648)	(576)	**(290)**
Post employment benefits	77	(74)	(198)	(58)	**(15)**
Other net non-current liabilities[2]	(319)	(257)	(284)	(324)	**(393)**
Capital employed	6,283	5,802	5,205	5,446	**5,815**
Equity shareholders' funds	4,713	4,783	4,945	5,452	**5,719**
Non-controlling interests	11	15	10	8	**8**
Net debt/(cash)	1,559	1,004	250	(14)	**88**
Capital employed	6,283	5,802	5,205	5,446	**5,815**
KPIs					
Like-for-like sales growth	2.8%	(4.1%)	(1.5%)	(0.9%)	**1.3%**
Effective tax rate	31%	31%	30%	29%	**28%**
Basic earnings per share (pence)	10.9	0.2	16.5	21.0	**27.5**
Adjusted basic earnings per share (pence)	10.6	11.0	16.4	20.5	**25.1**
Dividend per share (pence)	7.25	5.325	5.5	7.07	**8.84**
Gross capital expenditure[3]	513	390	256	310	**450**

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 Net current liabilities and other net non-current liabilities reported above exclude any components of net debt/(cash).
3 Excluding business acquisitions.

SHAREHOLDER INFORMATION

ANNUAL GENERAL MEETING
The Annual General Meeting of Kingfisher plc will be held on Thursday, 14 June 2012 at 11.00am at the Paddington London Hilton Hotel, 146 Praed Street, London W2 1EE.

FINANCIAL CALENDAR
The proposed financial calendar for 2012/13 is as follows:

First quarter results	31 May 2012
Pre-close first half trading	19 July 2012
Interim results to 28 July 2012	12 September 2012
Third quarter results	29 November 2012
Fourth quarter results	February 2013
Preliminary results to 2 February 2013	March 2013

REGISTRAR
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone: 0870 702 0129
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, should 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.

SHARE DEALING FACILITIES
Shareholders have the opportunity to buy or sell Kingfisher plc shares using a share dealing facility operated by the Registrar.

- Telephone share dealing: Commission is 1%, plus £35, 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 1%, subject to a minimum charge of £30, 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. We have have become aware some 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

	£ per ordinary share*		Dollars per ADR**	
Financial Year	High	Low	High	Low
2011/12	2.87	2.17	9.34	6.91
2010/11	2.72	1.96	8.16	5.93
2009/10	2.47	1.18	8.24	3.15
2008/09	1.53	0.91	5.45	3.53
2007/08	2.84	1.15	11.45	4.49

* 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.

DIVIDEND
The interim dividend for the financial year ended 28 January 2012 of 2.47p per share was paid on 11 November 2011. The table below provides the payment information for the final dividend of 6.37p per share, subject to shareholder approval at the Annual General Meeting on 14 June 2012:

Ex-dividend date	2 May 2012
Record date	4 May 2012
Final date for return of DRIP mandate forms/ currency elections	24 May 2012
Euro exchange rate notification	25 May 2012
Payment date and DRIP purchase	18 June 2012

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 Registrars; 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.

SHAREHOLDER INFORMATION
CONTINUED

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
Shareholders who have not yet elected to receive shareholder documentation in electronic form, can sign up by visiting www.investorcentre.co.uk/ecomms and registering their details. When registering for electronic communications, shareholders will be sent an email each time the Company publishes statutory documents, providing a link to the information.

Electing for electronic communications does not mean that shareholders cannot obtain hard copy documents. Should shareholders require a paper copy of any of the Company's shareholder documentation, they should contact the Registrar at the address stated under the section headed 'Registrar'.

CORPORATE WEBSITE
Shareholders are encouraged to visit Kingfisher's corporate website (www.kingfisher.com). The website includes information about the Company, its strategy and business performance, latest news and press releases and approach to corporate governance. The Investor Relations section is a key tool for shareholders with information on share prices, financial results, shareholder meetings and dividends, this section also contains frequently asked questions and copies of the current and past annual reports.

Kingfisher has an Investor Relations app for the iPad. The app provides access to the latest share price information, corporate news, financial reports, presentations, corporate videos and earnings webcasts both online and offline. It is updated with the latest financial information at the same time as the corporate website. To discover more, download it free from the App store.

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

Kathryn Hudson
Kingfisher plc
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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 the Company's next phase of development known as 'Creating the Leader' and its associated eight steps.

Forward-looking statements can be identified by the use of relevant terminology including the words: "believes", "estimates", "anticipates", "expects", "intends", "plans", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology and include all matters that are not historical facts. They appear in a number of places throughout this 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.

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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